

**ZULULAND DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**Approval of annual financial statements**

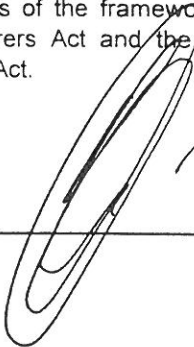
I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 39, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs's determination in accordance with this Act.

\_\_\_\_\_  
Municipal Manager:

DATE

2009/11/30



**ZULULAND DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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**ZULULAND DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2009

	Note	2009 R	2008 R RESTATED
<b>ASSETS</b>			
<b>Current assets</b>		<b>128,643,430</b>	<b>184,401,778</b>
Cash and cash equivalents	1	77,662,763	166,113,783
Trade and other receivables from exchange transactions	2	3,632,779	8,194,517
Other receivables from non-exchange transactions	3	4,565,066	1,504,380
Inventories	4	904,467	-
Prepayments	5	1,630,454	-
Current portion of receivables	6	73,144	136,975
VAT receivable	11	40,174,755	8,452,123
<b>Non-current assets</b>		<b>1,072,622,161</b>	<b>908,927,487</b>
Non-current receivables	6	859,404	855,046
Property, plant and equipment	7	1,071,383,311	907,500,620
Intangible assets	8	379,446	571,821
<b>Total assets</b>		<b>1,201,265,591</b>	<b>1,093,329,265</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>83,762,427</b>	<b>92,746,664</b>
Trade and other payables from exchange transactions	9	40,585,645	34,553,219
Consumer deposits	10	3,264,522	1,030,223
Bank overdraft	1	-	1,613,878
Current portion of unspent conditional grants and receipts	12	34,818,336	54,431,932
Current portion of borrowings	13	1,168,370	1,030,976
Current portion of finance lease liability	14	96,225	86,436
Other current financial liabilities	0	3,829,329	-
<b>Non-current liabilities</b>		<b>4,363,769</b>	<b>5,628,364</b>
Non-current borrowings	13	4,078,983	5,247,353
Non-current finance lease liability	14	284,786	381,011
<b>Total liabilities</b>		<b>88,126,196</b>	<b>98,375,028</b>
<b>Net assets</b>		<b>1,113,139,395</b>	<b>994,954,237</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)		1,113,139,397	994,954,235
<b>Total net assets</b>		<b>1,113,139,397</b>	<b>994,954,235</b>

<b>ZULULAND DISTRICT MUNICIPALITY</b>			
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>			
for the year ending 30 June 2009			
	Note	2009 R	2008 R <b>RESTATED</b>
<b>Revenue</b>			
Service charges	16	18,321,998	17,659,663
Rental of facilities and equipment	17	83,345	78,229
Interest earned - external investments	18	21,194,644	17,617,716
Interest earned - outstanding receivables	19	271,592	-
Government grants and subsidies	20	350,874,413	268,357,953
Public contributions and donations	22.2	70,000	-
Other income	22.1	460,612	452,997
<b>Total revenue</b>		<b>391,276,604</b>	<b>304,166,558</b>
<b>Expenses</b>			
Employee related costs	23	59,638,236	50,734,427
Remuneration of councilors	24	4,934,083	5,017,271
Collection costs		297,009	91,829
Depreciation and amortisation expense	25	30,028,894	-
Repairs and maintenance		19,276,561	17,085,116
Finance costs	26	832,563	3,391,489
Bulk purchases	27	25,188,286	20,014,825
Contracted services	28	3,008,486	-
Grants and subsidies paid	29	813,167	709,639
General expenses	30	123,347,501	201,193,370
<b>Total expenses</b>		<b>267,364,786</b>	<b>298,237,966</b>
Gain / (loss) on sale of assets	30.1	60,897	-
<b>Surplus / (deficit) for the period</b>		<b>123,972,714</b>	<b>5,928,591</b>

**ZULULAND DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2009

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R	R
<b>Balance at 30 June 2007</b>	-	68,118,937	68,118,937	41,288,012	109,406,949
<i>Other items: Income received during the year/ Appropriations</i>		171,022,909	171,022,909	2,025,700	173,048,609
<i>Other items: Expenditure for the year</i>		(139,984,020)	(139,984,020)		(139,984,020)
Surplus / (deficit) for the period				5,928,591	5,928,591
<b>Balance at 30 June 2008</b>	-	99,157,826	99,157,826	49,242,303	148,400,129
Changes in accounting policy	33	(99,157,826)	(99,157,826)	946,191,449	847,033,623
Correction of prior period error	37			(479,518)	(479,518)
<b>Restated balance 2008</b>	-	-	-	994,954,235	994,954,235
Transfers to / from accumulated surplus/(deficit)	38			(5,787,552)	(5,787,552)
Surplus / (deficit) for the period				123,972,714	123,972,714
<b>Balance at 30 June 2009</b>	-	-	-	1,113,139,397	1,113,139,397

**ZULULAND DISTRICT MUNICIPALITY**

**CASH FLOW STATEMENT**

as at 30 June 2009

	Note	2009 R	2008 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			<b>RESTATED</b>
<b>Receipts</b>		<b>339,015,385</b>	-
Cash Received from consumers, government and c	31.1	339,015,385	-
<b>Payments</b>		<b>(251,301,484)</b>	-
Cash Paid to employee costs, supplier and other	31.2	(251,301,484)	-
<b>Net cash flows from operating activities</b>	31	<b>87,713,901</b>	<b>1,092,083,724</b>
<b>Interest Received</b>		<b>21,194,644</b>	<b>17,617,716</b>
<b>Finance Cost</b>		<b>(832,563)</b>	<b>(3,391,489)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Net cash flows from investing activities</b>		<b>(193,658,314)</b>	<b>(940,027,553)</b>
Purchase of fixed assets		(193,850,689)	(939,448,968)
Purchase of intangible assets		192,375	(578,585)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Repayment of borrowings</b>		<b>(1,168,369)</b>	<b>(1,030,976)</b>
Proceeds from finance lease liability		9,789	83,891
Repayment of finance lease liability		(96,225)	398,929
		<b>(86,837,137)</b>	<b>165,734,242</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>(86,837,142)</b>	<b>165,734,242</b>
Net cash and cash equivalents at beginning of period		164,499,905	(1,234,337)
Net cash and cash equivalents at end of period	32	77,662,763	164,499,905

**ZULULAND DISTRICT MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2009

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

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

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

These standards are summarised as follows:-

- GRAP 1 : Presentation of Financial Statements
- GRAP 2 : Cash Flow Statements
- GRAP 3 : Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 : The effects of Changes in Foreign Exchange Rates
- GRAP 5 : Borrowing Costs
- GRAP 6 : Consolidated and separate Financial Statements
- GRAP 7 : Investments in Associates
- GRAP 8 : Interests in Joint Ventures
- GRAP 9 : Revenue from Exchange Transactions
- GRAP 10 : Financial Reporting in Hyperinflationary Economies
- GRAP 11 : Construction Contracts
- GRAP 12 : Inventories
- GRAP 13 : Leases
- GRAP 14 : Events After the Reporting Date
- GRAP 16 : Investment Property
- GRAP 17 : Property, Plant and Equipment
- 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

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

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

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

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 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.

## 1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. 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.

### Prior Year Comparatives:

Due to the implementation of Grap, prior period amounts have been reclassified. The reclassification is due to the change in Accounting Policy and the reclassification is depicted in the change in Accounting policy note.

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

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

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

## 2 PROPERTY, PLANT AND EQUIPMENT

### 2.1 INITIAL RECOGNITION

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

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

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

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

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



## 2.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

## 2.3 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. Depreciation on new acquisitions is charged to the statement of financial performance in the financial year in which the asset is available for use. The annual depreciation rates are based on the following estimated average asset lives:

### Infrastructure

Water	15-70 years
Sewerage	15-70 years

### Community

Buildings	30 years
Recreational Facilities	20-30 years

### Heritage assets

Paintings and artifacts	Indefinite
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### Finance lease assets

Office equipment	5 years
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### Other

Buildings	30 years
Specialist vehicles	7 years
Other vehicles	7 years
Office equipment	3-7 years
Furniture and fittings	7 years
Emergency equipment	10 years
Computer equipment	5 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and adjusted where necessary. 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.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

#### 2.4 DERECOGNITION

Items of Property, plant and equipment are 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.

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

#### 2.5 DIRECTIVE 4

Zululand District Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of property plant and equipment as set out in paragraphs 73 to 83.

### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

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

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

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

#### 3.3 AMORTISATION AND IMPAIRMENT

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

Computer software	5-7 years
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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.

The municipality tests intangible assets with finite useful lives 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 an intangible asset 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.

### 3.4 DERECOGNITION

Intangible assets are 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 intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 3.5 DIRECTIVE 4

Zululand District Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of intangible asset as set out in paragraphs 110 to 118.

## 4 INVENTORIES

### 4.1 INITIAL RECOGNITION

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

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

### 4.2 SUBSEQUENT MEASUREMENT

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

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

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

### 4.3 DIRECTIVE 4

Zululand District Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of inventories as set out in paragraphs 45 to 52.

## 5 FINANCIAL INSTRUMENTS

### 5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

### 5.2 SUBSEQUENT MEASUREMENT

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

#### 5.2.1 INVESTMENTS

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### 5.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### 5.2.3 TRADE PAYABLES AND BORROWINGS

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

#### 5.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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

### 6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 7 IRREGULAR EXPENDITURE

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

## 8 FRUITLESS AND WASTEFUL EXPENDITURE

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

## 9 LEASES

### 9.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition.

### 9.2 MUNICIPALITY AS LESSOR

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

## 10 REVENUE

### 10.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to water is based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly by the system if the reading was not obtained. The provisional estimates of consumption are recognised as revenue when invoiced. The system automatically reverse the provisional readings, when the reading has been captured on the system.

Interest revenue is recognised on a time proportion basis.

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

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

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

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

#### 10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

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

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

#### 10.3 GRANTS, TRANSFERS AND DONATIONS

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

### 11 TRANSITIONAL PROVISIONS

Zululand District Municipality has taken advantage of the transitional provision permitted by the Accounting Standards Board, as set out in Directive 4 Issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements-paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions-paragraphs 37-38
GRAP 12	Inventories-paragraph 45-52
GRAP 13	Leases-paragraph 55-60
GRAP 17	Property, Plant and Equipment-paragraphs 73-83
GRAP 19	Provision, Contingent Liabilities and Contingent Assets-paragraph 93-94E
GRAP 102	Intangible Assets-paragraph 110-118

The municipality has developed a plan to implement the above transitional provisions within the window period established in Directive 4. Progress will be evaluated each reporting period.

### 12 BORROWING COSTS

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

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>1 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		4,200	5,000
Cash at bank		12,591,509	-
Call deposits		65,067,055	166,108,783
		77,662,763	166,113,783
The Municipality has the following bank accounts: -			
<b><u>Current Account (Primary Bank Account)</u></b>			
ABSA BANK-Newcastle Branch: 4047162045			
Cash book balance at beginning of year		1,612,797	
Cash book balance at end of year		12,595,709	1,612,797
Bank statement balance at beginning of year		10,696,797	16,308,670
Bank statement balance at end of year		29,835,617	10,696,797
<b><u>Cash on hand</u></b>		4,200	5,000
Total cash and cash equivalents		77,662,763	166,113,783
Total bank overdraft		-	1,613,878
<b><u>Investments</u></b>			
Absa		40,067,055	83,758,008
FNB		25,000,000	42,350,775
STD			40,000,000
Total Investments		65,067,055	166,108,783
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
	Gross Balances	Provision for	Net Balance
	R	Doubtful Debts	R
		R	
<b><u>Trade receivables</u></b>			
as at 30 June 2009			
Service debtors			
Water	25,153,684	21,960,263	3,193,421
Other Receivables	439,359	-	439,359
<b>Total</b>	<b>25,593,043</b>	<b>21,960,263</b>	<b>3,632,779</b>
as at 30 June 2008			
Service debtors			
Water	17,326,086	9,131,569	8,194,517
<b>Total</b>	<b>17,326,086</b>	<b>9,131,569</b>	<b>8,194,517</b>
<b><u>Other receivables</u></b>	2,658,145	2,658,145	-
<b>Other receivables</b>	<b>2,658,145</b>	<b>2,658,145</b>	<b>-</b>

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b><u>Water and Sewerage: Ageing</u></b>			
Current (0 – 30 days)		1,513,336	2,895,204
31 - 60 Days		1,446,822	1,589,158
61 - 90 Days		981,561	991,855
91 - 120 Days		1,745,274	11,849,870
121 - 365 Days		19,154,251	
+ 365 Days			
<b>Total</b>		<b>24,841,244</b>	<b>17,326,087</b>

**Summary of Debtors by Customer Classification**

	Consumers	Industrial / Commercial/ National & Provincial Government	
	R	R	
<b>as at 30 June 2009</b>			
Current (0 – 30 days)	995,805	517,531	
31 - 60 Days	844,005	602,817	
61 - 90 Days	645,846	335,715	
91 - 120 Days	1,319,457	425,817	
121 - 365 Days	17,028,410	2,125,841	
+ 365 Days			
Sub-total	<b>20,833,524</b>	<b>4,007,721</b>	-
Less: Provision for doubtful debts			
<b>Total debtors by customer classification</b>	<b>20,833,524</b>	<b>4,007,721</b>	-

**as at 30 June 2008**

Current (0 – 30 days)	1,952,803	798,656	
31 - 60 Days	831,838	566,925	
61 - 90 Days	615,830	337,350	
91 - 120 Days	693,106	171,697	
121 - 365 Days	10,277,571	1,080,310	
+ 365 Days			
Sub-total	<b>14,371,148</b>	<b>2,954,938</b>	-
Less: Provision for doubtful debts			
<b>Total debtors by customer classification</b>	<b>14,371,148</b>	<b>2,954,938</b>	-

**2 Reconciliation of the doubtful debt provision**

Balance at beginning of the year	9,468,567	4,102,906
Contributions to provision	15,149,841	5,365,661
Doubtful debts written off against provision	-	-
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>24,618,408</b>	<b>9,468,567</b>



**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>			
Other debtors		4,565,066	1,504,380
<b>Total Other Debtors</b>		<b>4,565,066</b>	<b>1,504,380</b>
<b>4 INVENTORIES</b>			
<b>Closing balance of inventories:</b>		<b>904,467</b>	-
Consumable stores		292,033	-
Water meters		525,600	-
Water		86,834	-
<b>5 PREPAYMENTS</b>			
Prepaid expenses		1,630,454	-
Includes fees paid for IMFO, lease rentals and provision of water to surrounding areas			
<b>6 NON-CURRENT RECEIVABLES</b>			
Car loans		31,268	104,979
Bursary Debtors		62,881	55,644
Other non-current receivables		838,399	831,399
		932,548	992,021
Less : Current portion transferred to current receivables		(73,144)	(136,975)
Car loans		(10,263)	-
Bursary Debtors		(62,881)	-
Other non-current receivables		-	(136,975)
<b>Total</b>		<b>859,404</b>	<b>855,046</b>

**Car Loans:** 2008-2009 Senior staff were entitled to car loans which attract interest @ 8 % per annum and which were repayable over a maximum period of 6 years. However since staff appointed in terms of S 57 of the Municipal System Act 2000 are excluded from the scheme but existing loans at date of appointment attract interest at the official rate of interest 2006. With effect from 1 July 2004 the Municipal Finance Management Act prohibited the granting of loans to staff members. Existing loans at the time of discontinuance are payable over the remaining contract period. The employees who have the outstanding balances on the car loans, failed to settle the amount on termination.

**Bursary Debtors:** Comprises staff members who have not met the conditions of the bursary and are obliged to repay the amount.

**Other non-current receivables:** Comprises of Eskom Deposit- which is payable when an application is made to connect a new water scheme to the Eskom supply line. The deposit can either be a bank guarantee or a cheque payment. Fuel Deposit, Rent Deposit & Ondini Motors.

**Fuel Deposit-** Comprises a deposit payable in advance to a service station due to the fact that fuel is not sold on credit.

**Rent Deposit-** this is the deposit payable in terms of the office lease agreement

**Ondini Motors-** this is the debtor in respect of misused petrol cards. The arrangements were made with the owner.

**ZULULAND DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

**7 PROPERTY, PLANT AND EQUIPMENT**

**7.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2008</b>	<b>400,000</b>	<b>26,925,030</b>	<b>873,212,330</b>	-	-	<b>6,523,260</b>	<b>440,000</b>	<b>907,500,620</b>
Cost/Revaluation	400,000	30,592,666	940,383,321	-	-	13,702,133	550,000	985,628,120
Correction of error (note 48)	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(3,667,636)	(67,170,991)	-	-	(7,178,873)	(110,000)	(78,127,500)
Acquisitions	70,000	-	64,313,884	-	-	8,522,306	-	72,906,190
Capital under Construction	-	-	120,991,494	-	-	-	-	120,991,494
Depreciation	-	(992,381)	(26,734,910)	-	-	(1,973,749)	(110,000)	(29,811,040)
Carrying value of disposals	-	-	-	-	-	<b>(203,953)</b>	-	<b>(203,953)</b>
Cost/Revaluation	-	-	-	-	-	(461,367)	-	(461,367)
Accumulated depreciation and impairment losses	-	-	-	-	-	257,414	-	257,414
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
<b>as at 30 June 2009</b>	<b>470,000</b>	<b>25,932,649</b>	<b>1,031,782,798</b>	-	-	<b>12,867,864</b>	<b>330,000</b>	<b>1,071,383,311</b>
Cost/Revaluation	470,000	30,592,666	1,125,688,699	-	-	21,763,072	550,000	1,179,064,437
Accumulated depreciation and impairment losses	-	(4,660,017)	(93,905,901)	-	-	(8,895,208)	(220,000)	(107,681,126)

**ZULULAND DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2008**

**7.2 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2007</b>	<b>400,000</b>	<b>24,555,498</b>	<b>662,036,749</b>	-	-	<b>8,294,199</b>	-	<b>695,286,446</b>
Cost/Revaluation	400,000	27,307,666	707,261,206	-	-	14,716,601	-	749,685,473
Correction of error (note 48)	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(2,752,168)	(45,224,457)	-	-	(6,422,402)	-	(54,399,027)
Acquisitions	-	3,285,000	233,122,115	-	-	790,974	550,000	237,748,088
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(915,468)	(21,946,534)	-	-	(1,990,091)	(110,000)	(24,962,093)
Carrying value of disposals	-	-	-	-	-	<b>(571,821)</b>	-	<b>(571,821)</b>
Cost/Revaluation	-	-	-	-	-	(1,805,441)	-	(1,805,441)
Accumulated depreciation and impairment losses	-	-	-	-	-	1,233,620	-	1,233,620
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
<b>as at 30 June 2008</b>	<b>400,000</b>	<b>26,925,030</b>	<b>873,212,330</b>	-	-	<b>6,523,260</b>	<b>440,000</b>	<b>907,500,620</b>
Cost/Revaluation	400,000	30,592,666	940,383,321	-	-	13,702,133	550,000	985,628,120
Accumulated depreciation and impairment losses	-	(3,667,636)	(67,170,991)	-	-	(7,178,873)	(110,000)	(78,127,500)

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2008 R
<b>8 INTANGIBLE ASSETS</b>		
<b>8.1 Reconciliation of carrying value</b>		
	<b>Computer Software R</b>	<b>Total R</b>
<b>as at 1 July 2008</b>	571,821	571,821
Cost	1,805,441	1,805,441
Accumulated amortisation and impairment losses	(1,233,620)	(1,233,620)
Acquisitions	25,480	25,480
Amortisation	(217,855)	(217,855)
<hr/>		
<b>as at 30 June 2009</b>	<b>379,446</b>	<b>379,446</b>
Cost	1,830,921	1,830,921
Accumulated amortisation and impairment losses	(1,451,475)	(1,451,475)

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Accrued Expenses		14,261,945	20,299,375
Trade creditors		6,729,149	-
Water Debtors with Credit Balances		480,585	-
Retention		16,399,631	11,873,810
Staff leave accrual		2,714,335	2,380,033
<b>Total creditors</b>		<b>40,585,645</b>	<b>34,553,219</b>
<b>10 CONSUMER DEPOSITS</b>			
Water		3,264,522	1,030,223
<b>Total consumer deposits</b>		<b>3,264,522</b>	<b>1,030,223</b>
<b>11 VAT RECEIVABLE</b>			
VAT receivable		40,174,755	8,452,123
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
<b>12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>			
<b>12.1 Unspent Conditional Grants from other spheres of Government</b>			
Municipal Infrastructure Grant		17,214,680	-
DWAF Bulk Implementation Grant			37,290,645
Municipal Development Info Services		415,971	1,000,000
Gumbi Land Settlement		226,971	500,000
GIS Shared Services		250,000	-
Spatial Development Planning		250,000	-
Development Admin.		250,000	-
LGSETA- Road Construction		20,000	-
LGSETA		139,363	141,961
Building for Sport & Recreation		454,884	747,478
Municipal Systems improvement Grant		360,344	1,179,548
Development Planning Shared Services		1,050,000	-
Belgrade MPCC (NATIONAL TREASURY)		2,791,656	-
Infrastructure Backlog Studies		455,318	1,658,444
Transport Plan		627,418	627,418
IDP		-	80,000
DPLG GIS Capacity			14,066
KZN Infrastructure Grant		450,000	450,000
Gijima KZN		206,753	2,699
Ulundi Airport		3,937,495	210,618
Ulundi Airport Resurfacing		0	1,854,350
P700 Infrastructure		108,634	427,656
Ulundi Tourism Hub		805,467	1,378,868
Project Consolidate: Nongoma		1,464,268	1,746,768
Shared Services		-	253,651
Cengeni Development		2,870,548	2,759,500
Indonsa		468,565	2,108,260
<b>Total Unspent Conditional Grants and Receipts</b>		<b>34,818,336</b>	<b>54,431,932</b>
<b>Current portion of unspent conditional grants and receipts</b>		<b>34,818,336</b>	<b>54,431,932</b>

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>13 BORROWINGS</b>			
INCA Loan		5,247,353	6,278,329
		<u>5,247,353</u>	<u>6,278,329</u>
Less: Current portion transferred to current liabilities		1,168,370	1,030,976
Annuity Loans		<u>1,168,370</u>	<u>1,030,976</u>
<b>Total borrowings</b>		<u><b>4,078,983</b></u>	<u><b>5,247,353</b></u>

Refer to Appendix A for more detail on borrowings.

**14 FINANCE LEASE LIABILITY**

2009	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>Amounts payable under finance leases</b>			
Within one year	183,867	87,642	96,225
Within two to five years	424,732	139,946	284,786
	<u>608,599</u>	<u>227,588</u>	<u>381,011</u>
Less: Amount due for settlement within 12 months (current portion)			<u>96,225</u>
			<u><b>284,786</b></u>

The average lease term is 5 years and the average effective borrowing rate is 30.06%. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

2008	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>Amounts payable under finance leases</b>			
Within one year	167,151	80,715	86,436
Within two to five years	608,599	227,588	381,011
	<u>775,750</u>	<u>308,303</u>	<u>467,447</u>
Less: Amount due for settlement within 12 months (current portion)			<u>86,436</u>
			<u><b>381,011</b></u>

The average lease term is 5 years and the average effective borrowing rate is 30.06%. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

**OTHER FINANCIAL LIABILITIES**

**16 OTHER CURRENT FINANCIAL LIABILITIES**

Other current financial liabilities	<u>3,829,329</u>	-
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**16 SERVICE CHARGES**

Sale of water	12,708,223	12,252,894
Sewerage and sanitation charges	5,613,775	5,406,769
<b>Total Service Charges</b>	<u><b>18,321,998</b></u>	<u><b>17,659,663</b></u>

**17 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities	83,345	78,229
<b>Total rentals</b>	<u><b>83,345</b></u>	<u><b>78,229</b></u>

**18 INTEREST EARNED - EXTERNAL INVESTMENTS**

Bank	21,194,613	17,617,716
Other	31	-
<b>Total interest</b>	<u><b>21,194,644</b></u>	<u><b>17,617,716</b></u>

**19 INTEREST EARNED - OUTSTANDING RECEIVABLES**

Debtors	271,592	-
<b>Total interest</b>	<u><b>271,592</b></u>	<u><b>-</b></u>

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>20 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	127,541,093	103,478,543
MIG Grant	129,313,320	92,981,557
KZNPA Salaries	3,887,974	-
DWAF Salaries	2,974,800	4,010,800
GIS Capacity Building	14,066	-
IDP Grant	80,000	-
Shared Services Internal Audit	253,651	-
Airport Resurfacing	1,854,350	-
P700 Infrastructure	319,022	-
LG SETA	2,598	-
Nongoma Project Consolidate	282,501	-
Infrastructure Backlog Studies	1,203,126	-
INDONSA	1,639,695	2,609,000
DWAF	61,684,391	39,047,300
Municipal Systems Improvement Grant	1,554,204	1,500,000
Sports grant	542,594	500,000
Finance Management Grant	500,000	500,000
Gijima KZN	426,094	1,065,243
Ulundi Airport	5,634,122	-
Cengeni	5,785,952	1,000,000
Ulundi Tourism Hub	573,401	1,080,000
Municipal Development Information System	584,029	1,000,000
Gumbi Land Settlement	273,029	500,000
Belgrade MPCC	600,000	-
Growth & Development Summit	100,000	-
DWAF Operation & maintenance	3,250,400	4,382,600
Other Government Grants and Subsidies		14,702,910
<b>Total Government Grant and Subsidies</b>	<b>360,874,413</b>	<b>268,357,953</b>
<b>21.1 Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All water consumers receive 6kl free basic water.		
<b>21.2 MIG Grant</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	146,528,000	92,981,557
Conditions met - transferred to revenue	(129,313,320)	(92,981,556.7)
<b>Conditions still to be met - remain liabilities</b>	<b>17,214,680</b>	<b>-</b>
MIG is implemented on a multi year programme and the conditions are met on a ongoing basis.		
<b>Other Conditional Government Grants and Subsidies</b>		
<b>Balance unspent at beginning of year</b>	54,431,932	-
Current year receipts	53,253,178	-
Conditions met - transferred to revenue	(90,081,454)	-
<b>Conditions still to be met - remain liabilities</b>	<b>17,603,656</b>	<b>54,431,932</b>
<b>21.3 Changes in levels of government grants</b>		
Based on the allocations set out in the Division of Revenue Act 2008, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
<b>22.1 Other income</b>		
	460,612	452,997
<b>Total Other Income</b>	<b>460,612</b>	<b>452,997</b>
<b>22.2 Public contributions and donations</b>		
Donations	70,000	-
<b>Total public contributions and donations</b>	<b>70,000</b>	<b>-</b>

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R	
<b>23 EMPLOYEE RELATED COSTS</b>			
Employee related costs - Salaries and Wages	41,229,809	35,039,856	
Employee related costs - Contributions for UIF, pensions and medical aids	7,392,498	7,286,085	
Travel, motor car, accommodation, subsistence and other allowances	3,968,871	4,062,101	
Housing benefits and allowances	438,181	385,115	
Overtime payments	3,343,929	2,347,902	
Other employee related costs	3,264,947	1,613,368	
<b>Total Employee Related Costs</b>	<b>59,638,236</b>	<b>50,734,427</b>	
<b>Remuneration of the Municipal Manager</b>			
Annual Remuneration	441,776	398,615	
Performance- and other bonuses	197,125	-	
Travel, motor car, accommodation, subsistence and other allowances	321,698	328,360	
Contributions to UIF, Medical and Pension Funds	156,439	139,516	
<b>Total</b>	<b>1,117,037</b>	<b>866,491</b>	
<b>Remuneration of the Chief Finance Officer</b>			
Annual Remuneration	250,800	250,800	
Performance- and other bonuses	131,745	-	
Travel, motor car, accommodation, subsistence and other allowances	418,911	376,525	
Contributions to UIF, Medical and Pension Funds	102,180	97,777	
<b>Total</b>	<b>903,636</b>	<b>726,102</b>	
<b>Remuneration of Individual Executive Directors</b>			
	<b>Technical Services</b>	<b>Corporate Services</b>	<b>Community Services</b>
	R	R	R
<b>2009</b>			
Annual Remuneration	262,762	221,040	299,067
Performance- and other bonuses	131,745	131,745	131,745
Travel, motor car, accommodation, subsistence and other allowances	520,557	527,899	485,129
Contributions to UIF, Medical and Pension Funds	74,063	246,559	103,236
<b>Total</b>	<b>989,127</b>	<b>1,127,241</b>	<b>1,018,177</b>
<b>2008</b>			
Annual Remuneration	250,800	212,077	254,405
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	406,794	427,674	384,259
Contributions to UIF, Medical and Pension Funds	71,533	87,435	92,143
<b>Total</b>	<b>729,127</b>	<b>727,186</b>	<b>730,807</b>
<b>24 REMUNERATION OF COUNCILLORS</b>			
Councillors	2,878,719	2,619,297	
Councillors' pension and medical aid contributions	411,662	307,008	
Councillors' allowances	1,643,702	2,090,966	
<b>Total Councillors' Remuneration</b>	<b>4,934,083</b>	<b>5,017,271</b>	
<b>In-kind Benefits</b>			
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 has use of the Council owned vehicle for official duties. The Mayor has full-time bodyguards.			
<b>25 DEPRECIATION AND AMORTISATION EXPENSE</b>			
Property, plant and equipment	29,811,040	-	
Intangible assets	217,855	-	
<b>Total Depreciation and Amortisation</b>	<b>30,028,895</b>	<b>-</b>	



**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>26 FINANCE COSTS</b>			
Borrowings		832,563	3,391,489
<b>Total Finance Costs</b>		<b>832,563</b>	<b>3,391,489</b>
<b>27 BULK PURCHASES</b>			
Electricity		7,913,901	5,376,760
Water		17,274,385	14,638,066
<b>Total Bulk Purchases</b>		<b>25,188,286</b>	<b>20,014,826</b>
<b>28 CONTRACTED SERVICES</b>			
Contracted services for:			
Security Services		2,444,020	
Cleaning Service		564,486	
		<b>3,008,486</b>	-
<b>29 GRANTS AND SUBSIDIES PAID</b>			
Grant/subsidy to Local Municipalities		813,167	709,639
		<b>813,167</b>	<b>709,639</b>
These grants comprise Tourism Grants to Local Municipalities and a Water Services Provider Grant to Abaqulusi Municipality			
<b>30 GENERAL EXPENSES</b>			
Included in general expenses are the following -			
Advertising		367,539	215,817
Audit fees		1,000,073	1,614,859
Bank charges		120,607	111,889
Cleaning		77,105	559,741
Conferences and delegations		4,446	5,164
Connection charges		315,623	-
Entertainment		361,688	195,093
Fuel and oil		3,529,067	2,333,525
Insurance		1,616,579	1,214,292
Membership fees		44,414	28,459
License fees		110,766	82,920
Membership fees		298,645	199,951
Postage		78,881	116,780
Printing and stationery		406,255	701,884
Professional fees		2,533,127	1,542,486
Rental of buildings		142,417	130,057
Rental of office equipment		120,443	347,250
Other rentals		564,722	222,976
Security costs		-	1,669,610
Accrued leave adjustment account		1,575,813	-
Skills development levies		541,298	401,333
Stocks and material		250,555	244,327
Subscription & publication		1,043,462	747,930
Telephone cost		2,024,928	1,440,082
Training		1,343,403	737,452
Community & social expenditure		62,490,637	-
Travel and subsistence		4,335,085	3,392,792
Uniforms & overalls		309,920	314,991
Grants expenditure		13,868,592	-
Other		23,871,411	182,621,709
		<b>123,347,501</b>	<b>201,193,370</b>
<b>30.1 GAIN / (LOSS) ON SALE OF ASSETS</b>			
Property, plant and equipment		60,897	-
<b>Total gain / (loss) on sale of assets</b>		<b>60,897</b>	<b>-</b>

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>31 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	123,972,714	5,928,592
Adjustment for:-		
Depreciation and amortisation	30,028,894	-
(Gain) / loss on sale of assets	(60,897)	-
Contribution to provisions - non-current	-	222,235
Contribution to provisions - current	832,563	3,391,489
Finance costs	-	1,109,240,791
Interest earned	(21,194,644)	(17,617,716)
Appropriation for the year	(5,787,552)	-
<b>Operating surplus before working capital changes:</b>	<b>127,791,079</b>	<b>1,101,166,391</b>
<b>Working Capital</b>	<b>(40,077,178)</b>	<b>(9,081,667)</b>
Increase in trade and other receivables from exchange transactions	4,561,737	1,061,068
Decrease in other receivables from non-exchange transactions	(3,060,686)	10,635,052
<b>Increase in current portion of receivables</b>	<b>63,831</b>	<b>69,822</b>
Increase in prepayments	(1,630,454)	1,175,245
(Increase)/decrease in VAT receivable	(31,722,632)	(8,452,123)
Increase in Inventory	(904,467)	-
Decrease in non-current receivables	(4,358)	(1,511)
Increase in trade and other payables from exchange transactions	6,032,426	1,984,292
Increase/(decrease) in consumer deposits	2,234,298	(517,968)
Increase in current provisions	-	-
Decrease in current portion of unspent conditional grants and receipts	(19,613,596)	(13,687,006)
Increase in current portion of borrowings	137,394	(1,348,538)
Decrease in other current financial liabilities	3,829,329	-
Appropriation for the year	-	-
(Increase)/decrease in inventories	-	-
<b>Cash generated by/(utilised in) operations</b>	<b>87,713,901</b>	<b>1,092,083,724</b>
<b>31.1 Cash receipts from consumers, government and other</b>		
<b>Total revenue per statement of financial performance</b>	<b>391,276,604</b>	<b>304,166,557.60</b>
<b>Adjusted for items disclosed separately</b>		
Interest received	(21,194,644)	-
<b>Adjusted for working capital</b>	<b>(31,065,575)</b>	<b>4,487,553</b>
Increase in trade and other receivables from exchange transactions	4,561,737	1,061,068.00
Decrease in other receivables from non-exchange transactions	(3,060,686)	10,635,052.00
Increase in current portion of receivables	63,831	69,822.00
(Increase)/decrease in VAT receivable	(31,722,632)	(8,452,123)
Increase in Inventory	(904,467)	1,175,245.00
Decrease in non-current receivables	(4,358)	(1,511.00)
<b>Cash receipts from consumers, government and other</b>	<b>339,015,385</b>	<b>308,654,111</b>
<b>31.2 Cash paid to employees, suppliers and other</b>		
<b>Total expenses as per statement of financial performance</b>	<b>(267,364,786)</b>	<b>298,237,966.03</b>
<b>Adjusted for non-cash items:</b>	<b>24,241,342</b>	<b>1,109,463,026</b>
Depreciation	30,028,894	-
Appropriations for the year	(5,787,552)	-
Contribution to provisions - current	-	222,235.00
Other adjustments	-	1,109,240,791.00
<b>Adjusted for items disclosed separately</b>	<b>832,663</b>	<b>-</b>
Finance Costs	832,663	-
<b>Adjusted for working capital</b>	<b>(9,010,603)</b>	<b>(13,569,220)</b>
Increase in prepayments	(1,630,454)	-
Increase in trade and other payables from exchange transactions	6,032,426	1,984,292.00
Decrease in current portion of unspent conditional grants and receipts	(19,613,596)	(13,687,006)
Increase/(decrease) in consumer deposits	2,234,298	(517,968)
Increase in current portion of borrowings	137,394	(1,348,538)
Decrease in other current financial liabilities	3,829,329	-
<b>Cash paid to employees, suppliers and other</b>	<b>(251,301,484)</b>	<b>1,394,131,772</b>

ZULULAND DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2009

Note	2009 R	2008 R
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**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>32 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		77,662,763	166,113,783
Bank overdrafts		-	(1,613,878)
<b>Net cash and cash equivalents (net of bank overdrafts)</b>		<u><u>77,662,763</u></u>	<u><u>164,499,905</u></u>
<b>33 CHANGE IN ACCOUNTING POLICY</b>			
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies, implementation of GRAP and changes to existing policies:			
<b>33.1 Reserves</b>			
<b>Balance previously reported: -</b>			
Project Development Fund			7,505,703
MIG			37,220,192
DWAF			37,290,645
Municipal Development Information services			1,000,000
Gumbi Land Settlement			500,000
LGSETA			141,961
Building for Sport and Recreation			747,478
Municipal Systems Improvement			1,179,548
Grant: Infrastructure Backlog Studies			1,658,444
Grant: Transport plan			627,418
Grant: IDP			80,000
Grant: DPLG GIS Capacity			14,066
KZN Infrastructure Grant			450,000
Gijima KZN			2,699
Ulundi Airport			210,618
Ulundi Airport Resurfacing			1,854,350
P700 Infrastructure			427,656
Ulundi Tourism Hub			1,378,868
Project Consolidate: Nongoma			1,746,768
Shared Services			253,651
Cengeni Development			2,759,500
Indonsa			2,108,260
Other reserves			-
Loans redeemed and other capital receipts			-
<b>Total</b>		-	<u><u>99,157,826</u></u>
<b>Implementation of GRAP</b>			
Transferred to accumulated surplus/(deficit)			44,725,895
Transferred to unspent conditional grants			54,431,932
<b>33.2 Provisions and Reserves</b>			
<b>Balance previously reported</b>			
Staff Bursary Reserve			138,889
Leave Provision			2,380,033
<b>Total</b>		-	<u><u>2,518,922</u></u>
<b>Implementation of GRAP</b>			
Transferred to accumulated surplus/(deficit)			138,889
Transferred to staff leave accrual			2,380,033
			<u><u>2,518,922</u></u>
<b>33.3 Loans Redeemed and other capital receipts</b>			
<b>Balance previously reported</b>			980,605,233
<b>Implementation of GRAP</b>			
Transferred to accumulated surplus/(deficit)			980,605,233
<b>Total</b>		-	<u><u>-</u></u>
<b>33.4 Property, plant and equipment</b>			
<b>Balance previously reported</b>			985,078,120
<b>Implementation of GRAP</b>			
Finance lease asset previously not recorded			550,000
<b>Total</b>		-	<u><u>985,628,120</u></u>

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>33.5 Accumulated Depreciation</b>		
Balance previously reported		
<b>Implementation of GRAP</b>		
Backlog depreciation: land and buildings		3,667,636
Backlog depreciation: infrastructure		67,170,991
Backlog depreciation: other		7,178,873
Finance lease asset		110,000
Amortisation of Intangible asset		1,233,620
<b>Total (debited to accumulated surplus/(deficit))</b>	<u>-</u>	<u>79,361,120</u>
<b>33.6 Accumulated Surplus/(Deficit)</b>		
Balance previously reported		49,242,304
<b>Implementation of GRAP</b>		
Adjustments to loans redeemed and other capital receipts (see 33.3 above)		980,605,233
Excessive provisions and reserves no longer permitted (see 33.2 above)		138,889
Finance charges on finance lease previously not recognised		(69,403)
Transferred from statutory funds (see 33.1 above)		44,725,895
Finance lease instalments previously expensed		151,956
Backlog depreciation (see 33.5 above)		(79,361,120)
<b>Total</b>	<u>-</u>	<u>995,433,753</u>
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>		
<b>34 MANAGEMENT ACT</b>		
<b>34.1 Contributions to organised local government</b>		
Opening balance		
Membership Fees	298,645	
<b>Balance unpaid (included in payables)</b>	<u>298,645</u>	-
<b>34.2 Audit fees</b>		
Amount paid - current year	1,000,073	871,712
<b>Balance unpaid (included in payables)</b>	<u>1,000,073</u>	<u>871,712</u>
<b>34.3 VAT</b>		
VAT input receivables and VAT output payables are shown in note 11. Not all VAT returns were submitted by the due date throughout the year but corrective measures are now in place.		
<b>34.4 PAYE and UIF</b>		
Opening balance	-	-
Current year payroll deductions	8,859,329	7,456,708.99
Amount paid - current year	(8,859,329)	(7,456,709)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<u>(0)</u>	-
<b>34.5 Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	11,403,966	8,894,803.24
Amount paid - current year	(11,403,966)	(8,894,803)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<u>(0)</u>	-

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R	
<b>34.6 Councillor's arrear consumer accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days as at:-	<b>Total</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>
	R	R	R
<b>as at 30 June 2009</b>			
Clr V Z KaMagwaza-Msibi	251	251	-
Clr S E Nkwanyana	2,399	92	2,307.00
<b>Total Councillor Arrear Consumer Accounts</b>	<b>2,651</b>	<b>343</b>	<b>2,307.00</b>
<b>as at 30 June 2008</b>			
Clr V Z Magwaza	324	218	-
Clr S E Nkwanyana	1,713	78	1,634.65
<b>Total Councillor Arrear Consumer Accounts</b>	<b>2,037</b>	<b>296</b>	<b>1,634.65</b>

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

	Highest Amount Outstanding R	Ageing Days
<b>as at 30 June 2009</b>		
Clr S E Nkwanyana	2,242	90x days
<b>as at 30 June 2008</b>		
Clr S E Nkwanyana	1,713	90x days

**35 CAPITAL COMMITMENTS**

**35.1 Commitments in respect of capital expenditure**

- Approved and contracted for infrastructure	148,870,973	99,157,827.00
	148,870,973	99,157,827.00
<b>Total</b>	<b>148,870,973</b>	<b>99,157,827.00</b>

This expenditure will be financed from:

- Government Grants	148,870,973	99,157,827.00
	148,870,973	99,157,827.00

**35.2 Operating leases**

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

**Operating leases - lessee**

Within one year	59,538
In the second to fifth year inclusive	51,628
<b>Total</b>	<b>111,166</b>

**36 RELATED PARTIES**

Members of key management (refer to note 22)  
Compensation to councillors and other key management (refer to note 22 & 23)

**37 CORRECTION OF ERROR**

During the year ended 30 June 2008, fuel and oil for the 07/08 financial was erroneously recorded as an expense in the 2008/2009 financial year.

The comparative amount has been restated as follows:

Corrections of prior year fuel and oil recorded as an expense in the current year	479,518
Decrease in Fuel and Oil	51,628
Net effect on surplus/(deficit) for the year	479,518
Net effect on accumulated surplus opening balance	(479,518)

**38 APPROPRIATIONS FOR THE YEAR**

Appropriation for the year is used to record transactions that affect the accumulated surplus. These include prior year cheques not cancellable/ issuable against the line item from which it was issued, journals.

**ZULULAND DISTRICT MUNICIPALITY**  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS**  
as at 30 June 2009

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS-INCA LOAN@12.91%		31/03/2013	6,278,328	-	1,030,975	5,247,353		
Total long-term loans			<b>6,278,328</b>	-	<b>1,030,975</b>	<b>5,247,353</b>		
<b>TOTAL EXTERNAL LOANS</b>			<b>6,278,328</b>	-	<b>1,030,975</b>	<b>5,247,353</b>		

ZULULAND DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R				R
Land	400,000	70,000	-	-	470,000	-	-	-	-	-	-	-	-	470,000
Land	400,000	70,000	-	-	470,000	-	-	-	-	-	-	-	-	470,000
Buildings	30,592,666	-	-	-	30,592,666	(3,667,636)	(992,381)	-	-	(4,660,017)	-	-	-	25,932,649
Infrastructure														
Water & Sewerage Inst	639,375,026	2,629,492	-	17,038,667	659,043,185	(44,346,346)	(17,177,674)	-	-	(61,524,020)	-	-	-	597,519,185
Water & Sewerage Pipes	301,008,295	61,684,391	-	103,952,828	466,645,514	(22,824,645)	(9,557,236)	-	-	(32,381,881)	-	-	-	434,263,633
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	940,383,321	64,313,884	-	120,991,494	1,125,688,699	(67,170,991)	(26,734,910)	-	-	(93,905,901)	-	-	-	1,031,782,798
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artefacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	971,375,987	64,383,884	-	120,991,494	1,156,751,365	(70,838,627)	(27,727,291)	-	-	(98,565,918)	-	-	-	1,058,185,447



ZULULAND DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Total brought forward</b>	<b>971,375,987</b>	<b>64,383,884</b>	<b>-</b>	<b>120,991,494</b>	<b>1,156,751,365</b>	<b>(70,838,627)</b>	<b>(27,727,291)</b>	<b>-</b>	<b>-</b>	<b>(98,565,918)</b>	<b>-</b>	<b>-</b>	<b>1,058,185,447</b>
<b>Other Assets</b>													
Office Equipment	982,365	216,771	-	-	1,199,136	(551,994)	(134,870)	-	-	(686,864)	-	-	512,272
Furniture & Fittings	253,391	23,865	-	-	277,256	(182,863)	(25,547)	-	-	(208,410)	-	-	68,846
Emergency Equipment	139,475	-	-	-	139,475	(14,674)	(13,948)	-	-	(28,622)	-	-	110,853
Motor vehicles	8,678,671	8,869,723	(461,367)	-	15,087,027	(4,331,529)	(1,386,467)	257,414	-	(5,460,582)	-	-	9,626,445
Computer Equipment	2,685,649	1,411,948	-	-	4,097,597	(1,856,023)	(367,724)	-	-	(2,223,747)	-	-	1,873,850
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	962,582	-	-	-	962,582	(241,790)	(45,193)	-	-	(286,983)	-	-	675,599
	<b>13,702,133</b>	<b>8,522,306</b>	<b>(461,367)</b>	<b>-</b>	<b>21,763,072</b>	<b>(7,178,873)</b>	<b>(1,973,749)</b>	<b>257,414</b>	<b>-</b>	<b>(8,895,208)</b>	<b>-</b>	<b>-</b>	<b>12,867,864</b>
<b>Finance Lease Assets</b>													
Office Equipment	550,000	-	-	-	550,000	(110,000)	(110,000)	-	-	(220,000)	-	-	330,000
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>550,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>550,000</b>	<b>(110,000)</b>	<b>(110,000)</b>	<b>-</b>	<b>-</b>	<b>(220,000)</b>	<b>-</b>	<b>-</b>	<b>330,000</b>
<b>Total</b>	<b>985,628,120</b>	<b>72,906,190</b>	<b>(461,367)</b>	<b>120,991,494</b>	<b>1,179,064,437</b>	<b>(78,127,500)</b>	<b>(29,811,040)</b>	<b>257,414</b>	<b>-</b>	<b>(107,681,126)</b>	<b>-</b>	<b>-</b>	<b>1,071,383,311</b>

ZULULAND DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2008

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R				
Land	400,000	-	-	-	400,000	-	-	-	-	-	-	-	-	400,000
Land	400,000	-	-	-	400,000	-	-	-	-	-	-	-	-	400,000
Buildings	27,307,666	3,285,000	-	-	30,592,666	(2,752,168)	(915,468)	-	-	(3,667,636)	-	-	-	26,925,030
Infrastructure														
Water & Sewerage Inst	484,624,669	154,750,357	-	-	639,375,026	(29,906,943)	(14,439,403)	-	-	(44,346,346)	-	-	-	595,028,680
Water & Sewerage Pipes	222,636,537	78,371,758	-	-	301,008,295	(15,317,514)	(7,507,131)	-	-	(22,824,645)	-	-	-	278,183,650
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	707,261,206	233,122,115	-	-	940,383,321	(45,224,457)	(21,946,534)	-	-	(67,170,991)	-	-	-	873,212,330
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artefacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	734,968,872	236,407,115	-	-	971,375,987	(47,976,625)	(22,862,002)	-	-	(70,838,627)	-	-	-	900,537,360

ZULULAND DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2008

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Total brought forward</b>	734,968,872	236,407,115	-	-	971,375,987	(47,976,825)	(22,862,002)	-	-	(70,838,627)	-	-	900,537,360
<b>Other Assets</b>													
Office Equipment	727,259	255,106	-	-	982,365	(438,948)	(113,048)	-	-	(551,994)	-	-	430,371
Furniture & Fittings	235,337	18,054	-	-	253,391	(156,381)	(26,482)	-	-	(182,863)	-	-	70,528
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	139,475	-	-	-	139,475	(650)	(14,024)	-	-	(14,674)	-	-	124,801
Motor vehicles	8,678,871	-	-	-	8,678,871	(3,168,243)	(1,163,286)	-	-	(4,331,529)	-	-	4,347,142
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2,258,841	427,007	-	-	2,685,649	(1,520,827)	(335,396)	-	-	(1,856,023)	-	-	829,626
Computer Software (part of computer equipment)	1,714,635	90,806	(1,805,441)	-	-0.00	(950,297)	(283,323)	1,233,620	-	-	-	-	(0)
Other Assets	962,582	-	-	-	962,582	(187,258)	(54,532)	-	-	(241,790)	-	-	720,792
	14,716,601	790,974	(1,805,441)	-	13,702,133	(6,422,402)	(1,990,091)	1,233,620	-	(7,178,873)	-	-	6,523,260
<b>Finance Lease Assets</b>													
Office Equipment	-	550,000	-	-	550,000	-	(110,000)	-	-	(110,000)	-	-	440,000
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	550,000	-	-	550,000	-	(110,000)	-	-	(110,000)	-	-	440,000
<b>Total</b>	749,685,473	237,748,088	(1,805,441)	-	985,828,120	(54,399,027)	(24,962,093)	1,233,620	-	(78,127,500)	-	-	907,500,620

**ZULULAND DISTRICT MUNICIPALITY**  
**APPENDIX C**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation				Carrying value R
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Executive & Council	30,715,120	8,592,306		(461,367)	38,846,059	(7,288,873)	(2,083,749)	257,414	(9,115,208)	29,730,851
Finance & Admin	2,995,580				2,995,580				-	2,995,580
Planning & Development	3,788,992				3,788,992				-	3,788,992
Health	12,966				12,966				-	12,966
Community & Social Services	343,507				343,507				-	343,507
Public Safety	2,173,787				2,173,787				-	2,173,787
Water	945,561,140	64,313,884	120,991,494		1,130,866,518	(70,838,627)	(27,727,291)		(98,565,918)	1,032,300,600
Electricity										
Other	37,027	-			37,027				-	-
<b>Total</b>	<b>985,628,119</b>	<b>72,906,190</b>	<b>120,991,494</b>	<b>(461,367)</b>	<b>1,179,064,436</b>	<b>(78,127,500)</b>	<b>(29,811,040)</b>	<b>257,414</b>	<b>(107,681,126)</b>	<b>1,071,383,310</b>

**ZULULAND DISTRICT MUNICIPALITY**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2009

2008			2009		
Actual Income	2008 Actual Expenditure	2008 Surplus / (Deficit)	Actual Income	2009 Actual Expenditure	2009 Surplus / (Deficit)
R	R	R	R	R	R
-	28,019,121	(28,019,121)	-	30,619,095	(30,619,095)
122,277,486	10,604,683	111,672,803	150,225,287	41,354,947	108,870,340
6,534,593	10,977,343	(4,442,750)	19,001,395	26,401,290	(7,399,895)
-	1,377,437	(1,377,437)	-	1,348,394	(1,348,394)
3,905,560	29,780,054	(25,874,494)	2,182,289	60,720,480	(58,538,191)
-	665,920	(665,920)	-	823,823	(823,823)
166,042,151	209,450,989	(43,408,838)	5,613,775	4,961,653	652,122
5,406,769	4,527,454	879,315	214,314,755	99,535,576	114,779,178
-	2,834,964	(2,834,964)	-	1,599,527	(1,599,527)
<b>304,166,559</b>	<b>298,237,965</b>	<b>5,928,594</b>	<b>391,337,501</b>	<b>267,364,786</b>	<b>123,972,715</b>
<b>304,166,559</b>	<b>298,237,965</b>	<b>5,928,594</b>	<b>391,337,501</b>	<b>267,364,786</b>	<b>123,972,715</b>

APPENDIX E(1) : ZULULAND DISTRICT MUNICIPALITY : (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual R'000	2009 Budget R'000	2009 Variance R'000	2009 Variance %	Explanation for variances
<b>REVENUE</b>					
Service Charges	18,321,998	15,835,573	2,486,425	16	Water consumed exceeded expectations.
Rental of facilities and equipment	83,345	-	83,345		Omitted from the budget
Interest earned- external investments	21,194,644	19,800,000	1,394,644	7	The level of investments and the rate fluctuated to the benefit of the district. An original budget of R12,000,000 was adjusted by R7,800,000 through the adjustments budget.
Interest earned- outstanding debtors	271,592	-	271,592		Not budgeted for but effected due the implementation og GRAP.
Fines					
Licences and permits					
Government Grants & Subsidies	350,874,413	386,090,991	-35,216,577	-9	The variance primarily comprises the unspent conditional grants
Public contributions and donations	70,000	-	70,000		Not expected at budget time
Other revenue	460,612	-	460,612		This comprises mainly tender income, telephone recovered and other income that could not be determined with certainty at budget time
Gains on disposal of property, plant and equipment	60,897	250,000	-189,103	-76	Vehicles that were expected to be sold were actually not sold during the year.
<b>TOTAL REVENUE</b>	<b>391,337,501</b>	<b>421,976,563</b>	<b>-30,639,062</b>		
<b>EXPENDITURE</b>					
Employee related costs	59,638,236	59,189,793	448,443	1	Overtime actual exceded the budgeted amount. Moreover, vacancies are budgeted for a full year and some are only filled after a few months have lapsed and as a result savings are achieved.
Remuneration of Councillors	4,934,083	4,680,846	253,237	5	Annual increments were higher than budgeted.
Collection costs	297,009	190,801	106,208	56	Only an estimate at budget time.
Depreciation	30,028,894	-	30,028,894	100	Depreciation not budgeted for as council was in the process of implementing a proper assets register at budget time. However, actual depreciation had to be calculated in terms of GRAP requirements.
Repairs and maintenance	19,276,561	23,286,641	-4,010,080	-17	Expenditure qualify as assets and thus capitalised in terms of GRAP
Bulk purchases	25,188,286	31,800,340	-6,612,054	-21	Savings were achieved on the bulk maintenance contract
Contracted services	3,008,486	3,079,117	-70,631	-2	
General expenses	123,347,501	128,723,295	-5,375,794	-4	Ward requirements were not purchased but budgeted as carry-over in 2009/2010.
Finance Cost	832,563	731,902	100,661	14	Finance lease interest expense budgeted as part of rent equipment.
Grants and subsidies paid	813,167	813,167	-		
<b>TOTAL EXPENDITURE</b>	<b>267,364,786</b>	<b>252,495,902</b>	<b>14,868,884</b>		
<b>SURPLUS / -DEFICIT FOR THE YEAR</b>	<b>123,972,715</b>	<b>169,480,661</b>	<b>-45,507,946</b>		

TABLE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2007/2008 financial statements	Adjustments and Transfers	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2008/2009 financial statements	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
				July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June					
				1	2	3	4		1	2	3	4					
Share	National Treasury	-	-	42 513 898	31 865 273	53 142 122	-	127 541 093	42 513 898	31 865 273	53 142 122	-	127 541 093	-	-	-	-
Grant	Art & Culture	2 106 280	-	-	-	-	-	-	305 637	220 748	384 213	-	1 639 895	488 505	-	-	YES
Salaries Grant	DWAF	-	-	804 000	804 000	804 000	582 800	2 974 800	1 851 748	1 323 052	-	-	2 874 800	-	-	-	YES
	DPLG	1 179 548	-	735 000	-	-	-	735 000	5 403	249 326	339 240	980 234	1 554 204	360 344	-	-	YES
Operation & Maintenance Grant	DWAF	-	-	956 000	956 000	968 200	869 200	3 250 400	67 784	163 399	133 557	2 885 600	3 250 400	-	-	-	YES
ered Services	DLGTA	-	-	250 000	-	-	-	250 000	-	-	-	-	-	250 000	-	-	YES
Planning	DLGTA	-	-	250 000	-	-	-	250 000	-	-	-	-	-	250 000	-	-	YES
ment Administration	DLGTA	-	-	250 000	-	-	-	250 000	-	-	-	-	-	250 000	-	-	YES
and Development Summit	DLGTA	-	-	250 000	-	-	-	250 000	-	-	-	-	-	250 000	-	-	YES
	DPLG	-	-	100 000	-	-	-	100 000	-	67 743	12 257	-	-	100 000	0	-	YES
plementation Grant	DWAF	37 290 845	-	40 020 733	19 907 000	85 930 287	20 870 000	146 528 000	4 435 710	41 893 748	29 520 111	53 883 601	129 313 170	17 214 831	-	-	YES
rant	Department of Sport & Recreation	747 478	-	-	5 108 080	7 862 120	7 865 000	20 455 200	-	10 282 367	1 071 078	50 330 947	81 664 381	(3 938 546)	-	-	YES
	National Treasury	-	-	250 000	-	-	-	250 000	135 175	15 304	-	-	542 584	454 884	-	-	YES
	LED	2 899	-	500 000	-	-	-	500 000	147 108	214 530	122 397	15 964	500 000	( 0)	-	-	YES
Voort Grant	Office Of the Premier	-	-	398 991	-	231 158	-	630 148	114 084	312 000	-	-	426 084	206 753	-	-	YES
ment Planning Shared Services	DLGTA	210 618	-	4 538 000	-	-	4 823 000	9 361 000	1 486 287	1 098 180	1 270 420	1 789 258	5 634 123	3 937 495	-	-	YES
Salaries		-	-	500 000	-	550 000	-	1 050 000	-	-	-	-	-	1 050 000	-	-	YES
Gate Development	DLGTA	2 759 500	-	-	3 887 874	-	-	3 887 874	-	-	-	3 887 874	3 887 874	( 0)	-	-	YES
Road Construction	DLGTA	-	-	-	4 100 000	1 787 000	-	5 887 000	445 850	284 035	1 100 000	3 956 068	5 785 952	2 870 548	-	-	YES
	LGSETA	-	-	-	-	-	20 000	20 000	-	-	-	-	-	20 000	-	-	YES
Hub	DLGTA	1 378 888	-	-	-	-	-	-	-	-	-	80 000	80 000	-	-	-	YES
Infrastructure	DLGTA	-	-	-	-	-	-	-	287 300	306 101	-	-	573 401	805 467	-	-	YES
Voort Resurfacing	DLGTA	427 656	-	-	-	-	-	-	-	319 022	-	-	319 022	108 634	-	-	YES
and Settlement	DLGTA	1 854 350	-	-	-	-	-	-	-	249 836	1 275 462	328 051	1 854 350	0	-	-	YES
Services Internal Audit	DLGTA	500 000	-	-	-	-	-	-	-	49 089	167 467	56 483	273 028	226 871	-	-	YES
Protect Consolidate	DLGTA	253 851	-	-	-	-	-	-	-	-	-	-	-	0	-	-	YES
Development Info Services	DLGTA	1 746 768	-	-	-	-	-	-	-	-	172 707	80 944	253 851	0	-	-	YES
Infrastructure	DLGTA	1 000 000	-	-	-	-	-	-	-	-	-	-	282 501	1 464 286	-	-	YES
Infrastructure	DLGTA	450 000	-	-	-	-	-	-	-	-	-	584 028	584 028	415 871	-	-	YES
Grant	LGSETA	141 861	-	-	-	-	-	-	-	-	-	-	-	450 000	-	-	YES
ulture Backlog Studies	DLGTA	1 658 444	-	-	-	-	-	850	850	850	850	850	2 588	139 363	-	-	YES
ansport Plan	Department of Transport	-	-	-	-	-	-	-	14 301	639 028	43 567	506 230	1 203 128	455 316	-	-	YES
ectry Building	DLGTA	14 066	-	-	-	-	-	-	-	-	-	-	-	827 418	-	-	YES
MPCC	National Treasury	-	-	3 381 856	-	-	-	3 381 856	14 066	-	-	-	14 066	-	-	-	YES
		54 431 932	-	96 468 078	86 648 327	130 785 867	34 430 000	327 322 271	81 818 973	88 381 437	88 385 247	120 228 106	350 874 262	30 879 841	-	-	
								327 322 271					350 874 262				
		54 431 932											350 874 262				
														3 938 546			
														34 818 488			

id as other debtors - Note 3  
 if grants at 30 June 2008 - Note 13

Reflected as other debtors - claims submitted awaiting settlement - Note 3  
 Unspent grants at 30 June 2008 - Note 13

reflected as unspent conditional grant represents grants on whose conditions have not yet been met.