



# **UMKHANYAKUDE DISTRICT MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

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

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# **UMKHANYAKUDE DISTRICT MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2009

## **Responsibilities and Approval**

I am responsible for the preparation of these annual financial statements which are set out on pages 1 to 24, and Appendix A, B, C, D, E(1), E(2) and F 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 21 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**S R Mathobela**  
**Acting Municipal Manager**

**Mkhuze**  
**25 November 2009**

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Statement of Financial Position

	Note(s)	2009 R	2008 R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	6	1 011 541	1 809 256
Other debtors	7	2 985 703	9 205 620
Vat receivable	8	-	18 657 201
Prepayments		142 278	-
Consumer debtors	9	42 709 358	27 213 439
Cash and cash equivalents	10	13 487 391	2 722 166
		<b>60 336 271</b>	<b>59 607 682</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	2	1 040 723 619	621 949 464
Investment in subsidiary	3	100	100
Long term receivables	4	255 071	245 473
Investments	5	89 508	12 115 547
		<b>1 041 068 298</b>	<b>634 310 584</b>
<b>Total Assets</b>		<b>1 101 404 569</b>	<b>693 918 266</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Investment loan		100	100
Trade and other payables	14	67 552 920	56 507 786
Vat payable	15	1 765 561	-
Consumer deposits	16	563 508	366 038
Unspent conditional grants and receipts	11	1 834 915	35 034 633
Provisions	12	397 980	788 598
Current portion of long - term liability	13	749 839	2 810 646
Bank overdraft	10	-	3 395 434
		<b>72 864 823</b>	<b>98 903 235</b>
<b>Non-Current Liabilities</b>			
Long - term liabilities	13	11 247 599	17 065 868
<b>Total Liabilities</b>		<b>84 112 422</b>	<b>115 969 103</b>
<b>Net Assets</b>		<b>1 017 292 147</b>	<b>577 949 163</b>
<b>Net Assets</b>			
Reserves			
Revaluation reserve		345 724 029	-
Government grant reserve		-	487 569 065
Accumulated surplus		671 568 119	90 380 099
<b>Total Net Assets</b>		<b>1 017 292 148</b>	<b>577 949 164</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Statement of Financial Performance

	Notes	2009 R	2008 R
<b>Revenue</b>			
Service charges	17	40 905 714	39 773 742
Rental income		87 744	36 613
Government grants	18	252 334 397	184 579 172
Interest received - investment	22	2 488 063	1 871 987
<b>Total Revenue</b>		<b>295 815 918</b>	<b>226 261 514</b>
<b>Expenditure</b>			
Employee related costs	20	(42 504 330)	(30 507 253)
Remuneration of councillors	21	(2 336 665)	(2 569 128)
Depreciation and amortisation		(8 773 778)	(19 987 949)
Impairment loss/ Reversal of impairments		(15 410 169)	-
Finance costs	23	(2 272 131)	(2 176 142)
Repairs and maintenance		(8 415 701)	(2 056 095)
Bulk purchases	26	(45 232 400)	(59 561 372)
Contracted services	24	(3 682 409)	(1 251 678)
Grant expenditure	25	(28 676 866)	(8 408 746)
General Expenses	19	(33 618 293)	(28 620 413)
<b>Total Expenditure</b>		<b>(190 922 742)</b>	<b>(155 138 776)</b>
Surplus or deficit on sale of assets and liabilities		-	(11 377)
<b>Surplus for the year</b>		<b>104 893 176</b>	<b>71 111 361</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Statement of Changes in Net Assets

	Capital replacement reserve R	Revaluation reserve R	Government grant reserve R	Total reserves R	Accumulated surplus/(deficit) R	Total net assets R
<b>Balance at 01 July 2007</b>	-	-	<b>409 051 274</b>	<b>409 051 274</b>	<b>93 868 929</b>	<b>502 920 203</b>
Changes in net assets						
Surplus for the year	-	-	-	-	71 111 361	71 111 361
Transfer to CRR	1 127 387	-	-	1 127 387	(786 818)	340 569
PPE purchased	(1 127 387)	-	-	(1 127 387)	786 818	(340 569)
Capital grants used to purchase PPE	-	-	95 745 082	95 745 082	(95 745 082)	-
Off setting of depreciation	-	-	(17 227 291)	(17 227 291)	17 227 291	-
Other adjustments	-	-	-	-	3 917 600	3 917 600
Total changes	-	-	78 517 791	78 517 791	(3 488 830)	75 028 961
Opening balance as previously reported	-	-	487 569 065	487 569 065	90 380 099	577 949 164
Adjustments						
Prior year adjustments	-	-	-	-	(2 744 513)	(2 744 513)
<b>Balance at 01 July 2008 as restated</b>	-	-	<b>487 569 065</b>	<b>487 569 065</b>	<b>87 635 586</b>	<b>575 204 651</b>
Changes in net assets						
Surplus for the year	-	-	-	-	104 893 176	104 893 176
Revaluation of assets	-	345 724 029	-	345 724 029	-	345 724 029
Write off of accumulated depreciation on revaluation and disposal of assets	-	-	-	-	6 388 057	6 388 057
Write off of loan	-	-	-	-	1 534 425	1 534 425
Offsetting of depreciation on revaluation and transfer of sports complex	-	-	(14 996 284)	(14 996 284)	-	(14 996 284)
Other adjustments	-	-	-	-	(1 455 906)	(1 455 906)
Transferred to Accumulated Surplus	-	-	(472 572 781)	(472 572 781)	472 572 781	-
Total changes	-	345 724 029	(487 569 065)	(141 845 036)	583 932 533	442 087 497
<b>Balance at 30 June 2009</b>	-	<b>345 724 029</b>	-	<b>345 724 029</b>	<b>671 568 119</b>	<b>1 017 292 148</b>

Note(s)

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Cash Flow Statement

	Note(s)	2009 R	2008 R
<b>Cash flows from operating activities</b>			
Cash receipts from customers		289 350 634	298 895 117
Cash paid to suppliers and employees		(186 150 212)	(199 176 711)
Cash generated from operations	27	103 200 422	99 718 406
Interest income		2 488 063	1 871 987
Finance costs		(2 272 131)	(2 176 142)
Prior year adjustments		(2 744 513)	-
<b>Net cash from operating activities</b>		<b>100 671 841</b>	<b>99 414 251</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(105 842 302)	(97 475 261)
Disposal of assets on revaluation	2	14 996 285	-
Movement of investments		12 026 039	(3 884 108)
Increase in long - term receivables		(9 598)	14 211
<b>Net cash from investing activities</b>		<b>(78 829 576)</b>	<b>(101 345 158)</b>
<b>Cash flows from financing activities</b>			
Movement in long - term liabilities		(7 879 076)	(2 645 660)
Movement in Consumer deposits		197 470	(65 170)
<b>Net cash from financing activities</b>		<b>(7 681 606)</b>	<b>(2 710 830)</b>
<b>Total cash movement for the year</b>		<b>14 160 659</b>	<b>(4 641 737)</b>
Cash at the beginning of the year		(673 268)	3 968 469
<b>Net increase (decrease) in cash and cash equivalents</b>	10	<b>13 487 391</b>	<b>(673 268)</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 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 otherwise specified. 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). 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 applicable disclosures have been based on the Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The municipality has utilised the transitional provisions set out in Directive 4 issued by the Accounting Standards Board.

The principle accounting policies adopted in the preparation of these financial statements are set out below.

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

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand.

#### 1.2 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an infinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

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

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

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

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



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 1.2 Property, plant and equipment (continued)

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.

### 1.3 Investments

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

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### 1.4 Financial instruments

#### Accounts receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Trade creditors

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

#### Cash and cash equivalents

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

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

### 1.5 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.

#### 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. This liability is not discounted.

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

### 1.6 Inventories

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

### 1.7 Impairment of assets

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 1.7 Impairment of assets (continued)

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

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

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

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

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

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

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

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.8 Employee benefits

#### Pension Obligations

Umkhanyakude District Council and its employees contribute to the Natal Joint Municipal Pension Fund, KwaZulu-Natal Joint Municipal Provident Fund and GEPF which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance,

1973 (Ordinance No.24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956 Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuations are performed at least every three years.

Whilst employees are employed by the municipality, the municipality contributes to their pension funds and medical aids. On termination, resignation or retirement of employees the municipality no longer contributes on their behalf and thus there are no post employment benefits.

### 1.9 Provisions and contingencies

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 1.9 Provisions and contingencies (continued)

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 present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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.

### 1.10 Revenue

Revenue from exchange transactions

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

Interest and rentals are recognised on a time proportion basis.

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

Revenue from non-exchange transactions

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

### 1.11 Borrowing costs

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

### 1.12 Comparative figures

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 1.12 Comparative figures (continued)

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

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

### 1.13 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.14 Fruitless and wasteful expenditure

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

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

### 1.15 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.

### 1.16 Reserves

#### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus/ (deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

This policy is applicable for the period ending 30 June 2008. This policy is not applicable in the current year in terms of new GRAP standards.

#### Government grant reserve

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

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

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 1.16 Reserves (continued)

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

This policy is applicable for the period ending 30 June 2008. This policy is not applicable in the current year in terms of the GRAP standards.

#### Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

### 1.17 Conditional Grants and receipts

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

### 1.18 Going concern assumption

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

## Notes to the Annual Financial Statements

2009  
R

2008  
R

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

Figures in Rand

### 2. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	700 000	-	700 000	700 000	-	700 000
Buildings	28 659 055	(3 876 632)	24 782 423	28 659 055	(3 927 404)	24 731 651
Infrastructure	337 750 902	(53 121 698)	284 629 204	337 750 902	(46 242 312)	291 508 590
Community	296 948 364	(1 371 163)	295 577 201	311 999 157	(1 370 461)	310 628 696
Other property, plant and equipment	3 742 508	(10 786 495)	(7 043 987)	3 264 332	(8 883 805)	(5 619 473)
Capital work in progress	105 376 860	-	105 376 860	-	-	-
Revaluation adjustments	300 799 287	35 902 631	336 701 918	-	-	-
<b>Total</b>	<b>1 073 976 976</b>	<b>(33 253 357)</b>	<b>1 040 723 619</b>	<b>682 373 446</b>	<b>(60 423 982)</b>	<b>621 949 464</b>

### Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Revaluations	Other changes, movements	Depreciation	Total
Land	700 000	-	-	-	-	-	700 000
Buildings	24 731 651	-	41 772	-	-	9 000	24 782 423
Infrastructure	291 508 590	-	-	-	-	(6 879 386)	284 629 204
Community	310 628 696	-	(15 038 057)	-	(12 736)	(702)	295 577 201
Other property, plant and equipment	(5 619 473)	526 037	-	-	(47 861)	(1 902 690)	(7 043 987)
Capital work in progress	-	105 376 860	-	-	-	-	105 376 860
Revaluation adjustments	-	-	-	300 799 287	35 902 631	-	336 701 918
	<b>621 949 464</b>	<b>105 902 897</b>	<b>(14 996 285)</b>	<b>300 799 287</b>	<b>35 842 034</b>	<b>(8 773 778)</b>	<b>1 040 723 619</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

2009  
R

2008  
R

### 2. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Other changes, movements	Depreciation	Total
Land	700 000	-	-	-	700 000
Buildings	26 410 593	(551 038)	(164 698)	(963 206)	24 731 651
Infrastructure	-	81 646 741	226 471 866	(16 610 017)	291 508 590
Community	-	16 162 166	295 030 475	(563 945)	310 628 696
Other property, plant and equipment	-	217 392	(3 986 084)	(1 850 781)	(5 619 473)
	<b>27 110 593</b>	<b>97 475 261</b>	<b>517 351 559</b>	<b>(19 987 949)</b>	<b>621 949 464</b>

Known Infrastructure assets have been revalued from 1 July 2008. This is a phased operation and other infrastructure assets are still included at nil value. These will be revalued in the following year. The municipality has utilised the transitional provisions set out in Directive 4 issued by the Accounting Standards Board.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

			2009 R	2008 R
<b>3. Investment in subsidiary</b>				
Name of company	Held by	% holding 2009	Carrying amount 2009	Carrying amount 2008
Umhlosinga Development Agency (Proprietary) Limited	Umkhanyakude District Municipality	100.00%	100	100
Issued share capital		100.00%	-	-
Percentage owned by council		100.00%	-	-
			<b>100</b>	<b>100</b>
<b>4. Long term receivables</b>				
Housing loan			1	85 101
Avis loan - Cllr L.M. Mthombeni			185 131	90 433
Vehicle loans			69 939	69 939
			<b>255 071</b>	<b>245 473</b>
<b>5. Investments</b>				
<b>Term deposit - ABSA</b>				
Call account - ABSA		-	89 508	3 336 743
Term deposit - ABSA		-	-	8 778 804
		-	<b>89 508</b>	<b>12 115 547</b>
<b>6. Inventories</b>				
Water stock			1 011 541	142 208
Water Meters			-	1 667 048
			<b>1 011 541</b>	<b>1 809 256</b>
<b>7. Other debtors</b>				
Other debtors			4 411 968	10 631 885
Provision for bad debts			(1 426 265)	(1 426 265)
			<b>2 985 703</b>	<b>9 205 620</b>
<b>8. Other receivables from non-exchange transactions, including taxes and transfers</b>				
VAT receivable			-	18 657 201
<b>9. Consumer debtors</b>				
<b>Gross balances</b>				
Sewerage			4 889 145	5 097 603
Electricity			5 348 165	6 075 004
Water			68 337 702	51 188 895
			<b>78 575 012</b>	<b>62 361 502</b>
<b>Less: Provision for bad debts</b>				
Total			(35 865 654)	(35 148 063)



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>Net balance</b>		
Rates	4 889 145	5 097 603
Electricity	5 348 165	6 075 004
Water	68 337 702	51 188 895

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>9. Consumer debtors (continued)</b>		
Provision for bad debts	(35 865 654)	(35 148 063)
	<b>42 709 358</b>	<b>27 213 439</b>
<b>Water, Sewerage and Electricity : Ageing</b>		
Current (0 -30 days)	(3 201 331)	2 346 270
31 - 60 days	2 205 182	2 238 057
61 - 90 days	2 867 349	3 059 427
91 - 120 days	2 984 236	1 769 692
121 - 365 days	73 451 867	52 948 056
	<b>78 307 303</b>	<b>62 361 502</b>
<b>Reconciliation of bad debt provision</b>		
Balance at beginning of the year	36 574 327	37 064 262
Contributions to provision	717 591	-
Bad debts written off against provision	-	(489 935)
	<b>37 291 918</b>	<b>36 574 327</b>
<b>10. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	1 500	1 500
Bank balances	13 485 891	2 720 666
Bank overdraft	-	(3 395 434)
	<b>13 487 391</b>	<b>(673 268)</b>
Current assets	13 487 391	2 722 166
Current liabilities	-	(3 395 434)
	<b>13 487 391</b>	<b>(673 268)</b>
The Municipality has the following bank accounts	-	-
Cheque Account (Primary Bank Account)	-	-
ABSA Bank - Account Number 40-5310-7423	-	-
Cash book balance at the beginning of the year	426 514	11 619 239
Cash book balance at end of the year	11 593 189	426 514
Bank statement balance at beginning of year	426 514	11 619 239
Bank statement balance at end of the year	11 593 189	426 514
Commercial Cheque Account	-	-
FNB - Account Number 62026865321	-	-
Cash book balance at beginning of the year	(3 395 433)	(9 408 895)
Cash book balance at end of the year	(17 626 908)	(3 395 434)
Bank statement balance at beginning of the year	6 446 454	12 543 534
Bank statement balance at year end	193 605	10 505 038
Commercial Cheque Account	-	-
FNB - Account Number 620 99155 387	-	-
Cash book balance	137 618	136 038
Bank statement balance	137 618	136 038
Commercial Cheque Account	-	-
FNB Account Number 620 99156 046	-	-

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>9. Consumer debtors (continued)</b>		
Cash book balance	219 198	213 163
Bank statement balance	219 198	213 163

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>10. Cash and cash equivalents (continued)</b>		
Commercial Cheque account	-	-
FNB - Account Number 620 9299 3809	-	-
Cash book balance	680 962	1 077 179
Bank statement balance	680 962	1 077 179
Call account	-	-
FNB Account Number 62027696478	-	-
Cash book balance	83 481	82 830
Bank statement balance	83 481	82 830
Call account	-	-
ABSA - Account Number 9115315268	-	-
Cash book balance	89 508	3 336 743
Bank statement balance	89 508	3 336 743
Club Save	-	-
Ithala - Account Number 23247671	-	-
Cash book balance	266 745	482 336
Bank statement balance	266 745	482 336
Commercial Cheque Account	-	-
FNB Account Number 620 99156 864	-	-
Cash book balance	316 866	302 608
Bank statement balance	316 866	302 608

### 11. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises:**

#### Conditional grants and receipts

Conditional grants from other spheres of government	10 119 610	20 625 386
Other grant receipts	(7 733 310)	14 409 247
	<b>1 834 915</b>	<b>35 034 633</b>

Refer to Appendix F for more detail on conditional grants and receipts .

### 12. Provisions

#### Reconciliation of provisions - 2009

	Opening Balance	Reversed during the year	Total
Provision for performance bonus	788 598	(390 618)	397 980

#### Reconciliation of provisions - 2008

	Opening Balance	Additions	Total
Provision for performance bonus	406 537	382 061	788 598

### 13. Long - term liabilities

Refer to Appendix A for more detail on long - term liabilities.

#### Long - term liabilities

Long - term loans	11 997 438	18 342 088
Government loans	-	1 534 426
	<b>11 997 438</b>	<b>19 876 514</b>

**Less current portion of long - term liabilities**

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>13. Long - term liabilities (continued)</b>		
Long - term loans	749 839	2 810 646
Total	11 247 599	17 065 868
<b>14. Trade and other payables</b>		
Trade payables	52 499 264	33 500 096
Sundry creditors	548	10 623 540
Creditors suspense	2 014	2 014
Retentions	10 520 064	8 267 585
Staff leave	2 156 679	1 792 706
Other Creditors	1 686 750	1 732 424
13th cheque provision	687 601	589 421
	<b>67 552 920</b>	<b>56 507 786</b>
<b>15. Taxes and transfers payable</b>		
VAT	1 765 561	-
<b>16. Consumer deposits</b>		
KZ272	303 715	81 051
KZ275	259 793	284 987
	<b>563 508</b>	<b>366 038</b>
<b>17. Service charges</b>		
Sale of electricity	2 658 698	4 526 454
Sale of water	37 041 170	33 603 768
Sewerage and sanitation charges	1 205 846	1 643 520
	<b>40 905 714</b>	<b>39 773 742</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>18. Government grants and subsidies</b>		
Government grants and subsidies	252 200 541	184 579 172
<b>Government grants</b>		
Equitable share	84 569 947	56 164 000
Levy income	-	14 052 698
Conditional grants: Conditions met - transferred to revenue	134 402 928	114 362 474
Other	33 227 666	-
	<b>252 200 541</b>	<b>184 579 172</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members in terms of the indigent register. Households with a total monthly income less than R800 (2008: R800) may apply to be registered as indigent.

### Conditional grants

Balance unspent at beginning of year	20 625 386	25 833 209
Current year receipts	118 369 036	100 233 596
Transfer to counter funding	-	(12 434 055)
Conditions met - transferred to revenue	(107 758 996)	(93 027 364)
Other	(21 115 818)	-
	<b>10 119 608</b>	<b>20 605 386</b>

These grants are used for capital expenditure.

### Other grant receipts

Balance unspent at beginning of year	14 409 247	3 835 357
Current-year receipts	3 875 012	31 909 000
Conditions met - transferred to revenue	(26 643 932)	(21 335 110)
Other	626 361	-
	<b>(7 733 312)</b>	<b>14 409 247</b>

These grants are used for operating expenditure.

### Total Conditional and Other grants

Balance unspent at beginning of year	35 034 633	29 668 566
Current-year receipts	122 244 049	132 162 596
Transfer to counter funding	-	(12 434 055)
Less expenditure	(134 402 927)	(114 362 474)
Other	(20 489 457)	-
	<b>2 386 298</b>	<b>35 034 633</b>

Refer to Appendix F for more information on Government grants and subsidies.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>19. General expenses</b>		
Accounting fees	2 487 944	4 851 813
Advertising	2 185 055	326 542
Assessment rates & municipal charges	421 390	600 000
Bank charges	299 749	236 719
Cleaning	171 921	44 159
Consulting and professional fees	227 841	173 101
Entertainment	3 297 974	2 241 751
Community development and training	2 317 113	877 834
IT expenses	290 466	127 497
Lease rentals on operating lease	2 384 356	1 949 231
Fleet	1 102 988	974 918
Promotions and sponsorships	386 869	565 863
Levies	7 604	50 311
Fuel and oil	2 492 780	2 006 711
Postage and courier	4 979	3 825
Printing and stationery	205 270	328 565
Protective clothing	79 592	12 540
Security (Guarding of municipal property)	1 038 886	948 812
Staff welfare	37 599	95 119
Subscriptions and membership fees	152 069	250 882
Telephone and fax	1 127 498	1 663 707
Training	124 757	266 972
Assets expensed	240 785	31 684
Tourism development	957 732	172 138
Development agency	649 539	56 380
Subsistence and travelling	3 145 283	3 481 013
Disaster management	4 874 052	4 782 922
Small tools	11 275	12 819
Chemicals	500 580	-
Other expenses	2 394 347	1 486 585
	<b>33 618 293</b>	<b>28 620 413</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>20. Employee related costs</b>		
Basic	29 151 258	19 412 189
Bonus	(292 439)	382 061
Medical aid - company contributions	1 192 693	975 575
UIF	261 515	179 320
WCA	-	3 000
SDL	363 003	300 634
Other payroll levies	18 054	6 727
Leave pay provision charge	1 555 641	617 323
Pension	3 422 485	2 696 288
Travel, motor car, accommodation, subsistence and other allowances	674 887	629 443
Overtime payments	2 466 324	1 384 796
Car allowance	3 345 553	3 236 666
Housing benefits and allowances	430 149	361 918
Development Agency salary costs	(555 169)	-
Termination benefits	470 376	321 313
	<b>42 504 330</b>	<b>30 507 253</b>
 <b>Remuneration of municipal manager</b>		
Annual Remuneration	556 571	500 678
Cell allowance	29 394	28 647
Housing Allowance	18 315	17 850
Travel allowance and claims	315 154	223 565
Subsistence	3 794	714
Back pay	15 222	18 947
Contribution to UIF, medical and pension funds	26 002	24 072
	<b>964 452</b>	<b>814 473</b>
 <b>Remuneration of chief finance officer</b>		
Annual Remuneration	506 286	326 431
Cell Allowance	9 600	21 882
Performance Bonus	-	96 443
Housing Allowance	-	10 352
Travel Allowance and Claims	161 462	290 138
Subsistence Allowance	3 257	520
Back Pay	15 499	16 726
Contributions to UIF, Medical Aid and Pension Funds	161 433	90 844
	<b>857 537</b>	<b>853 336</b>
 <b>Remuneration of Head of Technical Services</b>		
Annual Remuneration	297 737	150 248
Cell Allowance	13 397	11 000
Performance Bonus	22 967	-
Contributions to UIF, Medical and Pension Funds	62 625	27 676
Travel Allowance and Claims	158 699	84 785
Housing Allowance	3 000	-
Subsistence Allowance	185	-
Acting Allowance	154 971	-
	<b>713 581</b>	<b>273 709</b>
 <b>Remuneration of Head of Corporate Services</b>		



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
Annual Remuneration	510 364	199 170

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>20. Employee related costs (continued)</b>		
Cell Allowance	9 600	4 000
Travel Allowance and claims	114 990	31 923
Contributions to UIF, Medical and Pension Funds	93 388	36 485
Subsistence Allowance	327	102
Back pay	13 179	-
	<b>741 848</b>	<b>271 680</b>
<b>Remuneration of Head of Planning and Tourism</b>		
Annual Remuneration	407 673	365 177
Cell Allowance	15 957	8 400
Housing Allowance	26 400	33 788
Contributions to UIF, Medical and Pension Funds	101 814	75 915
Travel Allowances and claims	195 354	154 530
Back Pay	13 179	16 454
Acting Allowance	6 843	-
	<b>767 220</b>	<b>654 264</b>
<b>Remuneration of Head of Water and Sanitation</b>		
Annual Remuneration	110 594	202 587
Cell allowance	4 000	12 211
Performance Bonuses	22 119	26 328
Contributions to UIF, Medical and Pension Funds	25 337	51 821
Housing Allowance	3 435	22 568
Travel allowances and claims	69 806	131 802
Subsistence allowance	296	8 377
Back Pay	-	65 062
Acting Allowance	87 458	4 443
	<b>323 045</b>	<b>525 199</b>
<b>21. Remuneration of councillors</b>		
Executive Major	351 245	355 993
Deputy Mayor, Speaker and Exco members	949 991	1 087 885
Councillors	1 035 429	1 125 250
	<b>2 336 665</b>	<b>2 569 128</b>
<b>22. Investment revenue</b>		
<b>Interest revenue</b>		
Other interest	2 488 063	1 871 987
<b>23. Finance costs</b>		
Other interest paid	2 272 131	2 176 142
<b>24. Contracted Services</b>		
Other Contractors	3 682 409	1 251 678
<b>25. Grants and subsidies paid</b>		

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

2009  
R

2008  
R

### 20. Employee related costs (continued)

Grant expenditure

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>25. Grants and subsidies paid (continued)</b>		
Grant expenditure	28 676 866	8 408 746
Please refer to note 18 and Appendix F for further details		
<b>26. Bulk purchases</b>		
Electricity	2 978 568	3 167 127
Water	42 253 832	56 394 245
	<b>45 232 400</b>	<b>59 561 372</b>
<b>27. Cash generated from operations</b>		
Surplus for the year	104 893 176	71 111 361
<b>Adjustments for:</b>		
Depreciation and amortisation	8 773 778	19 987 949
Deficit on sale of assets	-	11 377
Interest received	(2 488 063)	(1 871 987)
Finance costs	2 272 131	2 176 142
Impairment deficit	15 410 169	-
Non-operating income	(540 557 244)	78 517 791
Capital grants used to purchase property, plant and equipment	-	(95 745 082)
Offsetting of depreciation	1 974 145	17 227 291
Transfer of government grant reserve	472 572 781	-
Write off of loan	1 534 425	-
Write off of accumulated depreciation	51 014 035	-
Other adjustments	(1 455 906)	3 917 600
<b>Changes in working capital:</b>		
Inventories	797 715	(1 691 321)
Other debtors	6 219 917	(25 066 364)
Consumer debtors	(15 495 919)	-
Prepayments	(142 278)	-
Trade and other payables	11 045 134	31 611 085
VAT	20 422 762	(6 215 564)
Unspent conditional grants and receipts	(33 199 718)	5 366 067
Provisions	(390 618)	382 061
	<b>103 200 422</b>	<b>99 718 406</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>28. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Property, plant and equipment	134 222 000	134 037 817
Approved but not yet contracted for	47 000 000	-
<p>This expenditure relates to infrastructure assets and will be financed by Municipal Infrastructure grant funds. The commitments which have been approved and not yet contracted for relates to infrastructure assets and will be financed by an external loan.</p>		
<b>Operating leases – as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	808 422	-
- in second to fifth year inclusive	470 616	-
	<b>1 279 038</b>	<b>-</b>
<p>Operating lease payments represent rentals payable by the entity for motor vehicles and photocopier machines</p>		
<b>29. Related parties</b>		
Relationships		
Municipal entity	Umhlosinga Development Agency (Proprietary) Limited	
<b>Related party transactions</b>		
<b>Expenses paid on behalf of related party</b>		
Telephone expenses	94 370	36 173
Salary cost of seconded Chief Operating Officer	555 169	232 049
<b>30. Prior period errors</b>		
<p>Property, Plant and Equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)</p>		
Other 1		
Other 2		
Other 3		
<p>The correction of the error(s) results in adjustments as follows:</p>		
<b>31. Subsequent events</b>		
<p>There have been no post balance sheet events</p>		
<b>32. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Current year subscription / fee	2 017 061	2 118 583
Amount paid - current year	(2 017 061)	(2 118 583)
	-	-

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>32. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>PAYE and UIF</b>		
Current year payroll deductions	5 968 083	4 961 275
Amount paid - current year	(5 968 083)	(4 961 275)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year payroll deductions	7 433 272	6 398 433
Amount paid - current year	(7 433 272)	(6 398 433)
	-	-
<b>VAT</b>		
VAT receivable	-	18 657 201
VAT payable	1 765 561	-
	<b>1 765 561</b>	<b>18 657 201</b>

