

UTHUNGULU



uThungulu District Municipality

Annual financial statements

for the year ended 30 June 2009

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

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Report of the Auditor-General

To be inserted by Auditor - General

Auditor General

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Statement of Municipal Manager's Responsibility

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 - 47, 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 25 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.

B.B. Biyela

Municipal Manager

Richards Bay, 29 August 2009

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Position

	Note(s)	2009 R	Restated 2008 R
Net Assets and Liabilities			
Net Assets			
Accumulated Surplus		504,387,201	453,460,829
Non-Current Liabilities			
Long-term liabilities	3	71,753,081	41,954,559
Non-current provisions	5	67,437,120	49,927,627
		139,190,201	91,882,186
Current Liabilities			
Consumer deposits	6	5,764,455	4,421,571
Provisions	5	1,090,531	1,411,123
Trade Creditors	7	42,943,821	54,252,886
Unspent conditional grants and receipts	8	141,357,509	101,172,274
Current portion of long-term liabilities	3	885,959	-
		192,042,275	161,257,854
Total Net Assets and Liabilities		835,619,677	706,600,869
Assets			
Non-Current Assets			
Property, plant and equipment	10	449,722,758	372,013,078
Investments	11	53,264,069	50,507,879
Long-term receivables	12	910,720	1,539,448
		503,897,547	424,060,405
Current Assets			
Inventories	13	3,164,966	3,086,198
Consumer debtors	14	9,443,884	12,237,149
Other debtors	15	6,440,248	8,349,118
Current portion of long-term receivables	12	75,975	261,004
VAT	9	25,970,120	17,921,635
Call investment deposits	16	220,000,000	190,000,000
Bank balances and cash	17	66,626,937	50,685,360
		331,722,130	282,540,464
Total Assets		835,619,677	706,600,869

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Statement of Financial Performance

	Note(s)	2009 R	Restated 2008 R
Revenue			
Regional Services Levies - turnover	18	89,509	846,594
Regional Services Levies - remuneration	18	572,493	384,376
Service charges	19	33,399,638	30,277,691
		<u>34,061,640</u>	<u>31,508,661</u>
Other income			
Rental income		48,300	317,696
Government grants and subsidies	20	321,885,999	244,256,711
Interest earned - external investments	22	36,182,387	30,311,249
Interest earned - outstanding debtors	22	176,501	311,162
Other income	21	11,294,359	2,595,736
		<u>369,587,546</u>	<u>277,792,554</u>
Total revenue		<u>403,649,186</u>	<u>309,301,215</u>
Expenditure			
Employee related costs	24	(61,158,547)	(49,998,934)
Remuneration of councillors	25	(5,021,472)	(4,740,110)
Bad debts		(7,481,448)	(3,066,528)
Depreciation, amortisation and impairments		(22,464,697)	(10,966,372)
Repairs and maintenance		(29,628,916)	(24,576,672)
Finance cost	26	(8,118,322)	(7,856,385)
Bulk purchases	27	(16,537,993)	(11,894,756)
Contracted services		(42,359,630)	(40,991,819)
Grants and subsidies paid	28	(1,831,924)	(1,514,515)
General expenses	29	(133,240,471)	(103,995,820)
Loss on disposal of property, plant and equipment	23	(5,894)	(55,581)
		<u>(327,849,314)</u>	<u>(259,657,492)</u>
Total Expenditure		<u>(327,849,314)</u>	<u>(259,657,492)</u>
Surplus for the year		<u>75,799,872</u>	<u>49,643,723</u>

Refer to Appendix E(1) for the comparison with the approved budget

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Statement of Changes in Net Assets

	Accumulated Surplus R	Total R
2008		
Balance at 01 July 2007	367,628,818	367,628,818
Correction of error	36,188,288	36,188,288
Balance	403,817,106	367,628,818
Surplus for the year	49,643,723	49,643,723
Balance as at 30 June 2008	453,460,829	367,628,818
2009		
Balance at 01 July 2008	453,460,829	453,460,829
Correction of Prior Year Error	(30,787,253)	(30,787,253)
Changes in accounting policy	4,849,055	4,849,055
Stale cheques prior year	1,064,698	1,064,698
Balance	428,587,329	428,587,329
Surplus for the year	75,799,872	75,799,872
Balance as at 30 June 2009	504,387,201	504,387,201

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Annual Financial Statements for the year ended 30 June 2009

Cash Flow Statement

	Note(s)	2009 R	2008 R
Cash flows from operating activities			
Sales of goods and services		34,109,940	31,826,357
Grants		321,885,999	244,256,711
Other receipts		11,402,449	42,016,381
Employee costs		(66,180,018)	(54,739,044)
Suppliers		(203,671,361)	(142,166,336)
Cash generated from operations	30	30,184,433	121,194,069
Interest income		36,358,888	30,622,411
Interest paid		(8,118,322)	(7,856,385)
Net cash from operating activities		155,972,008	143,960,095
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(118,150,343)	(101,164,003)
Increase in non-current investments		(2,756,190)	(37,010,481)
Decrease in non-current receivables		(1,068,729)	636,198
Purchase of assets 3		-	-
Increase in current liabilities		(11,449,336)	-
(Increase) in current receivables		(6,528,781)	-
Increase in Inventories		(75,615)	-
Net cash from investing activities		(140,028,994)	137,538,286)
Cash flows from financing activities			
Net movement on other financial liabilities		29,304,112	381,458
Proceeds from other financial liabilities		(648,434)	32,867,870
Increase in consumer deposits		1,342,884	632,619
Net cash from financing activities		29,998,562	33,881,947
Net (decrease) / increase in cash and cash equivalents		45,941,577	40,303,756
Cash and cash equivalents at the beginning of the year		240,685,360	200,381,604
Cash and cash equivalents at the end of the year	31	286,626,937	240,685,360

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Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise .

The Annual Financial Statements have been prepared in accordance with the Accounting Standards as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the ASB in March 2009.

The Accounting Framework of the municipality, based on the preceding paragraphs is therefore as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 9	Revenue from Exchange Transactions
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
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement

1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

For the year ended 30 June 2008 the municipality complied with the three effective GRAP standards, the eight effective GAMAP standards, all relevant GAAP Standards and all relevant exemptions as set out in Government Gazette 30013, as at that date. For the year ended 30 June 2009 the municipality has adopted the accounting framework as set out in point 1 above.

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. The details of any resulting changes in accounting policy and comparative restatements are set out in note 2.

The municipality changes an accounting policy only if the change:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

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Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.2 Comparative figures

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

1.3 Offsetting

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

1.4 Presentation of currency

These annual financial statements are presented in South African Rand.

1.5 Going concern assumption

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

1.6 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only in Appendix E1 & E2.

1.7 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.7.1 Revenue Recognition

Accounting Policy 1.18.1 on Revenue from Exchange Transactions and Accounting Policy 1.18.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.7.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management.

1.7.3 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 1.11 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge and reviewed annually.

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Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.7 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1.7.4 Defined Benefit Plan Liabilities

As described in Accounting Policy 1.9, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 6 to the Annual Financial Statements.

1.7.5 Provisions

Provisions were raised and management used professionals to determine an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 5 - Provisions.

1.7.6 Contingent provisions

Contingencies recognised in the current year required estimates and judgments, economic outflow is not probable and are disclosed in the note.

1.8 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

1.8.1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset

- Short-term Investment Deposits – Call
- Bank Balances and Cash
- Finance Lease Receivables
- Long-term Receivables
- Consumer Debtors
- Other Debtors
- Investments in Fixed Deposits

Classification in terms of IAS 39.09

- Held-to-maturity investments
- Available for sale investments
- Loans and receivables
- Loans and receivables
- Loans and receivables
- Loans and receivables
- Held-to-maturity investments

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

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Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.8 Financial instruments (continued)

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

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 four 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.

1.8.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the municipality are all classified as "Other financial liabilities".

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Accounting Policies

1.8 Financial instruments (continued)

1.8.3 Initial and Subsequent Measurement

Financial Assets:

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Liabilities:

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.9 Employee benefits

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is

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Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.9 Employee benefits (continued)

rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee, is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Exemption regarding defined benefit accounting in previous financial year

Although defined benefit accounting in accordance with the requirements of IAS 19, as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information, has been exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality defined benefit accounting of its defined benefit plans in the previous financial year. Continued to apply defined benefit accounting to the defined benefit plans for the financial year ended 30 June 2009 in accordance with the requirements of IAS 19.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 6 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.10 Provisions

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Provision for the rehabilitation of the refuse landfill site is determined at best estimate by the consulting engineers.

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Accounting Policies

1.11 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
it is probable that future economic benefits associated with the item will flow to the municipality; and
the cost of the item can be measured reliably.

1.11.1 Initial Recognition

Property, plant and equipment are tangible 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 reporting period.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the asset on acquisition. 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 initial estimate of 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.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

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

1.11.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent measurement of all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. The municipality does not recognise in the carrying amount of an item property, plant and equipment the costs of day to day servicing of the item.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

1.11.3 Depreciation

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

The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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Accounting Policies

1.11 Property, plant and equipment (continued)

Land, with the exception of landfill sites and cemetery, is not depreciated as it is regarded as having an infinite life. If the cost of land includes the cost of site dismantlement, removal and restoration, the portion of the land asset is depreciated over the period of benefits or service potential, obtained by incurring those costs. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Item	Average useful life
Computer Equipment	5 years
Furniture	10 years
Infrastructure Electricity	
Electrical Kiosk	15 years
Electrical Meters	15 years
Street lighting	15 years
Electrical Lines and Cables	40 years
Electrical Switchgear	40 years
Power transformers	40 years
Infrastructure - Plant & Equipment	
Heavy duty Infrastructure Pumps	15 years
Unspecified Infrastructure Assets	15 years
Standby Generator Sets - Water & Sewerage Camps	15 years
Infrastructure Sewerage Services	
Sewerage containment	50 years
Sewerage Network	50 years
Sewerage purification	50 years
Infrastructure Solid Waste cell services	
Solid waste cell	7 years
Infrastructure Water services	
Small schemes	15 years
Water abstraction	20 years
Water network	20 years
Water purification	20 years
Water storage	50 years
Motor vehicles	
Bakkie ,LDV,Sedan & Tanker	7 years
Truck	7years
Trailer & caravan	5 years
Forklift	5 years
Tractors	15 years
Equipment	
Office Equipment	5 years
Land & building	
Permanent	30 years
Other buildings	30 years
Plant & Equipment	
Weed eater	2 years
Lawn mower	2 years
Other	5 years
Skid mounted fire response	15 years

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

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Accounting Policies

1.11 Property, plant and equipment (continued)

1.11.4 Asset in construction

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.11.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1.11.6 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1.12 Intangible assets

1.12.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up

1.12.2 Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period however, such intangible assets are subject to an annual impairment test.

Where items of intangible assets 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 except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Item

Computer software, other

Average useful life

3 years

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.12 Intangible assets (continued)

Intangible assets are derecognised:

on disposal; or

when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in profit or loss when the asset is derecognised.

1.12.3 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.

1.12.4 Transitional Provisions

Costs incurred on intangible assets (other than on computer software) were expensed and not capitalised in the previous financial year as required by IAS 38 as this requirement was exempted in terms of General Notice 522 of 2007. Accounted for all costs incurred that meet the intangible asset definition and recognition requirements as intangible assets for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 3.

1.13 Investment in municipal entities

Investment in municipal entities are carried at cost less any accumulated impairment.

1.14 The Municipality as Lessee

Headleases

The headlease in which the Municipality would have a controlling interest in the property at the end of the lease is classified as a finance lease.

Finance headleases

Headlease asset, where part of finance headlease, is capitalised as other assets - property at cost and a corresponding liability is raised. Land is not depreciated.

Operating Leases

Payments made under operating leases that are contingent rentals are charged to the statement of financial performance in the period in which they occur.

1.15 Inventories

Consumable stores, finished goods and purified water are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first out method.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.16 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

1.17 Tax

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.17 Tax (continued)

Tax expenses

No provision has been made for taxation as the municipality is exempt from taxation in terms of section 10(1)(A) of the IncomeTaxAct.

1.18 Revenue Recognition

1.18.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly and quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse are recognised on a monthly basis in arrears and on a cash basis by applying the approved tariff to each consumer that uses the solid waste site.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

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

Revenue from public contributions 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 is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

1.18.2 Revenue from non-exchange transactions

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Estimates are reviewed regularly to ensure that average data is appropriate.

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.

1.19 Conditional Grants and receipts

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

1.20 Grants-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.21 Borrowing Costs

Borrowing costs incurred relating to qualifying assets and all other borrowing costs incurred were recognised as expenses in the Statement of Financial Performance in the previous financial year in accordance with the benchmark treatment in the old IAS 23, i.e. expensing all borrowing costs. The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2009 in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, 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.

1.23 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.

1.24 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.

1.25 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.26 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009	2008
	R	R

2. Changes in accounting policy - implementation of GAMAP

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) on a basis consistent with the prior year except for the adoption of the following new or revised standards.

GRAP 5	-Borrowing Costs
GRAP 6	-Consolidated & separate Financial Statements
GRAP 9	-Revenue from Exchange Transactions
GRAP 12	-Inventories
GRAP 13	-Leases
GRAP 14	-Events after the reporting dates
GRAP 16	-Investment property
GRAP 17	-Property plant & Equipment
GRAP 19	-Provisions,Contingent Liabilities & Contingent Assets
GAMAP 9	-Paragraph relating to Revenue from Non-exchange Transactions
GRAP 102	-Intangible Assets
IPSAS 20	- Related Party Disclosure
IPSAS 21	-Impairment of Non Cash Generating Assets
IFRS 7	-Financial Instruments:Presentation
IAS19	-Employee Benefits
IAS32	-Financial Instruments
IAS 39	-IAS 39 Financial Instruments : Recognition & Measurement

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2009 is as follows:

Statement of Financial Position

2.1 Statutory Funds

Balance previously reported: -

Capital Grant Reserve	191,020,763	-
Donations & Public Contribution Reserve	3,763,443	-
Implementation of GRAP: -		
Transferred to the accumulated reserve	(194,784,206)	-
	<u>-</u>	<u>-</u>

2.2 Property, Plant & Equipment

Balance previously reported: -

Previously stated	453,000,000	-
Implementation of GRAP: -		
Change in Accounting Policy	-	-
- Recognition & measurement	1,382,576	-
- Reclassification of asset	1,380,582	-
- Intangible asset recognition	9,397,500	-
- Borrowing costs	2,940,056	-
- Recognition of asset	17,990	-
- Correction of Prior year error	-	-
- Reversal of landfill site provision	(32,350,060)	-
	<u>435,768,644</u>	<u>-</u>

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
2. Changes in accounting policy - implementation of GAMAP (continued)		
2.3 Provisions and Reserves		
Balance previously reported: -		
Long service allowance prior year unfunded	1,615,717	-
Retirement health care benefit prior year unfunded	-	-
Debtor Provision	7,365,931	-
Implementation of GRAP: -		
Long service provision	6,951,508	-
Retirement Health care benefit provision	6,805,951	-
Debtor Bad debt provision	6,584,621	-
	29,323,728	-
3. Long-term liabilities		
Non-current liabilities portion of loans		
	21,000,000	21,000,000
INCA 13.95%		
The loan was taken to finance the purchase and development of the regional solid waste site. The loan is repayable after a 15 year period. Interest at 13.95% is paid 6 monthly in arrears on the last day of the month. The final payment of R 21 million is due December 2015. A zero coupon from INCA has been taken out to repay this loan.		
	29,304,113	-
INCA 11.95%		
The loan was taken to finance the extensions to the Uthungulu House and development of the solid waste site cell 2. The loan is repayable after 15 year period. Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.		
	22,334,927	20,954,559
Obligation under finance headlease		
The finance headlease payments represent payments by the Municipality for a headlease property in which the Municipality has a controlling interest at the end of the lease through uThungulu Financing Partnership and consist of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haiti, Central Business District, known as uThungulu House. The original lease period expires on 31 October 2017, ownership of the property will vest with uThungulu on the termination of the lease. The yield to maturity on the lease is 23,81 % and is paid 6 monthly in advance on the last day of the month.		
Current portion transferred to current liabilities		
Sub-total	72,639,040	41,954,559
Non-current liabilities		
Total long term portion	71,753,081	41,954,559
Current liabilities		
Total current portion	885,959	-

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

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
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3. Long-term liabilities (continued)

Details of the repayment terms of the obligations and the related interest rates are set out in Appendix A. The asset encumbered to secure the loans is detailed in note 9.

4. POST RETIREMENT HEALTH CARE LIABILITY

4.1 POST RETIREMENT HEALTH CARE LIABILITY

Post-Employment Health Care Benefit Liability	6,805,951	-
Less: Transfer to Current Provisions	(80,412)	-
	6,725,539	-

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2009 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

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

In-service members	144	-
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The liability in respect of past service has been estimated to be as follows:

In-service members	5,316,406	-
Continuation members	1,489,545	-
	6,805,951	-

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

- Bonitas
- Hosmed
- LA Health
- KeyHealth
- Samwumed

The future service cost for the ensuing year is established to be R 557,420, whereas the interest-cost for the next year is estimated to be R 598,109 (2008: R 514,346 and R 638,597 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.84 %	10.59 %
Health Care Cost Inflation Rate	7.59 %	9.50 %
Net Effective Discount Rate	1.16 %	1.00 %
Expected Rate of Salary Increase	6.84 %	8.75 %
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	63	63

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
4. POST RETIREMENT HEALTH CARE LIABILITY (continued)		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	6,805,951	-
Present value of unfunded obligations	6,805,951	-
The amount recognised in the Statement of Financial Performance are as follows:		
Current service cost	514,346	-
Interest cost	638,597	-
	1,152,943	-
Balance at beginning of year	-	-
Prior year unfunded	6,062,886	-
Current service cost	514,346	-
Interest cost	638,597	-
Benefits paid	(72,540)	-
Actuarial (gain)/loss on the obligation	(337,338)	-
Balance at end of year	6,805,951	-
The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:		
Increase		
Effect on the aggregate of the current service cost and the interest cost	281,400	-
Effect on the defined benefit obligation	1,475,057	-
Decrease		
Effect on the aggregate of the current service cost and the interest cost	(217,300)	-
Effect on the defined benefit obligation	(1,159,940)	-
The history of experienced adjustments is as follows:		
Defined benefit obligation	6,805,951	-
Experience adjustments on plan liabilities	N/A	-
The municipality expects to make a contribution of R 80,412, (2008: R 72,540) to the defined benefit plans during the next financial year.		
4.2 Other non-current provisions		
Long Service Awards		
Provision for Long Service Awards	3,207,105	1,203,828
Less: Transfer to Current Provisions	(380,168)	(695,759)
Net Long Service Awards liability	2,826,937	508,069

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities and Provincial departments from July 2002). The said award comprises a certain number of vacation leave days which, in

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
4. POST RETIREMENT HEALTH CARE LIABILITY (continued)		
accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2009 may become entitled to in future, based on an actuarial valuation performed at that date.		
The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2009 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.		
The future service cost for the ensuing year is established to be R 524,162, whereas the interest-cost for the next year is estimated to be R 277,647 (2008: R 477,556 and R 285,884 respectively).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	9.19 %	10.96 %
Expected Rate of Salary Increase	6.58 %	9.01 %
Net Effective Discount Rate	2.45 %	1.78 %
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	63	63
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2,826,937	508,069
Unrecognised actuarial losses	-	-
Present value of unfunded obligations	3,207,105	1,615,717
Net liability	3,207,105	1,615,717
The amount recognised in the Statement of Financial Performance are as follows:		
Current service cost	477,556	-
Interest cost	285,884	-
Actuarial gain	56,013	-
	819,453	-
Balance at beginning of year	1,203,828	-
Prior year unfunded	1,615,717	-
Current service cost	477,556	983,242
Interest cost	285,884	220,586
Benefits paid	(431,893)	-
Actuarial gain recognised	56,013	-
Balance at end of year	3,207,105	1,203,828
The history of experienced adjustments is as follows:		
Defined benefit obligation	3,207,105	1,203,828

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
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4. POST RETIREMENT HEALTH CARE LIABILITY (continued)

The following table reflects information on the defined benefit retirement, pension and provident funds to which councillors and employees belong, and in respect of which there is not sufficient information available to make more detailed disclosures.

The relevant law requires every fund to do an actuarial valuation at least every three years.

Provincially-administered Defined Benefit Plans	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000	Contributing Members
Government Employees Pension Fund	March 2007	673,407,922	673,407,962	45
KwaZulu-Natal Joint Municipal Provident Fund	March 2008	604,849	608,096	144
Natal Joint Municipal Pension Fund (Superannuation)	March 2008	4,451,200	4,339,400	18
Natal Joint Municipal Pension Fund(Retirement)	March 2008	1,571,700	1,742,300	23
Zululand Joint Provident Fund (uThungulu District Municipality Provident Fund)	February 2006	3,747,338	3,747,338	229

5. Provisions

Reconciliation of provisions - 2009

	Opening Balance	Contributions to provision	Expenditure incurred	Total
Post retirement medical aid benefit	-	6,725,538	-	6,725,538
Reclamation of refuse landfill site	49,419,558	8,384,673	-	57,804,231
Long-service	508,069	2,318,861	-	2,826,938
Performance bonus	715,364	597,006	444,415	710,363
Current portion of long-service provision	695,759	16,161	331,752	380,168
Current portion Post retirement medical aid benefit	-	80,413	-	80,413
Total	51,338,750	18,122,652	776,167	68,527,651

Reconciliation of provisions - 2008

	Opening Balance	Contributions to provision	Expenditure incurred	Total
Reclamation of refuse landfill site	17,069,498	32,350,060	-	49,419,558
Long-service	287,483	220,586	-	508,069
Performance bonus	562,773	597,006	(444,415)	715,364
Current portion of long-service provision	702,436	(6,677)	-	695,759
Total	18,622,190	33,160,975	(444,415)	51,338,750

	2009	2008
Non-current provisions	67,356,706	49,927,627
Provision for long-service	2,826,937	508,069
Post retirement Health Care	6,725,538	-
Reclamation of refuse landfill site	57,804,231	49,419,558

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
5. Provisions (continued)		
Current provisions	1,170,944	1,411,123
Current portion of long service leave provision	380,168	695,759
Current portion of retirement health Care	80,413	-
Performance bonus	710,363	715,364
Total Provisions	68,527,650	51,338,750

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.

Performance bonuses are paid after the financial year end in arrear as the assessment of eligible employees had not taken place at the reporting date.

In terms of the licencing of the landfill refuse sites, council will incur rehabilitation costs of R 57 million to restore the old Empangeni and Cell 1 refuse sites at the end of their useful life, estimated to be in 2011. Provision has been made at best estimate determined by the consulting engineers at a cost for the current solid waste site (Cell 1) and the Old Empangeni Site.

6. Consumer deposits

Electricity and Water	5,764,455	4,421,571
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In terms of councils by-laws no interest is raised or paid.

7. Trade Creditors

Trade payables	31,970,276	41,599,149
Amounts received in advance	-	2,411,035
Accrued leave pay	2,782,111	2,435,786
Accrued audit fees	-	22,547
Other accrued expenses	22,714	29,501
Other payables	8,168,720	7,754,868
Total Creditors	42,943,821	54,252,886

8. Unspent conditional grants and receipts

10.1 Conditional Grants from other spheres of government

Department of Public Works	829,342	2,969,461
Department of Provincial and Local Government	429,829	1,198,875
Department of Sports & Recreation - Kwa-Zulu Natal	30,766	7,376,865
Department of Traditional & Local Government Affairs	55,682,436	20,937,657
Department of Water Affairs & Forestry	16,945,119	20,214,459
Department of Transport - Kwa-Zulu Natal	313,770	313,770
National Government - Municipal Infrastructure Grants	44,950,778	38,592,272
National Government - Other Grants	29,006	2,008,526
uMhlathuze Municipality	21,065,412	7,500,000
Department Economic Affairs & Tourism	300,000	-
Department of Provincial Treasury	514,877	-
Conditional Grants from other spheres of Government	141,091,335	101,111,885

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
8. Unspent conditional grants and receipts (continued)		
10.2 Other Conditional Receipts		
United Nations Development Programme	-	81,409
Other	266,174	-
Other Conditional Receipts	266,174	81,409
Total Conditional Grants and Receipts	141,357,509	101,172,274
See Note 20 for reconciliation of grants from other spheres of government.		
9. VAT		
VAT receivable	25,970,120	17,921,635

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

Figures in Rand

10. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold property	9,550,000	-	9,550,000	9,550,000	-	9,550,000
Infrastructure - In construction	154,918,820	-	154,918,820	249,825,264	-	249,825,264
Infrastructure	297,763,320	(76,109,264)	221,654,056	128,816,989	(56,651,846)	72,165,143
Community	14,461,154	-	14,461,154	9,002,715	-	9,002,715
Other property, plant and equipment	61,473,539	(12,334,811)	49,138,728	41,521,337	(10,051,381)	31,469,956
Total	538,166,833	(88,444,075)	449,722,758	438,716,305	(66,703,227)	372,013,078

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Total
Leasehold property	9,550,000	-	-	-	-	9,550,000
Infrastructure - In construction	249,825,264	95,611,865	-	(190,518,309)	-	154,918,820
Infrastructure	72,165,143	(32,350,060)	-	201,296,391	(19,457,418)	221,654,056
Community	9,002,715	20,336,302	-	(14,877,863)	-	14,461,154
Other property, plant and equipment	31,469,957	5,928,177	(785,945)	14,809,970	(2,283,431)	49,138,728
	372,013,079	89,526,284	(785,945)	10,710,189	(21,740,849)	449,722,758

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Capital under construction	Transfers	Depreciation	Total
Leasehold property	9,550,000	-	-	-	-	-	9,550,000
Infrastructure - In construction	190,023,725	-	-	59,810,623	(9,084)	-	249,825,264
Infrastructure	46,714,934	32,350,060	-	-	-	(6,899,851)	72,165,143
Community	2,581,895	6,420,820	-	-	-	-	9,002,715
Other property, plant and equipment	33,000,475	2,591,584	(55,581)	-	-	(4,066,521)	31,469,957
	281,871,029	41,362,464	(55,581)	59,810,623	(9,084)	(10,966,372)	372,013,079

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

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
11. Investments		
11.1 Held to maturity		
Promissory Notes	-	8,424,476
An investment in Promissory Notes was made by council, which were prohibited in terms of section 10 (G) 9(a) of the Local Government Transitional Act, of 1993.		
INCA Zero Coupon	16,838,383	15,077,902
The INCA Zero Coupon of R 7,963,350 was purchased by council in 2002/03 to be utilized as a guarantee on the R 21 million INCA loan. Interest of R 1 580 504 (2006/07 - R 1 760 481) at 11.35% was earned on the investment. The coupon matures on the 30th of June 2011.		
Subtotal	16,838,383	23,502,378
Held to maturity (impairments)	-	(8,424,476)
	16,838,383	15,077,902
11.2 Investments in Municipal Entities		
Uthungulu Partnersip investment	29,721,035	29,721,035
Uthungulu house trust investment	6,704,651	5,708,942
	36,425,686	35,429,977
Impairment provision		
The total investment of R 8,424,476 for Promissory Notes, is considered irrecoverable, as per council resolution No UDMC 1081. On the 23 January 2009, per UDMC 859 approval the investment was written off against the provision.		
Non-current assets		
Held to maturity	16,838,383	15,077,902
Investments in Municipal Entities	36,425,686	35,429,977
	53,264,069	50,507,879
12. Long-term receivables		
- Loans to local municipalities	-	153,640
- Staff home loans	859,523	1,355,929
- Staff vehicle loans	40,827	117,630
- Staff study loans	86,345	173,253
	986,695	1,800,452
Less: Current portion transferred to current receivables	(75,975)	(261,004)
Total long term receivable	910,720	1,539,448
Current portion long - term receivables		
- Loans to local municipalities	-	138,565
- Staff home loans	35,545	43,920
- Staff vehicle loans	40,430	78,519

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
12. Long-term receivables (continued)		
Total current portion of long-term receivables	75,975	261,004

Loans to Municipalities

The loan to Umlalazi Municipality was provided on the 31st of December 1999, and interest at 15.75% is charged bi-annually with the final repayment due on the 30th of June 2009.

Car loans

Senior staff were entitled to car loans prior to 1 July 2004, which currently attracts interest at 8.5% per annum and which are repayable over a maximum period of 6 years. These loans are repayable by 2010.

Staff home loans

Housing loans were granted to qualifying staff prior to 1st July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with home loan agreements and range from 5 to 10 years.

13. Inventories

Consumables and maintenance materials	2,978,385	2,902,770
Water	186,581	183,428
	3,164,966	3,086,198

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
14. Consumer debtors		
	<u>Gross Balances</u>	<u>Provision for Bad Debts</u>
		<u>Net Balance</u>
As at 30 June 2009		
Service debtors	23,394,436	(13,950,552)
Water	14,983,828	(9,967,601)
Electricity	526,562	(98,157)
Sanitation	6,972,356	(3,884,794)
Solid waste	911,690	-
	-	-
	<u>23,394,436</u>	<u>(13,950,552)</u>
		<u>9,443,884</u>
	<u>Gross Balances</u>	<u>Provision for Bad Debts</u>
		<u>Net Balance</u>
As at 30 June 2008		
Service debtors	18,698,815	(7,365,931)
Water	13,306,230	(5,229,811)
Electricity	224,966	(73,659)
Sanitation	4,177,041	(2,062,461)
Solid waste	990,578	-
Regional Service Levies	904,265	-
	<u>19,603,080</u>	<u>(7,365,931)</u>
		<u>12,237,149</u>
(Electricity, Water and Sanitation): Ageing		
Current (0 – 30 days)	5,479,438	3,022,042
31 - 60 Days	2,107,352	2,048,158
61 - 90 Days	1,220,714	1,552,649
91 - 120 Days	73,816	1,223,783
121 - 365 Days	14,513,120	10,852,183
	<u>23,394,440</u>	<u>18,698,815</u>
Regional Services Levies: Ageing		
+ 365 Days	-	904,265

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R	
14. Consumer debtors (continued)			
Summary of Debtors by Customer Classification	<u>Consumers</u>	<u>Industrial / Commercial</u>	<u>National & Provincial Governemnt</u>
As at June 30, 2009			
Current (0 – 30 days)	2,760,028	1,063,545	806,466
31 - 60 Days	1,279,708	303,925	523,718
61 - 90 Days	767,136	138,961	314,617
91 - 120 Days	1,008,851	200,170	336,901
121 - 365 Days	11,735,823	1,005,440	1,149,151
Sub-total	<u>17,551,546</u>	<u>2,712,041</u>	<u>3,130,853</u>
Less: Provision for bad debts	(12,695,191)	(1,255,361)	-
	<u>4,856,355</u>	<u>1,456,680</u>	<u>3,130,853</u>
Summary of Debtors by Customer Classification	<u>Consumers</u>	<u>Industrial / Commercial</u>	<u>National & Provincial Government</u>
As at June 30, 2008			
Current (0 – 30 days)	2,793,326	579,039	684,655
31 - 60 Days	1,263,704	291,484	492,970
61 - 90 Days	985,751	249,614	317,285
91 - 120 Days	789,119	193,949	245,957
121 - 365 Days	6,060,737	1,248,465	2,502,760
Sub-total	<u>11,892,637</u>	<u>2,562,551</u>	<u>4,243,627</u>
Less: Provision for bad debts	(5,923,517)	(1,442,414)	-
	<u>5,969,120</u>	<u>1,120,137</u>	<u>4,243,627</u>
15. Other Debtors			
Other debtors		4,296,643	6,399,335
Deposits		2,143,605	1,949,783
Total other debtors		<u>6,440,248</u>	<u>8,349,118</u>
16. Call investment deposits			
Call Deposits		<u>220,000,000</u>	<u>190,000,000</u>
17. Bank balances and cash			
The Municipality has the following bank accounts: -			
Current Account (Old-Primary Bank Account)			
ABSA Bank - Richards Bay			
Account Number: 215 000 0079			

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
17. Bank balances and cash (continued)		
Current Account - Primary account		
NedBank - Richards Bay		
Account Number:145 408 8885		
Other Accounts		
ABSA Bank Account: 405 987 3153		
NedBank Account : 145 408 8893		
NedBank Account : 145 408 9016		
Cash and cash equivalents consist of:		
Cash on hand	3,200	3,200
Bank balances	66,623,737	50,682,160
	66,626,937	50,685,360
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
Cash book balance at beginning of year	50,682,160	30,378,404
Cash book balance at end of year	66,623,737	50,682,160
Bank statement balance at beginning of year	66,795,215	62,420,511
Bank statement balance at end of year	80,117,349	66,795,215
18. Revenue		
Regional service levies	662,002	1,230,970
Service charges	33,399,637	30,277,691
	34,061,639	31,508,661
19. Service charges		
Sales of electricity	2,828,311	2,035,292
Sales of water	22,364,886	19,149,949
Refuse removal	4,707,153	5,569,917
Sewerage and sanitation charges	3,020,874	2,930,678
Cemetery revenue	478,413	591,855
	33,399,637	30,277,691
20. Government grants and subsidies		
Equitable share	73,788,014	57,101,476
Levy replacement grant	107,313,857	95,972,000
Municipal Infrastructure Grant and other Capital Grants	83,543,495	67,808,538

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
Department of Public Works	2,140,120	4,804
Department of Sport & Recreation	3,375,340	5,031,800
Department of Provincial Local Government	3,446,651	212,980
Department of Traditional and Local Government Affairs	24,025,980	6,149,220
Department of Water Affairs and Forestry	22,281,039	11,108,794
National Government- Other	1,971,503	867,099
	321,885,999	244,256,711

20.1. Equitable Share

In terms of the Constitution, this grant which is unconditional is used to subsidise the provision of basic services to the communities. These subsidies includes 6 kilo litre free basic water to the entire district with the exception of KZ 282, and 50 kilowatts for electricity, which is provided only in the town of Nkandla.

20.2 Levy replacement grant

Regional Council levies has been discontinued as from 30 June 2006 and the National Fiscus has allocated a levy replacement grant to the District municipalities. The levy replacement grant is an interim measure to ensure the financial sustainability of the District Municipalities while National Government is currently defining overall fiscal streams to local government.

20.3. Municipal Infrastructure Grant

Balance unspent at beginning of year	38,592,272	25,081,184
Current year receipts	89,902,000	81,319,626
Conditions met - transferred to revenue	(83,543,495)	(67,808,538)
Conditions still to be met - transferred to liabilities	44,950,777	38,592,272

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

20.4. Department of Public Works Grants

Balance unspent at beginning of year	2,969,461	2,974,265
Conditions met - transferred to revenue	(2,140,120)	(4,804)
Conditions still to be met - transferred to liabilities	829,341	2,969,461

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas.

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009	2008
	R	R
20.5. Department of Sport & Recreation		
Balance upspent at beginning of year	7,376,865	418,233
Prior year allocation error(refer note 22.7)	(4,970,759)	-
Current year receipts	1,000,000	11,990,432
Conditions met - transferred to revenue	(3,375,340)	(5,031,800)
Conditions still to be met - transferred to liabilities	30,766	7,376,865

Provincial Department of Sport & Recreation Projects grants are used to construct Sports & Swimming Pools in Nkandla. This grant also includes funding for the 2010 sports stadium that will be constructed by the municipality. The grant is spent in accordance with a business plan approved by the Department of Sports & Recreation. No funds have been withheld.

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
20.6 Department of Provincial and Local Government		
Balance unspent at the beginning of year	1,198,875	1,411,855
Current year receipts	2,677,605	-
Conditions met - transferred to revenue	(3,446,651)	(212,980)
Conditions to be met - transferred to liabilities	429,829	1,198,875

The Department of Provincial and Local Government grants are used to build capacity within the District in order to perform functions as per legislature.

20.7 Department of Traditional and Local Government Affairs		
Balance unspent at the beginning of year	20,937,657	22,040,177
Prior year allocation error(refer note 22.5)	4,970,759	-
Current year receipts	53,800,000	5,046,700
Conditions met - transferred to revenue	(24,025,980)	(6,149,220)
Conditions to be met - transferred to liabilities	55,682,436	20,937,657

The Department of Traditional and Local Government grants are used to build capacity within the District in order to perform functions as per legislature , which included for disaster programmes, fire fighting equipment, water service delivery planning, shares services unit and infrastructure.

20.8 Department of Water and Forestry		
Balance unspent at the beginning of the year	20,214,459	5,795,653
Current year receipts	19,011,700	25,527,600
Conditions met - transferred to revenue	(22,281,039)	(11,108,794)
Conditions to be met - transferred to liabilities	16,945,120	20,214,459

The Department of Water Affairs and Forestry are used for water infrastructure , sanitation projects, drought relief and disaster relief programmes.

20.9 Department of Transport (Kwa-Zulu Natal)		
Balance unspent at the beginning of the year	313,770	313,770

The Department of Transport Grant is used for assisting with the transport plan for the District

20.10 National Treasury		
Balance unspent at the beginning of the year	2,008,526	1,187,837
Current year receipts	(1,442,605)	1,500,000
Conditions met - transferred to revenue	(536,915)	(679,311)
Conditions to be met - transferred to liabilities	29,006	2,008,526

The National Treasury - Other Grants are used to promote and support reforms to municipal financial management, implementation of the Municipal Finance Management Act .

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
20.11 uMhlathuze Municipality - Other grants		
Balance unspent at the beginning of the year	7,500,000	-
Current year receipts	15,000,000	7,500,000
Conditions met - transferred to revenue	(1,434,588)	-
Conditions met - transferred to liabilities	21,065,412	7,500,000
<p>The uMhlathuze Municipality Grants are used for to build the 2010 sports stadium in the District.</p>		
20.12 Changes in levels of government grants		
<p>Based on the allocations set out in the Division of Revenue Act, (Act 2 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.</p>		
20.13 Provincial Treasury		
Current year receipts	514,877	-
20.14 Department Economic Affairs & Tourism		
Current year receipts	300,000	-
21. Other income		
Shared services revenue	2,411,150	250,000
Public contribution	81,409	683,758
Other Income	8,801,800	1,661,978
	11,294,359	2,595,736

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
22. Interest revenue		
Interest earned - external investments	36,182,387	30,311,249
Interest earned - outstanding debtors	176,501	311,162
	36,358,888	30,622,411
23. Operating profit		
Loss on sale of property, plant and equipment	(5,894)	(55,581)
Depreciation on property, plant and equipment	22,464,697	10,966,372
Employee costs	61,158,547	49,998,934
24. Employee related costs		
Employee related costs - Salaries and Wages	41,637,728	35,962,243
Employee related costs - Contributions for UIF, pensions and medical aids	7,711,332	6,312,336
Travel, motor car, and other allowances	5,193,396	4,190,707
Housing benefits and allowances	3,299,600	1,236,635
Overtime and relief payments	3,316,491	2,297,013
	61,158,547	49,998,934
There were no advances to employees. Loans to employees are set out in note12.		
Remuneration of the Municipal Manager		
Annual Remuneration	738,702	677,897
Performance Bonus	121,902	101,187
Car Allowance	277,778	259,103
Contributions to UIF	1,539	1,411
	1,139,921	1,039,598
Remuneration of the Deputy Municipal Manager		
Annual Remuneration	668,067	646,947
Performance Bonus	113,093	109,751
Car Allowance	305,880	297,065
Contributions to UIF	1,539	1,511
	1,088,579	1,055,274

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
Remuneration of senior management (continued)		
Remuneration of Individual Executive Directors		
Technical Services		
Annual Remuneration	671,426	596,929
Performance Bonus	107,141	33,403
Car allowance	172,493	149,229
Contributions to UIF	1,539	1,678
	952,599	781,239
Corporate Services		
Annual Remuneration	679,747	753,814
Performance Bonus	107,141	100,755
Car allowance	193,660	179,771
Contributions to UIF	1,539	1,511
	982,087	1,035,851

uThungulu District Municipality

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Notes to the annual financial statements

	2009 R	2008 R
Remuneration of senior management (continued)		
Chief Financial Officer		
Annual Remuneration	769,615	743,804
Performance Bonus	109,712	107,990
Car Allowance	86,287	91,521
Contributions to UIF	1,539	1,511
	967,153	944,826
25. Remuneration of councillors		
Total Councillors' Remuneration		
Mayor	314,647	428,711
Deputy Mayor	406,949	371,084
Speaker	404,696	366,643
Executive councillors	1,917,689	1,665,911
Councillors	1,581,395	1,540,521
Councillors' pension contribution	396,096	367,240
	5,021,472	4,740,110
In-kind Benefits:		
<p>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 which is included with other expenditure in the Statement of Financial Performance. To note the Mayor's remuneration in 2008/09 is paid based on the difference of full time Mayor and that of a part time councillor of Umlalazi Municipality. The municipality is leasing a vehicle at cost to Council for the Mayor which is included with other expenditure in the Statement of Financial Performance.</p>		
26. Finance Cost		
Interest paid - long term liabilities	8,118,322	7,856,385
27. Bulk Purchases		
Electricity	10,397,740	7,488,700
Water	6,140,253	4,406,056
	16,537,993	11,894,756

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
28. Grants and Subsidies		
KZ 282 Umhlatuze Municipality	1,319,418	966,250
KZ 284 Umlalazi Municipality	512,506	548,265
	<u>1,831,924</u>	<u>1,514,515</u>

During the 2007/2008 and 2008/2009 financial year, the grants payable were for environmental health services for the function that was performed by the local municipalities.

29. General expenses

Included in general expenses are the following cost items :-

Fuel and oil	2,148,817	1,795,559
IDP operational externally funded projects	47,265,475	33,812,028
IDP operational internal funded projects	56,702,911	50,790,377
Publicity	1,293,847	1,025,773
Rent - Plant and vehicles	2,905,427	2,645,009
Telephone	1,365,586	1,074,006
External audit fees	1,338,864	1,297,033
Insurance	2,009,157	1,742,156
Subsistence & Travelling	1,047,789	940,360
Advertisements	681,178	803,010
Grants and Donations	-	483,359
Chemicals	1,494,240	903,510
Landfill site reclamation	8,384,673	-
Other general expenses	6,602,507	6,683,640
	<u>133,240,471</u>	<u>103,995,820</u>

30. Cash generated from operations

Surplus for the year	75,799,871	49,215,460
Adjustments for:		
(Profit) loss on sale of assets	5,894	55,581
Interest received	(36,358,888)	(26,873,730)
Interest paid	8,118,322	7,856,385
Movements in provisions	(23,965,387)	32,716,560
Contribution to bad debt provision	6,584,621	3,066,528
Depreciation and amortisation	-	10,966,372
Changes in working capital:		
(Increase) in Inventories	-	(1,201,448)
(Increase) / Decrease in other debtors	-	(3,370,494)
(Increase) in debtors	-	(1,827,660)
(Decrease) / Increase in creditors	-	17,776,719
Increase in conditional and other grants	-	41,242,800
(Increase) in Vat	-	(8,429,004)
	<u>30,184,433</u>	<u>121,194,069</u>

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009	2008
	R	R
31. Cash and cash equivalents		
Cash and cash equivalents included in the cashflow statement comprise the following statement of amounts indicating financial position:		
Call investment deposits - Current portion	220,000,000	190,000,000
Bank balances	66,623,737	50,682,160
Cash on hand	3,200	3,200
	286,626,937	240,685,360

32. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

Unauthorised expenditure

To the best of knowledge no unauthorised expenditure was incurred during the year under review.

Fruitless and wasteful expenditure

To the best of knowledge instances of note indicating that fruitless and wasteful expenditure was incurred during the year under review were not revealed.

Irregular expenditure

To the best of knowledge instances of note indicating that irregular expenses was incurred during the year under review were not revealed.

33. Additional disclosure in terms of Municipal Finance Management Act

33.1 Contributions to organized local government

Council subscriptions	386,580	257,872
Amount paid - current year	(386,580)	(257,872)
Balance unpaid (included in trade creditors)	-	-

33.2 Audit fees

Opening balance	22,547	-
Current year audit fee	1,316,317	1,300,000
Amount paid - 2007/08	(1,333,122)	(171,318)
Amount paid - previous years	(5,742)	(1,106,135)
Balance unpaid (included in creditors)	-	22,547

33.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 9.
All VAT returns have been submitted by the due date throughout the year.

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
33.4 PAYE and UIF		
Current year payroll deductions	8,971,006	7,285,113
Amount paid - current year	(8,971,006)	(7,285,113)
Balance unpaid (included in creditors)	-	-
33.5 Pension and Medical Aid Deductions		
Current year payroll deductions and Council Contributions	7,132,337	5,877,261
Amount paid - current year	(7,132,337)	(5,877,261)
Balance unpaid (included in creditors)	-	-
34. Commitments		
Commitments in respect of capital expenditure:		
- Approved and contracted for		
Infrastructure	124,204,701	88,878,690
Other property, plant and equipment	29,862,809	33,197,794
	154,067,510	122,076,484
- Approved but not yet contracted for	4,367,494	-
This expenditure will be financed from:		
- Government Grants	136,205,567	79,707,234
- Own resources	17,861,943	42,369,250
	154,067,510	122,076,484

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Executive committee prior to 30th June 2009. The majority of the capital projects include water infrastructure.

35. Contingencies

Future legal fees

1. Contractor - outstanding invoice claimed (Matter pending)	-	80,000
2. Contractor (Matter pending)	-	10,000
3. Ex - employee and councilors - legal action	200,000	200,000

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
35. Contingencies (continued)		
4. Contractor (Matter pending)	-	200,000
5. Contractor (Matter pending)	100,000	599,506
6. Contractor (Matter Pending)	30,000	-
	330,000	1,089,506

1. The municipality is being sued by a contractor for work that the contractor alleges to have completed.
2. The municipality is suing the contractor for poor performance on a project. .
3. The municipality has legal action against an ex-employee that made an illegal investment and against councilors on council matters.
4. The municipality is suing the contractor for incompleteness of work on a project.
5. Dispute with the contractor, as the consultant increased the scope of work without prior approval from the municipality.
6. The municipality has legal action against a contractor

36. Related parties

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
36. Related parties (continued)		
Related party transactions		
Sub-Lease Payments		
Uthungulu Financing Partnership	3,808,453	3,368,625
<p>uThungulu Financing Partnership is a partnership between uThungulu District Municipality, NIB9810 Trust and Nedcor. uThungulu District Municipality as at 30 April 2008 holds 99% and Nedcor and NIB9810 holds the balance of 1%. The uThungulu Financing Partnership was formed to facilitate the purchase of uThungulu House in order to provide offices for uThungulu District Municipality. In order to finance the purchase of uThungulu House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, uThungulu District Municipality is obliged to make bi-annual sub lease payments to the partnership to reimburse uThungulu Financing Partnership for the loan repayments made to Nedcor. The loan is payable over 20 year period (starting in 1998 - 2017).</p>		
37. Events after reporting date		
<p>At the date of submission of the annual financial statements there are no known events.</p>		
38. Comparison with budget		
<p>The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).</p>		
39. Correction of errors		
<p>During the 1998 financial year uThungulu Regional Council entered into an agreement with NedBank with respect to the acquisition and financing of the municipality's present administrative offices. As a consequence of this transaction to municipal entities were created, the investment in which, has not been accounted for by uThungulu District Municipality</p>		
Investment as restate		
Investments as previously reported	-	15,077,902
Investment in Partnership	-	29,721,035
Investment in Financing Trust	-	5,708,942
	<u>-</u>	<u>50,507,879</u>
Long-term liabilities as restated		
Long-term liabilities as previously reported	-	43,141,133
Correction of error	-	1,186,574
	<u>-</u>	<u>44,327,707</u>
<p>The effect of the abovementioned correction of errors on the accumulated surplus and surplus for the year are as follows:</p>		
Accumulated surplus as restated		
Accumulated surplus as previously reported	-	229,245,443
Capital investment in deposit agreement	-	15,553,983
Investment revenue generated through the deposit agreement	-	14,152,114
Investment in Trust previously not accounted for	-	5,295,617
Correction of error in long-term liability	-	1,186,574
	<u>-</u>	<u>265,433,731</u>

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the annual financial statements

	2009 R	2008 R
39. Correction of errors (continued)		
Surplus for the year as previously reported	-	49,215,460
Capital investment in deposit agreement previously misallocated	-	(3,733,743)
Interest earned on deposit agreement	-	3,748,681
Interest earned on deposit agreement	-	413,325
	-	49,643,723
INVESTMENT IN MUNICIPAL ENTITIES		
The uThungulu Financing Partnership		
At acquisition on 30 April 2008		
99% Partnership interest, previously 0.5%	-	-
Net Assets acquired on 30 April 2008	-	-
Investment in finance lease	-	20,144,962
Cash and cash equivalents	-	811,972
Finance lease liability	-	(5,270,081)
VAT	-	(258,212)
	-	15,428,641
Outside partners interests	-	(154,286)
Fair value of net assets acquired	-	30,702,996
Total purchase consideration paid	-	29,721,035
Fair value of net assets acquired	-	(15,274,335)
Goodwill	-	14,446,700
Impairment of Goodwill	-	(14,446,680)
	-	14,446,720
At 30 June 2008		
Investment in finance lease	-	20,954,559
Cash and cash equivalents	-	562,882
Finance lease liability	-	(5,682,986)
VAT	-	(9,061)
	-	15,825,394
Comprising:		
Partnership contributions	-	39,835,358
Accumulated loss	-	(24,010,024)
	-	15,825,334

APPENDIX A

UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

	Redeemable Rand	Balance at 30 June 2008 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2009 Rand	Carrying Value of Property, Plant & Equip Rand
LONG-TERM LOANS						
INCA @ 13.95%	2014/12/31	21,000,000	-	-	21,000,000	21,000,000
		<u>21,000,000</u>			<u>21,000,000</u>	<u>21,000,000</u>
ANNUITY LOAN						
INCA @ 11.95%	2023/06/30	-	30,000,000	695,887	29,304,113	-
			<u>30,000,000</u>	<u>695,887</u>	<u>29,304,113</u>	<u>-</u>
LEASE LIABILITY						
Leased Property @ 23.8%	2017/03/31	20,954,559	1,380,368	-	22,334,927	9,550,000
		<u>20,954,559</u>	<u>1,380,368</u>	<u>-</u>	<u>22,334,927</u>	<u>9,550,000</u>
TOTAL EXTERNAL LOANS						
LONG -TERM LOANS		21,000,000			21,000,000	21,000,000
ANNUITY LOAN		-	30,000,000	695,887	29,304,113	-
LEASE LIABILITY		20,954,559	1,380,368	-	22,334,927	9,550,000
		<u>41,954,559</u>	<u>31,380,368</u>	<u>695,887</u>	<u>72,639,040</u>	<u>30,550,000</u>

APPENDIX B

UTHUNGULU DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation			Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Current	Disposals	Closing Balance	
Infrastructure - In Construction									
Water Mains and purification	249,825,262	95,611,864	190,518,309	154,918,817					154,918,817
	249,825,262	95,611,864	190,518,309	535,955,435					535,955,435
Infrastructure									
Infrastructure Land Servitudes	2,936,026	13,376,790		16,312,816		861,590		861,590	15,451,226
Infrastructure Solid Waste Services	40,879,690			40,879,690	23,810,188	4,993,898		28,804,086	12,075,604
Waste Site Rehabilitation	32,350,060		32,350,060	-	-	-		-	-
Waste Site Empangeni	-			-	-	-		-	-
Waste Site Empangeni - Land	-			-	-	-		-	-
Infrastructure Sewerage Services	18,568,358	5,724,178		24,292,536	8,826,565	1,375,011		10,201,576	14,090,960
Sewerage Mains & Purif	-			-	-	-		-	-
Water Mains & Purification	-			-	-	-		-	-
Infrastructure Water Services	13,601,912	31,930,953		45,532,865	10,145,547	2,376,824		12,522,371	33,010,494
Water Network	16,976,901	138,510,459		155,487,360	10,383,245	9,214,328		19,597,573	135,889,787
Infrastructure Plant and Equipment	1,084,639	10,299,413		11,384,052	1,066,897	585,625		1,652,522	9,731,530
Infrastructure Electricity	2,419,402			2,419,402	2,419,402	50,142		2,469,544	-50,142
	128,816,988	199,841,793	32,350,060	296,308,721	56,651,844	19,457,418	-	76,109,262	220,199,459
Other assets in construction									
Cemetery - Buildings	1,129,010			1,129,010					1,129,010
UTHungulu Buildings	7,718,780	8,230,668		15,949,448					15,949,448
UTHungulu Disaster	162,962			162,962					162,962
UTHungulu Store Eshowe	141,100	2,306,785		2,306,785					652,275
UTHungulu Cemetery		511,175		652,275					
	9,151,852	11,048,628	-	20,200,480	-	-	-	-	20,200,480

	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Current	Disposals	Closing Balance	Value
Other assets									
Motor Vehicles	7,972,312	1,225,640	108,130	9,089,822	3,351,188	921,964	86,129	4,359,281	4,730,541
Computer Equipment	7,911,900	990,307	580,094	8,322,113	4,534,402	1,407,501	491,859	6,433,762	1,888,351
Land and Buildings	20,114,114	14,877,863	1,380,582	33,611,395	-	-	-	-	33,611,395
Leasehold Property	9,550,000	-	-	9,550,000	-	-	-	-	9,550,000
Buildings	-	-	-	-	-	-	-	-	-
Permanent Works - Buildings	-	-	-	-	-	-	-	-	-
Cemetery Land	-	-	-	-	-	-	-	-	-
Furniture, Fittings and Office Equipmen	-	1,101,817	76,638	3,210,576	978,841	205,675	104,322	1,288,838	1,921,738
Office Equipment	2,185,397	602,150	16,489	2,680,258	908,963	231,150	36,944	1,177,057	1,503,201
Furniture	2,094,597	-	-	-	-	240,989	4,594	-	-
Technical Equipment	-	633,059	4,595	1,722,347	277,990	-	-	523,573	1,198,774
Plant and Equipment	1,093,883	-	-	-	-	-	-	-	-
Total carried forward	50,922,203	19,430,836	2,166,528	68,186,511	10,051,384	3,007,279	723,848	13,782,511	54,404,000
	438,716,305	325,933,121	225,034,897	539,614,529	66,703,228	22,464,697	723,848	89,891,773	449,722,756

APPENDIX C
UTHUNGULU DISTRICT MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation			Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions Rand	Disposal Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Disposals		Closing Balance
Executive & Council	3,841,392	9,727		3,851,119	1,390,494			1,390,494	2,460,625
Finance & Admin	39,483,136	23,843,110		63,326,246	2,317,618	3,007,280		5,324,898	58,001,348
Planning & Development	202,085	157,472		359,557	-			-	359,557
Community & Social Services	4,015,559	596,126		4,611,685	129,964			129,964	4,481,721
Public Safety	3,720,258	1,298,798		5,019,056	-			-	5,019,056
Waste Management	76,128,730	23,613,025		99,741,755	23,872,531			23,872,531	75,869,224
Water	289,949,334	69,267,960	785,945	358,431,349	28,704,503	19,457,418	723,849	47,438,072	310,993,276
Electricity	2,419,402			2,419,402	2,419,402			2,419,402	-
Waste Water	18,956,409	150,068		19,106,477	7,868,715			7,868,715	11,237,762
	438,716,305	118,936,286	785,945	556,866,646	66,703,227	22,464,698	723,849	88,444,076	468,422,569

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	2009	2009	2009	2009	Explanation of Significant Variance greater than 10% versus Budget
	Actual Bal Rand	Bud Amount Rand	Variance Rand	Variance	
Revenue					
Service Charges	34,062	30,916	3,146	10%	
Regional Services Levies - Turnover	90	-	90	100%	Collection of outstanding declarations from previous years
Regional Services Levies - Remuneration	572	-	572	100%	Collection of outstanding declarations from previous years
Rental of Facilities	48	23	25	110%	
Interest Earned - external investments	36,182	32,323	3,859	12%	Investment income is generated from funds committed but not yet paid
Interest Earned - Internal Investments	177	103	74	71%	Increased debtor defaults due to the economic climate
Government grants and subsidies	361,867	382,191	(20,324)	-5%	
Other Income	11,294	1,214	10,080	830%	Funds relating to the uThungulu House Structure
	444,292	446,770	(2,478)	-1%	
Expenses					
Executive & Council	24,188	30,259	6,071	20%	General savings
Finance & Admin	25,117	33,593	8,476	25%	General savings
Planning & Development	25,603	77,955	52,352	67%	Savings due to grant utilisation.
Community & Social Services	26,183	44,203	18,020	41%	Savings due to grants utilisation.
Public Safety	7,967	11,234	3,267	29%	Savings due to grants utilisation.
Environmental Protection	2,435	3,567	1,132	32%	Savings on grant provided to Umhlatuze and Umlalazi municipality
Waste Management	17,261	12,092	-5,169	-43%	The provision for the waste site rehabilitation was previously accounted in PPE additions however with the implementation of Grap 17 it is now expensed.
Electricity	3,465	4,887	1,422	29%	General savings
Waste Water	17,529	21,244	3,715	17%	General savings
Water	181,109	168,452	-12,657	-8%	The implementation of IAS 39 and Grap 17 have had an impact on the budget.
	330,857	407,486	76,629	19%	

APPENDIX E(2)

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

	Additions Rand	Under Construction Rand	Total Additions Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 5% versus Budget
Property, Plant & Equipment							
Executive & Council	9,727		9,727	70,000	60,273	86%	Budget not utilised due to building in progress
Finance & Administration	3,506,808	20,336,302	23,843,110	41,757,105	17,913,995	43%	Balance committed for the construction of the Municipal building
Planning & Development	157,472		157,472	190,000	32,528	17%	General savings
Community & Social Services	596,126		596,126	3,837,633	3,241,507	84%	Balance committed for the fire fighting equipment
Public Safety	1,298,798		1,298,798	1,261,303	-37,495	-3%	
Water	209,177	69,058,783	69,267,960	196,086,868	126,818,908	65%	Balance committed on ongoing projects
Waste Management		23,613,025	23,613,025	20,000,000	-3,613,025	-18%	Due to economic conditions and increase in prices relating to specialised materials
Electricity				200,000	200,000	100%	
Waste Water	150,068		150,068	150,168	100	0%	Transfer of function under negotiation
	5,928,176	113,008,110	118,936,286	263,553,077	144,616,791		

UTHUNGULU DISTRICT MUNICIPALITY: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grant & Vote	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act				
		Mar 08	June 08	Sept 08	Dec 08	Mar 09	Mar 08	June 08	Sept 08		Dec 08	Mar 09		
IDP REVISION	DTLGA		600,000											
SOCCER STADIUMS INFRASTRUCTURE	DTLGA			10,000,000				10,000,000	49,297	20,000				
GIS DEVELOPMENT / PLANNING	DTLGA			250,000										
REVIEW OF SPATIAL DEVELOPMENT	DTLGA			250,000										
TOWN PLANNING AND LAND USE	DTLGA			250,000										
LOCAL GOVERNMENT FINANCE GRANT	NATIONAL TREASURY			500,000										
MSIG	DTLGA			735,000					87,590	135,757				
2010 SPORTS STADIUM	UMHLATHUZE		5,000,000											
GREATER MITHONJENENI RETICULATION	DWAF		9,000,000	5,688,650	4,098,450		2,864,390	3,615,341	11,059,636					
ISSUE MANAGER	DWAF			96,400	48,200									1,557
CORRIDOR DEVELOPMENT	DTLGA				8,250,000									
DISASTER MANAGEMENT	DTLGA					500,000								
REVIEW OF WASTE MANAGEMENT PLAN	DEAT					300,000								
DEVELOPMENT PLANNING SHARED SERVICES	DTLGA					300,000								
SYNTHETIC ATHLETICS TRACK	KZN - DSR		500,000		1,000,000		139,638	360,362						
2010 MULTI SPORTS STADIUM	KZN - DSR		500,000	14,696,400	17,721,850	1,100,000	139,638	13,975,703	11,236,523	608,011				

Note: (No Grants & Subsidies were delayed/ withheld)

This excludes allocations from the equitable share and levy replacement Grant

KZN - DSR = Department of Sports, Kwazulu Natal

DEAT - Department of Economic Affairs & Tourism

DTLGA = Department of Traditional & Local Government Affairs, DWAF = Department of Water & Forestry Affairs

DWAF = Department of Water Affairs & Forestry