

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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# EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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## GENERAL INFORMATION

### Members of the Mayoral Committee

CN Mkhonto  
SV Khumalo  
M Chembeni Sahi  
MJ Mnisi  
LM Mochekoane  
LN Shongwe  
BS Mashego  
FS Timba

### Members of council

BD Dube  
HB Magagula  
TB Mdhuli  
ZG Hlongwane  
JS Siboza  
MF Nkadimeng  
LC Dlamini  
JL Sithole  
MB Thumbathi  
EF Lubede  
SS Makubela  
C Maluleke  
RG Herbst  
MJ Mashego  
P W A Phalakatshela  
BC Ndlovu  
PM Mpholane  
PJ de Witt  
GC de Bruin  
ZL Mandlazi  
C Maseko  
JM Mhlongo  
TJ Milazi  
VB Mlimi  
MJ Msibi  
AA Ndowane  
L Chiwayo  
SR Schormann  
TN Sifunda  
HK Malomane  
RV Lukhele  
NM Mabuza  
MJ Mavuso  
C Maluleke  
LG Mathonsi  
PRB Nel  
CN Hlongwane  
SJ Mabuza  
PP Magagula  
MN Nhlebeya  
CG Dippenaar

# EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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ST Luthuli  
C Magopane  
VX Baloyi  
CS Nxumalo  
JH Ndlovu  
VN Mzimba  
SP Monareng  
ML Mathebula  
E Mokoena  
VM Manzini  
VL Mthabine

## Other General Information

Executive Mayor	Clr: CN Mkhonto
Deputy Executive Mayor	Clr: SV Khumalo
Chief Whip	Clr: JH Ndlovu
Speaker	Clr: C Maluleke
Municipal Manager	Adv: HM Mbatha
Chief Financial Officer	Mr: GPJ Landman
Council Grading in terms of the upper limits of salaries, allowances for different members of municipal council	4
Bankers	First National Bank - Nelspruit
Auditors	Auditor General Nelspruit
Registered Office	18 Bell Street P O Box 3333 NELSPRUIT 1200
Telephone	(013) 759 8500
Fax	(013) 755 3167

# **EHLANZENI DISTRICT MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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### **APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

I am responsible for the presentation of these annual financial statements, which are set out on pages 5 to 37 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 Councilors as disclosed in note 20 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 Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act.

\_\_\_\_\_  
**Adv. H Mbatha**  
**Municipal Manager**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**G P J Landman**  
**Chief Financial Officer**

\_\_\_\_\_  
**Date**

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

<u>ASSETS</u>	Note	2009	2008
<b><u>CURRENT ASSETS</u></b>			
Cash and Cash equivalent	1	6,245,187	14,716,957
Accounts receivable	2	2,269,904	3,578,899
Inventories	3	274,860	216,732
Prepayments	4	-	348,876
Short – term fixed deposits	5	-	138,342,174
VAT Receivable	6	29,655,757	9,335,223
<b><u>NON CURRENT ASSETS</u></b>			
Long – term receivables	7	58,808	193,970
Investments	8	42,277,458	40,276,305
Property, Plant and Equipment	9	19,455,434	19,381,809
Work – in - Progress	11	110,958,	-
<b>TOTAL ASSETS</b>		<b>211,196,374</b>	226,390,945
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Trade and other payables	10	13,098,255	13,512,730
Current Provisions	12	2,570,601	2,241,445
<b><u>NON – CURRENT LIABILITIES</u></b>			
Unspent Conditional Grant	14	19,748,420	37,362,710
Non – Current Borrowings	13	40,000,000	40,000,000
<b>TOTAL LIABILITIES</b>		<b>75,417,276</b>	93,116,885
<b><u>RESERVES</u></b>			
Capital Replacement Reserve		7,000,628	7,000,628
Revaluation Reserve		15,597,271	15,597,271
Disestablished Bohlabela Reserve		-	21,733,661
Accumulated Surplus / Deficit		113,181,199	88,942,500
<b>TOTAL LIABILITIES AND RESERVES</b>		<b>211,196,374</b>	226,390,945

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
<b><u>REVENUE</u></b>			
Bad debts recovered - Regional Services Levies		671,122	3,026,432
Government Grants and Subsidies	15	145,191,505	112,757,373
Interest earned-External investments	16	18,346,113	17,880,008
Other Income		691,705	739,808
Dividends Received	18	56,163	53,298
Rent Facilities and equipment	17	615,750	647,370
<b><u>TOTAL REVENUE</u></b>		<b>165,572,358</b>	<b>135,104,289</b>
<b><u>EXPENDITURE</u></b>			
Employee related costs	19	46,229,333	38,677,086
Remuneration of Councilors'	20	6,742,824	6,570,334
Depreciation	21	2,258,726	1,458,604
Repairs and maintenance		535,871	146,086
General expenses – other	26	101,168,311	45,823,988
Finance costs	22	5,868,000	5,507,684
Contracted Services	23	367,869	330,460
Contributions to /(Transfers from) Provisions		1,332,823	1,623,663
Audit Fees	25	1,130,588	797,011
<b><u>TOTAL EXPENDITURE</u></b>		<b>165,634,345</b>	<b>100,934,916</b>
Gain / (Loss) on sale of Assets	24	430,849	(103,428)
<b>Net surplus/(Deficit) for the year after adjustment</b>		<b>368,862</b>	<b>34,065,945</b>

**EHLANZENI DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009**

	<b>Revaluation Reserve</b>	<b>Disestablished Bohlabela Reserve</b>	<b>Capital Replacement Reserve</b>	<b>Accumulated Surplus/(Deficit)</b>	<b>Total</b>
<b>2008</b>					
<b>Balance 1 July 2007</b>		<b>26,873,995</b>	<b>7,000,628</b>	<b>53,484,353</b>	<b>87,358,976</b>
Utilized during the year		(5,140,334)			(5,140,334)
Correction of prior period				1,392,202	1,392,202
Changes in accounting policy					
<b>Restated Balance</b>		<b>21,733,661</b>	<b>7,000,628</b>	<b>54,876,555</b>	<b>83,610,844</b>
Revaluation surplus	15,597,271				15,597,271
Surplus / deficit for the period				34,065,945	34,065,945
<b>Balance 1 July 2008</b>	<b>15,597,271</b>	<b>21,733,661</b>	<b>7,000,628</b>	<b>88,942,500</b>	<b>133,274,060</b>
Utilized during the year		(57,883)			(57,883)
Adjustment to prior year accumulated surplus				2,194,059	2,194,059
Net Surplus for the year				368,862	368,862
Transferred to Accumulated surplus		(21,675,778)		21,675,778	
<b>Balance as at 30 June 2009</b>	<b>15,597,271</b>	<b>-</b>	<b>7,000,628</b>	<b>113,181,199</b>	<b>135,779,098</b>

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	<u>NOTE</u>	<u>2009</u> R	<u>2008</u> R
<b><u>CASHFLOW FROM OPERATING ACTIVITIES</u></b>			
<b>RECEIPTS</b>			
Grants and Subsidies		145,191,505	112,757,373
Interest received		18,346,113	17,880,008
SARS VAT Receipt		1,973,645	-
Other receipts		2,034,740	3,593,518
		<b>167,546,003</b>	<b>134,230,899</b>
<b>PAYMENTS</b>			
Employees costs		52,972,157	45,247,420
Suppliers		119,069,177	47,097,545
Interest paid		5,868,000	5,507,687
Other payments		22,411,366	4,938,558
		<b>200,320,700</b>	<b>102,791,210</b>
<b>Net cash from Operating Activities</b>	27	<b>(32,774,697)</b>	<b>31,439,689</b>
 <b><u>CASHFLOWS FROM INVESTING ACTIVITIES</u></b>			
Proceeds on sale of property, plant and Equipment		475,258	3,000
Purchase of property, plant and equipment		(2,278,643)	(2,111,759)
Increases in financial Instruments		(1,625,772)	(4,156,411)
Increase in short term deposits		138,342,174	(58,342,174)
Increase / decrease in prepayments		348,876	(348,876)
Decrease in long term debtors		-	7,222
Increase / decrease in Non – current Assets / WIP		(110,958,966)	-
<b>Net cash from investing Activities</b>		<b>24,302,927</b>	<b>(64,948,998 )</b>
 <b><u>CASHFLOW FROM FINANCING ACTIVITIES</u></b>			
Loans repaid		-	-
Net cash from financing activities		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(8,471,770)</b>	<b>(33,509,309)</b>
Cash and cash equivalents at the beginning of the year		14,716,957	48,226,266
<b>Cash and cash equivalents at the end of the year</b>	28	<b>6,245,187</b>	<b>14,716,957</b>



# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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

#### **1 BASIS OF ACCOUNTING**

##### **1.1 BASIS OF PRESENTATION**

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

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

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

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

##### **1.2 PRESENTATION CURRENCY**

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

##### **1.3 GOING CONCERN ASSUMPTION**

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

##### **1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### 2 PROPERTY, PLANT AND EQUIPMENT

#### 2.1 INITIAL RECOGNITION

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

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

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

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

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

#### 2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### 2.3 SUBSEQUENT MEASUREMENT - COST MODE

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

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

### 2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Description</b>	<b>Years</b>
Buildings	30
Vehicles	5
Office Equipment	3
Furniture and Fittings	10
Bins and Containers	5
Other items of plant and Equipments	5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

### 2.5 DERECOGNITION

Items of Property, plant and equipment are derecognized when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

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

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

Intangible assets are initially recognized at cost.

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

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

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

#### 3.3 AMORTISATION AND IMPAIRMENT

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

Computer software	3
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The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognized as a change in accounting estimate in the Statement of Financial Performance.

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

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### 3.4 DERECOGNITION

Intangible assets are derecognized 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 recognized in the Statement of Financial Performance.

## 4 INVESTMENT PROPERTY

### 4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

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

### 4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

### 4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### 5 NON-CURRENT ASSETS HELD FOR SALE

#### 5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### 5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortized) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognized in surplus or deficit.

### 6 INVENTORIES

#### 6.1 INITIAL RECOGNITION

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

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

#### 6.2 SUBSEQUENT MEASUREMENT

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

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

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### FINANCIAL INSTRUMENTS

#### 7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

#### 7.2 SUBSEQUENT MEASUREMENT

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

#### 7.3 INVESTMENTS

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

#### 7.4 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

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

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### 7.5 TRADE PAYABLES AND BORROWINGS

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

### 7.6 CASH AND CASH EQUIVALENTS

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

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

## 8 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgment in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.



# **EHLANZENI DISTRICT MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

### **9 UNAUTHORISED EXPENDITURE**

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

### **10 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.

### **11 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.

### **12 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. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: (a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected; - the location, function, and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### 13 LEASES

#### 13.1 MUNICIPALITY AS LESSEE

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

#### 13.2 MUNICIPALITY AS LESSOR

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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

### 14 REVENUE

#### 14.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to electricity and water are based on consumption. Meters are read on a 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.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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. This includes the issuing of licences and permits.

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

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

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

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

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

### 14.3 GRANTS, TRANSFERS AND DONATIONS

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

## 15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. 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. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying

# **EHLANZENI DISTRICT MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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assets are recognised as an expense in surplus or deficit when incurred.

### **16 CONSTRUCTION CONTRACTS AND RECEIVABLES**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### **17 REVALUATION RESERVE**

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

### **18 IMPAIRMENT OF ASSETS**

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

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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

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

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

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

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

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

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

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

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

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### COMPARATIVE INFORMATION

#### 19.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior year period comparative amounts are also reclassified.

#### 19.2 Current year Budgets

Budgeted amounts have been included in the Annual Financial Statement for the current financial year only.

# EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>1. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of the following:		
Cash on hand	4,000	2,000
Cash at bank	6,241,187	14,714,957
	<u>6,245,187</u>	<u>14,716,957</u>

The Municipality has the following bank accounts:

### **Current Account (Primary Bank Account)**

First National Bank- Nelspruit Branch: Account Number 62 113 491 419	1,250,262	7,276,240
Cash book balance at beginning of year	<u>7,276,240</u>	<u>39,894,324</u>

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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Cash book balance at end of year	1,250,262	7,276,240
Bank statement balance at beginning of year	7,372,010	38,851,724
Bank statement balance at end of year	3,084,620	7,372,010

### **Current Account (Other Account)**

First National Bank - Nelspruit Branch: Acc 62 113 492 938	358,862	362,942
First National Bank - Nelspruit Branch: Acc 62 113 495 916	404,508	380,451
First National Bank - Nelspruit Branch: Acc 62 113 496 360	492,284	462,868
First National Bank - Nelspruit Branch: Acc 62 113 496 708	1,580,601	4,254,330
First National Bank - Nelspruit Branch: Acc 62 113 498 564	2,067,822	1,919,078
First National Bank - Nelspruit Branch: Acc 62 113 499 554	59,848	59,048

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

#### **2. TRADE AND OTHER RECEIVABLES**

	<b>2009</b>	<b>2008</b>
Other debtors	2,842,115	3,578,899
Levy debtors	-	5,945,642
<b>Total Other Debtors</b>	<b>2,842,115</b>	<b>9,524,541</b>
Less: Provision for Bad debts	-572,211	-5,945,642
<b>Net Balance</b>	<b>2,269,904</b>	<b>3,578,899</b>

#### **3. INVENTORIES**

	<b>2009</b>	<b>2008</b>
Opening balance	216,732	108,210
Additions	573,347	515,773
Issued (Expensed)	-515,219	-407,251



# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Closing balance	274,860	216,732
<b>4. PREPAYMENTS</b>	<b>2009</b>	<b>2008</b>
Pre-paid expenses	-	348,876
<b>5. SHORT TERM FIXED DEPOSITS</b>	<b>2009</b>	<b>2008</b>
Fixed deposits	-	138,342,174
<b>6. VAT RECEIVABLE</b>	<b>2009</b>	<b>2008</b>
SARS VAT REFUNDABLE	29,655,757	9,335,223

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

<b>7. LONG – TERM RECEIVABLES</b>	<b>2009</b>	<b>2008</b>
Car Loans	129,503	129,503
Study loans	58,808	64,467
Housing selling scheme loans	-	-
Other non-current receivables	-	-
	188,311	193,970
Less : Provision for bad debts	(129,503)	-
Car loans	(129,503)	-
Staff loans	-	-
Other non-current receivables	-	-
<b>NET BALANCE</b>	<b>58,808</b>	<b>193,970</b>

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### 8. INVESTMENTS

	2009	2008
Fixed Deposits	41,902,077	40,276,305
Listed Investments	375,381	-
Other Investments	-	-
	42,277,458	40,276,305
	42,277,458	40,276,305

A fixed deposit amounting to R 41,902,077 has been pledged with INCA as security for the R 40 000 000 INCA loan. The market value of the listed investment at 30 June 2009 was R 990 317.

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

### 9. PROPERTY, PLANT AND EQUIPMENT

	P,P & E R	Total R
<b>Reconciliation of carrying value</b>		
<b>Carrying values at 1 July 2008</b>	<b>19,381,809</b>	<b>19,381,809</b>
Cost	26,774,604	26,774,604
Accumulated Depreciation	(7,392,795)	(7,392,795)
Acquisitions	2,278,644	2,278,644
Net Disposals	(25,004)	(25,004)
Depreciation	(2,258,726)	(2,258,726)
Revaluation	-	-
Correction of error	78,711	78,711
<b>Carrying values at 30 June 2009</b>	<b>19,455,434</b>	<b>19,455,434</b>
Cost	27,796,322	27,796,322
Accumulated Depreciation	(8,340,888)	(8,340,888)

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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*Refer to Appendix B for more detail on property, plant and equipment*

### 10. TRADE AND OTHER PAYABLES

	<b>2009</b>	<b>2008</b>
Trade creditors	4,274,087	3,332,272
Payments received in advance	-	1,671,355
Retentions	8,806,422	5,683,533
Guarantees	-	2,653,350
Sundry Creditors	17,746	17,746
Other creditors	-	154,474
<b>Total creditors</b>	<b>13,098,255</b>	<b>13,512,730</b>

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

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

#### 11. WORK IN PROGRESS

	<b>2009</b>	<b>2008</b>
Construction work in progress	110,958,966	-

#### 12. CURRENT PROVISIONS

	<b>2009</b>	<b>2008</b>
Leave provisions	2,570,601	2,241,445

*The movement in the current provision can be reconciled as follows*

	<b>Performance Bonus</b>	<b>Provision for leave</b>
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# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Opening 1 July 2008	-	2,241,445
Contributions to provision	-	631,108
Expenditure incurred	-	(301,952)
<b>Closing 30 June 2009</b>	<b>-</b>	<b>2,570,601</b>

### 13. NON - CURRENT BORROWINGS

	2009	2008
INCA Loan	40,000,000	40,000,000
Other Borrowings	-	-
<b>Total Other Debtors</b>	<b>40,000,000</b>	<b>40,000,000</b>
Less: Current portion transferred to current liabilities	-	-
<b>Total Borrowings</b>	<b>40,000,000</b>	<b>40,000,000</b>

*Refer to Appendix A for more detail on borrowings.*

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

### 14. UNSPENT CONDITIONAL GRANTS FROM SPHERES OF GOVERNMENT

	2009	2008
Dwaf Drought Relief	742,723	742,723
Dwaf	2,751,853	2,751,853
Ehlanzeni DM FMG	2,795,075	4,813,526
Ehlanzeni DM Pims	380,902	351,486
Dept of Sport and Recreation	2,766,595	4,096,165
Local Government	3,731,557	3,738,781
Nkomazi Lc Co-Funding	722,456	722,456
Umjindi Lc Co-Funding	10,602	10,602
Sanitation Pilot Projects	68,483	67,684
CBPWP: Rapid Delivery Projects	2,894,791	3,194,349
Department of Local Government and Housing	969,626	969,626
Municipal Systems Improvement Grant MSIG	668,175	864,341
Municipal Infrastructure Grant: MIG	787,099	14,658,576
National and Provincial Events	18,578	18,578
Seta	392,928	361,964
LED	22,920	-
Transitional Fund	24,057	-

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Current portion of unspent conditional grants	<u>19,748,420</u>	<u>37,362,710</u>
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### 15. GOVERNMENT GRANTS AND SUBSIDIES

	2009	2008
Equitable share	20,670,000	11,858,320
Levy Replacement Grant	113,530,323	100,899,053
MIG - Conditions met	10,656,182	-
MSIG - Conditions met	335,000	-
<b>Total Government Grants and Subsidies</b>	<b><u>145,191,505</u></b>	<b><u>112,757,373</u></b>

### 16. INTEREST EARNED

	2009	2008
Financial assets	18,346,113	17,880,008
Other	-	-
<b>Total interest</b>	<b><u>18,346,113</u></b>	<b><u>17,880,008</u></b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

### 17. RENTAL OF FACILITIES AND EQUIPMENT

	2009	2008
Rental of property	608,275	640,224
Other rentals	7,476	7,146
<b>Total rentals earned</b>	<b><u>615,751</u></b>	<b><u>647,370</u></b>

### 18. DIVIDENDS RECEIVED

	2009	2008
Dividends received - SANLAM	56,163	53,298
Other dividends	-	-
<b>Total Dividends</b>	<b><u>56,163</u></b>	<b><u>53,298</u></b>

### 19. EMPLOYEE RELATED COSTS

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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	2009	2008
Employee related costs - Salaries and wages	27,827,949	23,739,081
Employee related costs - Contributions for UIF, pensions and medical aids	7,969,395	6,622,904
Travel, motor car, accommodation, subsistence and other allowances	7,582,219	5,614,619
Housing benefits and allowances	550,964	368,784
Overtime payments	379,109	299,734
Performance and other bonuses	1,774,431	1,614,035
Other allowances	13,338	10,500
Bargaining Council	5,216	4,493
Redemption of leave	-	83,031
Acting Allowances	126,712	319,905
<b>Total Employee Related Costs</b>	<b>46,229,333</b>	<b>38,677,086</b>

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

<b>Remuneration of the Municipal Manager</b>	2009	2008
Annual Remuneration	720,065	659,259
Performance- and other bonuses	-	-
Travel, motor car, allowances	120,000	120,000
Contributions to UIF, Medical and Pension Funds	195,972	137,040
<b>Total</b>	<b>1,036,037</b>	<b>916,299</b>

#### **Remuneration of the Chief Finance Officer**

Annual Remuneration	590,070	572,984
Performance- and other bonuses	-	-
Travel, motor car, allowances	156,000	156,000
Contributions to UIF, Medical and Pension Funds	185,917	

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		111,027
<b>Total</b>	<b>931,987</b>	<b>840,011</b>

### Remuneration of the Manager: Office of the Municipal Manager (resigned: November 2008)

Annual Remuneration	133,420	290,474
Salary Back pay / Annual bonuses	269,709	24,158
Travel, motor car, allowances	40,320	152,080
Contributions to UIF, Medical and Pension Funds	39,930	100,296
<b>Total</b>	<b>483,379</b>	<b>567,008</b>

	Community services	Technical services
<b>Remuneration of the individual Managers - 2009</b>		
Annual Remuneration	517,141	656,506
Performance- and other bonuses	-	-
Travel, motor car, allowances	156,000	156,000
Contributions to UIF, Medical and Pension Funds	233,905	144,752
<b>Total</b>	<b>907,046</b>	<b>957,258</b>

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	Corporate Service	LED & TOURISMS
<b>Remuneration of the individual Managers - 2009</b>		
Annual Remuneration	504,016	508,127
Performance- and other bonuses	-	-
Travel, motor car, allowances	166,875	180,000
Contributions to UIF, Medical and Pension Funds	199,265	184,136
<b>Total</b>	<b>870,156</b>	<b>872,264</b>

### 20. REMUNERATION OF COUNCILLORS

	2009	2008
Executive Mayor	583,721	562,847
Deputy Executive Mayor	548,807	489,217
Speaker	532,752	467,845
Chief Whip	441,472	391,141
Councillors	4,098,146	4,075,628
Councillors Pension Fund Contribution	504,470	461,741

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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Councilors Other allowances	33,456	121,915
	6,742,824	6,570,334

### *In-kind Benefits*

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee are full-time. Each is Provided with an office and secretarial support at the cost of Council. The Executive Mayor has use of a Council owned vehicle for official duties. The Executive Mayor has a full-time bodyguard, a full-time driver and full time security guard at her residence, at the cost of Council.

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

#### **21. DEPRECIATION**

	2009	2008
Property, plant and equipment	2,258,726	1,458,604
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total Depreciation</b>	<b>2,258,726</b>	<b>1,458,604</b>

#### **22. FINANCE COSTS**

	2009	2008
Borrowings	5,868,000	5,507,684
Consumer deposits	-	-
Bank overdrafts	-	-
<b>Total Finance Costs</b>	<b>5,868,000</b>	<b>5,507,684</b>



# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### 23. CONTRACTED SERVICES

	2009	2008
Contracted services for:		
Cleaning services	206,400	204,267
Security Services	161,469	126,193
<b>Total Contracted Services</b>	<b>367,869</b>	<b>330,460</b>

### 24. GAIN OR (LOSS) ON SALE OF ASSETS

	2009	2008
Property, Plant and Equipment	430,849	(103,428)
Other Financial Assets	-	-
	<b>430,849</b>	<b>(103,428)</b>

### 25. AUDIT FEES

	2009	2008
Auditors fees	1,130,588	797,011
	<b>1,130,588</b>	<b>797,011</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

### 26. GENERAL EXPENSES

Included in general expenses are the following costs above R 100 000:-	2009	2008
Advertising	237,673	351,431
Annual Budget and Functions	833,820	672,151
Bursaries	129,895	132,434
Branding and Marketing	3,879,940	-
Computer Maintenance and Support	1,026,787	695,740
Computer systems - programmes and Training	10,204,938	-
Community outreach	371,493	531,641
Decease Management costs	6,718,620	417,210
Entertainment	313,293	212,474
Assistance to Local - Capital Projects	42,973,619	15,858,070
Fuel and oil	618,254	371,903

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

HIV / AIDS Awareness	2,473,084	1,463,410
Insurance	433,827	336,897
International / Municipal relations	2,041,026	-
Legal expenses	841,629	1,680,453
Membership fees - SALGA	219,298	187,153
Municipal Health Operational Costs	142,615	402,816
Moral regeneration / Public Participation	1,315,830	944,592
MAM Safety and Security	398,693	268,885
Media and Publicity	2,460,977	1,640,673
Printing and stationery	515,219	407,251
Professional fees	148,539	148,544
Programs and Campaign	3,060,823	1,415,002
Presidential imbizo	600,000	239,500
2010 Programs	5,436,393	922,149
Rental of buildings	6,493,310	4,216,263
Rental of office equipment	591,650	315,510
Skills development levies	602,679	570,589
Telephone cost	1,274,882	1,183,726
Training	1,871,478	1,326,599
Travel and subsistence	2,458,320	1,655,831
	<b>100,688,604</b>	<b>38,568,897</b>

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

#### 27. NETCASH GENERATED FROM OPERATING ACTIVITIES

	2009	2008
Surplus/(deficit) for the year	368,862	34,065,945
Adjustment for:-		
Depreciation and amortization	2,258,726	1,458,604
(Gain) / loss on sale of assets	(430,849)	103,428
Contribution to provisions - current	1,322,823	1,623,663
Payments - Disestablished Bohlabela	(57,883)	(5,140,334)
Previous year's operating transactions	(3,946,160)	(1,797,960)
<b>Operating surplus before working capital changes:</b>	<b>(484,481)</b>	<b>30,313,346</b>
(Increase)/decrease in inventories	(58,128)	(108,522)
(Increase)/decrease in trade receivables	1,308,995	(873,390)
(Increase)/decrease in other Creditors	4,479,060	4,325
(Increase)/decrease in VAT receivable	(20,320,534)	1,500,729
Increase/(decrease) in conditional grants and receipts	(17,614,290)	(502,018)

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Increase/(decrease) in trade payables	(414,475)	464,251
Increase/(decrease) in Provisions	329,156	640,968
<b>Net Cash generated by/(utilized in) operations</b>	<b>(32,774,697)</b>	<b>31,439,689</b>

### 28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

	2009	2008
Bank balances and cash	6,245,187	14,716,957
Bank overdrafts	-	-
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>6,245,187</b>	<b>14,716,957</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

### 29. OPERATING LEASES

At the reporting date the municipality had outstanding commitments under operating leases which fall due as follows:

	2009	2008
<b>Operating leases - lessee</b>		
Within one year	6,418,856	5,562,306
In the second to fifth year inclusive	7,275,048	11,043,212
After five years	-	-
<b>Total</b>	<b>11,693,904</b>	<b>16,605,518</b>

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for its office space and office machines leases. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 30. CONTINGENT LIABILITY

Claim for damages - former Bohlabela District Municipality	7,000,000	-
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The Municipality is being sued by a Contractor. The Contractor alleges that he has done work for the former Bohlabela District Municipality and is currently claiming payment from Ehlazeni District Municipality. Council is contesting the claim based on legal advice. A court date has not yet been set. The contingent liability includes legal costs of R200 000.

### 31. CORRECTION OF ERROR

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality-

<b>31.1 Dis – established Reserve</b>	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>Error Corrections:-</b>		
Transferred from dis-established Bohlabela reserve	21,675,778	-
Transferred to Accumulated Surplus	(21,675,778)	-
	<u>-</u>	<u>-</u>

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

<b>31.2 Property Plant and Equipment</b>	<b>2009</b>	<b>2008</b>
Cost: Balance previously reported	147,729	-
Correction of error	78,711	-
	<u>226,439</u>	<u>-</u>

### 32. FRUITLESS AND WASTEFULL EXPENDITURE

<b>Reconciliation of fruitless and wasteful expenditure</b>	<b>R</b>
Opening balance	60,682
Current year *	-60,682
Closing balance	<u>-</u>

<b>Incident</b>	<b>Disciplinary steps/ criminal proceedings</b>
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# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Cancellation of interviews whilst in progress	Condoned by Municipal Manager
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\* None identified during the current year

### 33. IRREGULAR PAYMENTS

	2009	2008
<b><i>Reconciliation of Irregular Payments</i></b>		
Opening Balance	-	-
Irregular Payment - Current year	12,819,388	-
Approved by Council	(12,819,388)	-
Transfer to Recoveries / debtors	-	-
Closing Balance	-	-

Please refer to page 37 for details

*In terms of section 36 of the Municipal Supply Chain Management Policy, any deviation from the Supply Chain Management Policy needs to be approved / condoned by Municipal Manager and Noted by Council. The expenses incurred as listed have been condoned by Council.*

Activity / Incident	Amount R's	Status
Water Borne Disease (Cholera outbreak) Ehlanzeni District	10,204,938	Condoned
Brazil Soccerex – International Trip	1,057,697	Condoned
Corporate Launch	1,556,753	Condoned
<i>Total amount condoned by Council</i>	12,819,388	

### 34. FINANCIAL RISK MANAGEMENT

#### INTEREST RATE RISK

# **EHLANZENI DISTRICT MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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Ehlanzeni District Municipality is not exposed to any interest rate risks on its financial liabilities. As at the end of the financial year (30 June 2009), Ehlanzeni District Municipality only had one interest bearing loan amounting to R 40 000 000 as reflected on APPENDIX A. Similarly, with Financial Assets, Ehlanzeni District Municipality invests its surplus funds / cash not immediately required in a fixed interest rate deposit with the A+ rated banks for fixed terms not exceeding one year.

### **LIQUIDITY RISKS**

Ehlanzeni District Municipality manages its liquidity risks by effectively managing its working capital, capital expenditure, external borrowings ( which has been kept at minimum for the past seven year at R 40 000 000) as well as the cash flows. Standby Credit facilities in the form of an of a R 20 000 000 bank overdraft facility is currently being negotiated with the main banker will ultimately be tabled to Council for final approval. The overdraft facility will cater for unexpected temporary shortfall in operating funds.

### **CREDIT RISK**

Ehlanzeni District Municipality manages its Credit Risk in its borrowing and investing activities by dealing with the A+ rated financial institutions, and by spreading its exposure over a wide range of financial institutions in accordance with the Approved Cash and Investment Policy as was approved by Council.

### **CURRENCY RISKS**

Ehlanzeni District Municipality is not exposed to any Currency Risks as all transactions are undertaken in Rands, i.e. the local Currency. The municipality was not a party to any foreign exchange contracts at the reporting dates.

**EHLANZENI DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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**APPENDIX A**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009**

	Balance at 1-Jul-08	Received during period	Redeemed/ Written off during the Period	Balance At 30-Jun-09	Carrying Value of Property Plant and Equipment	Other costs in accordance With MFMA
<b><u>ANNUITY LOANS</u></b>						
*INCA	40,000,000	-	-	40,000,000	19,455,434	-
	40,000,000	-	-	40,000,000	19,455,434	-

*\*The loan will be redeemed on the 31 December 2011*

**EHLANZENI DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**APPENDIX B**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**

	<b>COST</b>					<b>ACCUMULATED DEPRECIATION</b>					Carrying amount	
	Opening Balance	Transfers in And out	*Revaluation Additions	Disposals	Closing Balance	Opening Balance	Transfers In and out	Current Depreciation	Additions	disposal		Closing Balance
<b>Community Assets</b>												
LAND	-											
BUILDINGS	15,597,271	-	-	-	15,597,271	(519,389)		(519,389)	-	-	(1,038,778)	14,558,493
WATER												
Subtotal	15,597,271	-	-	-	15,597,271	(519,389)		(519,389)	-	-	(1,038,778)	14,558,493
<b>Other Assets</b>												
Furniture	1,805,515		58,330	-22,958	1,840,887	(1,569,763)	-	(28,818)	-	22,100	(1,576,481)	264,406
Office equipment	4,762,529	78,711	1,836,840	-31,423	6,646,656	(3,353,313)	-	(1,053,120)	-	7,278	(4,399,155)	2,247,501
Bins and Containers	12,359		8,289	-	20,648	(5,148)	-	(2,512)	-	-	(7,660)	12,988
Motor vehicles	3,664,475		358,576	-1,281,284	2,742,797	(1,858,301)	-	(475,989)	-	1,281,255	(1,053,035)	1,689,762
Plant and equipment	923,254		16,608	-	938,862	(86,881)	-	(178,898)	-	-	(265,779)	673,083
Other	9,201	-	-	-	9,201	-	-	-	-	-	-	9,201
Subtotal	11,177,333	78,711	2,278,643	1,335,665	12,199,051	(6,873,406)	-	(1,739,337)	-	1,310,633	(7,302,110)	4,896,941
TOTAL	26,774,604	78,711	2,278,643	1,335,665	27,796,322	(7,392,795)	-	(2,258,726)	-	1,310,633	(8,340,888)	19,455,434



**EHLANZENI DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**APPENDIX C**

**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009**

	<b>COST</b>				<b>ACCUMULATED DEPRECIATION</b>					<b>Carrying Value</b>	
	<b>Opening Balance</b>	<b>Transfers in and Out</b>	<b>Disposal</b>	<b>Additions</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Transfers in and out</b>	<b>Current</b>	<b>Disposal</b>	<b>Closing Balance</b>	<b>Carrying Value.</b>
Executive mayor	647,671	-5,442	-883	94,175	735,521	(403,310)	3,421	(107,459)	883	(506,645)	228,876
Corporate Services	19,741,611	-58,093	-1,290,464	620,031	19,013,086	(2,896,603)	59,145	(1,030,210)	1,284,580	(2,583,088)	16,429,997
Speaker	126,806	-15,643	-	125,530	236,693	(78,277)	14,143	(52,162)	-	(116,296)	120,396
Mayoral committee	94,189	4,827	-	30,633	129,648	(70,692)	3,817	(19,417)	-	(86,292)	43,356
Municipal manager	517,880	4,070	-20,165	675,219	1,177,005	(328,677)	3,438	(225,150)	-	(545,061)	631,943
Finance	3,087,010	188,510	-20,918	294,951	3,549,553	(2,652,303)	(180,284)	(233,989)	20,109	(3,046,468)	503,084
Municipal works	468,773	-8,651	-	154,537	614,659	(402,584)	7,850	(74,102)	-	(468,836)	145,823
Community services	1,856,476	-75,749	-3,206	148,365	1,925,886	(382,709)	52,047	(437,125)	(266)	(768,052)	1,157,834
LED & Tourism	147,728	68,467	-	60,102	276,297	(122,461)	16,170	(53,264)	-	(159,556)	116,742
Transversal Issues	48,328	-7,212	-	50,057	91,172	(26,927)	5,882	(18,201)	-	(39,246)	51,926
Chief Whip	38,132	-16,373	-	25,045	46,804	(28,252)	14,550	(7,647)	-	(21,348)	25,457
<b>TOTAL</b>	<b>26,774,604</b>	<b>78,711</b>	<b>-1,335,636</b>	<b>2,278,645</b>	<b>27,796,322</b>	<b>(7,392,795)</b>	<b>179</b>	<b>(2,258,726)</b>	<b>1,310,633</b>	<b>8,340,888</b>	<b>19,455,434</b>

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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### APPENDIX D

#### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)		2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ Deficit (-)
135,104,289	101,038,344	34,065,945		165,572,358	165,634,345	(61,987)
<u>135,104,289</u>	<u>101,038,344</u>	<u>34,065,945</u>	GENERAL SERVICES	<u>165,572,358</u>	<u>165,634,345</u>	<u>(61,987)</u>
	4,756,400	-4,756,400	COMMUNITY SERVICES	12,582,543		-12,582,543
	2,278,821	-2,278,821	Executive Mayor	4,055,610		-4,055,610
	3,886,624	-3,886,624	Speaker	3,860,536		-3,860,536
	7,797,886	-7,797,886	Mayoral Committee	6,999,054		-6,999,054
135,104,289	25,528,010	109,576,279	Municipal Manager	55,834,857	109,737,501	109,737,501
	10,727,421	-10,727,421	Finance	17,731,848		-17,731,848
	5,100,073	-5,100,073	Corporate Services	5,792,957		-5,792,957
	7,516,653	-7,516,653	Technical Services	23,776,304		-23,776,304
	25,847,986	-25,847,986	Community Services	22,057,557		-22,057,557
	514,871	-514,871	Council General Expenses	876,088		-876,088
	4,074,153	-4,074,153	Internal Audit	7,706,710		-7,706,710
	2,438,194	-2,438,194	Transversal Issues	3,873,208		-3,873,208
	271,252	-271,252	LED & Tourism	487,072		-487,072
			Chief Whip			
<u>132,804,320</u>	<u>101,038,344</u>	<u>34,065,945</u>	<b><u>TOTAL</u></b>	<u>165,572,358</u>	<u>165,634,345</u>	<u>(61,987)</u>
			Gains / Losses on Sale of Assets	430,849	-	430,849
			Chief Whip	<u>166,003,207</u>	<u>165,634,345</u>	<u>368,862</u>

# EHLANZENI DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### APPENDIX E (1)

#### ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	<u>ACTUAL</u> 2008/2009 Surplus/ (Deficit) R	<u>BUDGET</u> 2008/2009 Surplus/ (Deficit) R	2009 Variance ( R )	2009 Variance (%)
<b><u>REVENUE</u></b>				
Bad debts recovered – RSC Levies	671,122	-	671,122	100%
Government Grants and Subsidies	145,191,505	135,543,793	9,647,712	7%
Interest earned - External investments	18,346,113	9,000,000	9,346,113	51%
Other Income	691,705	140,000	551,705	80%
Dividend Received	56,163	-	56,163	100%
Rent Facilities and Equipment	615,750	480,000	135,750	22%
<b><u>TOTAL REVENUE</u></b>	<b><u>165,572,358</u></b>	<b><u>145,163,793</u></b>	<b><u>20,408,565</u></b>	<b><u>12%</u></b>
<b><u>Expenditure</u></b>				
Employee related costs	46,229,333	46,806,952	577,619	-1%
Remuneration of Councillors	6,742,824	8,106,926	1,364,102	-20%
Depreciation	2,258,726	2,258,726	-	-
Repairs and maintenance	535,871	839,000	303,129	-57%
Finance Charges	5,868,000	5,868,000	-	-
General expenses – other	101,168,311	88,510,900	-12,657,411	13%
Contracted Services	367,869	590,000	-222,131	-60%
Contributions to Provisions	1,332,823	-	-1,332,823	100%
Audit fees	1,130,588	900,000	-230,588	20.62%
<b><u>TOTAL EXPENDITURE</u></b>	<b><u>165,634,345</u></b>	<b><u>145,163,778</u></b>	<b><u>20,470,567</u></b>	<b><u>12%</u></b>
Net Surplus/(Deficit) for the year	<b><u>(61,987)</u></b>			
Gain / (loss) on sale of Assets	<b><u>430,849</u></b>			
Net surplus/(Deficit) for the year	<b><u>368,862</u></b>			

**EHLANZENI DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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**APPENDIX E (2)**

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

	<u>2009</u> <u>Actual</u>	<u>2009</u> <u>under</u> <u>Construction</u>	<u>2009</u> <u>Total</u> <u>Additions</u>	<u>Budget</u> <u>Additions</u>	<u>2009</u> <u>Variance</u>	<u>2009</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus budget</u>
	R	R	R	R	R	%	
<b><u>Community Assets</u></b>							
BUILDING							
LAND							
WATER							
<b><u>Other Assets</u></b>							
Office Furniture	58,330	-	58,330	70,000	11,670	-16.67%	Spent less than budgeted
Office equipment	1,836,840	-	1,836,840	2,100,000	263,160	-12.53%	Spent less than budgeted
Motor vehicles	358,576	-	358,576	400,000	41,424	-10.36%	Spent less than budgeted
Other	24,898	-	24,898	30,000	5,102	-17%	Spent less than budgeted
Total	2,278,644	-	2,278,644	2,600,000	321,356	12.36%	

**EHLANZENI DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**APPENDIX F**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed/withheld				
		July	Sept	Dec	March	June	Jul	Sept	Dec	March	June	J ul y	S e pt	D ec	M ar ch	Ju n e
Dwaf Drought Relief Dwaf																
EDM Finance Management EDM Pims	Treas/FNT	500,000						636,669	1,117,768	1,101,326						
Nsikazi Sport Field	National															
Local Government Dept.Roads and Transp	MP Local															
Nkomazi Lc Co-Funding	-															
Umjindi Lc Co-Funding	-															
Sanitation Pilot Projects CBPWP Rapid Delivery Projects																
Municipal Systems Improvement Grant MSIG	National	735,000						385,335	158,200	335,000						
Dept of Local Government and Housing Municipal Infrastructure Grant MIG	MP Local National			2,305,000			480,156	2,091,186	4,490,332	5,721,985	8,533,120					
National and Provincial Events Seta	- LGSeta															
<b>TOTAL</b>		<b>1,235,000</b>	<b>-</b>	<b>2,305,000</b>			<b>480,156</b>	<b>2,091,186</b>	<b>5,512,336</b>	<b>6,997,953</b>	<b>9,969,446</b>					