



**The Hub of Legends**

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

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

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The reports and statements set out below comprise the annual financial statements presented to the Auditor General:

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### Appendices (A-F)

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
SA GAAP	South African Statements of Generally Accepted Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Vhembe District Municipality**

Annual Financial Statements for the year ended 30 June 2009

### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

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

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out on pages 3 to 31, which have been prepared on a going concern basis, were approved by the accounting officer on 30 September 2009 and were signed on its behalf by:

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**Muthotho Sigidi**  
**Municipal Manager**

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**M J Ramathape**  
**Chief Financial Officer**

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Statement of Financial Position

	Note(s)	2009 R	2008 R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	3,708,065	496,459
Other receivables	4	1,606,358	3,438,766
Vat receivable	5	63,012,006	36,959,703
Consumer debtors	21	2,912,844	32,796
Cash and cash equivalents	6	372,269,629	514,336,931
		<b>443,508,902</b>	<b>555,264,655</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	2	893,634,534	453,526,264
Intangible assets	19	557,750	167,000
<b>Total Assets</b>		<b>1,337,701,186</b>	<b>1,008,957,919</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	20	3,503,520	-
Trade and other payables	9	178,258,986	77,746,933
Unspent conditional grants and receipts	7	113,212,641	106,869,390
Short term portion of lease liability		1,637,956	-
		<b>296,613,103</b>	<b>184,616,323</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	24	2,427,333	-
Provisions	8	7,417,482	7,340,079
		<b>9,844,815</b>	<b>7,340,079</b>
<b>Total Liabilities</b>		<b>306,457,918</b>	<b>191,956,402</b>
<b>Net Assets</b>		<b>1,031,243,268</b>	<b>817,001,517</b>
<b>Net Assets</b>			
Reserves			
Revaluation reserve	22	13,692,468	13,692,468
Government grant reserve	23	77,457,423	102,915,738
Accumulated surplus		940,093,377	700,393,311
<b>Total Net Assets</b>		<b>1,031,243,268</b>	<b>817,001,517</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Statement of Financial Performance

	Note(s)	2009 R	2008 R
<b>Revenue</b>			
Sale of water	10	9,076,205	20,637,791
Government grants	11	589,477,903	505,997,568
Sundry income		46,536	1,041,598
Other income		3,825,265	10,825,682
Donations received		-	700,000
Government grants		853,603	1,200,000
Interest received - investment	15	56,184,095	51,472,749
<b>Total Revenue</b>		<b>659,463,607</b>	<b>591,875,388</b>
<b>Expenditure</b>			
Employee related costs	13	(147,797,589)	(115,289,708)
Remuneration of councillors	25	(6,143,235)	(6,748,152)
Administration		(208,823)	-
Transfer payments to local municipalities		(92,843,389)	(28,768,996)
Depreciation and amortisation	26	(11,971,456)	(16,100,323)
Finance costs	27	(236,779)	-
Bad debts	14	(49,205,267)	(21,382,049)
Capital Expenditure		(456,900)	(74,525)
Repairs and maintenance		(29,314,065)	(47,932,986)
General Expenses	12	(81,620,044)	(35,259,508)
<b>Total Expenditure</b>		<b>(419,797,547)</b>	<b>(271,556,247)</b>
Surplus or deficit on exchange differences		34,006	-
<b>Surplus for the year</b>		<b>239,700,066</b>	<b>320,319,141</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Statement of Changes in Net Assets

	Share capital / contributions from owners	Revaluation reserve	Government grant reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R	R
Opening balance as previously reported	-	-	-	-	731,533,946	731,533,946
Adjustments						
Change in accounting policy	-	-	-	-	(351,459,776)	(351,459,776)
<b>Balance at 01 July 2007</b>	-	-	-	-	<b>380,074,170</b>	<b>380,074,170</b>
Changes in net assets						
Surplus for the year	-	-	-	-	320,319,141	320,319,141
Total changes	-	-	-	-	320,319,141	320,319,141
Opening balance as previously reported	-	-	-	-	700,393,311	700,393,311
Adjustments						
Change in accounting policy	-	13,692,468	34,524,712	48,217,180	-	48,217,180
<b>Balance at 01 July 2008 as restated</b>	-	<b>13,692,468</b>	<b>34,524,712</b>	<b>48,217,180</b>	<b>700,393,311</b>	<b>748,610,491</b>
Changes in net assets						
Surplus for the year	-	-	-	-	239,700,066	239,700,066
Total changes	-	-	-	-	239,700,066	239,700,066
<b>Balance at 30 June 2009</b>	-	<b>13,692,468</b>	<b>77,457,423</b>	<b>91,149,891</b>	<b>940,093,377</b>	<b>1,031,243,268</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Cash Flow Statement

	Note(s)	2009 R	2008 R
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	251,027,907	306,908,912
Interest income		56,184,095	51,472,749
<b>Net cash from operating activities</b>		<b>307,212,002</b>	<b>358,381,661</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(451,538,742)	(369,749,176)
Purchase of other intangible assets	19	(1,569,072)	(633,586)
Sale of financial assets		-	474,823,111
Other non-cash item		-	(3,156,607)
<b>Net cash from investing activities</b>		<b>(453,107,814)</b>	<b>101,283,742</b>
<b>Cash flows from financing activities</b>			
Movement in short term portion of lease liabilities		1,637,956	-
Finance lease payments		2,190,554	-
Other non-cash item		-	30,714,204
<b>Net cash from financing activities</b>		<b>3,828,510</b>	<b>30,714,204</b>
<b>Total cash movement for the year</b>		<b>(142,067,302)</b>	<b>490,379,607</b>
Cash at the beginning of the year		514,336,931	23,957,324
<b>Net decrease in cash and cash equivalents</b>	6	<b>372,269,629</b>	<b>514,336,931</b>

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value. These financial statements are also prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

#### First time implementation of GRAP

In accordance with section 122 (3) of the Municipal Finance Management Act (Act No. 56 of 2003), the municipality has early adopted the standards of GRAP issued by the Accounting Standards Board. Comparative amounts have been restated retrospectively to the extent possible. The effect of the changes in accounting policies arising from the implementation of GRAP are set out in the notes to the financial statements on Changes in Accounting Policies in terms of GRAP 3.

Accounting policies for material transactions, events or conditions not covered by GRAP standards have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3.

The standards are summarised as follows:

#### Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Assets
GRAP 102	Intangible Assets
IAS 20	Accounting for Government Grants
IAS 24	Related Party Disclosures

The municipality has taken advantage of the exemptions in terms of General notice 522 of 2007, Government Gazette number 31556 of 2008 and Directive 4 issued by the Accounting Standards Board. The municipality has however applied the exempted standards to the extent possible as encouraged in Directive 4.

#### Exempted requirements

Standard No.	Standard title	GRAP, and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, and Directive 4 issued by the Accounting Standards Board, that have been early adopted
GRAP 03	Accounting Policies, Changes in Accounting Estimates and Errors	Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31)
GRAP 09	Revenue	Changes in accounting policies (GRAP 3.14, 19) Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)
GRAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.
GRAP 17	Property, plant and equipment	The entire standard as far as it relates to water stock that was not purchased by the municipality. Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77)



# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

		Review of depreciation method applied to PPE recognised in the annual financial statements (GAMAP 17.62, 77) Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi)) Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi)) In respect of assets received as a result of a transfer or adjustment of functions- Municipalities must apply GAMAP 17/GRAP 17 in respect of assets that it has recognised. GAMAP /GRAP 17 does not apply to assets that must still be recognised.
IAS 36 GRAP 13	Impairment of assets Leases	Entire standard Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11)
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))
IAS 20 (AC 134)	Accounting for government grants and disclosure	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.
IAS 36 (AC 128) GRAP 102	Impairment of assets Intangible assets	Entire standard The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed
IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value (IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17 Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))
GRAP 100	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)
IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998

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

The municipality has adopted new accounting policies and the changes are set out in note 18 Changes in accounting policy

### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

## Accounting Policies

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### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 8 - Provisions.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year - end. Bad debts are written off with the approval of Council during the year in which they are identified.

### 1.2 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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

A valuation was conducted, by an independent valuer to determine the depreciated replacement costs of assets at implementation date.

Item	Average useful life in Years
Buildings	
• Buildings	30
Furniture and fixtures	
• Furniture and Fittings	7-10
Motor vehicles	
• Other Vehicles	5
Office equipment	
• Office Equipment	3-7
IT equipment	
• Computer Equipment	3
Infrastructure	
• Roads and Paving	30
• Water	15-20
• Sewerage	15-20
Community	
• Buildings	30
• Recreational Facilities	20-30
Other property, plant and equipment	
• Other items of property, plant and equipment	2-5
• Specialised plant and equipment	10-15
Specialised vehicles	
• Specialised vehicles	10

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 is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

## Accounting Policies

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

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. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Licenses and franchises	2 years
Computer software	10 years

### 1.4 Financial instruments

#### Trade and other receivables

Trade receivables are carried at net of anticipated realisable value and costs to recover. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off with the approval of Council during the year in which they are identified. Trade receivables are measured at initial recognition at fair value, and are subsequently measured at net of realisable value and costs to recover. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the receivables that are between 30 and 90 days old.

#### Trade and other payables

Trade payables are stated at their nominal value.

#### Cash and cash equivalents

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

### 1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

## Accounting Policies

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### 1.5 Leases (continued)

#### Finance leases – lessee

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

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

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

#### Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/liability. This liability is not discounted.

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

### 1.6 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

### 1.7 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

## Accounting Policies

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### 1.7 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

### 1.8 Government grants

Government grants are recognised when there is reasonable assurance that:

- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the income statement (separately).

### 1.9 Revenue

Donations are recognised on a cash receipt basis, or in cases where a donation is in the form of property, plant and equipment, it is recognised when that asset is readily available for use..

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.

### 1.10 Water revenue

Service charges relating to water are based on bulk water supplied by the district to local municipalities. Meters are read on a monthly basis and revenue is recognised when local municipalities are invoiced and when it is probable that there will be an inflow of cash in the future.

### 1.11 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.12 Comparative figures

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

Budget amounts shall be included in the annexures to the annual financial statements for the current financial year only.

### 1.13 Unauthorised, Irregular, Fruitless and Wasteful Expenditure

All expenditure relating to unauthorised, irregular or fruitless and wasteful expenditure is recognised as an expense in the

## Accounting Policies

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### 1.13 Unauthorised, Irregular, Fruitless and Wasteful Expenditure (continued)

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

### 1.14 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.15 Offsetting

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

### 1.16 Reserves

#### Capital replacement reserve (CRR)

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

#### Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

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

#### Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

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

#### Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.075% of the salary expense. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2)

## Accounting Policies

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### **1.16 Reserves (continued)**

and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

### **Revaluation reserve**

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

### **1.17 Conditional Grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the 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.

### **1.18 Going Concern Assumption**

These annual financial statements are prepared on a going concern basis.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	59,190,043	(3,808,092)	55,381,951	58,450,417	(1,283,694)	57,166,723
Plant and machinery	1,267,500	(521,083)	746,417	1,267,500	(436,583)	830,917
Furniture and fixtures	6,632,513	(1,222,289)	5,410,224	2,940,487	(764,586)	2,175,901
Motor vehicles	25,420,220	(7,057,702)	18,362,518	19,554,831	(3,599,960)	15,954,871
Office equipment	6,216,981	(110,518)	6,106,463	3,775,124	-	3,775,124
IT equipment	7,397,215	(3,552,438)	3,844,777	4,561,688	(2,423,387)	2,138,301
Computer software	484,777	-	484,777	-	-	-
Infrastructure	19,942,320	(1,615,091)	18,327,229	11,103,084	(818,289)	10,284,795
Other property, plant and equipment	20,093,902	(10,461,867)	9,632,035	15,580,297	(7,592,111)	7,988,186
Capital work in progress	775,338,143	-	775,338,143	353,211,446	-	353,211,446
<b>Total</b>	<b>921,983,614</b>	<b>(28,349,080)</b>	<b>893,634,534</b>	<b>470,444,874</b>	<b>(16,918,610)</b>	<b>453,526,264</b>

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

	Opening Balance	Additions	Depreciation	Total
Buildings	57,166,723	739,625	(2,524,398)	55,381,951
Plant and machinery	830,917	-	(84,500)	746,417
Furniture and fixtures	2,175,901	3,692,026	(457,703)	5,410,224
Motor vehicles	15,954,871	5,865,389	(3,457,742)	18,362,518
Office equipment	3,775,124	2,441,857	(110,518)	6,106,463
IT equipment	2,138,301	2,835,528	(1,129,051)	3,844,777
Computer software	-	484,777	-	484,777
Infrastructure	10,284,795	8,839,238	(796,802)	18,327,229
Other property, plant and equipment	7,988,186	4,513,605	(2,869,756)	9,632,035
Capital work in progress	353,211,446	422,126,697	-	775,338,143
	<b>453,526,264</b>	<b>451,538,742</b>	<b>(11,430,470)</b>	<b>893,634,534</b>

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

	Opening Balance	Additions	Revaluations	Depreciation	Total
Buildings	1,712,429	43,045,520	13,692,468	(1,283,694)	57,166,723
Plant and machinery	-	1,267,500	-	(436,583)	830,917
Furniture and fixtures	1,131,788	1,808,699	-	(764,586)	2,175,901
Motor vehicles	6,603,753	12,951,078	-	(3,599,960)	15,954,871
Office equipment	1,352,645	2,422,479	-	-	3,775,124
IT equipment	2,221,714	2,339,974	-	(2,423,387)	2,138,301
Infrastructure	-	11,103,084	-	(818,289)	10,284,795
Other property, plant and equipment	1,436,215	14,144,082	-	(7,592,111)	7,988,186
Capital work in progress	72,544,686	280,666,760	-	-	353,211,446
	<b>87,003,230</b>	<b>369,749,176</b>	<b>13,692,468</b>	<b>(16,918,610)</b>	<b>453,526,264</b>

### Assets subject to finance lease (Net carrying amount)

Office equipment	2,099,833	-
IT equipment	1,494,213	-
	<b>3,594,046</b>	<b>-</b>



# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>2. Property, plant and equipment (continued)</b>		
<b>3. Inventories</b>		
Raw materials, components	923,948	-
Consumable stores	1,930,514	496,459
Spare parts	853,603	-
	<b>3,708,065</b>	<b>496,459</b>
<b>4. Other receivables</b>		
Sundry Debtors	1,428,086	3,438,775
Staff Debtors	50,866	-
Operating lease receivables (if immaterial)	-	(9)
MPCC Debtors	127,406	-
	<b>1,606,358</b>	<b>3,438,766</b>
<b>5. Vat Receivable</b>		
VAT	63,012,006	36,959,703
<b>6. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	6,852	1,602
Bank balances	105,732,893	39,512,218
Short-term deposits	266,529,884	474,823,111
	<b>372,269,629</b>	<b>514,336,931</b>

Cash and cash equivalents comprises on cash on hand and cash with banks. Cash equivalents are short term highly liquid investments 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.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2009	30 June 2008	30 June 2007	30 June 2009	30 June 2008	30 June 2007
First National Bank -Current Account - 6202 1931 458	115,466,460	73,013,958	39,649,645	105,732,893	39,579,995	23,957,324
Absa Bank - Call Account - 2061 8386 68	153,807,260	26,416,217	-	153,807,260	26,416,217	203,955,969
First National Bank - 32 days account -7415 6880 731	-	194,475,418	-	-	194,475,478	-
First National Bank - Call Account - 6203 6334 803	16,367,904	53,926,470	-	16,367,904	53,926,470	8,835,801
Nedbank - Account Type - 7468 013306	96,349,925	-	-	96,349,925	-	-
Absa Bank - 21 days call account -	-	-	-	-	5,005	174,922,222
<b>Total</b>	<b>381,991,549</b>	<b>347,832,063</b>	<b>39,649,645</b>	<b>372,257,982</b>	<b>314,403,165</b>	<b>411,671,316</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>6. Cash and cash equivalents (continued)</b>		
<b>7. Unspent conditional grants and receipts</b>		
Explain / disclose.		
<b>Deferred income comprises:</b>		
<b>Conditional grants and receipts</b>		
Municipal Infrastructure Grant	104,185,403	103,678,400
Financial Management Grant	610,647	240,439
Municipal Systems Provincial Grant	-	1,000,000
Municipal Systems Improvement Grant	1,994,722	109,000
DWAF Grant	5,733,946	1,841,551
Municipal Health Services Grant	687,923	-
	<b>113,212,641</b>	<b>106,869,390</b>

### Movement during the year

Balance at the beginning of the year	106,869,386	97,047,521
Additions during the year	358,520,713	250,812,555
Income recognition during the year	(352,177,458)	(240,990,690)
	<b>113,212,641</b>	<b>106,869,386</b>

See note 11 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

## 8. Provisions

### Reconciliation of provisions - 2009

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal proceedings	7,340,079	77,403	-	-	7,417,482
Leave provision	7,901,182	12,562,194	(160,889)	(7,740,293)	12,562,194
	<b>15,241,261</b>	<b>12,639,597</b>	<b>(160,889)</b>	<b>(7,740,293)</b>	<b>19,979,676</b>

### Reconciliation of provisions - 2008

	Opening Balance	Additions	Total
Legal proceedings	-	7,340,079	7,340,079
Leave provision	-	7,901,183	7,901,183
	-	<b>15,241,262</b>	<b>15,241,262</b>

## 9. Trade and other payables

Trade payables	114,396,356	39,189,286
Accrued leave pay	12,562,194	7,901,183
Performance bonus provision	613,065	-
Retention	50,687,371	30,656,464

## Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

### Notes to the Annual Financial Statements

	2009 R	2008 R
<b>9. Trade and other payables (continued)</b>	<b>178,258,986</b>	<b>77,746,933</b>
<b>10. Revenue</b>		
Sale of water	9,076,205	20,637,791
Government grants	589,477,903	505,997,568
	<b>598,554,108</b>	<b>526,635,359</b>
<b>The amount included in revenue arises from the sale of water.</b>		
Sale of water	9,076,205	20,637,791

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>11. Government grants and subsidies</b>		
Equitable Shares	205,732,982	191,706,825
Municipal Systems Improvements Grant	1,614,278	891,000
Municipal Infrastructure Grant	168,977,997	192,580,181
Replacement of RSC Levies - Grant	31,567,463	-
Municipal Health Services Grant	10,308,437	-
DWAF Grant	171,146,954	46,059,944
DWAF Personnel Grant	-	74,500,057
Financial Management Grant	129,792	259,561
	<b>589,477,903</b>	<b>505,997,568</b>
<b>Government grants</b>		
Balance unspent at beginning of year	106,869,386	97,047,521
Current-year receipts	358,520,704	250,812,555
Conditions met - transferred to revenue	(352,177,458)	(240,990,690)
	<b>113,212,632</b>	<b>106,869,386</b>
Equitable Share		
The equitable share is used to subsidise the operations of the District Municipality, which includes the provision of basic services to residential households through the local municipalities. Currently the municipality provides for 6 kilolitres of water free to residential households.		
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	103,678,400	97,047,521
Current-year receipts	169,485,000	199,211,060
Conditions met - transferred to revenue	(168,977,997)	(192,580,181)
	<b>104,185,403</b>	<b>103,678,400</b>
<b>Finance Management Grant (FMG)</b>		
Balance unspent at beginning of year	240,439	-
Current-year receipts	500,000	500,000
Conditions met - transferred to revenue	(129,792)	(259,561)
	<b>610,647</b>	<b>240,439</b>
<b>Municipal Systems Provincial Grant (MSP)</b>		
Balance unspent at beginning of year	1,000,000	-
Current-year receipts	500,000	1,000,000
Conditions met - transferred to revenue	(1,500,000)	-
	-	<b>1,000,000</b>
<b>Municipal Systems Improvement Grant (MSIG)</b>		
Balance unspent at beginning of year	109,000	-
Current-year receipts	2,000,000	1,000,000
Conditions met - transferred to revenue	(114,278)	(891,000)
	<b>1,994,722</b>	<b>109,000</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>11. Government grants and subsidies (continued)</b>		
<b>DWAF Grant</b>		
Balance unspent at beginning of year	1,841,547	-
Current-year receipts	175,039,353	47,901,495
Conditions met - transferred to revenue	(171,146,954)	(46,059,948)
	<b>5,733,946</b>	<b>1,841,547</b>
<b>Local Economic Development Grant (LED)</b>		
Current-year receipts	-	1,200,000
Conditions met - transferred to revenue	-	(1,200,000)
	-	-
<b>Municipal Health Services Grant</b>		
Current-year receipts	10,996,351	-
Conditions met - transferred to revenue	(10,308,437)	-
	<b>687,914</b>	-

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>12. General expenses</b>		
Advertising	1,976,216	1,439,507
Assessment rates & municipal charges	20,000	74,675
Auditors remuneration	2,166,337	2,282,236
Bank charges	327,869	390,949
Cleaning	2,871	126,483
Computer expenses	81,342	231,706
Consulting and professional fees	18,462,997	2,798,654
Discount allowed	168,600	-
Entertainment	1,204,071	697,061
Insurance	627,174	429,757
Community development and training	811,727	-
Conferences and seminars	555,239	437,906
IT expenses	3,271,119	-
Lease rentals on operating lease	8,088,002	379,959
Magazines, books and periodicals	45,414	76,969
Licences	112,086	43,916
Fuel and oil	958,735	960,998
Placement fees	27,648	17,434
Postage and courier	5,649	2,013
Printing and stationery	6,321,047	1,892,198
Project maintenance costs	4,997	1,554,227
Security (Guarding of municipal property)	1,956,251	278,896
Staff welfare	43,303	97,776
Subscriptions and membership fees	561,028	364,417
Telephone and fax	2,709,901	1,783,642
Transport and freight	504,568	-
Training	190,969	1,360,210
Travel - local	1,981,041	986,122
Travel - overseas	1,049,085	389,988
Electricity	9,859,676	-
Water	6,245,767	4,756,994
Uniforms	422,570	1,048,808
Accommodation	3,037,128	1,493,865
Community programmes	2,079,896	1,376,595
Mayor's Bursary Fund	1,844,062	724,104
Exhibition	597,902	-
Summit	460,555	-
Bulk water purchases	1,139,447	-
Bereavement costs	200,000	-
Veterinary department	666,040	-
Venue expenses	113,316	-
Billing charges	350,129	35,051
Chemicals	121,118	26,369
Convention bureau	75,280	-
Hostel charges	78,666	261,357
Cylinders	93,206	6,438,666
	<b>81,620,044</b>	<b>35,259,508</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>13. Employee related costs</b>		
Basic	94,028,971	92,061,655
Bonus	5,420,423	1,697,447
Medical aid - company contributions	3,488,628	1,967,241
UIF	927,295	362,502
WCA	1,984,679	538,059
SDL	1,110,006	345,641
Other payroll levies	957,676	-
Leave pay provision charge	12,571,803	7,949,590
Other short term costs	8,571	6,752
Post-employment benefits - Pension - Defined contribution plan	13,804,636	5,745,004
Travel, motor car, accommodation, subsistence and other allowances	7,617,326	4,427,608
Overtime payments	4,017,549	-
Housing benefits and allowances	1,851,868	188,209
Other Payroll Costs	8,158	-
	<b>147,797,589</b>	<b>115,289,708</b>

### Remuneration of municipal manager

Annual Remuneration	439,049	230,998
Car Allowance	134,065	73,793
Performance Bonuses	36,399	-
Contributions to UIF, Medical and Pension Funds	119,230	116,659
Reimbursive Allowance	57,171	2,705
Subsistence Allowance	225	300
<b>Total</b>	<b>786,139</b>	<b>424,455</b>

### Remuneration of chief financial officer

Annual Remuneration	390,846	198,341
Car Allowance	157,530	80,562
Contributions to UIF, Medical and Pension Funds	106,377	95,579
Reimbursive Allowance	7,714	1,824
Housing Subsidy	8,169	-
Subsistence Allowance	-	180
<b>Total</b>	<b>670,636</b>	<b>376,486</b>

### Remuneration of general manager: Technical Services

Annual Remuneration	365,960	324,888
Car Allowance	117,013	106,826
Contributions to UIF, Medical and Pension Funds	94,483	86,461
Bonus	30,378	27,074
Reimbursive Allowance	5,297	30,614
Subsistence Allowance	-	1,140
<b>Total</b>	<b>613,131</b>	<b>577,003</b>

### Remuneration of general manager: Community Services

Annual Remuneration	361,667	344,032
Car Allowance	155,253	120,000
Contributions to UIF, Medical and Pension Funds	80,081	77,198
Subsistence Allowance	150	1,765

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>13. Employee related costs (continued)</b>		
Reimbursive Allowance	52,630	30,243
<b>Total</b>	<b>649,781</b>	<b>573,238</b>
<b>Remuneration of general manager: Planning</b>		
Annual Remuneration	360,054	324,669
Car Allowance	136,634	124,009
Contributions to UIF, Medical and Pension Funds	103,434	92,655
Reimbursive Allowance	9,986	33,325
Subsistence Allowance	-	720
<b>Total</b>	<b>610,108</b>	<b>575,378</b>
<b>Remuneration general manager: Office of the Mayor</b>		
Annual Remuneration	359,611	319,356
Car Allowance	134,722	128,196
Contributions to UIF, Medical and Pension Funds	104,155	93,676
Reimbursive Allowance	9,041	31,282
Acting allowance	-	19,321
Subsistence Allowance	-	1,140
<b>Total</b>	<b>607,529</b>	<b>592,971</b>
<b>Remuneration general manager: Corporate Services</b>		
Annual Remuneration	362,548	168,892
Car Allowance	127,363	60,000
Contributions to UIF, Medical and Pension Funds	79,730	37,900
Subsistence Allowance	2,211	840
Reimbursive Allowance	40,506	19,536
<b>Total</b>	<b>612,358</b>	<b>287,168</b>
<b>14. Bad debts</b>		
Bad debts	-	21,382,049
Contributions to bad-debt provision	49,205,267	-
	<b>49,205,267</b>	<b>21,382,049</b>
<b>15. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	56,184,095	51,472,749
<b>16. Auditors' remuneration</b>		
Fees	2,166,337	2,282,236
<b>17. Cash generated from operations</b>		
Surplus before taxation	239,700,066	320,319,141
<b>Adjustments for:</b>		
Depreciation and amortisation	11,971,456	16,100,323



# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>17. Cash generated from operations (continued)</b>		
Surplus on foreign exchange	(34,006)	-
Interest received	(56,184,095)	(51,472,749)
Finance costs	236,779	-
Movements in operating lease assets and accruals	3,503,520	-
Movements in provisions	77,403	7,340,079
Appropriation	-	1,345,030
Other non-cash items	(34,322,454)	7,340,078
Other non cash items - Payroll Provisions	5,274,076	4,894,106
<b>Changes in working capital:</b>		
Inventories	(3,211,606)	(27,869)
Other receivables	1,832,417	(738,265)
Consumer debtors	(2,880,048)	(32,796)
Trade and other payables	100,546,059	533,553
VAT	(26,052,303)	(8,513,588)
Unspent conditional grants and receipts	6,343,251	9,821,869
Lease Liabilities	4,227,392	-
	<b>251,027,907</b>	<b>306,908,912</b>

## 18. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The following have been adopted during the First time implementation of GRAP.

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, changes in accounting estimates and errors
- GRAP 9 Revenue from exchange transactions
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after reporting date
- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Assets
- GRAP 102 Intangible Assets
- IAS20 Accounting for Government Grants
- IAS24 Related Party Disclosures

## Statement Of Financial Position

### Property, plant and equipment

Adjustment	-	453,526,264
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### Intangible Assets

Previously stated	167,000	-
Adjustment	390,750	167,000
	<b>557,750</b>	<b>167,000</b>

### Unspent Conditional Grants

Previously stated	-	123,267,824
Adjustment	-	(19,589,424)
	-	<b>103,678,400</b>

### Revaluation Reserve

Previously stated	13,692,468	-
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# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>18. Changes in accounting policy (continued)</b>		
Adjustment	-	13,692,468
	<b>13,692,468</b>	<b>13,692,468</b>
<b>Government Grant Reserve</b>		
Previously stated	102,915,738	-
Adjustment	(25,458,315)	102,915,738
	<b>77,457,423</b>	<b>102,915,738</b>
<b>Accumulated Suplus</b>		
Previously stated	700,393,311	357,911,295
Adjustment	239,700,066	342,482,016
	<b>940,093,377</b>	<b>700,393,311</b>

## 19. Intangible assets

	2009			2008		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	1,569,072	(1,011,322)	557,750	633,586	(466,586)	167,000

### Reconciliation of intangible assets - 2009

	Opening Balance	Additions	Amortisation	Total
Computer software, other	167,000	1,569,072	(1,011,322)	557,750

### Reconciliation of intangible assets - 2008

	Opening Balance	Additions	Amortisation	Total
Computer software, other	-	633,586	(466,586)	167,000

## 20. Operating lease accrual

The municipality entered into two lease contracts for the rental of both offices and vehicles. The two leases were entered into with South African Post Office and Tshumisano Trading respectively. Operating lease payments have been accounted for in terms of GRAP 13, applying an escalation rate of 10% per annum. The operating lease accrual at 30 June 2009 is R 3 503 520.

## 21. Consumer debtors

### Gross balances

Water	30,535,311	20,670,587
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### Less: Provision for bad debts

Water	(27,622,467)	(20,637,791)
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### Net balance

Water	2,912,844	32,796
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# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>21. Consumer debtors (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	509,536	-
31 - 60 days	508,778	-
61 - 90 days	1,228,698	-
91 - 120 days	665,832	32,796
	<b>2,912,844</b>	<b>32,796</b>

### Summary of debtors by customer classification

<b>Consumers</b>		
Current (0 -30 days)	509,536	-
31 - 60 days	508,778	-
61 - 90 days	1,228,698	-
91 - 120 days	665,832	-
121 - 365 days	6,984,676	-
	9,897,520	-
Less: Provision for bad debts	(6,984,676)	-
	<b>2,912,844</b>	-

<b>Total</b>		
Current (0 -30 days)	509,536	-
31 - 60 days	508,778	-
61 - 90 days	1,228,698	-
91 - 120 days	665,832	-
121 - 365 days	6,984,676	-
	9,897,520	-
Less: Provision for bad debts	(6,984,676)	-
	<b>2,912,844</b>	-

### Reconciliation of bad debt provision

Contributions to provision	6,984,676	-
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### 22. Revaluation reserve

The revaluation reserve is as a result of the valuation of buildings during conversion. This is however a non distributable reserve.

Buildings Valuation	13,692,468	13,692,468
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### 23. Government grant reserve

This is as a result of items property, plant and equipment that were financed by government grants. Items of property, plant and equipment were unbundled, which resulted in the recognition of the government grant reserve. A transfer was made from accumulated surplus to the government grant reserve equal to the opening balance of assets. Depreciation on assets financed through grants was also offset against the grant reserve, with a corresponding entry on accumulated surplus.

Government Grant Reserve	77,457,423	102,915,738
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# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>24. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1,637,956	-
- in second to fifth year inclusive	3,105,909	-
	4,743,865	-
less: future finance charges	1,341,004	-
<b>Present value of minimum lease payments</b>	<b>6,084,869</b>	-
<b>Present value of minimum lease payments due</b>		
- within one year	843,834	-
- in second to fifth year inclusive	2,747,749	-
	<b>3,591,583</b>	-

It is the municipality's policy to lease certain items of property, plant and equipment under finance leases. The municipality has in the current financial year leased both computer equipment and photocopiers from Meondo Technologies Ltd and Data Master respectively.

The average lease term was between 3 - 5 years and the average effective borrowing rate was 14%.

Interest rates are fixed at the contract date. The photocopier lease held with Data Master escalates at 10% p.a and no arrangements have been entered into for contingent rent.

### 25. Remuneration of councillors

Executive Mayor	562,569	494,289
Speaker	606,422	440,358
Chief Whip	234,602	229,042
Mayoral Committee Members	2,735,734	2,334,365
Councillors	2,116,363	2,257,064
Councillors' pension contributions and other	168,258	134,575
Other # 8	452,104	858,444
<b>Total</b>	<b>6,876,052</b>	<b>6,748,137</b>

### In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of Council owned vehicle for official duties.

### 26. Depreciation and amortisation

Property, plant and equipment	11,426,720	16,100,323
Intangible assets	544,736	-
	<b>11,971,456</b>	<b>16,100,323</b>

### 27. Finance costs

Finance leases	236,779	-
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# Vhembe 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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### 28. Commitments

#### Authorised capital expenditure

##### The Council has committed itself to the following capital projects:

• Infrastructure	232,157,354	321,140,770
• Community Assets	26,504,152	28,858,081

This committed expenditure will be financed from grants and subsidies received from treasury.

### 29. Contingencies

Litigation is in the process against the municipality relating to a dispute with a contractor who alleges that the municipality has breached the contract with NW Civil Contractors and is seeking damages of R 6,197,054. The municipality's legal advisors consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next financial year.

Litigation is in the process against the municipality relating to a dispute with a contractor who alleges that the municipality has not paid the agent, INFRABURO. This resulted in Manasi CIVIL not being paid for the work performed for the benefit of VDM. Manasi CIVILS is claiming R 129,072. The municipality's legal advisors consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next financial year.

The municipality has received a claim from the attorneys of Van Der Westhuizen. The claim is for the damage on the crops that was as a result of construction of a road alongside a tomato farm. The municipality will only have an obligation to settle the claim when the claimant submits proof and basis of claim. The amount of damages is R 1,391,250. There are uncertainties in relation to the timing of any outflow.

Litigation is in the process against the municipality relating to a dispute with SAMWU, a labour organisation. VDM changed the conditions of employment in relation to an advertised vacancy of a Labour Relations Officer. The vacancy was advertised as a Level 5 post and a candidate was appointed at a Level 4 post. There is uncertainty in relation to both amount and timing of outflows.

Litigation is in the process against the municipality relating to a dispute with a resident of Mishru village, Mr Ndou Khwangwelo. Mr Khwangwelo is suing the municipality for failing to provide access to sufficient water. There is uncertainty in relation to both amount and timing of outflows.

### 30. First-time adoption of SA GRAP Standards

The municipality has applied the GRAP standards for the first time in 2008/09 financial year. In principle these standards have been applied retrospectively and the comparatives contained in these annual financial statements have been restated.

#### Reconciliation of net assets at 01 July 2008 (Date of transition to the new standards)

	Note	As reported under IMFO	Effects of transition to GRAP	IFRS
Property, plant and equipment		409,054,845	453,526,264	-
Intangible assets		-	167,000	-
<b>Total non-current assets</b>		<b>409,054,845</b>	<b>453,693,264</b>	<b>-</b>
<b>Total assets less total liabilities</b>		<b>409,054,845</b>	<b>453,693,264</b>	<b>-</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>31. Related parties</b>		
Relationships		
Members of key management		
	Mr KTM Sigidi	
	Ms L Ramathape	
	Mr TT Nyathela	
	Mr NF Tshivhengwa	
	Mr M A NemaKonde	
	Mr M T Makumule	
	Mr S S Razwiedani.	
<b>Related party transactions</b>		
<b>Transfers made to local municipalities.</b>		
Thulamela Local Municipality	50,277,254	37,241,006
Mutale Local Municipality	23,688,530	21,773,066
Makhado Local Municipality	10,750,000	11,000,000
Musina Local Municipality		
<b>Transfers to Musina Local Municipality</b>		
Musina Local Municipality	2,791,323	-
<b>Compensation to accounting officer and other key management</b>		
Short-term employee benefits	613,062	-

## 32. Prior period errors

### Unspent grant liabilities

The unspent MIG liability in 2008 was erroneously calculated on MIG 2008 receipts and expenditure only. Work In Progress MIG was omitted in the calculation. This resulted in an overstatement of unspent MIG by R 114 712 314 and understatement of amounts recognised as income, where conditions have been met by the same amount.

Retention Creditors

Retention creditors could not be supported in 2008 financial year. The amount of R24 149 401 was subsequently reversed in 2009 financial year. Retention creditors for 2008 amount to R 31 015 140.

Other 2

Other 3

The correction of the error(s) results in adjustments as follows:

### Statement of financial position

Unspent Grant Liabilities (MIG)	114,712,314	114,712,314
Retention Creditors	(31,015,140)	(31,015,140)
Opening retained earnings	86,697,174	-

### Statement of financial performance

Grants Revenue (MIG)	-	117,712,314
Capital Expenditure	-	31,015,140

## 33. Comparative figures

No comparative figures have been presented as these are the first annual financial statements of the municipality.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>33. Comparative figures (continued)</b>		
The reporting period is longer/shorter than a year, therefore comparative amounts are not comparable to the current balances.		
Certain comparative figures have been reclassified.		
The effects of the reclassification are as follows:		
<b>34. Going concern</b>		
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.		
<b>35. Unauthorised, irregular, fruitless and wasteful expenditure</b>		
<b>Unauthorised expenditure</b>		
<b>Irregular expenditure</b>		
<b>Fruitless and Wasteful expenditure</b>		
<b>36. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Opening balance	1,480,144	711,988
Current year fee	1,628,158	1,480,144
Amount paid - current year	(1,480,144)	(711,988)
	<b>1,628,158</b>	<b>1,480,144</b>
<b>PAYE and UIF</b>		
Current year subscription / fee	15,418,678	9,556,463
Amount paid - current year	(15,415,287)	(9,556,463)
	<b>3,391</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	76,420	115,123
Current year subscription / fee	28,150,533	18,159,706
Amount paid - current year	(28,192,742)	(18,198,409)
	<b>34,211</b>	<b>76,420</b>
<b>VAT</b>		
VAT receivable	63,012,006	36,959,703

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

### Supply chain management regulations

## Notes to the Annual Financial Statements

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2009	2008
R	R

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### 36. Additional disclosure in terms of Municipal Finance Management Act (continued)

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

### 37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.



# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2009

Appendix A: Schedule of external loans

## APPENDIX A

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

Loan Number	Redeemable	Balance at 30 June 2008	Received during the period	Redeemed written off during the period	Balance at 30 June 2009	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA	
		Rand	Rand	Rand	Rand	Rand	Rand	
<b>LONG-TERM LOANS</b>								
Stock Loan @ 13.75%	121	31/08/2007	30,000	-	-	30,000	29,985	2,537
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			<b>30,000</b>	<b>-</b>	<b>-</b>	<b>30,000</b>	<b>29,985</b>	<b>2,537</b>
<b>STRUCTURED LOANS</b>								
ABSA 16.22%	ABSA Midrand	30/11/2011	53,387	-	335	53,052	54,573	4,712
ABSA 12.27%	ABSA R150m	20/12/2012	150,000	-	-	150,000	149,989	52,789
Investec 11.77%	Investec R100m	24/12/2013	84,619	-	7,540	77,079	99,998	36
RMB 14.53%	RMB R95m	30/11/2014	108,675	1,356	-	110,031	94,999	8,232
RMB 15.56%	RMB R210m	31/12/2012	533,584	78,986	-	612,570	247,986	38,409
RMB 16.50%	RMB R100m	30/11/2014	114,436	1,486	-	115,922	99,458	46,052
SCMB 12.16%	SCMB R200m	30/09/2018	163,333	-	13,334	149,999	199,999	-
Ekurhuleni 16.21%	Ekurhuleni	30/06/2011	41,125	-	-	41,125	189	18,823
			<b>1,249,159</b>	<b>81,828</b>	<b>21,209</b>	<b>1,309,778</b>	<b>947,191</b>	<b>169,053</b>
<b>FUNDING FACILITY</b>								
RMB 11.65%	RMB L123	30/04/2009	47,433	-	14,130	33,303	88,108	-
			<b>47,433</b>	<b>-</b>	<b>14,130</b>	<b>33,303</b>	<b>88,108</b>	<b>-</b>

**APPENDIX A**

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

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2008</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2009</b>	<b>Carrying Value of Property, Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>	
<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	
<b>DEVELOPMENT BANK OF SOUTH AFRICA</b>								
DBSA @ 13.22%	11984 - 11993	30/06/2014	62,465	-	4,782	57,683	77,829	-
DBSA @ 10.00%	2513/103	31/03/2009	18,907	-	5,699	13,208	24,078	-
DBSA @ 10.00%	8056/103	30/09/2011	36,720	-	5,299	31,421	53,419	-
DBSA @ 10.00%	8250/102	31/03/2014	5,946	-	515	5,431	19	-
DBSA @ 10.00%	9005/103	31/03/2013	219,392	-	22,955	196,437	291,731	-
DBSA @ 10.00%	9337/101	30/09/2014	23,804	-	1,889	21,915	48	-
DBSA @ 10.00%	9637/102	31/03/2014	2,906	-	252	2,654	1,990	-
DBSA @ 10.00%	10295	30/06/2016	1,448	-	90	1,358	-	-
DBSA @ 9.39%	13541/1	30/09/2020	144,075	-	10,111	133,964	166,810	-
DBSA @ 16.55%	12716	31/12/2012	233	-	23	210	31	-
DBSA @ 16.55%	12717	31/12/2012	432	-	41	391	298	-
DBSA @ 16.15%	12032	31/12/2010	431	-	71	360	553	-
DBSA @ 16.67%	12033	31/12/2011	757	-	93	664	-	-
DBSA @ 16.67%	12034	31/12/2011	405	-	50	355	554	-
DBSA @ 15.26%	12035	31/12/2011	123	-	16	107	170	-
DBSA @ 15.26%	12036	31/12/2011	572	-	73	499	794	-
DBSA @ 15.26%	12037	31/12/2012	1,377	-	136	1,241	-	-
DBSA @ 15.26%	12038	31/12/2012	322	-	32	290	419	-
DBSA @ 15.26%	12388	31/12/2012	1,639	-	162	1,477	791	-
DBSA @ 15.74%	12208	31/12/2009	3,438	-	804	2,634	-	-
DBSA @ 12.00%	9726/104	30/09/2014	2,354	-	205	2,149	134	-
DBSA @ 16.50%	11064/102	31/03/2020	2,195	-	13	2,182	-	-
DBSA @ 10.63%	11073/101	30/09/2013	10,216	-	1,362	8,854	17,234	-
DBSA @ 10.63%	11073/2	30/09/2013	30,368	-	4,049	26,319	46,562	8,825
			<b>570,525</b>	<b>-</b>	<b>58,722</b>	<b>511,803</b>	<b>683,464</b>	<b>8,825</b>
TOTAL EXTERNAL LOANS			<b>5,628,417</b>	<b>444,628</b>	<b>94,191</b>	<b>5,978,854</b>	<b>5,983,398</b>	<b>202,232</b>