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Annual Financial Statements

for the year ended 30 June 2010

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

Nature of business and principal activities	Municipality
Chief Finance Officer (CFO)	C Staniland
Accounting Officer	BB Biyela
Registered office	Mangosuthu Buthelezi House Krugerrand, CBD RICHARDS BAY
Business address	Mangosuthu Buthelezi House Krugerrand, CBD RICHARDS BAY
Postal address	Private Bag X1025 RICHARDS BAY
Bankers	Nedbank Limited
Auditors	Auditor General

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Abbreviations

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY

I am responsible for the presentation of these annual financial statements, which are set out on pages 4 to 61, in terms of Section 126(1) of the Municipal Finance Management Act (Act no 56 of 2003) and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as discussed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government determination in accordance with this Act.

BB Biyela
Accounting Officer

Richards Bay
31 August 2010

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STATEMENT OF FINANCIAL POSITION

Figures in Rand	Note	2010	2009
Assets			
Current Assets			
Inventories	2	8 403 060	9 717 001
Consumer debtors	3	14 539 764	10 644 705
Other debtors	4	13 219 505	6 440 247
Current portion of long-term receivables	5	221 000	75 975
VAT receivable	6	4 349 704	25 970 120
Cash and cash equivalents	7	262 081 197	286 626 937
		302 814 230	339 474 985
Non-Current Assets			
Property, plant and equipment	8	578 209 853	451 300 989
Intangible assets	9	62 620	357 234
Investments in municipal entities	10	24 841 061	22 818 786
Long-term receivables	5	671 506	910 720
Investments	11	18 804 415	16 838 383
		622 589 455	492 226 112
Total Assets		925 403 685	831 701 097
Liabilities			
Current Liabilities			
Current portion of long-term liabilities	12	6 584 287	4 660 258
Trade and other payables from exchange transactions	13	71 494 008	46 358 696
Consumer deposits	14	6 242 602	5 764 455
Defined benefit obligation	15	178 885	460 582
Unspent conditional grants and receipts	16	78 026 959	141 357 509
Current provisions	17	710 363	710 363
		163 237 104	199 311 863
Non-Current Liabilities			
Long-term liabilities	12	111 087 363	67 978 782
Defined benefit obligation	15	9 416 129	9 552 475
Non-current and current provisions	17	60 914 211	57 804 231
		181 417 703	135 335 488
Total Liabilities		344 654 807	334 647 351
Total Assets		925 403 685	831 701 097
Total Liabilities		(344 654 807)	(334 647 351)
Net Assets		580 748 878	497 053 746
Accumulated surplus		580 748 878	497 053 746

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STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note	2010	2009
Revenue			
Service charges	18	32 876 680	33 466 730
Levies	19	-	662 002
Government grants & subsidies	20	407 502 708	321 885 999
Rental income		47 000	48 300
Defined benefits		1 011 471	-
Other income	21	11 302 606	18 316 957
Interest received	22	26 546 467	36 358 888
Total Revenue		479 286 932	410 738 876
Expenditure			
Employee related costs	23	72 685 524	61 158 547
Remuneration of councillors	24	5 415 213	5 021 472
Debt impairment	3	3 153 541	7 481 448
Depreciation and amortisation	25	23 322 675	17 977 720
Repairs and maintenance		32 884 655	31 130 327
Finance costs	26	9 243 940	8 118 322
Bulk purchases	27	18 357 262	16 537 993
Contracted services		68 076 540	42 413 868
Grants and subsidies paid	28	3 475 690	1 831 924
General expenses	29	157 876 242	135 462 170
Total Expenditure		(394 491 282)	(327 133 791)
Loss on disposal of property, plant and equipment		(978 902)	(220 850)
Fair value adjustments in respect of partnership		-	447 054
Surplus for the year		83 816 748	83 831 289

Refer to Appendix E(1) for the comparison between actual versus budget amounts.

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STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2008	418 606 151	418 606 151
Changes in net assets		
Surplus for the year - restated (refer to note 39)	83 831 289	83 831 289
Initial recognition of post retirement obligation	(6 062 886)	(6 062 886)
Recognition of long service awards	(919 959)	(919 959)
Reversal of prescribed retention held	543 060	543 060
Change in accounting policy	(8 608)	(8 608)
Stale cheques reversed	1 064 699	1 064 699
Total changes	78 447 595	78 447 595
Opening balance as previously reported	490 501 712	490 501 712
Adjustments		
Transferred assets measured - (Refer to note 39)	6 552 035	6 552 035
Balance at 01 July 2009 as restated	497 053 747	497 053 747
Changes in net assets		
Surplus for the year	83 816 748	83 816 748
Changes in Accounting Estimates	(121 617)	(121 617)
Total changes	83 695 131	83 695 131
Balance at 30 June 2010	580 748 878	580 748 878

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CASH FLOW STATEMENT

Figures in Rand	Note	2010	2009
Cash flows from operating activities			
Receipts			
Receipts from consumers		33 430 356	45 314 299
Grants		344 172 159	321 885 999
Interest income		26 546 467	36 358 888
		<u>404 148 982</u>	<u>403 559 186</u>
Payments			
Employee costs		(78 100 737)	(65 049 390)
Suppliers		(231 572 707)	(191 130 571)
Finance costs		(9 243 940)	(8 118 322)
		<u>(318 917 384)</u>	<u>(264 298 283)</u>
Net cash flows from operating activities	30	<u>85 231 598</u>	<u>139 260 903</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(150 616 590)	(121 860 671)
Purchase of other intangible assets	9	-	(15 674)
Movement in investments		(2 022 275)	-
Proceeds received from long-term receivables		94 189	628 728
Increase in non-current investments		(1 966 032)	(2 756 190)
Reversal of impairment		(299 237)	-
		<u>(154 809 945)</u>	<u>(124 003 807)</u>
Net cash flows from investing activities		<u>(154 809 945)</u>	<u>(124 003 807)</u>
Cash flows from financing activities			
Repayment of long-term liabilities		45 032 610	30 684 481
Net cash flows from financing activities		<u>45 032 610</u>	<u>30 684 481</u>
Net increase/(decrease) in cash and cash equivalents		<u>(24 545 737)</u>	<u>45 941 577</u>
Cash and cash equivalents at the beginning of the year		<u>286 626 937</u>	<u>240 685 360</u>
Cash and cash equivalents at the end of the year	7	<u>262 081 198</u>	<u>286 626 937</u>

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The annual financial statements have furthermore been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice number 516, dated 9th May 2008; together with the standards and principles contained in Directive 3 and 5 issued by the Accounting Standards Board in March 2009.

A summary of the significant accounting policies, which have been consistently applied, over a number of years and are disclosed below.

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:

1.1.1 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 17 - Non - Current Provisions.

1.1.2 Standards, amendments to standards and interpretations issued but not yet effected

GRAP 18: Segment reporting-Issued in March 2005

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the municipality's historical performance and to identify the resources allocated to support the major activities of the entity.

GRAP 23: Revenue from Non-Exchange transactions (Taxes and Transfers) - Issued February 2008

Non-exchange transactions in which the entity receives services without directly giving approximately equal value in exchange, has not been accounted for as revenue. This standard will have no impact on the municipality.

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

Compliance with this standard would have had an effect on the presentation only. The budget information is currently disclosed in the appendices.

1.1.3 Useful lives of Property, Plant and Equipment

As described in accounting policies 1.5 & 1.6 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and reviewed annually.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

1.1.4 Defined Benefit Plan Liabilities

As described in accounting policy 1.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement health benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 15 to the financial statements.

1.1.5 Revenue Recognition

Accounting Policy 1.11 on Revenue from Exchange Transactions and Accounting Policy 1.12 on Revenue from Non - Exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

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

1.1.6 Financial Assets and Liabilities

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

1.1.7 Changes in accounting policies

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the accumulative effect in change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. The details of any resulting changes in accounting policy and comparative restatements are set out in note 39.

1.2 Financial instruments

1.2.1 Financial Assets Classification

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

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

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows into the four categories prescribed by this standard:

Accounting Policies

1.2 Financial instruments (continued)

Type of Financial Asset	Classification in terms of IAS 39.09
Short Term Investment Deposit- Call	Held to Maturity Investments
Bank Balances and Cash	Loans and Receivables
Finance Lease Receivables	Loans and Receivables
Long Term Receivables	Loans and Receivables
Consumer Debtors	Loans and Receivables
Other Debtors	Loans and Receivables
Investments in Fixed Deposits	Held to Maturity Investments

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

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

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

- Loans and receivables;
- Held to maturity investments; or
- Financial assets at fair value through the Statement of Financial Performance.

Loans and Receivables

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non- current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less a provision for impairment (Refer to note 3).

Held To Maturity Investments

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

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits).Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of 4 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.

Accounting Policies

1.2 Financial instruments (continued)

1.2.2 Financial Liabilities Classification

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

- Long Term Liabilities
- Other Creditors
- Bank Overdraft
- Short Term Loans
- Current Portion of Loan Term Liabilities
- Consumer Deposits

There are two main categories of financial liabilities determined by their classification. Financial Liabilities may be measured at:

- (i) Fair Value through profit or Loss; or
- (ii) Other Financial Liabilities.

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

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

1.2.3 Initial and Subsequent Measurement

Financial Assets

Held to Maturity investments, loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Financial Liabilities

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

Impairment of Financial Assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets are impaired. Financial assets are impaired where there is objective evidence of impairment, (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

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

The carrying amounts of the financial asset is reduced by the impairment loss directly for all financial assets with

Accounting Policies

1.2 Financial instruments (continued)

the exception of accounts receivables, where the carrying amount is reduced through the use of an impairment account. Subsequent recoveries of amounts previously written off are credited against the impairment account. Changes in the carrying amount of the impairment account are recognised in the Statement of Financial Performance.

Derecognition of Financial Assets

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

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

Derecognition of Financial Liabilities

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

1.2.4 Investment in Municipal Entities

In the municipality's annual financial statements, investments in the municipal entities are carried at fair value less any accumulated impairment at the reporting date.

1.3 Employee benefits

1.3.1 Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual, included under current liabilities.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

1.3.2 Defined contribution plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Accounting Policies

1.3 Employee benefits (continued)

1.3.3 Defined benefit plans

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

Post-retirement health care benefits

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

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

Long-service allowance

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

Provincially-administered defined benefit plans

The municipality contributes to various National and Provincial administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 15 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.4 Provisions

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

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

Accounting Policies

1.5 Property, plant and equipment

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 financial period.

Initial Recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

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

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.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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.

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, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Accounting Policies

1.5 Property, plant and equipment (continued)

Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity for future economic benefits associated with the asset.

Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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

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

Depreciation

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Expected useful life
Land & Building	
• Permanent	30 years
• Other Buildings	30 years
Plant and Equipment	
• Weed Eater	2 years
• Lawn Mower	2 years
• Other	5 years
• Skid Mounted Fire Response	15 years
Furniture	10 years
Computer equipment	5 years
Infrastructure Electricity	
• Electrical Kiosk	15 years
• Electrical Meters	15 years
• Street Lights	15 years
• Electrical Lines and Cables	40 years
• Electrical Switchgear	40 years
• Power Transformers	40 years
Infrastructure - Plant & Equipment	
• Heavy Duty Infrastructure Pumps	15 years
• Unspecified Infrastructure Assets	15 years
• Standby Generators Sets - Water & Sewerage Camps	15 years
Infrastructure Sewerage Services	
• Sewerage Containment	50 years
• Sewerage Network	50 years
• Sewerage Purification	50 years
Infrastructure Solid Waste Cell Services	
• Solid Waste Cell	7 years
• Cemetary	15 years
Infrastructure Water Services	
• Small Schemes	15 years
• Water Abstraction	20 years
• Water Network	20 years
• Water Purification	20 years
• Water Storage	50 years
Motor vehicles	
• Bakkie, LDV, Sedan & Tanker	7 years
• Truck	7 years
• Trailer & Caravan	5 years
• Forklift	5 years
• Tractors	15 years
Equipment	
• Office Equipment	5 years

Accounting Policies

1.5 Property, plant and equipment (continued)

Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets and are shown at cost less accumulated depreciation and accumulated impairment.

Derecognition of Property, Plant and Equipment

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

The gain or loss arising from the derecognition is included in surplus or deficit when the item is derecognised.

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

1.6 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Initial Recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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 or service potential;
- 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.

Accounting Policies

1.6 Intangible assets (continued)

Subsequent Measurement, Amortisation and Impairment

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired (servitudes obtained by the municipality). For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

Item	Useful life
Computer software, other	3 years

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

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial Performance.

1.7 Investments in municipal entity

In the municipality's annual financial statements, investment in a municipal entity are carried at fair value less any accumulated impairment at reporting date.

1.8 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.

1.8.1 Finance leases -The Municipality as a 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 future 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 future 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 the remaining balance of the liability.

Accounting Policies

1.8 Leases (continued)

1.8.2 Operating leases - The Municipality as a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance over the period of the lease.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently 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 operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. 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. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Tax

Normal Tax Expense:

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

Value Added Tax (VAT):

The Municipality accounts for VAT on the accrual basis, based on special exemption received from the Commissioner of Revenue in that the payment related to VAT on sales is being made after receipt of revenue.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies

1.11 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to water are based on consumption. Meters are read on a monthly bases and when the meter is not read provisional estimates are made and based on those readings the revenue is invoiced monthly and recognised. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse are recognised on a monthly bases in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the solid waste site.

Service charges from sanitation are raised on a monthly bases in accordance with the approved tariffs.

Interest and rentals are recognised on a time proportion bases.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items are brought into use.

Where public contributions have been received but the municipality has not met the condition a liability is recognised.

Accounting Policies

1.11 Revenue from exchange transactions (continued)

1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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.

1.13 Grants in Aid

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

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

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

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

Accounting Policies

1.14 Borrowing costs (continued)

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number and in certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale is complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance

1.16 Fruitless and wasteful expenditure

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

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

1.17 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 and is accounted for as expenditure in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.18 Comparative figures

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

1.19 Events After Report Date

Events after the reporting date that are classified as adjusting events are accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the annual financial statements.

1.20 Contingent Assets and Contingent Liabilities

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

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2010	2009
2. Inventories		
Consumable and maintenance materials	8 197 380	9 530 420
Water	205 680	186 581
	8 403 060	9 717 001
3. Consumer debtors		
Gross balances		
Water	26 626 566	16 091 190
Electricity	-	566 048
Sanitation	3 696 157	6 972 357
Solid waste	1 321 136	965 665
	31 643 859	24 595 260
Less: Provision for debt impairment		
Water	(14 491 662)	(9 967 602)
Electricity	-	(98 158)
Sanitation	(2 117 706)	(3 884 795)
Solid Waste	(494 727)	-
	(17 104 095)	(13 950 555)
Net balance		
Water	12 134 904	6 123 588
Electricity	-	467 890
Sanitation	1 578 451	3 087 562
Solid waste	826 409	965 665
	14 539 764	10 644 705
Water		
Current (0 -30 days)	6 306 067	3 291 909
31 - 60 days	2 908 507	1 251 844
61 - 90 days	1 069 867	845 299
91 - 120 days	873 668	1 016 471
> 121 days	15 468 457	9 685 667
Less: Impairment	(14 491 662)	(9 967 602)
	12 134 904	6 123 588
Electricity		
Current (0 -30 days)	-	195 407
31 - 60 days	-	276 012
61 - 90 days	-	43 102
91 - 120 days	-	51 527
Less: Impairment	-	(98 158)
	-	467 890
Sewerage		
Current (0 -30 days)	326 393	1 909 296
31 - 60 days	195 555	337 040
61 - 90 days	128 566	293 872
91 - 120 days	106 701	160 671
> 121 days	2 938 942	4 271 478

UTHUNGULU DISTRICT MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2010	2009
3. Consumer debtors (continued)		
Less: Impairment	(2 117 706)	(3 884 795)
	1 578 451	3 087 562
Solid waste		
Current (0 -30 days)	596 011	434 247
31 - 60 days	225 674	242 456
61 - 90 days	119 617	38 440
91 - 120 days	78 877	51 731
> 121 days	300 957	198 791
Less: Impairment	(494 727)	-
	826 409	965 665
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	2 759 524	3 960 845
31 - 60 days	1 298 614	1 279 708
61 - 90 days	600 708	767 136
91 - 120 days	797 371	1 008 851
> 121 days	14 006 785	11 735 823
	19 463 002	18 752 363
Less: Provision for debt impairment	(15 494 523)	(12 695 191)
	3 968 479	6 057 172
Industrial/Commercial		
Current (0 -30 days)	949 608	1 063 545
31 - 60 days	528 054	303 925
61 - 90 days	394 064	138 961
91 - 120 days	148 190	200 170
> 121 days	1 699 095	1 005 440
	3 719 011	2 712 041
Less: Provision for debt impairment	(1 609 573)	(1 255 361)
	2 109 438	1 456 680
National and Provincial government		
Current (0 -30 days)	3 275 204	806 466
31 - 60 days	1 667 350	523 718
61 - 90 days	334 910	314 617
91 - 120 days	266 342	336 901
> 121 days	2 918 041	1 149 151
	8 461 847	3 130 853

UTHUNGULU DISTRICT MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2010	2009
3. Consumer debtors (continued)		
Total		
Current (0 -30 days)	6 984 336	5 830 856
31 - 60 days	3 494 017	2 107 351
61 - 90 days	1 329 682	1 220 714
91 - 120 days	1 211 903	1 545 922
> 121 days	18 623 921	13 890 414
	<u>31 643 859</u>	<u>24 595 257</u>
Less: Provision for debt impairment	(17 104 095)	(13 950 552)
	<u>14 539 764</u>	<u>10 644 705</u>
Reconciliation of debt impairment provision		
Balance at beginning of the year	(13 950 555)	(7 365 931)
Contributions to provision	(3 153 540)	(7 481 448)
Reversal of provision	-	896 824
	<u>(17 104 095)</u>	<u>(13 950 555)</u>
In the determination of the amounts deemed to be doubtful at financial year end, an analysis of each debtor is undertaken. The debtors are classified into one of three categories.		
Category A	Regular payers, government accounts, consumers with amounts owing not older than 60 days.	
Category B	Irregular payers.	
Category C	Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.	
The value of the provision for the detailed categories shall be deemed as follows:		
Category A	0% of consumer's total debt	
Category B	50% of consumer's debt less or equal to 180 days	
	100% of consumer's debt > than 180 days	
Category C	100% of consumer's total debt	
4. Other debtors		
Sundry debtors	5 518 263	4 296 642
Deposits	2 316 602	2 143 605
Umhlatuze municipality	4 771 520	-
Nkandla electricity	613 120	-
	<u>13 219 505</u>	<u>6 440 247</u>
5. Long-term receivables		
Staff vehicle loans	-	397
Staff study loans	50 950	86 345
Staff home loans	620 556	823 978
Non - Current assets	<u>671 506</u>	<u>910 720</u>

UTHUNGULU DISTRICT MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2010	2009
5. Long-term receivables (continued)		
Non-current assets	671 506	910 720
Current portion of long-term receivables	221 000	75 975
	<u>892 506</u>	<u>986 695</u>

Staff vehicle loans

Senior staff were entitled to vehicle loans prior to 1 July 2004, which currently attracts interest at 8.5% per annum and which are repayable over a maximum period of 6 years. All loans have been repaid in full in 2010.

Staff home loans

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

6. VAT receivable

VAT receivable	<u>4 349 704</u>	<u>25 970 120</u>
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UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2010	2009
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3 200	3 200
Bank balances	22 077 997	66 623 737
Call Investments deposits	240 000 000	220 000 000
	<u>262 081 197</u>	<u>286 626 937</u>

Call Investment deposits portfolio is detailed below:

<u>Financial Institution</u>	<u>Maturity Date</u>	<u>Investment</u>
ABSA	29/07/2010	R 10 000 000.00
ABSA	15/09/2010	R 15 000 000.00
ABSA	10/08/2010	R 10 000 000.00
NEDBANK	07/07/2010	R 25 000 000.00
NEDBANK	call	R 10 000 000.00
STANDARD	06/08/2010	R 25 000 000.00
STANDARD	07/09/2010	R 20 000 000.00
STANDARD	17/08/2010	R 10 000 000.00
FIRST NATIONAL BANK	06/08/2010	R 25 000 000.00
FIRST NATIONAL BANK	08/09/2010	R 25 000 000.00
INVESTEC	07/07/2010	R 15 000 000.00
INVESTEC	15/09/2010	R 10 000 000.00
INVESTEC	07/10/2010	R 20 000 000.00
INVESTEC	16/09/2010	R 10 000 000.00
INVESTEC	15/10/2010	<u>R 10 000 000.00</u>
		<u>R240 000 000.00</u>

An average interest rate of 7.18 % was received on investments placed for the financial year.

Bank balances and cash

The municipality has the following bank accounts:-

Primary Account

- Bank Nedbank - Richards Bay
- Account Number 145 408 8885

Other Accounts

- Bank Nedbank - Richards Bay
- Account Number 145 408 8893

- Bank Nedbank - Richards Bay
- Account Number 145 408 9016

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2010	2009
7. Cash and cash equivalents (continued)		
Cash book balance at the beginning of year	66 623 737	50 682 160
Cash book balance at the end of year	<u>22 077 997</u>	<u>66 623 737</u>
Bank statement balance at the beginning of year	80 117 349	66 795 215
Bank statement balance at the end of year	<u>33 748 622</u>	<u>80 117 349</u>

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

8. Property, plant and equipment

	2010			2009		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold property	9 550 000	-	9 550 000	9 550 000	-	9 550 000
Infrastructure in construction	207 272 638	-	207 272 638	154 914 162	-	154 914 162
Infrastructure	372 589 216	(77 880 301)	294 708 915	287 040 520	(62 192 638)	224 847 882
Community	176 418	-	176 418	12 265 016	-	12 265 016
Other property, plant and equipment	82 176 389	(15 674 507)	66 501 882	61 234 183	(11 510 254)	49 723 929
Total	671 764 661	(93 554 808)	578 209 853	525 003 881	(73 702 892)	451 300 989

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Leasehold property	9 550 000	-	-	-	-	-	-	9 550 000
Infrastructure in construction	154 914 162	137 256 448	-	(84 897 972)	-	-	-	207 272 638
Infrastructure	224 847 882	3 558 438	(810 761)	84 871 250	(17 371 225)	(685 906)	299 237	294 708 915
Community	12 265 016	8 599 234	-	(20 687 832)	-	-	-	176 418
Other property, plant and equipment	49 723 929	1 202 470	(168 141)	20 714 554	(4 970 930)	-	-	66 501 882
	451 300 989	150 616 590	(978 902)	-	(22 342 155)	(685 906)	299 237	578 209 853

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Leasehold property	9 550 000	-	-	-	-	-	9 550 000
Infrastructure in construction	75 431 916	95 611 865	-	(16 129 619)	-	-	154 914 162
Infrastructure	223 102 862	-	-	16 104 526	(14 060 269)	(299 237)	224 847 882
Community	9 002 715	20 336 302	-	(17 074 001)	-	-	12 265 016
Other property, plant and equipment	30 218 583	5 912 504	(220 850)	17 099 094	(3 285 402)	-	49 723 929
	347 306 076	121 860 671	(220 850)	-	(17 345 671)	(299 237)	451 300 989

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

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

9. Intangible assets

	2010			2009		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software and other	2 386 027	(2 323 407)	62 620	2 386 028	(2 028 794)	357 234

Reconciliation of intangible assets - 2010

	Opening balance	Amortisation	Total
Computer software & other	357 234	(294 614)	62 620

Reconciliation of intangible assets - 2009

	Opening balance	Additions	Amortisation	Total
Computer software & other	674 373	15 674	(332 813)	357 234

UTHUNGULU DISTRICT MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand			2010	2009
10. Investments in municipal entities				
	%	%	Carrying amount	Carrying amount
	2010	2009	2010	2009
uThungulu Financing Partnership	99,00 %	99,00 %	18 499 551	16 114 135
uThungulu Hse Development Trust	100,00 %	100,00 %	6 341 510	6 704 651
			24 841 061	22 818 786

The carrying amounts of municipal entities are shown net of impairment losses.

11. Investments

**Held to maturity
INCA Zero Coupon**

18 804 415 16 838 383

The INCA Zero Coupon of R7 963 350 was purchased by council in 2002/03 to be utilised as a guarantee on the R 21 million INCA loan. Interest of R 1 966 032 (2008/09: R 1 760 481) at 11.35% was earned on the investment.

**Non-current assets
Held to maturity**

18 804 415 16 838 383

Held to maturity investments impaired provision

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2010	2009
12. Long-term liabilities		
Held at amortised cost		
ABSA Bank 12.6%	44 757 942	-
The loan was raised to finance the development of uThungulu House building and greater Mthonjaneni Bulk Water Scheme. The loan is repayable after a 15 year period. Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.		
INCA 13.95%	21 000 000	21 000 000
The loan was raised to finance the purchase and development of the regional solid waste site. The loan is repayable after a 15 year period. Interest at 13.95% is paid 6 monthly in arrears on the last day of the month. The final payment of R21 million is due December 2015. A zero coupon from INCA has been taken out to repay this loan.		
INCA 11.95%	28 418 153	29 304 113
The loan was raised to finance extensions to uThungulu House and the development of the solid waste site cell 2. The loan is repayable after a 15 year period. Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.		
Obligation under Finance Headlease	23 495 555	22 334 927
The finance headlease payments represent payment by the municipality for a headlease property in which the municipality has a controlling interest at the end of the lease through uThungulu Financing Partnership and consist of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haiti, Central Business District, known as uThungulu House. The original lease period expires on 31 October 2017, ownership of the property will vest with uThungulu on the termination of the lease. The yield to maturity on the lease is 23.18% and is paid 6 monthly in advance on the last day of the month.		
	117 671 650	72 639 040
Refer to Appendix A for more detail on long-term liabilities.		
Details of the repayment term of the obligations and the related interest rates are set out in Appendix A. .		
Non-current liabilities		
At amortised cost	111 087 363	67 978 782
Current liabilities		
At amortised cost	6 584 287	4 660 258
	117 671 650	72 639 040

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12. Long-term liabilities (continued)		
Obligations under finance lease		
- within one year	4 949 465	4 341 637
- in the second to the fifth year inclusive	27 767 018	24 357 034
- later than five years	<u>26 181 049</u>	<u>34 540 499</u>
	58 897 532	63 239 170
Less future finance charges	<u>(35 401 978)</u>	<u>(40 904 242)</u>
	<u>23 495 554</u>	<u>22 334 928</u>
Present value of minimum lease payments		
- within one year	4 302 732	3 774 299
- in the second to the fifth year inclusive	13 329 526	11 694 222
- later than five years	5 863 296	6 866 407
	<u>23 495 554</u>	<u>22 334 928</u>
13. Trade and other payables from exchange transactions		
Trade payables	51 764 777	34 535 754
Amounts received in advanced	1 441 286	849 400
Accrued leave pay	3 365 515	2 782 111
Other accrued expenses	11 027	22 714
Other payables	14 911 403	8 168 717
	<u>71 494 008</u>	<u>46 358 696</u>
14. Consumer deposits		
Electricity and Water	<u>6 242 602</u>	<u>5 764 455</u>
In terms of Coucil's by-laws no interest is raised or paid.		

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15. Defined benefit obligations		
Post-Employment Health Care Benefit Liability	7 399 379	6 805 951
Long Service Awards	2 195 634	3 207 106
Total amount of liability for post retirement benefit provisions	9 595 013	10 013 057
	(178 885)	(460 582)
Less current portion of post-employment health care benefit liability	(48 384)	(80 414)
Less current portion of long service awards	(130 501)	(380 168)
Net provision for post retirement benefit liability	9 237 243	9 091 893
15.1 Post-Employment Health Care Benefit Liability		
Post-Employee health care benefit liability	7 399 379	6 805 951
Total: Post Retirement Medical Aid Benefit Liability	7 399 379	6 805 951
Less: Transfer to current provisions	(48 384)	(80 414)
Net Post-Employment Health Care Benefit Liability	7 350 995	6 725 537

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

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2010 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

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

In-service members (Employees)	160	144
In-service non-members	86	-
Continuation members (Retirees, widowers and orphans)	2	4
	248	148

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15. Defined benefit obligations (continued)		
The liability in respect of past service has been estimated to be as follows:		
In-service members	6 623 351	5 316 406
Continuation members	776 028	1 489 545
	<u>7 399 379</u>	<u>6 805 951</u>
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
- Bonitas		
- Key Health		
- LA Health		
- Hosmed		
- Samwumed		
The future service cost for the ensuing year is established to be R 812 181, whereas the interest-cost for the next year is estimated to be R 677 055 (2009: R 557 420 and R 598 109 respectively).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Rate of interest		
Discount rate	9,18 %	8,84 %
Health care cost inflation rate	7,24 %	7,59 %
Net effective discount rate	1,80 %	1,16 %
Expected rate of salary increase	6,49 %	6,84 %
Expected retirement age - females	58	58
Expected retirement age - males	63	63
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	7 399 379	6 805 951
	<u>7 399 379</u>	<u>6 805 951</u>
Present value of unfunded obligations	7 399 379	6 805 951
Benefit Liability	<u>7 399 379</u>	<u>6 805 951</u>

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15. Defined benefit obligations (continued)		
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	557 420	514 346
Interest cost	598 109	638 597
	<u>1 155 529</u>	<u>1 152 943</u>
The movement in the defined benefit obligation over the year is as follows:		
Balance at beginning of year	6 805 951	6 062 886
- Current service cost	557 420	514 346
- Interest cost	598 109	638 597
- Benefits paid	(80 412)	(72 540)
- Acturial (gain)/loss on the obligation	(481 689)	(337 338)
	<u>7 399 379</u>	<u>6 805 951</u>
The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:		
Increase		
Effect on the aggregate current service and interest cost	278 800	281 400
Effect on the defined benefit obligation	1 187 698	1 475 057
Decrease		
Effect on the aggregate current service and interest cost	(215 300)	(217 300)
Effect on the defined benefit obligation	(1 027 713)	(1 159 940)
Defined benefit obligation	7 399 379	6 805 951
Experience adjustments on plan liabilities	326 430	N/A
The municipality expects to make a contribution of R 48 384, (2009: R 80 412) to the defined benefit plans during the next financial year.		

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15. Defined benefit obligations (continued)		
15.2 Long Service Awards		
Provision for Long Service Awards	2 195 634	3 207 105
Total Provision for Long Service Awards	2 195 634	3 207 105
Less: Transfer to current provisions	(130 501)	(380 168)
Net Long Service Awards Liability	2 065 133	2 826 937

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2010 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2010 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The future service cost for the ensuing year is established to be R 490 530, whereas the interest-cost for the next year is estimated to be R 194 019 (2009: R 524 162 and R 277 647 respectively).

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

Rate of interest

Discount rate	9,10 %	9,19 %
Net effective discount rate	2,52 %	2,45 %
Expected rate of salary increase	6,42 %	6,58 %
Expected retirement age - females	58	58
Expected retirement age - males	63	63

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2 195 634	3 207 105
	2 195 634	3 207 105
Present value of unfunded obligations	2 195 634	3 207 105
Benefit Liability	2 195 634	3 207 105

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15. Defined benefit obligations (continued)		
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	524 162	477 556
Interest cost	277 647	285 884
Acturial (gain) / losses	(1 433 112)	56 013
	(631 303)	819 453
The movement in the defined benefit obligation over the year is as follows:		
Balance at beginning of year	3 207 105	2 819 545
- Current service cost	524 162	477 556
- Interest cost	277 647	285 884
- Benefits paid	(380 168)	(431 893)
- Acturial (gain)/loss on the obligation	(1 433 112)	56 013
	2 195 634	3 207 105
Defined benefit obligation	2 195 634	3 207 105
Experience adjustments on plan liabilities	(1 422 469)	-

Provincially-administered defined benefits obligations

	Last Acturial Valuation	Total Assets R'000	Total Liabilities R'000	Net Movement in funds
Government Employees Pension Fund	March 2008	707 042 000	707 042 000	-
KwaZulu-Natal Joint Municipal Provident Fund	March 2009	573 952	574 717	(765)
Natal Joint Municipal Pension Fund (Superannuation)	March 2009	4 687 200	4 717 100	(29 900)
Natal Joint Municipal Pension Fund (Retirement)	March 2009	1 667 600	1 881 800	(214 200)
Zululand Joint Provident Fund (uThungulu District Municipality Provident Fund)	February 2009	12 541 836	12 541 836	-

An amount of R 5 207 598.66 (2009: R 4 375 986) was contributed by Council towards employee retirement funding. These contributions have been expensed.

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16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Conditional Grants from other spheres of Government		
National Government - Municipal Infrastructure Grant	57 219 922	44 950 778
Department of Traditional & Local Government	16 491 403	55 682 436
Department of Water Affairs and Forestry	1 114 478	16 945 121
Department of Provincial Treasury	1 028 241	514 877
Department of Public Works	616 950	829 342
Department of Transport - KwaZulu Natal	313 770	313 770
Department of Economic Affairs and Tourism	300 000	300 000
Department of Cooperative Government and Traditional affairs	225 986	429 829
Department of Agriculture	189 708	-
National Government - Other	134 586	29 006
Department of Sport and Recreation	3 813	30 766
uMhlathuze Municipality	-	21 065 412
Other Conditional Grants		
Foskor	17 115	-
Other	370 987	266 172
	78 026 959	141 357 509

17. Non-current and current provisions

Reconciliation of non-current and current provisions - 2010

	Opening Balance	Contribution to provision	Expenditure incurred	Total
Reclamation of refuse landfill site	57 804 231	3 109 980	-	60 914 211
Performance bonus	710 363	608 737	(608 737)	710 363
	58 514 594	3 718 717	(608 737)	61 624 574

Reconciliation of non-current and current provisions - 2009

	Opening Balance	Contribution to provision	Expenditure incurred	Total
Reclamation of refuse landfill site	49 419 558	8 384 673	-	57 804 231
Performance bonus	715 364	553 988	(558 989)	710 363
	50 134 922	8 938 661	(558 989)	58 514 594

Non-current liabilities	60 914 211	57 804 231
Current liabilities	710 363	710 363
	61 624 574	58 514 594

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

In terms of licensing of the landfill refuse site, council will incur rehabilitation costs of R 60 million to restore the old Empangeni and Cell 1 refuse sites at the end of their useful life, estimated to be in 2011. Provision has been made at best estimate determined by the consulting engineers at a cost for the current solid waste (Cell 1 & Cell 2) and the old Empangeni Site.

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18. Service charges		
Sale of water	23 961 064	22 489 702
Solid Waste	5 068 155	4 678 241
Sewerage and sanitation charges	3 297 144	3 020 874
Cemetery revenue	411 774	478 413
Service charges	138 543	-
Sale of electricity	-	2 799 500
	32 876 680	33 466 730
19. Regional service council levies		
RSC Levies - Remuneration	-	572 493
RSC Levies - Turnover	-	89 509
	-	662 002

Regional council levies has been discontinued as from the 30 of June 2006 and the finalisation was completed in 2008/2009 financial year.

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20. Government grants and subsidies		
Levy Replacement Grant	122 819 042	107 313 857
Municipal Infrastructure Grant	106 413 855	83 543 495
Equitable share	93 709 725	73 788 014
Department of Traditional and Local Government Affairs	43 691 033	24 025 980
uMhlathuze Municipality	21 065 412	1 434 588
Department of Water Affairs and Forestry	17 162 242	22 281 039
Department of Cooperative Governance and Traditional Affairs	938 843	3 446 651
Department of Public Works	884 369	2 140 120
National Treasury	644 420	536 915
Other Grants - Foskop	72 885	-
Provincial Treasury	63 636	-
Department of Sport and Recreation	26 953	3 375 340
Department of Agriculture	10 293	-
	407 502 708	321 885 999

Levy Replacement Grant

Regional council levies have been discontinued as from 30 June 2006, and the national fiscus has allocated a levy replacement grant to the district municipalities. The levy replacement grant is an interim measure to ensure the financial stability of the district municipalities while national government is currently defining the overall fiscus streams to local government.

Municipal Infrastructure Grant

Balance unspent at beginning of year	44 950 778	38 592 272
Current-year receipts	118 683 000	89 902 000
Conditions met - transferred to revenue	(106 413 856)	(83 543 494)
	57 219 922	44 950 778

Conditions still to be met - remain liabilities (see note 16)

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

Equitable Share

In terms of the Constitution, this grant is unconditional and is used to subsidise the provision of basic services to the community. These subsidies includes 6 kilolitre free basic water to the entire district with the exception of KZ 282.

Department of Traditional Local Government

Balance unspent at beginning of year	55 682 436	20 937 657
Current-year receipts	4 500 000	53 800 000
Conditions met - transferred to revenue	(43 691 033)	(24 025 980)
Prior year allocation error	-	4 970 759
	16 491 403	55 682 436

Conditions still to be met - remain liabilities (see note 16)

These grants are used:

- to build capacity within the district in order to perform functions as per legislature;
- for disaster programmes, fire fighting equipment, water service delivery planning, shared services unit and infrastructure.

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20. Government grants and subsidies (continued)		
uMhlathuze Municipality		
Balance unspent at beginning of year	21 065 412	7 500 000
Current-year receipts	-	15 000 000
Conditions met - transferred to revenue	(21 065 412)	(1 434 588)
	<u>-</u>	<u>21 065 412</u>

Conditions still to be met - remain liabilities (see note 16)

The grants received were used to build the 2010 sports stadium in the district.

Department of Water Affairs and Forestry

Balance unspent at beginning of year	16 945 121	20 214 459
Current-year receipts	1 331 600	19 011 700
Conditions met - transferred to revenue	(17 162 242)	(22 281 039)
	<u>1 114 478</u>	<u>16 945 121</u>

Conditions still to be met - remain liabilities (see note 16)

These grants are used for:

- water infrastructure and sanitation projects;
- drought relief and disaster relief programmes

Department of Cooperative Governance and Traditional Affairs

Balance unspent at beginning of year	429 829	1 198 875
Current-year receipts	735 000	2 677 605
Conditions met - transferred to revenue	(938 843)	(3 446 651)
	<u>225 986</u>	<u>429 829</u>

Conditions still to be met - remain liabilities (see note 16)

The department of cooperative governance and traditional affairs grants are used to build capacity within the district in order to perform functions as per legislature.

Department of Public Works Grants

Balance unspent at beginning of year	829 342	2 969 461
Current-year receipts	616 950	-
Conditions met - transferred to revenue	(829 342)	(2 140 119)
	<u>616 950</u>	<u>829 342</u>

Conditions still to be met - remain liabilities (see note 16)

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

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Figures in Rand	2010	2009
20. Government grants and subsidies (continued)		
National Treasury		
Balance unspent at beginning of year	29 006	2 008 526
Current-year receipts	750 000	(1 442 605)
Conditions met - transferred to revenue	(644 420)	(536 915)
	<u>134 586</u>	<u>29 006</u>

Conditions still to be met - remain liabilities (see note 16)

National treasury other grants are used for:
- to promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act (Act no. 56 of 2003).

FOSKOR

Current-year receipts	90 000	-
Conditions met - transferred to revenue	(72 885)	-
	<u>17 115</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16)

The grant received from Foskor is to partner with the district municipality in the fight against HIV and Aids.

Department of Provincial Treasury

Balance unspent at beginning of year	514 877	-
Current-year receipts	577 000	514 877
Conditions met - transferred to revenue	(63 636)	-
	<u>1 028 241</u>	<u>514 877</u>

Conditions still to be met - remain liabilities (see note 16)

The grant received from the department of provincial treasury is unconditional and is used for the upliftment of the districts communities through various programmes.

Department of Sports and Recreation

Balance unspent at beginning of year	30 766	7 376 865
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(26 953)	(3 375 340)
Prior year allocation	-	(4 970 759)
	<u>3 813</u>	<u>30 766</u>

Conditions still to be met - remain liabilities (see note 16)

The grant received from the department of sport and recreation are used to construct sporting infrastructure in the district. This grant also included funding for the 2010 sports stadium that has been constructed by the municipality. The grant is spent in accordance with the approved business plan. No funds have been withheld.

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20. Government grants and subsidies (continued)

Department of Transport

Balance unspent at beginning of year	313 770	-
Current-year receipts	-	313 770
	313 770	313 770

Conditions still to be met - remain liabilities (see note 16)

The department of transport grant is used for the development of the public transport plan.

Department of Economic Affairs and Tourism

Balance unspent at beginning of year	300 000	-
Current-year receipts	-	300 000
	300 000	300 000

Conditions still to be met - remain liabilities (see note 16)

The grant received from the department of economic affairs and tourism is for the development and promotion of the districts local economy and tourism.

Department of Agriculture

Current-year receipts	200 000	-
Conditions met - transferred to revenue	(10 292)	-
	189 708	-

Conditions still to be met - remain liabilities (see note 16)

The grant received from the department of agriculture is for the development of a district agricultural plan.

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21. Other income		
Income from the uThungulu House Development Trust	3 016 296	3 024 511
Income from the uThungulu Financing Partnership	2 560 904	1 761 855
Sundry income	3 370 472	1 261 578
Shared service revenue	1 007 149	2 411 150
Insurance refund	541 056	250 017
Other income Impairment	299 237	-
Tender deposits	235 565	151 507
SETA refund	198 965	164 961
Lease income	71 535	74 332
Other income - Mark-up	1 427	41 918
Discount received	-	2 538
Donations and sponsorship received	-	2 000
Donations received	-	6 914 508
Public contribution	-	81 409
Salary reimbursement -Pims	-	1 916 191
Sale of maps	-	282
Shared service unit	-	258 200
	11 302 606	18 316 957
22. Interest Received		
Interest revenue		
Outstanding debtors	78 047	176 501
External investments	26 468 420	36 182 387
	26 546 467	36 358 888

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23. Employee related costs		
Employee related costs - Salaries and Wages	49 508 924	41 637 728
Employee related costs - Contributions for UIF, pensions	9 210 541	7 711 332
Travel and other allowances	6 093 718	5 193 396
Overtime and relief payments	4 517 937	3 316 491
Housing benefits and allowances	2 760 976	2 168 975
Post Retirement Obligation: Post-employment health care benefit	593 428	743 065
Post Retirement Obligation: Long-service awards	-	387 560
	72 685 524	61 158 547
Remuneration of Municipal Manager		
Annual Remuneration	800 518	738 702
Car Allowance	330 800	277 778
Performance Bonuses	132 020	121 902
Contributions to UIF	1 542	1 539
	1 264 880	1 139 921
Remuneration of Deputy Municipal Manager		
Annual Remuneration	701 734	668 067
Car Allowance	323 323	305 880
Performance Bonuses	124 439	113 093
Contributions to UIF	1 542	1 539
	1 151 038	1 088 579
Remuneration of Executive Director Technical services		
Annual Remuneration	718 564	671 426
Car Allowance	179 018	172 493
Performance Bonuses	116 034	107 141
Contributions to UIF	1 542	1 539
	1 015 158	952 599
Remuneration of Executive Director Corporate services		
Annual Remuneration	769 755	679 747
Car Allowance	202 475	193 660
Performance Bonuses	117 426	107 141
Contributions to UIF	1 542	1 539
	1 091 198	982 087
Remuneration of Chief Financial Officer		
Annual Remuneration	824 861	769 615
Car Allowance	93 190	86 287
Performance Bonuses	118 818	109 712
Contributions to UIF	1 542	1 539
	1 038 411	967 153

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24. Remuneration of councillors		
Executive Mayor	429 861	314 647
Deputy Executive Mayor	435 274	406 949
Executive Committee	1 226 740	1 917 689
Speaker	466 443	404 696
Councillors	2 434 655	1 581 395
Councillors' pension contribution	422 240	396 096
	5 415 213	5 021 472
In-kind benefits		
<p>The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the Statement of Financial Performance. To note the mayors remuneration in 2009/2010 is paid based on the difference of a full time mayor and that of a part time councilor of uMlalazi Municipality. The municipality continued with the existing lease agreement for the first six(6) months of the financial year and subsequently purchased the said vehicle for mayoral duties.</p>		
25. Depreciation and amortisation		
Property, plant and equipment	23 322 675	17 977 720
26. Finance costs		
Interest paid - long-term liabilities	9 243 940	8 118 322
27. Bulk purchases		
Electricity	9 310 436	10 397 740
Water	9 046 826	6 140 253
	18 357 262	16 537 993
28. Grants and subsidies paid		
KZ 282 Umhlatuze Municipality	2 175 690	1 319 418
KZ 284 Umlalazi Municipality	-	512 506
KZ 283 Ntambanana Municipality	1 300 000	-
	3 475 690	1 831 924

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29. General expenses		
Advertisements	611 062	686 994
Chemicals	1 350 171	1 494 240
External audit fees	1 845 220	1 348 971
Fuel and oil	2 062 337	2 148 817
IDP operational externally funded projects	78 755 268	47 265 475
IDP operational internal funded projects	52 939 596	58 472 336
Insurance	937 217	2 009 157
Landfill site reclamation	3 109 980	8 384 673
Other expenses	9 848 970	6 717 770
Publicity	1 146 871	1 317 847
Rent - Plant and vehicles	2 980 468	2 905 427
Subsistence & travelling	914 394	1 344 877
Telephone	1 374 688	1 365 586
	157 876 242	135 462 170
30. Cash generated from operations		
Surplus	83 816 748	83 831 289
Adjustments for:		
Depreciation and amortisation	23 322 675	17 977 720
Loss on sale of property, plant and equipment	978 902	220 850
Fair value adjustments	-	(447 054)
Movements in retirement benefit assets and liabilities	(418 043)	8 809 229
Movements in provisions	3 109 980	8 379 672
Initial recognition of Post Retirement Obligations	-	(6 062 886)
Recognition of Long Service Awards	-	(919 959)
Reversal of retention held	-	543 060
Corrections of revenue recognition	(121 610)	(8 608)
Stale cheques reversals	-	1 064 698
Changes in working capital:		
Inventories	1 313 941	(6 630 802)
Other debtors	(6 779 259)	1 908 870
Consumer debtors	(3 895 061)	2 726 175
Current portion of long-term receivables	-	185 029
Trade and other payables from exchange transactions	25 135 312	(5 796 015)
VAT	21 620 416	(8 048 485)
Unspent conditional grants and receipts	(63 330 550)	40 185 236
Consumer deposits	478 147	1 342 884
	85 231 598	139 260 903

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2010	2009
31. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	82 228 456	146 115 138
• Other Property, Plant and Equipment	-	29 862 809
	82 228 456	175 977 947
Approved but not yet contracted for		
• Infrastructure	-	4 367 494
This expenditure will be financed from:		
Government Grants	76 565 181	136 205 567
Own Resources	5 663 275	17 861 492
Borrowings	-	26 278 382
	82 228 456	180 345 441

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Executive Committee prior to 30 June 2010. The majority of the capital projects include water infrastructure. The following two large capital infrastructure projects amongst others have been completed in the 2009/2010 financial year, namely Mangosuthu Buthelezi House and the bulk infrastructure for Greater Mthonjaneni.

32. Contingencies

Future legal fees

1. Ex-employee 1 - legal action pending	600 000	200 000
2. Contractor 1 - legal matter pending	140 000	100 000
3. Consulting Engineers 2 - legal matter pending	140 000	30 000
4. Contractor - legal matter pending	100 000	-
5. Service provider - legal action pending	40 000	-
6. Ex-employee 2 - legal action pending	30 000	-
	1 050 000	330 000

1. The municipality has legal action against an ex-employee that made an illegal investment. The matter is being dealt with by the high court.

2. This is a contractor's liability claim by the municipality against a contractor for non performance and is a high court claim.

3. This matter refers to a dispute with a consulting engineering firm and relates to the consultant increasing the scope of work of a project without obtaining prior approval from the municipality. The matter is a high court claim.

4. The municipality has legal action against a contractor for non performance and relates to the claim referred to in point 3 above. The matter is with the high court.

5. This is a high court claim that has been lodged against a service provider.

6. This is a labour court matter and is currently under review and is anticipated to be finalised in October 2010.

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2010	2009
33. Related parties		
Relationships		
Municipali entities		The uThungulu Financing Partnership uThungulu House Development Trust
Related party balances		
Investments in municipal entities		
The uThungulu Financing Partnership	18 499 551	16 114 135
uThungulu House Development Trust	6 341 510	6 704 651
Income received from related parties		
The uThungulu Financing Partnership	2 560 904	1 761 855
uThungulu House Development Trust	3 016 296	3 024 511
Balances outstanding from related parties		
The uThungulu Financing Partnership	23 495 555	22 334 928
% Interest in municipal entities		
The uThungulu Financing Partnership	99	99
uThungulu House Development Trust	100	100
Related party transactions		
Sub-lease payments		
The uThungulu Financing Partnership	4 341 636	3 808 543

The uThungulu Financing Partnership is a partnership between uThungulu District Municipality, NIB9810 trust and Nedcor. uThungulu District Municipality as at 30 April 2008 holds 99% and Nedcor and NIB9810 holds the balance of 1%. The uThungulu Financing Partnership was formed to facilitate the purchase of uThungulu House in order to provide offices for uThungulu District Municipality. In order to finance the purchase of uThungulu House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, uThungulu District Municipality is obliged to make bi-annual sub payments to the partnership to reimburse uThungulu Financing Partnership for loan repayments made to Nedcor. The loan is payable over 20 year period (starting in 1998 and ending in 2017).

uThungulu House Development trust lease immovable property to the uThungulu Financing Partnership, in terms of a financing lease. The original lease period expires on the 31 October 2017.

Both of the above mentioned entities are incorporated in South Africa.

34. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had accumulated surplus of R 580 748 878 and that the municipality's total assets exceed its total liabilities by R 580 748 878.

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, dependant on the receiving of equitable share allocations.

35. Events after the reporting date

At the date of submission of the annual financial statements there were no known events.

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2010	2009
36. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year membership fee	548 786	386 580
Amount paid - current year	(548 786)	(386 580)
	<u>-</u>	<u>-</u>
Audit fees		
Opening balance	-	22 547
Current year subscription / fee	1 845 219	1 316 317
Amount paid - current year	(200 672)	(1 333 122)
Amount paid - previous years	(1 644 547)	(5 742)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year subscription / fee	10 884 912	8 971 006
Amount paid - current year	(10 884 912)	(8 971 006)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	8 482 794	7 132 337
Amount paid - current year	(8 482 794)	(7 132 337)
	<u>-</u>	<u>-</u>
VAT		
VAT receivable	4 349 704	25 970 120

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

37. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

38. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

UTHUNGULU DISTRICT MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2010	2009
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39. Changes in accounting policy

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice and the aggregate affect of the changes in accounting policy of the annual financial statements for the year ended 30 June 2010 is as follows:

Accumulated Surplus as at the 1st of July 2009 as previously reported -	R 490 501 712	
Adjustment: Change in accounting policy - Grap 12	<u>R 6 552 035</u>	
Inventory	R 497 053 747	

Movement in Inventory

Previously reported as at 30 June 2009	R 3 164 966	
Adjustment	<u>R 6 552 035</u>	
Re-stated inventory	R 9 717 001	

Movement in Net Surplus for the year

Previously reported surplus as at 30 June 2009	R 77 279 255	
Other income - donations received	R 6 914 508	
General expenses - Operational IDP internally funded	<u>(R 362 473)</u>	
Re-stated surplus	R 83 831 289	

Movement in Statement of Financial Performance

Previously reported other income as at 30 June 2009	R 11 402 449	
Adjustment to Other income - donations received	<u>R 6 914 508</u>	
	R 18 316 957	
Previously reported general expenses as at 30 June 2009	R 135 099 697	
Adjustment to general expenses -operational IDP funded	<u>R 362 473</u>	
	R 135 462 170	

40. Unauthorised, Fruitless & wasteful and Irregular expenditure

To the best of our knowledge no known incidences of these expenditure was incurred during the year under review.

UTHUNGULU DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Appendix A: Schedule of external loans

Refer to Appendix E(1) for the comparison between actual versus budget amounts.

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South Africa		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
Bonds							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Other loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Lease liability							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Annuity loans							
		-	-	-	-	-	-
		-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Total external loans		-	-	-	-	-	-
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa		-	-	-	-	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
Lease liability		-	-	-	-	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Supplementary Information

Appendix B: Analysis of property, plant and equipment

Refer to Appendix E(1) for the comparison between actual versus budget amounts.

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	10 077	-	-	-	10 077	(61 893)	-	-	-	-	(61 594)	(51 517)
	-	10 077	-	-	-	10 077	(61 893)	-	-	-	-	(61 594)	(51 517)

Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	10 077	-	-	-	-	10 077	(61 893)	-	-	-	-	(61 594)	(51 517)
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
	-	10 077	-	-	-	-	10 077	(61 893)	-	-	-	-	(61 594)	(51 517)
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	10 077	-	-	-	-	10 077	(61 893)	-	-	-	-	(61 594)	(51 517)
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	10 077	-	-	-	-	10 077	(61 893)	-	-	-	-	(61 594)	(51 517)

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Supplementary Information

Appendix C: Segmental analysis of property, plant and equipment

Refer to Appendix E(1) for the comparison between actual versus budget amounts.

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010 Cost/Revaluation Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin/Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Development/Economic Development/Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
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UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

Refer to Appendix E(1) for the comparison between actual versus budget amounts.

Appendix D

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus / (Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus / (Deficit) Rand
Municipality						
-	-	-	Executive & Council/Mayor and Council	-	-	-
-	-	-	Finance & Admin/Finance	-	-	-
-	-	-	Planning and Development/Economic Development/Plan	-	-	-
-	-	-	Health/Clinics	-	-	-
-	-	-	Comm. & Social/Libraries and archives	-	-	-
-	-	-	Housing	-	-	-
-	-	-	Public Safety/Police	-	-	-
-	-	-	Sport and Recreation	-	-	-
-	-	-	Environmental Protection/Pollution Control	-	-	-
-	-	-	Waste Water Management/Sewerage	-	-	-
-	-	-	Road Transport/Roads	-	-	-
-	-	-	Water/Water Distribution	-	-	-
-	-	-	Electricity /Electricity Distribution	-	-	-
-	-	-	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
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Appendix D

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	Total	-	-	-

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

Refer to Appendix E(1) for the comparison between actual versus budget amounts.

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	32 876 681	-	32 876 681	-	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	-	-	-	-	
Interest received (trading)	-	-	-	-	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
Public contributions and donations	-	-	-	-	
Fines	-	-	-	-	
Licences and permits	-	-	-	-	
Government grants & subsidies	407 502 708	-	407 502 708	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	47 000	-	47 000	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	1 011 471	-	1 011 471	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	11 302 607	-	11 302 607	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	
Interest received - investment	26 546 467	-	26 546 467	-	

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Interest received - other	-	-	-	-
Dividends received	-	-	-	-
	479 286 934	-	479 286 934	-
Expenses				
Personnel	(72 685 524)	-	(72 685 524)	-
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(5 415 213)	-	(5 415 213)	-
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(23 322 675)	-	(23 322 675)	-
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(9 243 940)	-	(9 243 940)	-
Debt impairment	(3 153 541)	-	(3 153 541)	-
Collection costs	-	-	-	-
Repairs and maintenance - Manufacturing expenses	-	-	-	-
Repairs and maintenance - General	(32 884 655)	-	(32 884 655)	-
Repairs and maintenance - General	-	-	-	-
Bulk purchases	(18 357 262)	-	(18 357 262)	-
Contracted Services	(68 076 540)	-	(68 076 540)	-
Grants and subsidies paid	(3 475 690)	-	(3 475 690)	-
Cost of housing sold	-	-	-	-
General Expenses	(157 876 242)	-	(157 876 242)	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	(394 491 282)	-	(394 491 282)	-
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(978 902)	-	(978 902)	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	(978 902)	-	(978 902)	-
Net surplus/ (deficit) for the year	83 816 750	-	83 816 750	-

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

Refer to Appendix E(1) for the comparison between actual versus budget amounts.

UTHUNGULU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Supplementary Information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

Refer to Appendix E(1) for the comparison between actual versus budget amounts.

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.