



uMGUNGUNDOVU

U M A S I P A L A W E S I F U N D A
D I S T R I C T M U N I C I P A L I T Y
D I S T R I K M U N I S I P A L I T E I T

UMGUNGUNDOVU DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2011

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

General Information

Executive Committee

Mayor

Y Bhamjee (ANC)

Deputy Mayor: T Zondi (ANC) Resigned 20 May 2011

Deputy Mayor : T R Zungu (ANC) Appointed 20 May 2011

Councillors

N B Z Cele (ANC) Resigned 20 May 2011

T R Zuma (ANC) Resigned 20 May 2011

J B Mtolo (ANC) Resigned 20 May 2011

R.P ASHE (DA) Appointed 20 May 2011

P Bhengu (IFP) Resigned 20 May 2011

T R Zungu (ANC) Resigned 20 May 2011

M Schalkwyk (ANC) Appointed 20 May 2011

S E Mkhize (ANC) Appointed 20 May 2011

B A Mchunu(ANC) Appointed 20 May 2011

E Z Ntombela(ANC) Appointed 20 May 2011

B E Zuma(IFP) Appointed 20 May 2011

J S Majola(DA)

PART TIME COUNCILLORS

M S Bond (DA)

D Buthelezi (ANC) Resigned 20 May 2011

M M Cekwane (ANC) Resigned 20 May 2011

P Cele (ANC) Resigned 20 May 2011

L P Chiya (ANC) Resigned 20 May 2011

B A Dlamini (ANC) Resigned 20 May 2011

N V Duze (ANC)

S C Gabela (ANC) Resigned 20 May 2011

J E P Green (DA) Resigned 20 May 2011

R T Khanyile (IFP) Resigned 20 May 2011

A M Lukhele (ANC) Resigned 20 May 2011

N C Mabhida (ANC) Resigned 20 May 2011

M E Madlala (IFP)

N B Ahmed (ANC) Resigned 20 May 2011

S D Mbanjwa (IFP) Resigned 20 May 2011

A D Mbense (ANC) Resigned 20 May 2011

B A Mchunu (ANC)- Resigned 20 May 2011

M P Mkhize (ANC) Resigned 20 May 2011

P W Moon (ANC) Appointed 20 May 2011

B M Zuma(ANC) Appointed 20 May 2011

S N Mkhize (ANC)

M S Mthethwa (ANC) - Resigned 20 May 2011

V J Mkhize (ANC) Resigned 20 May 2011

B I Mncwabe (IFP) Resigned 20 May 2011

N Msimang(ANC) Appointed 20 May 2011

V M Mncwabe (IFP)

S A Mkhize(ANC) Appointed 20 May 2011

M L Msimang (ANC) Resigned 20 May 2011

S N Naidoo (ANC) Resigned 20 May 2011

D A Ndlela (ANC)

M D Ndlovu (DA)

M E Ngcongco (DA) Resigned 20 May 2011

P Nsidi (ANC) Appointed 20 May 2011

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General Information

	S M Ngubane (ANC) Resigned 20 May 2011 M M Nkala (ANC) Resigned 20 May 2011 E Z Ntombela (ANC) Resigned 20 May 2011 S D Mbajwa(NFP) Appointed 20 May 2011 B E Zuma (IFP) Resigned 20 May 2011 STJ Ndlovu(ANC) Appointed 20 May 2011 M Ngcobo (ANC) Appointed 20 May 2011 M A Tarr(ANC) Appointed 20 May 2011 P Jaca (ANC) Appointed 20 May 2011 B Shoji(ANC) Appointed 20 May 2011 G S Maseko(ANC) Appointed 20 May 2011 S M Mbatha-Ntuli(ANC) Appointed 20 May 2011 Shabalala J (ANC) Appointed 20 May 2011 C D Gwala (ANC) Appointed 20 May 2011 P Moonsamy (ANC) Appointed 20 May 2011 M Maphumulo (ANC) Appointed 20 May 2011 T A Gwala (ANC) Appointed 20 May 2011 E L M N Peterson (DA) Appointed 20 May 2011 M J Grueneberg (DA) Appointed 20 May 2011 M Maphumulo(NFP) Appointed 20 May 2011 C Bradely (DA) Appointed 20 May 2011 L Skhakhane (DA) Appointed 20 May 2011
Grading of local authority	Grade 4
WHIP	A Lukhele(ANC) Resigned 20 May 2011 S C Gabela (ANC) Appointed 20 May 2011
SPEAKER	E M Dladla (ANC) Appointed 20 MAY 2011 G H Zondi (ANC) Resigned 20 May 2011
MANAGEMENT	Municipal Manager- T L S Khuzwayo Strategic Executive Manager - Community Services - S E Gwala Acting Strategic Executive Manager - Corporate Services - S D Mkhize Acting Strategic Executive Manager - Financial Services - B Ndlovu (Appointed 01 November 2008) Acting Strategic Executive Manager - Technical Services - E B Mbambo
Registered office	242 Langalibalele Street (Longmarket) Pietermaritzburg 3201
Postal address	P O Box 3235 Pietermaritzburg 3200
Bankers	First National Bank
Auditors	Auditor General
Website	www.umdm.gov.za
Other Information	Telephone: 033 897 6700 Fax : 033 342 5502

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
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)
GEPF	Government Employees Pension Fund
VAT	Value Added Tax
PPE	Property Plant and Equipment
SALGA	South African Local Government Association
NJMP	Natal Joint Municipal Pension
ANC	African National Congress
DA	Democratic Alliance
IFP	Inkatha Freedom Party
NFP	National Freedom Party
HOD	Head Of Department

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

Auditor General is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by Auditor General and his report is presented to the speaker of the council upon completion of the audit.

The annual financial statements set out on pages 6 to 30, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Accounting Officer
Municipal Manager

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Officer's Report

Operating capital ratio 1.8:1 (1.4:1)

There is an improvement in nett current assets compared to prior year, we have enough short term assets to finance short term liabilities.

Solvability ratio 5.98:1 (5,90:1)

Assets are almost 6 times the liabilities, the Municipality will be able to meet all its short and long term obligations.

Cash to interest cover ration 16.6:1 (5.83:1)

The cash flow is sufficient enough to finance interest from long term liabilities.

Cash ratio 1.54% (.55)

There is sufficient cash to pay short term liabilities.

1. Going concern

We draw attention to the fact that at 30 June 2011 , the municipality had accumulated a surplus of R733 380 936 .

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

2. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Trade and other receivables from exchange transactions	3	40 108 307	37 905 025
VAT receivable	4	67 786 539	55 094 345
Consumer debtors	5	37 535 956	40 768 027
Cash and cash equivalents	6	83 864 715	35 443 040
		229 295 517	169 210 437
Non-Current Assets			
Property, plant and equipment	2	671 548 340	670 005 020
Total Assets		900 843 857	839 215 457
Liabilities			
Current Liabilities			
Long term liabilities-Short term portion	7	1 567 896	2 193 286
Trade and other payables from exchange transactions	9	36 686 007	49 836 104
VAT payable	10	73 082 369	54 635 761
Consumer deposits	11	4 007 216	3 834 508
Unspent conditional grants and receipts	8	12 138 563	11 653 697
		127 482 051	122 153 356
Non-Current Liabilities			
Long term liabilities	7	18 684 697	20 924 948
Unspent conditional grants and receipts	8	2 524 427	3 163 892
		21 209 124	24 088 840
Total Liabilities		148 691 175	146 242 196
Net Assets		752 152 682	692 973 261
Net Assets			
Reserves			
Revaluation reserve	30&30	18 771 738	13 575 808
Accumulated surplus		733 380 936	679 397 459
Total Net Assets		752 152 674	692 973 267

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Service charges	13	39 968 307	38 336 839
Government grants & subsidies	14	308 075 389	320 052 962
Rental income		238 198	353 001
Other income	15	8 859 001	41 940 352
Interest received - investment	20	4 802 129	7 180 220
Total Revenue		361 943 024	407 863 374
Expenditure			
Personnel	17	(102 889 789)	(99 575 601)
Remuneration of councillors	18	(7 851 788)	(8 023 333)
Management fees		287 842	(2 539 997)
Depreciation and amortisation	21	(47 317 810)	(25 420 575)
Finance costs	22	(3 024 090)	(6 080 037)
Debt impairment	19	(16 867 725)	(6 491 642)
Repairs and maintenance		(1 310 810)	(3 582 213)
Bulk purchases	29	(39 679 905)	(41 244 306)
Contracted services	24	(50 661 179)	(104 920 479)
General Expenses	16	(48 250 179)	(52 017 019)
Total Expenditure		(317 565 433)	(349 895 202)
Fair value adjustments		2 204 600	-
Surplus for the year		46 582 191	57 968 172

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2009	-	621 429 287	621 429 287
Changes in net assets			
Fair value gains, Land and buildings	13 575 808	-	13 575 808
Net income (losses) recognised directly in net assets	13 575 808	-	13 575 808
Surplus for the year	-	57 968 172	57 968 172
Total recognised income and expenses for the year	13 575 808	57 968 172	71 543 980
Total changes	13 575 808	57 968 172	71 543 980
Opening balance as previously reported	13 575 808	688 909 915	702 485 723
Adjustments			
Fundamental errors affecting net assets	-	(2 111 170)	(2 111 170)
Balance at 01 July 2010 as restated	13 575 808	686 798 745	700 374 553
Changes in net assets			
Fair value gain on Land and buildings	5 195 930	-	5 195 930
Net income (losses) recognised directly in net assets	5 195 930	-	5 195 930
Surplus for the year	-	46 582 191	46 582 191
Total recognised income and expenses for the year	5 195 930	46 582 191	51 778 121
Total changes	5 195 930	46 582 191	51 778 121
Balance at 30 June 2011	18 771 738	733 380 936	752 152 674

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UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		37 765 025	38 331 002
Grants		307 995 097	320 052 962
Interest income		4 802 129	7 176 666
Other receipts		9 097 199	353 001
Other cash item		-	41 937 402
		<u>359 659 450</u>	<u>407 851 033</u>
Payments			
Employee costs		(110 693 031)	(98 386 328)
Suppliers		(51 759 906)	(41 244 306)
Finance costs		(3 024 090)	(5 670 266)
Other payments		(101 240 624)	(256 109 893)
Other cash item		-	(837 670)
		<u>(266 717 651)</u>	<u>(402 248 463)</u>
Net cash flows from operating activities	25	<u>92 941 799</u>	<u>5 602 570</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(47 202 727)	(44 638 131)
Proceeds from sale of property, plant and equipment	2	3 343 644	1 369 082
Proceeds from sale of financial assets		2 204 600	-
		<u>(41 654 483)</u>	<u>(43 269 049)</u>
Cash flows from financing activities			
Repayment of long term liabilities		(2 865 641)	(2 475 830)
		<u>(2 865 641)</u>	<u>(2 475 830)</u>
Net increase/(decrease) in cash and cash equivalents		48 421 675	(40 142 309)
Cash and cash equivalents at the beginning of the year		35 443 040	75 585 349
Cash and cash equivalents at the end of the year	6	<u>83 864 715</u>	<u>35 443 040</u>

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

1.1 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 period.

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 measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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, it's 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 management.

Major spare parts and stand by 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.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.1 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Average useful life
Buildings	Fair Value (30 Years)
Furniture and fixtures	10 Years
Motor vehicles	5 Years
Pant and equipment	10 Years
IT equipment	3 Years
Computer software	3 Years
Infrastructure	
• Water	50 Years
• Sewerage	50 Years
Capital work in progress	Not depreciated (Until Completed)
•	20 Years
Fire Engines	
Mobile Offices	20 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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 is depreciated separately.

1.2 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

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

Cash and cash equivalents

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

1.3 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.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs .

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.5 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. An annual charge to income is made to cover both these liabilities.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.6 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits 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.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

1.7 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.

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.

1.8 Revenue

Revenue comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.9 Investment income

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

1.10 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.11 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The following balances have been restated, retained income brought forward and property, plant and equipment.

1.12 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.13 Fruitless and wasteful expenditure

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

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

1.14 Internal Reserves

Government grant reserve

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

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

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.15 Revaluation reserve

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

1.16 Conditional Grants and receipts

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011 2010

2. Property, plant and equipment

	2011		2010	
	Cost / Valuation	Accumulated depreciation and impairment	Cost / Valuation	Accumulated depreciation and impairment
Land	6 481 000	-	6 481 000	-
Buildings	27 400 059	-	27 818 212	-
Plant and machinery	7 492 496	(1 760 791)	11 800 429	(2 411 786)
Furniture and fixtures	3 188 281	(1 437 934)	2 714 485	(1 943 442)
Motor vehicles	7 377 284	(5 172 682)	5 689 287	(5 418 735)
IT equipment	3 968 634	(1 916 053)	3 493 067	(2 163 797)
Infrastructure	1 465 036 195	(1 001 321 709)	1 464 031 168	(955 520 268)
Other property, plant and equipment	3 931 549	(138 775)	3 792 774	(56 833)
Mobile Offices	392 440	(21 855)	370 585	-
Capital work in progress	158 050 201	-	113 475 241	-
Total	1 683 318 139	(1 011 769 799)	1 637 519 881	(967 514 861)

Reconciliation of property, plant and equipment - 2011

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	6 481 000	-	-	-	-	-	6 481 000
Buildings	27 818 212	-	-	(4 181 153)	-	-	27 400 059
Plant and machinery	9 388 643	-	(3 114 786)	-	-	(542 152)	5 731 705
Furniture and fixtures	771 043	62 238	(87 222)	272 188	849 230	(117 130)	1 750 347
Motor vehicles	270 552	-	(17 624)	-	2 204 600	(252 926)	2 204 602
IT equipment	1 329 270	534 405	(124 012)	-	810 080	(497 162)	2 052 581
Infrastructure	508 510 900	-	-	975 308	-	(45 771 722)	463 714 486
Other property, plant and equipment	1 960 159	1 914 556	-	-	-	(81 941)	3 792 774
Mobile Offices	-	116 568	-	269 621	-	(15 604)	370 585
Capital work in progress	113 475 241	44 574 960	-	-	-	-	158 050 201
	670 005 020	47 202 727	(3 343 644)	1 098 964	3 863 910	(47 278 637)	671 548 340

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Revaluations	Movements	Depreciation	Total
Land	1 843 767	-	-	-	4 637 233	-	-	-	6 481 000
Buildings	14 689 643	608 231	-	-	13 575 808	-	-	(1 055 470)	27 818 212
Plant and machinery	11 209 709	14 599	-	(1 349 318)	-	-	-	(486 347)	9 388 643
Furniture and fixtures	765 529	512 390	-	-	-	-	-	(506 876)	771 043
Motor vehicles	1 586 795	-	-	(19 764)	-	-	-	(1 296 479)	270 552
IT equipment	836 637	1 041 005	-	-	-	-	-	(548 372)	1 329 270
Infrastructure	60 120 175	-	1 069 418	-	9 072 572	-	459 732 006	(21 483 271)	508 510 900
Other property, plant and equipment	-	2 016 992	-	-	-	-	-	(56 833)	1 960 159
Capital work in progress	83 172 317	39 375 496	-	(9 072 572)	-	-	-	-	113 475 241
	174 224 572	43 568 713	1 069 418	(1 369 082)	-	18 213 041	459 732 006	(25 433 648)	670 005 020

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
3. Trade and other receivables from exchange transactions		
Deposits	336 119	145 191
Agency Agreements	3 466 415	4 877 684
Accrued Income	34 517 123	32 560 128
Prepaid expenses	1 106 875	1 005 362
Clearing account	681 775	(686 691)
Other debtors	-	3 351
	40 108 307	37 905 025
4. VAT receivable		
VAT	67 786 539	55 094 345
5. Consumer debtors		
Gross balances		
Water	135 395 513	136 648 168
Less: Provision for debt impairment		
Water	(97 859 557)	(95 880 141)
Net balance		
Water	37 535 956	40 768 027
Water		
Current (0 -30 days)	4 044 825	8 475 798
31 - 60 days	3 042 920	4 428 834
61 - 90 days	3 468 547	3 654 818
91 - 120 days	2 984 007	2 825 044
121 - 365 days	5 623 091	4 551 366
> 365 days	121 548 049	118 120 882
Provision	(97 177 462)	(95 880 141)
Discounting Effect	(5 998 021)	(5 408 574)
	37 535 956	40 768 027
Reconciliation of debt impairment provision		
Balance at beginning of the year	(95 880 141)	(92 103 708)
Contributions to provision	1 777 046	(6 850 800)
Debt impairment written off against provision	(3 756 462)	3 074 367
	(97 859 557)	(95 880 141)
<p>The debtors are initially recorded at fair value being the invoice value, these are subsequently amortised at an effective rate determined as current average interest on FNB call accounts. We calculated the estimated effect of discounting resulting in an amount of R5 998 021. We assumed that debtors will pay in six months time. The interest rate used in discounting was 6.93 % per annum. Debtors and revenue have been disclosed net of discounting.</p>		
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	8 388	5 563
Bank balances	31 215 678	13 279 386
Short-term deposits	52 640 649	22 158 091
	83 864 715	35 443 040

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
7. Long term liabilities		
Held at amortised cost		
Other financial liability 1	20 252 593	23 118 234
Non-current liabilities		
At amortised cost	18 684 697	20 924 948
Current liabilities		
At amortised cost	1 567 896	2 193 286
	20 252 593	23 118 234
8. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Water Purification Grant	2 244 800	2 244 800
Technical Grant	525 785	525 785
MIG	(14 431 603)	(1 056 276)
Drought Relief WSA	387 249	580 896
Public Works	431 382	431 382
GIS Grant	2 273 966	2 679 627
Corridor Development Grant	5 450 000	5 450 000
KZN Sports	2 063 547	2 622 720
Massification Grant	7 403 424	-
HIV Awareness Grant	1 000 000	-
Other Grant	(460 880)	(541 172)
Water and Sewer Works	6 853 560	797 483
Other	921 760	1 082 344
	14 662 990	14 817 589
Movement during the year		
Balance at the beginning of the year	14 817 589	35 911 187
Additions during the year	48 690 911	89 996 189
Income recognition during the year	(48 845 510)	(111 089 787)
	14 662 990	14 817 589
Non-current liabilities	2 524 427	3 163 892
Current liabilities	12 138 563	11 653 697
	14 662 990	14 817 589

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 8 for reconciliation of grants from National/Provincial Government.

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
9. Trade and other payables from exchange transactions		
Trade payables	20 212 356	28 936 497
Payments received in advanced - contract in process	6 215 890	6 841 314
Other accrued expenses	10 257 761	13 878 388
Other payables	-	179 905
	36 686 007	49 836 104
10. VAT payable		
Tax refunds payables	73 082 369	54 635 761
11. Consumer deposits		
Water	4 007 216	3 834 508
<p>The water deposits relates to amounts paid by customers and are refundable as and when the customer closes their water accounts. The municipality does not pay nor accrue any interest on these deposits.</p>		
12. Revenue		
Service charges	39 968 307	38 336 839
Government grants & subsidies	308 075 389	320 052 962
	348 043 696	358 389 801
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	39 968 307	38 336 839
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Levies	308 075 389	320 052 962
13. Service charges		
Sale of water	33 699 493	33 582 225
Sewerage and sanitation charges	6 268 814	4 754 614
	39 968 307	38 336 839

The municipality averages water loss to be approximately 55%. The loss is calculated by comparing quantity of water sold to quantity bought. The calculation was determined by a reputable engineering company. The average water loss in rand value is approximately R19 554 339.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
14. Government grants and subsidies		
Equitable share	258 183 382	208 963 175
Public Works	-	2 741 263
MIG	43 463 327	70 592 828
FMG	1 000 000	1 002 227
Corridor Development	-	7 000 000
Stadium Grant	-	23 051 972
MSIG	750 000	735 000
SETA Grant	401 381	758 981
Shared Services Grant	205 652	346 980
2010 Disaster Grant	-	289 496
DIMS Grant	45 204	-
Disaster Management Grant	45 204	52 284
Drought Relief	193 647	1 579 182
Sport and Recreation	881 298	-
GIS Shared Services	1 314 661	1 224 373
Inergovernmental Relations	90 152	1 715 201
Casino Tax Levy	1 046 497	-
Massification Grant	354 984	-
Growth and Development Summit	100 000	-
	308 075 389	320 052 962
15. Other income		
Project Income	72 421	79 064
Sundry income	8 786 580	41 861 104
Other Revenue	-	184
	8 859 001	41 940 352

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
16. General expenses		
Advertising	428 778	487 599
Auditors remuneration	1 029 131	1 000 111
Bank charges	187 859	161 793
Consulting and professional fees	3 867 374	4 576 166
Consumables	2 518 095	1 129 162
Entertainment	790 131	630 536
Hire	586 127	882 748
Insurance	305 846	394 742
Conferences and seminars	759 605	442 725
Lease rentals on operating lease	481 421	412 957
Levies	450 849	418 018
Magazines, books and periodicals	26 488	28 667
Medical expenses	180	-
Motor vehicle expenses	8 199 944	5 989 401
Postage and courier	553 938	491 740
Printing and stationery	927 221	959 603
Communication	3 248 181	633 940
Protective clothing	360 240	786 551
Project maintenance costs	1 311 335	710 641
Research and development costs	-	10 461
Royalties and license fees	683 863	864 126
Security (Guarding of municipal property)	3 704 643	2 268 957
Staff welfare	-	(1 634)
Subscriptions and membership fees	24 408	1 324 775
Telephone and fax	5 108 941	5 556 353
Training	1 012 767	1 580 486
Travel - local	505 122	193 729
Assets under R5000	185 132	631 255
Electricity	1 879 714	1 358 140
Social services	3 514 990	10 128 321
Grant Expenditure	5 597 856	7 964 950
	48 250 179	52 017 019

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
17. Employee related costs		
Basic	63 240 684	60 573 904
Medical aid - company contributions	4 167 952	3 079 204
UIF	561 881	497 410
WCA	118 531	1 189 273
SDL	849 190	776 568
Salgbc levies	19 602	18 620
Leave pay provision charge	(2 319 777)	3 206 812
Life group Insurance	1 860 523	767 330
Fire shift and services allowance	1 610 501	1 357 998
Post-employment benefits - Pension - Defined contribution plan	12 354 834	9 589 197
Travel, motor car, accommodation, subsistence and other allowances	8 076 982	7 810 154
Overtime payments	2 642 558	2 197 218
Long-service awards	882 510	572 874
Acting allowances	1 574 968	1 497 150
Housing benefits and allowances	517 582	532 882
Holiday Bonus	5 435 985	4 874 822
Stand by allowance	1 161 384	825 978
Telephone	73 129	130 262
Clothing Allowance	60 770	77 945
	102 889 789	99 575 601
Remuneration of municipal manager		
Annual Remuneration	805 396	778 222
Car Allowance	140 000	140 000
Performance Bonuses	133 365	-
	(1 078 761)	(918 222)
	-	-
Remuneration of chief finance officer		
Annual Remuneration	464 805	418 920
Car Allowance	257 415	228 289
Contributions to UIF, Medical and Pension Funds	100 661	89 674
Acting Allowance	97 296	92 211
	(920 177)	(829 094)
	-	-
Remuneration of other senior managers		
Annual Remuneration	464 805	418 920
Car Allowance	257 415	228 289
Contributions to UIF, Medical and Pension Funds	100 661	89 674
Acting Allowance	97 296	92 211
	(920 177)	(829 094)
	-	-

The remuneration of senior managers are for Acting H.O.D technical services , cooperate services as well as H.O.D community services.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
18. Remuneration of councillors		
Mayor	7 851 788	8 023 333
Deputy Mayor	623 041	593 374
Speaker	480 811	464 690
Whip	503 821	496 503
Other Councillors	471 768	449 305
	5 772 347	6 019 461
	(7 851 788)	(8 023 333)
	7 851 788	8 023 333
19. Debt impairment		
Contributions to debt impairment provision	16 867 725	6 491 642
20. Investment revenue		
Interest revenue		
Bank	4 802 129	7 180 220
21. Depreciation and amortisation		
Property, plant and equipment	47 317 810	25 420 575
22. Finance costs		
Other interest paid	3 024 090	6 080 037
23. Auditors' remuneration		
Fees	1 029 131	1 000 111
24. Contracted services		
Operating Leases	41 199 356	38 474 163
Other Contractors	9 461 823	66 446 316
	50 661 179	104 920 479
25. Cash generated from operations		
Surplus	46 582 191	57 968 172
Adjustments for:		
Depreciation and amortisation	47 317 810	25 420 575
Fair value adjustments	(2 204 600)	-
Debt impairment	16 867 725	6 491 642
Proir year error	7 595 183	(3 686 217)
Other non-cash items	-	13 065
Changes in working capital:		
Trade and other receivables from exchange transactions	(2 203 282)	(30 136 274)
Consumer debtors	(13 635 654)	(27 041 782)
Trade and other payables from exchange transactions	(13 150 097)	(7 518 022)
VAT	5 754 414	4 803 979
Unspent conditional grants and receipts	(154 599)	(21 093 598)
Consumer deposits	172 708	381 030
	92 941 799	5 602 570

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand 2011 2010

26. Employee benefit obligations

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. The Municipal staff are members of the following benefit schemes: Natal Joint Municipal Pension Fund (Retirement Registration Number 12/8/6676/2-a State and Multi Employer Defined Benefit Plan, Natal Joint Municipal Pension Fund, superannuation, (a State and Multi employer Defined Benefit Fund and the Kwazulu Natal Provident Fund (a State and Multi Employer defined Contribution Plan). Along with other municipalities in the province of Kwazulu natal, Umgungundlovu participates in a multi employer defined plan. The Plan exposes the participating entities to actuarial risks associated with the current and former employees of other municipalities participating in the plan. There is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual municipalities participating in the plan. Umgungundlovu therefore accounts for the plan as if it were a defined contribution plan. A funding valuation which is not drawn up on the basis of assumptions compatible with GRAP Exposure Draft #49-Employee benefits as at 31 March 2010 reflected an overall plan deficit of R 17.8 million. The shortfall will be funded through a surcharge of 17 % of salaries, this surcharge is spread across superannuation members. The fund could not produce Audited Financial Statements on time hence we are unable to report on the performance of 2011.

27. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	<u>46 582 191</u>	<u>57 968 172</u>
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28. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

Operating activities

Actual amount as presented in the budget statement	<u>92 941 799</u>	<u>4 110 683</u>
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Investing activities

Actual amount as presented in the budget statement	<u>(41 654 483)</u>	<u>-</u>
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Financing activities

Actual amount as presented in the budget statement	<u>(2 865 641)</u>	<u>2 043 004</u>
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Net cash generated from operating, investing and financing activities	<u>48 421 675</u>	<u>6 153 687</u>
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29. Bulk purchases

Water	<u>39 679 905</u>	<u>41 244 306</u>
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30. Revaluation reserve

The revaluation reserve arose due change in accounting policy for land and building from cost model to revaluation model. The valuation was performed by professional valuer appointed by local municipalities where valued properties are situated. The municipality used valuation roll values to revalue its land and buildings. The valuation roll was implemented on 01 July 2009.

Opening balance	13 575 808	-
Change during the year	<u>5 195 930</u>	<u>13 575 808</u>
	<u>18 771 738</u>	<u>13 575 808</u>

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

	2011	2010
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31. Grants and subsidies paid

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	54 232 665	76 800 539
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This committed expenditure relates to property and will be financed by available government grant being MIG.

33. Prior period errors

Accounts payable were understated by bonus provision in prior year. The error has been corrected by adjusting opening retained earnings.

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

Statement of financial position

Accounts Payable	(2 111 170)	-
Opening Accumulated Surplus or Deficit	2 111 170	-

34. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure in respect of interest due late submission of earnings return from 2007 tax year	1 029 441	406 207
Other interest due to late payment of creditors	216 238	-
	<u>1 245 679</u>	<u>406 207</u>

35. Irregular expenditure

Irregular expenditure as result of municipality not issuing declaration forms to companies contracted to the municipality in terms of supply chain management regulation 13 (1)(c)	2 263 220	-
Irregular Expenditure due to contracted service providers continuing to render services after the contract had expired	2 211 983	-
Irregular Expenditure was as a result of trading with companies owned or control by individuals who are in the service of a state. There were nine companies that did business with the municipality in this financial year.	1 045 368	-
	<u>5 520 571</u>	<u>-</u>

36. Deviation from supply chain management regulations

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

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

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The majority of the deviations were due to water services emergencies and is approximately 1% of operating expenditure. The municipality recorded 103 deviations totalling to R1 284 442.96 during the current financial year.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

37. Statement of comparative and actual information

2011

Financial Performance

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Service charges	66 548 279	72 698 279	72 698 279	39 968 307	32 729 972	55 %	60 %
Investment revenue	3 153 000	4 153 000	4 153 000	4 802 129	(649 129)	116 %	152 %
Transfers recognised - operational	343 639 948	346 057 681	346 057 681	306 573 908	39 483 773	89 %	89 %
Other own revenue	12 172 600	12 172 600	12 172 600	11 301 799	870 801	93 %	93 %
Total revenue (excluding capital transfers and contributions)	425 513 827	435 081 560	435 081 560	362 646 143	72 435 417	83 %	85 %
Employee costs	(108 603 136)	(109 153 137)	(109 153 137)	(102 889 789)	(6 263 348)	94 %	95 %
Remuneration of councillors	(9 050 716)	(10 550 716)	(10 550 716)	(7 851 788)	(2 698 928)	74 %	87 %
Debt impairment	(30 000 000)	(30 000 000)	(30 000 000)	(16 867 725)	(13 132 275)	56 %	56 %
Depreciation and asset impairment	(25 000 000)	(25 000 000)	(25 000 000)	(47 317 810)	22 317 810	189 %	189 %
Finance charges	(3 000 000)	(3 000 000)	(3 000 000)	(3 024 090)	24 090	101 %	101 %
Materials and bulk purchases	(32 385 602)	(40 385 602)	(40 385 602)	(39 679 905)	(705 697)	98 %	123 %
Other expenditure	(139 404 492)	(144 550 650)	(144 550 650)	(99 934 326)	(44 616 324)	69 %	72 %
Total expenditure	(347 443 946)	(362 640 105)	(362 640 105)	(317 565 433)	(45 074 672)	88 %	91 %
Surplus/(Deficit)	78 069 881	72 441 455	72 441 455	45 080 710	27 360 745	62 %	58 %

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

37. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	500 000	9 674 000	9 674 000	1 501 481	8 172 519	16 %	300 %
Surplus (Deficit) after capital transfers and contributions	78 569 881	82 115 455	82 115 455	46 582 191	35 533 264	57 %	59 %
Surplus/(Deficit) for the year	78 569 881	82 115 455	82 115 455	46 582 191	35 533 264	57 %	59 %

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

37. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources							
Cash flows							
Net cash from (used) operating	103 570	109 493	109 493	92 941 799	(92 832 306)	84 884 %	89 738 %
Net cash from (used) investing	(94 055)	(97 835)	(97 835)	(41 654 483)	41 556 648	42 576 %	44 287 %
Net cash from (used) financing	-	-	-	(2 865 641)	2 865 641	(100)%	(100)%
Net increase/(decrease) in cash and cash equivalents	9 515	11 658	11 658	48 421 675	(48 410 017)	415 351 %	508 898 %
Cash and cash equivalents at the beginning of the year	-	-	-	35 443 040	(35 443 040)	100 %	100 %
Cash and cash equivalents at year end	9 515	11 658	11 658	83 864 715	(83 853 057)	719 375 %	881 395 %

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Appendix A

June 2011

Schedule of external loans as at 30 June 2011

Loan Number	Redeemable	Balance at 30 June 2010	Redeemed written off during the period	Balance at 30 June 2011
		Rand	Rand	Rand
10394	2016/03/31	54 276	7 003	47 273
10180	2016/03/31	3 087 658	398 397	2 689 261
10392	2015/09/30	308 014	44 521	263 493
10158	2016/03/31	3 841 340	445 464	3 395 876
10395	2017/03/31	1 206 581	126 479	1 080 102
13851	2018/09/30	5 620 791	410 699	5 210 092
12358	2015/12/31	119 848	15 544	104 304
12359	2015/12/31	102 141	15 155	86 986
12360	2017/12/31	37 068	2 965	34 103
12361	2012/12/31	83 282	29 638	53 644
12363	2011/12/31	144 995	92 837	52 158
12698	2014/06/30	34 898	7 729	27 169
12699	2014/06/30	31 361	6 102	25 259
12700	2015/06/30	23 634	3 854	19 780
11457	2015/06/30	132 460	(25 911)	158 371
9370	2014/09/30	1 637 030	304 788	1 332 242
10181	2015/03/31	137 883	22 508	115 375
10155	2015/03/31	2 518 163	411 063	2 107 100
10157	2015/03/31	909 154	148 410	760 744
10434	2016/03/31	3 087 658	398 397	2 689 261
		23 118 235	2 865 642	20 252 593
		23 118 235	2 865 642	20 252 593
Total external loans				

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Appendix D

June 2011

Segmental Statement of Financial Performance for the year ended

Prior Year		Current Year		
Actual Expenditure Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality				
48 349 022	Executive & Council/Mayor and Council	1 706 393	48 002 419	(46 296 026)
137 778 517	Finance & Admin/Finance	317 021 679	92 971 561	224 050 118
5 759 836	Planning and Development/Economic Development/Plan	691 900	6 965 181	(6 273 281)
16 362 133	Comm. & Social/Libraries and archives	-	8 834 891	(8 834 891)
15 919 157	Public Safety/Police	-	18 117 903	(18 117 903)
8 492 148	Sport and Recreation	881 298	3 189 553	(2 308 255)
1 922 132	Environmental Protection/Pollution Control	-	1 778 563	(1 778 563)
27 822 660	Waste Water Management/Sewerage	-	(47 779)	47 779
4 619 432	Road Transport/Roads	43 463 327	6 812 316	36 651 011
81 394 461	Water/Water Distribution	383 026	127 750 792	(127 367 766)
578 001	Electricity /Electricity Distribution	-	1 286 853	(1 286 853)
897 711	Other/Air Transport	-	1 897 201	(1 897 201)
349 895 210		364 147 623	317 559 454	46 588 169

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Appendix E(1)

June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2011

	Current year 2011 Act. Bal.	Current year 2011 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	39 968 306	72 698 279	(32 729 973)	(45,0)	Bulk Customers were not transferred from uMgeni Water
Government grants & subsidies	308 075 388	355 731 681	(47 656 293)	(13,4)	MIG paid 30 million in prior year
Rental income	238 198	550 000	(311 802)	(56,7)	Most of the parking is used by staff
Other income	8 859 002	11 622 600	(2 763 598)	(23,8)	
Interest received - investment	4 802 129	4 153 000	649 129	15,6	More Investments and Cash at bank in financial year
	361 943 023	444 755 560	(82 812 537)	(18,6)	
Expenses					
Personnel Remuneration of councillors	(102 889 785)	(109 153 136)	6 263 351	(5,7)	Section 57 Managers have not been appointed
Administration	(7 851 788)	(10 550 716)	2 698 928	(25,6)	MEC upper limits approval was less than the budget
Depreciation	287 843	(2 680 000)	2 967 843	(110,7)	
Finance costs	(47 317 811)	(25 000 000)	(22 317 811)	89,3	Change in Accounting policy and estimate
Debt impairment	(3 024 090)	(3 000 000)	(24 090)	0,8	Unable to transfer some loan balances to other municipalities
Repairs and maintenance - General	(16 867 725)	(30 000 000)	13 132 275	(43,8)	Portion of provision for the bulk customers that were not transferred from uMgeni
Bulk purchases	(1 310 811)	(1 101 475)	(209 336)	19,0	
Contracted Services	(39 679 905)	(40 385 602)	705 697	(1,7)	
General Expenses	(50 661 178)	(46 149 554)	(4 511 624)	9,8	
	(48 250 174)	(94 619 624)	46 369 450	(49,0)	We had to cut administrative expenses due to the fact that the actual income was less than the budget
	(317 565 424)	(362 640 107)	45 074 683	(12,4)	
Other revenue and costs					
Fair value adjustments	2 204 600	-	2 204 600	-	
	2 204 600	-	2 204 600	-	
Net surplus/ (deficit) for the year	46 582 199	82 115 453	(35 533 254)	(43,3)	

