

# Annual Financial Statements

for

## **UMKHANYAKUDE DISTRICT MUNICIPALITY**

for the year ended 30 June: **2011**

Province:

KwaZulu Natal

AFS rounding:

**R (i.e. only cents)**

### **Contact Information:**

<b>Name of Municipal Manager:</b>	MR K MOODLEY
<b>Name of Chief Financial Officer:</b>	MR T M MABIKA
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**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**General information**

**Members of the Council**

Councillor L M Mthombeni	<b>Mayor</b>
Councillor G P Moodley	<b>Speaker</b>
Councillor M Zungu	Deputy Mayor
Councillor L M Nhleko	Member of the Executive Committee
Councillor S S Mhlongo	Member of the Executive Committee
Councillor H M Mayise	Member of the Executive Committee
Other Council Members	<i>21 Councillors</i>

**Municipal Manager ( Acting)**

Mr S R Mathobela

**Chief Financial Officer ( Acting)**

Mr T M Mabika

**Grading of Local Authority**

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**Auditors**

Auditor-General

**Bankers**

First National Bank

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**General information (continued)**

**Registered Office:** Lot 13433 Kingfisher Road , Remainder of Harlingen Farm,  
Mkuse , 39553

**Physical address:**

**Postal address:**

**P O Box 449**  
Mkuse  
3965

**Telephone number:**

**Fax number:**

**E-mail address:**

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
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**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Municipal Manager:

*DATE*

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
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**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2011

	Note	2011 R	2010 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	5 297 874	8 768 881
Trade and other receivables from exchange transactions	2	29 941 302	4 065 202
Other receivables from non-exchange transactions	3	7 353 783	1 196 614
Other current financial assets	4	-	-
Inventories	5	61 814	350 365
Prepayments	6	-	-
Investments	7	122 601 745	11 192 933
Current portion of receivables	8	-	-
VAT receivable	18	-	246 463
Construction contracts and receivables	9	-	-
Non-current assets held for sale	15	-	-
<b>Non-current assets</b>			
Non-current receivables	8	7 353 783	-
Investments	10	-	-
Other non-current financial assets	4	-	-
Property, plant and equipment	11	1 121 278 582	1 076 497 413
Intangible assets	12	-	43 410
Investment property carried at cost	13	-	-
Investment property carried at fair value	13	-	-
Investment in municipal entity	14	100	100
Defined benefit plan asset	52	-	-
Correction of error (illustrative purposes only)		-	-
<b>Total assets</b>		<b>1 293 888 983</b>	<b>1 102 361 381</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	16	56 696 723	59 320 975
Consumer deposits	17	788 932	712 741
VAT payable	18	2 807 846	-
Taxes and transfers payable (non-exchange)	19	-	-
Current provisions	20	4 413 886	2 877 512
Bank overdraft	1	-	3 450 306
Current portion of unspent conditional grants and receipts	21	-	-
Current portion of borrowings	22	-	2 097 707
Current portion of finance lease liability	23	1 066 680	1 066 680
Other current financial liabilities	24	-	-
<b>Non-current liabilities</b>			
Non-current unspent conditional grants and receipts	21	130 600 096	47 517 875
Non-current borrowings	22	12 229 793	10 497 761
Non-current finance lease liability	23	287 064	287 064
Other non-current financial liabilities	24	-	-
Non-current provisions	25	-	-
Defined benefit plan obligations	53	-	-
Investment in municipal entity - LOAN		100	100
<b>Total liabilities</b>		<b>208 891 119</b>	<b>127 828 721</b>
<b>Net assets</b>		<b>1 084 997 864</b>	<b>974 532 660</b>
<b>NET ASSETS</b>			
Reserves		-	-
Accumulated surplus / (deficit)		1 084 997 864	974 532 660
<b>Total net assets</b>		<b>1 084 997 864</b>	<b>974 532 660</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**

for the year ending 30 June 2011

	<b>Note</b>	<b>2011</b>	<b>2010</b>
		<b>R</b>	<b>R</b>
<b>Revenue</b>			
Property rates	26	963 145	744 448
Property rates - penalties imposed and collection charges	26	-	-
Service charges	27	43 381 630	31 617 987
Rental of facilities and equipment	28	167 446	70 865
Interest earned - external investments	29	4 797 056	809 458
Interest earned - outstanding receivables	30	-	-
Fines		-	-
Licences and permits		-	-
Government grants and subsidies	31	185 924 747	197 791 557
Public contributions and donations	32	-	-
Other income	32	331 912	632 579
<b>Total revenue</b>		<b>235 565 936</b>	<b>231 666 894</b>
<b>Expenses</b>			
Employee related costs	33	55 182 499	49 257 671
Remuneration of councillors	34	3 419 329	2 470 855
Provision for doubtful debts		-	37 098 827
Collection costs		-	-
Depreciation and amortisation expense	35	-	47 998 606
Inventory write off			634 354
Repairs and maintenance		1 055 261	5 095 892
Finance costs	36	1 070 281	2 009 233
Bulk purchases	37	28 465 911	52 227 457
Contracted services	38	2 831 759	120 249
Grants and subsidies paid	39	20 828 121	4 676 654
General expenses	40	14 537 896	38 392 857
<b>Total expenses</b>		<b>127 391 056</b>	<b>239 982 655</b>
Gain / (loss) on sale of assets	41	474 003	-
(Impairment loss) / Reversal of impairment loss	42	-	-
Profit / (loss) on fair value adjustment	43	-	-
Inventories: (Write-down) / reversal of write-down to net realisable value	5	-	-
<b>Surplus / (deficit) for the period</b>		<b>108 648 883</b>	<b>(8 315 761)</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS**

as at 30 June 2011

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R	R
<b>Balance at 30 June 2009</b>			-		-
Changes in accounting policy	47				-
Correction of prior period error	48				-
<b>Restated balance 30 June 2009</b>	-	-	-	<b>981 333 858</b>	981 333 858
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
<i>Other items</i>					-
<i>Other items</i>					-
Net gains and losses not recognised in the statement of financial performance				1 514 563	1 514 563
Transfers to / from accumulated surplus/(deficit)				-	-
Surplus / (deficit) for the period				(8 315 761)	(8 315 761)
<b>Balance at 30 June 2010</b>	-	-	-	<b>974 532 660</b>	<b>974 532 660</b>
Correction of prior period error					-
<b>Restated balance</b>	-	-	-	<b>974 532 660</b>	<b>974 532 660</b>
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
<i>Other items</i>					-
<i>Other items</i>					-
Net gains and losses not recognised in the statement of financial performance				1 816 321	1 816 321
Transfers to / from accumulated surplus/(deficit)					-
Surplus / (deficit) for the period				108 648 883	108 648 883
<b>Balance at 30 June 2011</b>	-	-	-	<b>1 084 997 864</b>	<b>1 084 997 864</b>



**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**CASH FLOW STATEMENT**

as at 30 June 2011

	Note	2011 R	2010 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from consumers and government		-	255 885 491
Cash paid to suppliers and employees		-	171 058 855
<b>Cash generated from operating activities</b>	44	-	<b>84 826 636</b>
Interest Income			809 458
Finance costs			2 009 233
<b>Net cash flows from operating activities</b>			<b>83 626 861</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)		(44 824 579)	(76 834 142)
Proceeds from sale of fixed assets			
Proceeds from sale of investments			
Purchase of intangibles			
Decrease/(Increase) in Loans and receivables			255 071
<b>Net cash flows from investing activities</b>		<b>(44 824 579)</b>	<b>(76 579 071)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Movement in long term liabilities			(4 127 568)
Movement in finance lease obligation			(1 086 655)
Movement in current portion of long term liabilities			1 347 870
Movement in current portion of finance lease liabilities			(361 702)
Movement in consumer deposits			106 895
Proceeds from borrowings			
Repayment of borrowings			
Proceeds from finance lease liability			
Repayment of finance lease liability			
<b>Net cash flows from financing activities</b>		-	<b>(4 121 160)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		(44 824 579)	2 926 630
<b>Net cash and cash equivalents at beginning of period</b>		16 511 458	13 584 828
<b>Net cash and cash equivalents at end of period</b>	45	<b>(28 313 121)</b>	<b>16 511 458</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2011

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

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

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

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

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

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

**1.2 PRESENTATION CURRENCY**

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

**1.3 GOING CONCERN ASSUMPTION**

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

**1.4 COMPARATIVE INFORMATION**

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

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

**STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET**

**1.5 EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006  
GRAP 18 Segment Reporting - issued March 2005  
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008  
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007  
GRAP 103 Heritage Assets - issued July 2008

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009  
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009  
Other  
Other

Nature of impending changes in accounting policy:

Impact on the municipality's financial statements once implemented:

## 2 PROPERTY, PLANT AND EQUIPMENT

### 2.1 INITIAL RECOGNITION

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

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

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

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

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

### 2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

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

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

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

### 2.3 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

### 2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets *[or state other method used, e.g. production-unit- or diminishing balance method]*. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving		Buildings	
Pedestrian Malls		Specialist vehicles	
Electricity		Other vehicles	
Water		Office equipment	
Sewerage		Furniture and fittings	
		Watercraft	
<b>Community</b>		Bins and containers	
Buildings		Specialised plant and equipment	
Recreational Facilities		Other items of plant and equipment	
Security		Landfill sites	
Halls		Quarries	
Libraries		Emergency equipment	
Parks and gardens		Computer equipment	
Other assets		Other	
		Other	
<b>Heritage assets</b>		Other	
Buildings		Other	
Paintings and artifacts			
<b>Finance lease assets</b>			
Office equipment			
Other assets			

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

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

### 2.5 DERECOGNITION

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

### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

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

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

#### 3.3 AMORTISATION AND IMPAIRMENT

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

Computer software

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

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

#### 3.4 DERECOGNITION

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

## 4 INVESTMENT PROPERTY

### 4.1 INITIAL RECOGNITION

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

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

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

### 4.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

Investment property

### 4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

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

## 5 BIOLOGICAL ASSETS

### 5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

### 5.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

Biological assets	%
Trees in plantation	
Maize	
Wheat	
Sheep	
Pigs	
Dairy Cattle	
Other Assets	



## 6 NON-CURRENT ASSETS HELD FOR SALE

### 6.1 INITIAL RECOGNITION

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

### 6.2 SUBSEQUENT MEASUREMENT

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

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

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

## 7 INVENTORIES

### 7.1 INITIAL RECOGNITION

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

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

### 7.2 SUBSEQUENT MEASUREMENT

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

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

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

## 8 FINANCIAL INSTRUMENTS

### 8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

### 8.2 SUBSEQUENT MEASUREMENT

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

#### 8.2.1 INVESTMENTS

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





### **8.2.2 TRADE AND OTHER RECEIVABLES**

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

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

### **8.2.3 TRADE PAYABLES AND BORROWINGS**

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

### **8.2.4 CASH AND CASH EQUIVALENTS**

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

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

## **9 INVESTMENTS IN ASSOCIATES**

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

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

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

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

## **10 UNAUTHORISED EXPENDITURE**

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

## 11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

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

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

	(a) The
municipality has a detailed formal plan for the restructuring identifying at least:	- the
business or part of a business concerned;	- the
principal locations affected;	- the
location, function, and approximate number of employees who will be compensated for terminating their services;	- the
expenditures that will be undertaken; and	- when the
plan will be implemented; and	

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

## 14 LEASES

### 14.1 MUNICIPALITY AS LESSEE

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

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

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

## 14.2 MUNICIPALITY AS LESSOR

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

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

## 15 REVENUE

### 15.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. [The estimates of consumption between meter readings are based on.....](#)

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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

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

Interest revenue is recognised on a time proportion basis.

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

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

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

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

## 15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

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

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

## 15.3 GRANTS, TRANSFERS AND DONATIONS

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

## 16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## 17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. [The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.](#)

Insert defined contribution plan information here

Insert defined benefit plan information here.

## 18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *[the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work]*.

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

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

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

## 19 IMPAIRMENT OF ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>1 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		1 500	1 500
Cash at bank		5 296 374	8 774 521
Total bank overdraft			(3 450 306)
Call deposits			
		5 297 874	5 325 715
The Municipality has the following bank accounts: -			
<b><u>Current Account (Primary Bank Account)</u></b>			
ABSA		2 935 073	8 127 014
FIRST NATIONAL 62026865321		1 418 710	(3 457 465)
FIRST NATIONAL 62092993809		500 521	497 182
CASH ON HAND		86 158	41
FIRST NATIONAL 62027696478		81 970	82 896
ITHALA 23247671		246 933	40 913
FIRST NATIONAL 62263733258		27 010	26 474
Cash book balance at beginning of year		5 317 055	
Cash book balance at end of year		5 296 374	5 317 055
Bank statement balance at beginning of year		-	
Bank statement balance at end of year			
<b><u>Current Account (Other Account)</u></b>			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
Cash book balance at beginning of year		-	
Cash book balance at end of year		-	-
Bank statement balance at beginning of year		-	
Bank statement balance at end of year			
<b><u>Savings Account</u></b>			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
Cash book balance at beginning of year		-	
Cash book balance at end of year		-	-
Bank statement balance at beginning of year		-	
Bank statement balance at end of year			
<b><u>Cash on hand</u></b>		1 500	1 500
Total cash and cash equivalents		5 297 874	8 776 021
Total bank overdraft		-	(3 457 465)

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>	<b>Gross Balances</b>	<b>Provision for Doubtful Debts</b>	<b>Net Balance</b>
<u>Trade receivables</u>	R	R	R
<b>as at 30 June 2011</b>			
Service debtors			
Sewerage		(5 344 973)	(5 344 973)
Electricity		(2 000 137)	(2 000 137)
Water	116 617 091	(78 736 609)	37 880 482
Rates		(594 070)	(594 070)
<b>Total</b>	<b>116 617 091</b>	<b>(86 675 789)</b>	<b>29 941 302</b>
<b>Other receivables</b>	<b>14 751 843</b>	<b>(7 398 060)</b>	<b>7 353 783</b>
<b>Other receivables</b>	<b>14 751 843</b>	<b>(7 398 060)</b>	<b>7 353 783</b>
<b>Total Trade and other receivables</b>	<b>131 368 934</b>	<b>(94 073 849)</b>	<b>37 295 085</b>

<b>as at 30 June 2010</b>			
Service debtors			
Sewerage	5 146 566	(5 344 973)	(198 407)
Electricity	2 222 541	(2 000 137)	222 404
Water	82 523 214	(78 736 609)	3 786 605
Rates	848 670	(594 070)	254 600
<b>Total</b>	<b>90 740 991</b>	<b>(86 675 789)</b>	<b>4 065 202</b>
<b>Other receivables</b>	<b>6 179 935</b>	<b>(4 983 321)</b>	<b>1 196 614</b>
<b>Other receivables</b>	<b>6 179 935</b>	<b>(4 983 321)</b>	<b>1 196 614</b>
<b>Total Trade and other receivables</b>	<b>96 920 926</b>	<b>(91 659 110)</b>	<b>5 261 816</b>

<b>Rates: Ageing</b>			
Current (0 – 30 days)			84 842
31 - 60 Days			84 867
61 - 90 Days			84 867
91 - 120 Days			84 867
121 - 365 Days			509 227
+ 365 Days			
<b>Total</b>		-	<b>848 670</b>

<b>Electricity, Water and Sewerage: Ageing</b>			
Current (0 – 30 days)			(741 709)
31 - 60 Days			2 302 110
61 - 90 Days			2 239 177
91 - 120 Days			1 700 141
121 - 365 Days			84 392 602
+ 365 Days			
<b>Total</b>		-	<b>89 892 321</b>

	<b>Summary of Debtors by Customer Classification</b>		
	Consumers R	Industrial / Commercial R	National and Provincial Government R
<b>as at 30 June 2011</b>			
Current (0 – 30 days)			
31 - 60 Days			
61 - 90 Days			
91 - 120 Days			
121 - 365 Days			
+ 365 Days			
Sub-total	-	-	-
Less: Provision for doubtful debts			
<b>Total debtors by customer classification</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>as at 30 June 2010</b>			
Current (0 – 30 days)			
31 - 60 Days			
61 - 90 Days			
91 - 120 Days			
121 - 365 Days			



**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
+ 365 Days			
Sub-total	-	-	-
Less: Provision for doubtful debts			
<b>Total debtors by customer classification</b>	-	-	-

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>2 Reconciliation of the doubtful debt provision</b>		
Balance at beginning of the year	86 675 789	55 548 757
Contributions to provision		31 127 032
Doubtful debts written off against provision		
Reversal of provision		
<b>Balance at end of year</b>	<b>86 675 789</b>	<b>86 675 789</b>
<b>Trade and other receivables past due but not impaired</b>		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 20x1, R - (20x0: R -) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due		
2 months past due		
3 months past due		
<b>Trade and other receivables impaired</b>		
As of 30 June 20x1, trade and other receivables of R - (20x0: R -) were impaired and provided for.		
The amount of the provision was R - as of 30 June 20x1 (20x0: R -).		
The ageing of these receivables is as follows:		
3 to 6 months		
Over 6 months		
The fair value of trade and other receivables approximates their carrying amounts.		
<b>3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Vat Receivable		246 463
Rates and other taxes		
Subsidies		
Road reinstatements		
Unauthorized expenditure (see Note 50.1)	<a href="#">Notes1-10!A686</a>	
Other debtors		
Prepayments (if not material)		
<b>Total Other Debtors</b>	<b>-</b>	<b>246 463</b>
<b>4 OTHER NON-CURRENT FINANCIAL ASSETS</b>		
Other non-current financial assets	-	-
<b>4 OTHER CURRENT FINANCIAL ASSETS</b>		
Other current financial assets	-	-
<b>5 INVENTORIES</b>		
<b>Opening balance of inventories:</b>	<b>350 365</b>	<b>1 204 803</b>
Consumable stores - at cost	-	-
Maintenance materials - at cost	-	-
Spare parts – at net realisable value	-	-
Water - at cost	57 784	1 119 025
Water Meters - at cost	292 581	85 778
<b>Additions:</b>	<b>4 030</b>	<b>-</b>
Consumable stores	-	-
Maintenance materials	-	-
Spare parts	-	-
Other goods held for resale	-	-
Water	4 030	-
<b>Issued (expensed):</b>	<b>(292 581)</b>	<b>854 438</b>
Consumable stores - at cost	-	-
Maintenance materials - at cost	-	-
Spare parts – at net realisable value	-	-
Water - at cost	-	1 061 241
Water Meters - at cost	(292 581)	(206 803)

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net</b>		
<b>5 Replacement Cost (NRC):</b>		
Consumable stores	-	-
Maintenance materials	-	-
Spare parts	-	-
Other goods held for resale	-	-
Water	-	-
<b>Closing balance of inventories:</b>	<b>61 814</b>	<b>350 365</b>
Consumable stores - at cost	-	-
Maintenance materials - at cost	-	-
Water - at cost	61 814	57 784
Water Meters - at cost		292 581

Included in inventory is an amount of Rxxx pledged as security for xxx.

Circumstances or events that led to the reversal of a write-down of inventories:

**6 PREPAYMENTS**

Prepaid expenses

Insurance for x months relating to following financial year, were paid in the current year.

**7 INVESTMENTS**

Deposits  
Call investments

	122 601 745	11 192 933
	<b>122 601 745</b>	<b>11 192 933</b>

Fixed deposits amounting to Rxxx (20X0: Rxxx) have been ring-fenced for the purposes of repaying long-term liabilities as sent out in Note 36.

**8 NON-CURRENT RECEIVABLES**

Car loans	69 939	69 939
Umhlabuyalingana Loan	2 090 006	2 090 006
AVIS Loan	242 792	254 792
Councillors & Staff	51 656	51 656
Debtor Fraud	3 805 917	3 805 917
Shemula	2 730	2 730
Land rates debtors	1 946 656	1 855 378
Unallocated deposits	(770 273)	(569 645)
Mtuba Water	6 730 049	5 704 603
Mhlathuze Water	345 633	345 633
Pre- paid expense	100 000	100 000
Ocilwane water	136 736	136 736

Other non-current receivables

	14 751 842	13 847 746
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Less : Current portion transferred to current receivables

Car loans  
Staff loans  
Housing selling scheme loans  
Other non-current receivables

--	--

**Total**

	<b>14 751 842</b>	<b>13 847 746</b>
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**CAR LOANS**

terms and conditions

**STAFF LOANS**

terms and conditions

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>HOUSING SELLING SCHEME LOANS</b>			
terms and conditions			
<b>OTHER LONG TERM LOANS</b>			
terms and conditions			

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
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**9 CONSTRUCTION CONTRACT RECEIVABLES**

Contracts in progress at reporting date:

Construction contract receivables

	-	-
	-	-

Advances received in excess of work completed are included in trade and other payables.

At 30 June 20x1, contract debtors of R - (20x0: R -) are due for settlement after more than 12 months.

Contract debtors were pledged as security for overdraft facilities of R - (20x0: R -) of the municipality. At year end the overdraft amounted to R - (20x0: R -).

**10 INVESTMENTS**

**Financial Instruments**

Fixed Deposits

Listed Investments

Other Investments

	-	-
	-	-
	-	-
	-	-

Pledged Investments

A fixed deposit amounting to Rxxx has been invested with xxx Bank as security for the lease of a sewerage purification plant.

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**11 PROPERTY, PLANT AND EQUIPMENT**

**11.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2010</b>	<b>9 000</b>	<b>21 526 869</b>	<b>1 038 786 305</b>	<b>11 034 839</b>	-	<b>3 826 100</b>	<b>1 305 222</b>	<b>1 076 488 335</b>
Cost/Revaluation	9 000	24 032 800	1 240 759 309	12 261 944	-	18 906 903	4 851 425	1 300 821 381
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	(2 505 931)	(201 973 004)	(1 227 105)	-	(15 080 803)	(3 546 203)	(224 333 046)
Acquisitions	-	-	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
<b>as at 30 June 2011</b>	<b>9 000</b>	<b>21 526 869</b>	<b>1 038 786 305</b>	<b>11 034 839</b>	-	<b>3 826 100</b>	<b>1 305 222</b>	<b>1 076 488 335</b>
Cost/Revaluation	9 000	24 032 800	1 240 759 309	12 261 944	-	18 906 903	4 851 425	1 300 821 381
Accumulated depreciation and impairment losses	-	(2 505 931)	(201 973 004)	(1 227 105)	-	(15 080 803)	(3 546 203)	(224 333 046)

\*Other movements consist of .....

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

[App B'IA1](#)

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**11.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2009</b>	<b>9 000</b>	<b>22 070 000</b>	<b>1 006 712 366</b>	<b>11 213 458</b>	-	<b>5 302 023</b>	<b>2 369 489</b>	<b>1 047 676 336</b>
Cost/Revaluation	9 000	24 032 800	1 164 339 092	12 261 944	-	18 367 733	5 962 864	1 224 973 433
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	(1 962 800)	(157 626 726)	(1 048 486)	-	(13 065 710)	(3 593 375)	(177 297 097)
Acquisitions	-	-	40 661	-	-	371 268	<b>9 038</b>	420 967
Capital under Construction	-	-	76 379 556	-	-	-	-	76 379 556
Depreciation	-	(543 131)	(44 346 278)	(178 619)	-	(1 842 564)	(1 064 267)	(47 974 859)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	167 902	(1 111 439)	(943 537)
Accumulated depreciation and impairment losses	-	-	-	-	-	(167 902)	1 111 439	943 537
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
<b>as at 30 June 2010</b>	<b>9 000</b>	<b>21 526 869</b>	<b>1 038 786 305</b>	<b>11 034 839</b>	-	<b>3 826 100</b>	<b>1 305 222</b>	<b>1 076 488 335</b>
Cost/Revaluation	9 000	24 032 800	1 240 759 309	12 261 944	-	18 906 903	4 851 425	1 300 821 381
Accumulated depreciation and impairment losses	-	(2 505 931)	(201 973 004)	(1 227 105)	-	(15 080 803)	(3 546 203)	(224 333 046)

\*Other movements consist of .....

Refer to Appendix B for more detail on property, plant and equipment [App B!A1](#)

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>11.2 Property, plant and equipment pledged as security</b>			
<b>Asset 1</b>			
Terms and conditions			
<b>Asset 2</b>			
Terms and conditions			
<b>11.3 Capitalised expenditure</b>			
<b>Asset 1</b>			
<b>Asset 2</b>			
<b>Asset 3</b>		-	-
		-	-
<b>11.4 Compensation received for losses on property, plant and equipment – included in operating surplus</b>			
<b>Asset 1</b>			
<b>Asset 2</b>			
<b>Asset 3</b>		-	-
		-	-
<b>11.5 Details of valuation</b>			
<p>The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity.  Land and buildings are re-valued independently every x years.</p> <p>The valuation was performed using the discounted cash flow approach (other, describe, e.g. recent arms length transaction), and the following assumptions were used:  Discount rate  Other  Other  These assumptions are based on current market conditions.</p> <p>The carrying value of the revalued assets under the cost model would have been:</p>			
<b>Asset 1</b>			
<b>Asset 2</b>			
<b>Asset 3</b>			



- -

#### 11.6 Other information

Carrying value of idle property, plant and equipment  
Fully depreciated property, plant and equipment still in use  
Property, plant and equipment retired from active use, but not classified as held for sale  
Fair value of property, plant and equipment carried at cost

- -

#### 11.7 Details of property

##### Property X

Terms and conditions  
Purchase price: date  
Additions since purchase  
Capitalised expenditure

- -

##### Property Y

Terms and conditions  
Purchase price: date  
Additions since purchase  
Capitalised expenditure

- -

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Note	2011 R	2010 R	
<b>12 INTANGIBLE ASSETS</b>			
<b>12.1 Reconciliation of carrying value</b>			
	<b>Computer Software</b>	<b>Other*</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 1 July 2010</b>	43 410	-	43 410
Cost	657 443		657 443
Correction of error (note 48)			-
Change in accounting policy (note 47)			-
Accumulated amortisation and impairment losses	(614 033)		(614 033)
Acquisitions			-
Amortisation			-
Carrying value of disposals	-	-	-
Cost			-
Accumulated amortisation			-
Impairment loss/Reversal of impairment loss			-
Transfers			-
Other movements			-
<b>as at 30 June 2011</b>	<b>43 410</b>	<b>-</b>	<b>43 410</b>
Cost	657 443		657 443
Accumulated amortisation and impairment losses	(614 033)		(614 033)

\*Note: "Other" consists of....., none of which are considered to be individually significant or material.

<b>12.1 Reconciliation of carrying value</b>			
	<b>Computer Software</b>	<b>Other*</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 1 July 2009</b>	<b>19 870</b>	<b>-</b>	<b>19 870</b>
Cost	614 787		614 787
Correction of error (note 48)			-
Change in accounting policy (note 47)			-
Accumulated amortisation and impairment losses	(594 917)		(594 917)
Acquisitions	42 656		42 656
Amortisation	(19 116)		(19 116)
Carrying value of disposals	-	-	-
Cost			-
Accumulated amortisation			-
Impairment loss/Reversal of impairment loss			-
Transfers			-
Other movements			-
<b>as at 30 June 2010</b>	<b>43 410</b>	<b>-</b>	<b>43 410</b>
Cost	657 443		657 443
Accumulated amortisation and impairment losses	(614 033)		(614 033)

\*Note: "Other" consists of....., none of which are considered to be individually significant or material.

- 12.2 Intangible assets with indefinite useful lives (disclose the following):**
- Carrying amount;
  - Reasons for supporting the assessment of the useful life as indefinite;
  - Description of the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>13 INVESTMENT PROPERTY CARRIED AT COST</b>			
<b>13.1 Reconciliation of carrying value</b>			
	<b>Investment property X</b>	<b>Investment property Y</b>	<b>Total</b>
	R	R	R
<b>as at 1 July 2010</b>	-	-	-
Cost	-	-	-
Correction of error (note 48)	-	-	-
Change in accounting policy (note 47)	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
<b>as at 30 June 2011</b>	-	-	-
Cost	-	-	-
Accumulated depreciation and impairment losses	-	-	-
<b>13.1 Reconciliation of carrying value</b>			
	<b>Investment property</b>	<b>Investment property</b>	<b>Total</b>
	R	R	R
<b>as at 1 July 2009</b>	-	-	-
Cost	-	-	-
Correction of error (note 48)	-	-	-
Change in accounting policy (note 47)	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
<b>as at 30 June 2010</b>	-	-	-
Cost	-	-	-
Accumulated depreciation and impairment losses	-	-	-
<b>13.2 Investment property pledged as security</b>			
<b>13.3 Fair value of investment property carried at cost:</b>			
The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use. For investment property, totalling R - (20X0: R -), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used: Discount rate Other Other These assumptions are based on current market conditions.			
<b>13.4 If the fair value can not be determined, the following should be disclosed:</b>			
Description of the investment property; Explanation of why the fair value can not be determined reliably; If possible, the range of estimates within which the fair value is highly likely to lie.			

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>13.5 Details of property:</b>			
<b>Investment property</b>			
Terms and conditions			
Purchase price: date			
Additions since purchase			
Capitalised expenditure		-	-
<b>Investment property</b>			
Terms and conditions			
Purchase price: date			
Additions since purchase			
Capitalised expenditure		-	-
<b>13.6 Rental income from investment property</b>			
Direct operating expenses from rental generating property			
Direct operating expenses from non-rental generating property			

**13 INVESTMENT PROPERTY CARRIED AT FAIR VALUE**

	Investment property R	Investment property R	Total R
<b>13.1 Reconciliation of fair value</b>			
<b>as at 1 July 2010</b>	-	-	-
Acquisitions	-	-	-
Fair value adjustment	-	-	-
Fair value of disposals	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
<b>as at 30 June 2011</b>	-	-	-

	Investment property R	Investment property R	Total R
<b>13.1 Reconciliation of fair value</b>			
<b>as at 1 July 2009</b>	-	-	-
Acquisitions	-	-	-
Fair value adjustment	-	-	-
Fair value of disposals	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
<b>as at 30 June 2010</b>	-	-	-

**13.2 Investment property pledged as security**

<b>13.3 Details of property</b>			
<b>Investment property</b>			
Terms and conditions			
Purchase price: date			
Additions since purchase			
Capitalised expenditure		-	-
<b>Investment property</b>			
Terms and conditions			
Purchase price: date			
Additions since purchase			
Capitalised expenditure		-	-

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>13.3</b> Rental income from investment property			
Direct operating expenses from rental generating property			
Direct operating expenses from non-rental generating property			
<b>13.4</b> Details of valuation			
<p>The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use. For investment property, totalling R - (2007: R -), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:</p> <p>Discount rate  Other  Other</p> <p>These assumptions are based on current market conditions.</p>			
<b>13.5</b> Amounts recognised in surplus or deficit for the year.			

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**14 BIOLOGICAL ASSETS**

**14.1 Reconciliation of Carrying Value**

	Trees in plantation	Maize	Wheat	Sheep	Pigs	Dairy Cattle	Other Assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2010</b>	-	-	-	-	-	-	-	-
Cost/Valuation	-	-	-	-	-	-	-	-
Correction of error (note 48)	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-
Decrease due to harvest/sales	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Gains/losses from changes in fair value	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Valuation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
<b>as at 30 June 2011</b>	-	-	-	-	-	-	-	-
Cost/Valuation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

\* Other movements consist of.....

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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14.1 Reconciliation of Carrying Value	Trees in plantation	Maize	Wheat	Sheep	Pigs	Dairy Cattle	Other Assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2009</b>	-	-	-	-	-	-	-	-
Cost/Valuation	-	-	-	-	-	-	-	-
Correction of error (note 48)	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-
Decrease due to harvest/sales	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Gains/losses from changes in fair value	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Valuation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
<b>as at 30 June 2010</b>	-	-	-	-	-	-	-	-
Cost/Valuation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

\* Other movements consist of.....

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2011 R	2010 R
<b>14.2 Non-financial information</b>			
<b>Quantities of each biological asset</b>			
Trees in plantation			
Maize			
Wheat			
Sheep			
Pigs			
Dairy Cattle			
Other Assets			
<b>14.3 Biological assets pledged as security</b>			
<b>Asset 1</b>			
Terms and conditions			
<b>Asset 2</b>			
Terms and conditions			
<b>14.4 Assets carried at cost and accumulated depreciation and impairment losses</b>			
<i>Describe the biological carried at cost less accumulated depreciation and impairment losses.</i>			
<i>Explain why fair value cannot be determined.</i>			
<i>Disclose potential range of fair values of assets carried at cost.</i>			
<b>14.5 Methods and assumptions used in determining the fair value</b>			
<b>14.6 Fair value less estimated point-of-sale costs of agricultural produce harvested during the period, determined at the point of harvest</b>			



**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2011 R	2010 R
<b>15 NON-CURRENT ASSETS HELD FOR SALE</b>			
Property, plant and equipment		-	-
Investment property		-	-
Other assets		-	-
		<u>-</u>	<u>-</u>

*State details on non-current assets held for sale including description of the assets and the facts and circumstances that resulted in it being classified as such.*

**16 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade creditors	38 082 681	40 210 706
Payments received in advance	5 014	5 014
Retentions	7 252 990	7 458 120
Bonus Pay Accrual	1 432 823	842 700
Accrued interest		-
Other creditors	1 223 130	10 804 435
<b>Total creditors</b>	<b><u>47 996 638</u></b>	<b><u>59 320 975</u></b>

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

**17 CONSUMER DEPOSITS**

Jozini - Water Debtors	490 733	433 617
Mtubatuba - Water Debtors	298 199	279 124
<b>Total consumer deposits</b>	<b><u>788 932</u></b>	<b><u>712 741</u></b>

Included in deposits is an accrual of interest at an effective interest rate of x% per annum (20X0 x%) which is paid to consumers when deposits are refunded.

**Guarantees held in lieu of Electricity and Water Deposits**

**18 VAT PAYABLE**

VAT payable	<u>2 807 846</u>
-------------	------------------

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**18 VAT RECEIVABLE**

VAT receivable	<u>-</u>	<u>246 463</u>
	<u>-</u>	<u>246 463</u>

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**19 TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)**

Taxes and transfers payable	<u>-</u>	<u>-</u>
-----------------------------	----------	----------

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>20 PROVISIONS</b>		
Performance bonus	-	-
Current portion of long-service provision (see note 25)	-	-
Provision for leave	3 310 649	2 877 512
Back pay provision	1 103 236	-
<b>Total Provisions</b>	<b>4 413 886</b>	<b>2 877 512</b>

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

The balance of the performance bonus provisions relate to amounts not yet paid to certain employees due to disputes over the assessment process. Also see note 54.

[Notes15-61'A1](#)

*Other disclosure*  
(Provide details of the techniques and assumptions used in estimating the provisions)

The movement in current provisions are reconciled as follows: -

	Back Pay Provision	Performance Bonus	Provision for leave
<b>as at 1 July 2010</b>		397 980	2 067 127
Contributions to provision	1 103 236		1 243 522
Expenditure incurred		(397 980)	
<b>as at 30 June 2011</b>	<b>1 103 236</b>	<b>-</b>	<b>3 310 649</b>

<b>as at 1 July 2009</b>		788 598	1 792 706
Contributions to provision			
Expenditure incurred		(390 618)	274 421
<b>as at 30 June 2010</b>	<b>-</b>	<b>397 980</b>	<b>2 067 127</b>

	Current portion Long-service	Other provisions
<b>as at 1 July 2010</b>	-	-
Transfer from non-current	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
<b>as at 30 June 2011</b>	<b>-</b>	<b>-</b>

<b>as at 1 July 2009</b>	-	-
Transfer from non-current	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
<b>as at 30 June 2010</b>	<b>-</b>	<b>-</b>

**21 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**21.1 Unspent Conditional Grants from other spheres of Government**

Conditional Grants from Other Spheres of Government	114 187 036	32 941 011
Other	18 824 890	14 576 864
Other		

**21.2 Other Unspent Conditional Grants and Receipts**

Other	-	-
Other		

**Total Unspent Conditional Grants and Receipts** **133 011 926**      **47 517 875**

**Non-current unspent conditional grants and receipts** **133 011 926**  
**Current portion of unspent conditional grants and receipts** **-**

See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

[Notes15-61'A291](#)

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Note	2011 R	2010 R
<b>22 BORROWINGS</b>		
Development Bank of South Africa	12 229 793	12 595 465
Annuity Loans	-	-
Government Loans : Other	-	-
Other borrowings	-	-
	<b>12 229 793</b>	<b>12 595 465</b>
Less : Current portion transferred to current liabilities	-	(2 097 707)
Development Bank of South Africa		(2 097 707)
Annuity Loans		
Government Loans : Other		
Other borrowings		
<b>Total borrowings</b>	<b>12 229 793</b>	<b>10 497 758</b>

Refer to Appendix A for more detail on borrowings. [App A'IA1](#)

**23 FINANCE LEASE LIABILITY**

2011	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>Amounts payable under finance leases</b>			
Within one year			
Within two to five years			
	-	-	-
Less: Amount due for settlement within 12 months (current portion)			-

The average lease term is x years and the average effective borrowing rate is x%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between x% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

2010	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>Amounts payable under finance leases</b>			
Within one year	1 238 973	(230 002)	1 008 971
Within two to five years	344 773		344 773
	<b>1 583 746</b>	<b>(230 002)</b>	<b>1 353 744</b>
Less: Amount due for settlement within 12 months (current portion)			(1 066 680)
			<b>287 064</b>

The average lease term is x years and the average effective borrowing rate is x%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between x% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

**24 OTHER FINANCIAL LIABILITIES**

**24.1 OTHER NON-CURRENT FINANCIAL LIABILITIES**

Other non-current financial liabilities	-	-
---	---	---

**24.2 OTHER CURRENT FINANCIAL LIABILITIES**

Other current financial liabilities	-	-
-------------------------------------	---	---

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>25 NON-CURRENT PROVISIONS</b>		
Provision for rehabilitation of landfill sites	-	-
Provision for long-service awards	-	-
<b>Total Non-Current Provisions</b>	<b>-</b>	<b>-</b>
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at X%, over an average period of X years.		
<i>Insert any assumptions made concerning future events.</i>		
The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.		
<i>Insert any assumptions made concerning future events.</i>		
The movement in the non-current provision is reconciled as follows: -		
Provision for rehabilitation of landfill sites:		
<b>Balance at the beginning of year</b>	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
Increase in provision due to discounting	-	-
Transfer to current provisions	-	-
<b>Balance at the end of year</b>	<b>-</b>	<b>-</b>
Provision for long-service awards:		
<b>Balance at the beginning of year</b>	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
Increase in provision due to discounting	-	-
Transfer to current provisions	-	-
<b>Balance at the end of year</b>	<b>-</b>	<b>-</b>
<b>26 PROPERTY RATES</b>		
<b>Actual</b>		
Residential		48 308
Commercial	963 145	360 088
Light Industries		
Heavy Industries		
State		336 052
<b>Total property rates</b>	<b>963 145</b>	<b>744 448</b>
Property rates - penalties imposed and collection charges		-
<b>Total</b>	<b>963 145</b>	<b>744 448</b>
<b>Valuations</b>		
Residential		
Commercial		
State		
Municipal		
<b>Total Property Valuations</b>	<b>-</b>	<b>-</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 20X0. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

A general rate of Rx (20X0) is applied to property valuations to determine assessment rates. Rebates of x% are granted to residential and state property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being 30 November 20X1 (20X0: 30 November). Interest at x% per annum (20X0:x%) is levied on outstanding rates as well as x% (20X0: x%) collection charge two months after final date of pay

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>27 SERVICE CHARGES</b>			
Sale of electricity		5 017 085	1 186 426
Sale of water		36 934 733	29 494 301
Refuse removal		-	-
Sewerage and sanitation charges		1 429 811	937 260
<b>Total Service Charges</b>		<b>43 381 630</b>	<b>31 617 987</b>
<b>28 RENTAL OF FACILITIES AND EQUIPMENT</b>			
Rental of facilities		167 446	70 865
Rental of equipment		-	-
Other rentals		-	-
<b>Total rentals</b>		<b>167 446</b>	<b>70 865</b>
<b>29 INTEREST EARNED - EXTERNAL INVESTMENTS</b>			
Bank		4 797 056	700 696
Financial assets		-	-
Other		-	108 762
<b>Total interest</b>		<b>4 797 056</b>	<b>809 458</b>
<b>30 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>			
Debtor 1		-	-
Debtor 2		-	-
Debtor 3		-	-
<b>Total interest</b>		<b>-</b>	<b>-</b>
<b>31 GOVERNMENT GRANTS AND SUBSIDIES</b>			
Equitable share		133 128 378	105 880 714
MIG Grant		-	-
Other Government Grants and Subsidies		52 796 369	5 384 687
<b>Total Government Grant and Subsidies</b>		<b>185 924 747</b>	<b>111 265 401</b>
<b>31.1 Equitable Share</b>			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of Rx (20X0; Rx), which is funded from the grant.			105 880 714
<b>31.2 MIG Grant</b>			
<b>Balance unspent at beginning of year</b>		-	-
Current year receipts		114 187 036	-
Conditions met - transferred to revenue		-	-
<b>Conditions still to be met - remain liabilities (see note 21)</b>	<a href="#">Notes15-61!A124</a>	<b>114 187 036</b>	-
<i>Provide explanations of conditions still to be met and other relevant information</i>			
<b>31.3 Other Government Grants and Subsidies</b>			
<b>Balance unspent at beginning of year</b>		14 576 864	-
Current year receipts		57 044 395	19 961 551
Conditions met - transferred to revenue		(52 796 369)	(5 384 687)
<b>Conditions still to be met - remain liabilities (see note 21)</b>	<a href="#">Notes15-61!A124</a>	<b>18 824 890</b>	<b>14 576 864</b>
<i>Provide explanations of conditions still to be met and other relevant information</i>			
<b>31.4 Changes in levels of government grants</b>			
Based on the allocations set out in the Division of Revenue Act, (Act ...of 20X2), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.			

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>32 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>			
<b>32.1 Other income</b>			
Other income		34 708	632 579
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50)	<a href="#">Notes15-61!A684</a>	-	-
<b>Total Other Income</b>		<b>34 708</b>	<b>632 579</b>
<b>32.1 Public contributions and donations</b>			
Public contributions - Conditional		-	-
Public contributions - Unconditional		-	-
Donations		-	-
<b>Total public contributions and donations</b>		<b>-</b>	<b>-</b>
<b>Reconciliation of conditional contributions</b>			
<b>Balance unspent at beginning of year</b>		-	-
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
<b>Conditions still to be met - remain liabilities (see note 21)</b>	<a href="#">Notes15-61!A124</a>	<b>-</b>	<b>-</b>

*Provide explanations of conditions still to be met and other relevant information*

	2011 R	2010 R
<b>33 EMPLOYEE RELATED COSTS</b>		
Basic	38 852 257	33 983 462
Bonus	-	(397 980)
Medical Aid - company Contributions	1 830 079.31	1 521 332
UIF	315 879	298 549
WCA	-	215 602
SDL	443 121	404 600
Other payroll Levies	-	14 716
Leave pay provision charges	869 055	1 209 564
Pension	4 614 550	4 134 095
Other allowances	318 750	716 647
Industrial Council	15 034	-
Cell phone allowances	751 938	-
Overtime payments	2 064 545	2 371 793
Car allowances	4 269 064	3 688 376
Housing benefits and allowances	135 196	458 547
Group Life	703 031	-
Termination benefits	-	638 368
<b>Employee Related Costs</b>	<b>55 182 499</b>	<b>49 257 671</b>

There were no advances to employees / Loans to employees are set out in note 3.

**Remuneration of the Municipal Manager**

Annual Remuneration	582 783
Cell allowance	26 945
Housing allowance	15 205
Travel allowance and claims	46 920
Subsistence	926
Back pay	65 417
Contributions to UIF, Medical and Pension Funds	53 858
<b>Total</b>	<b>792 054</b>

**Remuneration of the Chief Finance Officer**

Annual Remuneration	558 949
Cell allowance	9 600
Leave pay	59 617
Housing allowance	-
Travel allowance and claims	199 698
Subsistence	155
Back pay	30 094
Contributions to UIF, Medical and Pension Funds	167 656
<b>Total</b>	<b>1 025 769</b>

**Remuneration of Individual Executive Directors**

	Technical Services R	Corporate Services R	Planning and Tourism R
<b>2011</b>			
Annual Remuneration	-	-	-
Cell allowance	-	-	-
Leave pay	-	-	-
Performance bonus	-	-	-
Housing allowance	-	-	-

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
Travel allowances and claims			
Contributions to UIF, Medical and Pension Funds			
Subsistence allowance			
Back pay	-	-	-
Acting allowance	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>

	Technical Services R	Corporate Services R	Planning and Tourism R
<b>2010</b>			
Annual Remuneration	289 322	555 919	454 196
Cell allowance	5 600	9 600	12 175
Leave pay			74 589
Performance bonus	-		
Housing allowance			26 400
Travel allowances and claims	110 427	26 852	234 603
Contributions to UIF, Medical and Pension Funds	83 581	127 883	132 624
Subsistence allowance	504	121 271	
Back pay		105	30 094
Acting allowance			105 915
<b>Total</b>	<b>489 434</b>	<b>841 630</b>	<b>1 070 596</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>34 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	-	384 616
Deputy Mayor, speaker and EXCO members	-	1 137 853
Speaker	-	-
Executive Committee Members	-	-
Councillors	-	948 386
Councillors' pension and medical aid contributions	-	-
Councillors' allowances	3 419 329	-
<b>Total Councillors' Remuneration</b>	<b>3 419 329</b>	<b>2 470 855</b>
<b>In-kind Benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at no cost. The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has x full-time bodyguards.		
<b>35 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Biological assets carried at cost	-	-
<b>Total Depreciation and Amortisation</b>	<b>-</b>	<b>-</b>
<b>36 FINANCE COSTS</b>		
Borrowings	-	-
Other interest paid	1 070 281	1 985 267
Bank overdrafts	-	23 966
<b>Total Finance Costs</b>	<b>1 070 281</b>	<b>2 009 233</b>
<b>37 BULK PURCHASES</b>		
Electricity	-	4 148 131
Water	28 465 911	48 079 326
<b>Total Bulk Purchases</b>	<b>28 465 911</b>	<b>52 227 457</b>
<b>38 CONTRACTED SERVICES</b>		
Contracted services for:		
Office equipment (provide details)	2 831 759	120 249
	<b>2 831 759</b>	<b>120 249</b>
<b>39 GRANTS AND SUBSIDIES PAID</b>		
Grant Expenditure	20 828 121	
SHARED SERVICES		
CORRIDOR DEVELOPMENT		
DISASTER MANAGEMENT - GRANT EXPENDITURE		
SUPPORT AND DEV CAPACITY		
SYSTEM SUPPORT SERVICES		
MSIG OPERATIONAL COSTS		
GRANT TRANSFERS:UMHLOSIN GA DEVELOPMENT AGENCY		
Grant/subsidy to xxx		
	<b>20 828 121</b>	<b>-</b>
(Provide details)		



**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>40 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Accounting Fees		1 788 449
Admin fees		-
Advertising	77 331.06	2 738 292
ART & CULTURE	186 687.16	
Audit fees	1 745 856.49	325 044
INTERNAL AUDIT	731 110.83	
AUDIT COMMITTEE FEES	69 130.15	
Bank charges	308 025.74	328 888
BURIAL AID	20 691.50	
Bursaries		-
CAPITAL EXPENDITURE ALLO CATION		
Chemicals and diesel		593 176
Cleaning	22 546.60	160 878
Community development and training		1 312 616
COMMUNITY PARTICIPATION	32 919.28	
Conferences and delegations		-
Connection charges		-
Consulting and professional fees		537 949
Debt collection commission		-
Departmental consumption		-
Disaster management		5 681 016
DISASTER MANAGEMENT		
EDUCATIONAL BURSARIES		
Electricity Connections	42 652.00	
Electricity schemes & buildings		5 145 093
Entertainment	1 029.87	2 874 609
Fuel and oil	107 755.87	1 402 854
I T Expenses	157 499.59	464 954
IDP ROADSHOWS	23 400.00	
Insurance		1 333 039
INTERVIEW EXPENSES	20 946.00	
LEASE REPAYMENT	3 588 974.09	
Legal expenses	1 271 276.67	-
Levies paid	6 160.00	422 796
Licence fees - computers		-
Licence fees - vehicles	184 206.30	-
Medical Examinations	1 400.00	
Membership fees		-
MAYORAL DESRETIONARY FUND	158 000.00	
New connections		254 694
OLD AGE PENSIONERS	335 711.34	
Other	1 910.53	3 122 958
Other rentals		-
Parking		-
Postage	2 506.34	513
Printing and stationery	99 266.88	706 696
Promotions and sponsorship		453 427
Protective clothing & Uniforms	119 711.51	-
Rental of buildings	59654.79	-
Rental of computer equipment		-
Rental of office equipment		-
Security costs	1 061 142.14	1 351 214
Skills development levies		-
Small tools	3065.32	5 562
SPORTS DC27	878 562.45	
Staff welfare		52 240
Subscription & publication		221 876
Telephone cost	1 392 409.26	2 579 870
Tourism development		534 860
TOURISM INFORMATION CENTRES	200.00	
Training	73830	165 614
Travel and subsistence	1750771.97	3 833 680
Valuation costs	1 554.61	-
Water and Sanitation		-
	<b>-</b>	<b>14 537 896</b>
		<b>38 392 857</b>

**41 GAIN / (LOSS) ON SALE OF ASSETS**

Property, plant and equipment	474 002.96
Intangible assets	

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
Investment property			
Biological assets			
Other financial assets		-	-
<b>Total Gain / (Loss) on Sale of Assets</b>		<b>474 003</b>	<b>-</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>42 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)</b>		
Property, plant and equipment	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]		
Intangible assets	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]		
Investment property	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]		
Biological assets	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]		
Other financial assets	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]		
<b>Total Impairment loss / (Reversal of Impairment Loss)</b>	<b>-</b>	<b>-</b>

**Value in use**

Provide: A description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount (or recoverable service amount) is most sensitive.

A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

The period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified.

The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated.

The discount rate(s) applied to the cash flow projections was x% (20x0:x%).

**Fair value less cost to sell**

Provide: A description of the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed:

A description of each key assumption on which management has based its determination of fair value less costs to sell.

A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

**Sensitivity of key assumptions**

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>43 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT</b>		
Investment property carried at fair value	-	-
Biological assets carried at fair value	-	-
Other financial assets	-	-
Other financial liabilities	-	-
<b>Total Profit / (Loss) on Fair Value Adjustment</b>	<b>-</b>	<b>-</b>

**44 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	108 648 883	(8 315 761)
Adjustment for:-		
Depreciation and amortisation	-	47 998 606
(Gain) / loss on sale of assets	(474 003)	-
Contribution to provisions - non-current	(397 980)	-
Contribution to provisions - current	-	-
Finance costs	-	-
Fair value adjustments	-	-
Impairment loss / (reversal of impairment loss)	-	-

**Other non-cash item**

**Operating surplus before working capital changes:**

**107 776 900      39 682 845**

(Increase)/decrease in inventories	288 552
(Increase)/decrease in trade receivables	-
(Increase)/decrease in other receivables	(25 876 100)
(Increase)/decrease in VAT receivable	246 463
Increase/(decrease) in conditional grants and receipts	-
Increase/(decrease) in trade payables	(2 624 252)
Increase/(decrease) in consumer deposits	-
Increase/(decrease) in VAT payable	-
Other asset	-
Other liability	-

**Cash generated by/(utilised in) operations**

**79 811 562      39 682 845**

**45 CASH AND CASH EQUIVALENTS**

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

Bank balances and cash	-	-
Bank overdrafts	-	-
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>-</b>	<b>-</b>

**46 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term liabilities (see Note 22)	<a href="#">Notes15-61!A135</a>
Used to finance property, plant and equipment – at cost	-
Sub- total	-
Cash set aside for the repayment of long-term liabilities	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>47 CHANGE IN ACCOUNTING POLICY</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:		
<b>47.1 Statutory Funds</b>		
<b>Balance previously reported: -</b>		
Capital Development Fund		
Land Trust Fund		
Parking Development Fund		
Loans redeemed and other capital receipts		
<b>Total</b>	-	-
<b>Implementation of GRAP</b>		
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)		
Transferred to Government Grant Reserve		
Transferred to Capitalisation Reserve		
<b>47.2 Provisions and Reserves</b>		
<b>Balance previously reported</b>		
Valuation Roll Reserve		
Staff Bursary Reserve		
<b>Total</b>	-	-
<b>Implementation of GRAP</b>		
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)		
<b>47.3 Inventory</b>		
<b>Balance previously reported</b>		
<b>Implementation of GRAP</b>		
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)		
Change from first-in-first-out to weighted average method		
<b>Total</b>	-	-
<b>47.4 Non-current provisions</b>		
<b>Balance previously reported -</b>		
<b>Implementation of GRAP</b>		
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)		
Long-service		
<b>Total</b>	-	-
<b>47.5 Property, plant and equipment</b>		
<b>Balance previously reported</b>		
<b>Implementation of GRAP</b>		
Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit) (see 47.7 below)		
<b>Total</b>	-	-
<b>47.6 Accumulated Depreciation</b>		
<b>Balance previously reported -</b>		
<b>Implementation of GRAP</b>		
Backlog depreciation: Land and buildings		
Backlog depreciation: Infrastructure		
Backlog depreciation: Community		
Backlog depreciation: Other		
<b>Total (debited to Accumulated Surplus/(Deficit)) (see 47.7 below)</b>	-	-
<b>47.7 Accumulated Surplus/(Deficit)</b>		
<b>Implementation of GRAP</b>		
Adjustments to inventory (see 47.3 above)		
Excessive provisions and reserves no longer permitted (see 47.2 above)		
Non-current provisions previously not recognised (see 47.4 above)		
Transferred from statutory funds (see 47.1 above)		
Fair value of Property, Plant and Equipment previously not recorded (see 47.5 above)		
Backlog depreciation (see 47.6 above)		
<b>Total</b>	-	-

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R				
<b>48 CORRECTION OF ERROR</b>						
During the year ended 30 June 2010 and previous years, PPE and other assets were incorrectly recognised: -						
The comparative amount has been restated as follows:						
<b>Depreciation</b>						
Net effect on surplus/(deficit) for the year	-	-				
<b>PPE</b>						
VAT receivable not previously recognised						
Non current receivables incorrectly recognised (Investing Act)						
Accruals were understated due to lack of year-end accrual						
Staff leave accrual						
Net effect on Statement of Financial Position	-	-				
Net effect on Accumulated surplus opening balance	-	-				
<b>49 CHANGE IN ESTIMATE</b>						
The useful life of certain plant was estimated in 20x0 to be x years. In the current period management have revised their estimate to x years. The effect of this revision has increased the depreciation charges for the current and future periods by R -.						
Other						
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>						
<b>50 DISALLOWED</b>						
<b>50.1 Unauthorised expenditure</b>						
Reconciliation of unauthorised expenditure						
Opening balance		55 468 471				
Unauthorised expenditure current year		47 493 659				
Approved by Council or condoned		-				
Transfer to receivables for recovery		-				
Unauthorised expenditure awaiting authorisation		-				
	-	<b>102 962 130</b>				
<table border="1" style="width: 100%;"><thead><tr><th style="width: 50%;">Incident</th><th style="width: 50%;">Disciplinary steps/criminal proceedings</th></tr></thead><tbody><tr><td>Unbudgeted expenditure</td><td>Disciplinary hearing held on xxx</td></tr></tbody></table>	Incident	Disciplinary steps/criminal proceedings	Unbudgeted expenditure	Disciplinary hearing held on xxx		
Incident	Disciplinary steps/criminal proceedings					
Unbudgeted expenditure	Disciplinary hearing held on xxx					
<b>50.2 Fruitless and wasteful expenditure</b>						
Reconciliation of fruitless and wasteful expenditure						
Opening balance -		206 944				
Fruitless and wasteful expenditure current year		743 202				
Condoned or written off by Council		-				
To be recovered – contingent asset (see note 55)	<a href="#">Notes15-61!A883</a>	-				
Fruitless and wasteful expenditure awaiting condonement		-				
	-	<b>950 146</b>				
<table border="1" style="width: 100%;"><thead><tr><th style="width: 50%;">Incident</th><th style="width: 50%;">Disciplinary steps/criminal proceedings</th></tr></thead><tbody><tr><td>VAT penalty</td><td>Disciplinary hearing on xxx</td></tr></tbody></table>	Incident	Disciplinary steps/criminal proceedings	VAT penalty	Disciplinary hearing on xxx		
Incident	Disciplinary steps/criminal proceedings					
VAT penalty	Disciplinary hearing on xxx					
<b>50.3 Irregular expenditure</b>						
Reconciliation of irregular expenditure						
Opening balance		34 016 666				
Fruitless and wasteful expenditure current year		1 476 258				
Condoned or written off by Council		-				
Transfer to receivables for recovery – not condoned		-				
Irregular expenditure awaiting condonement		-				
	-	<b>35 492 924</b>				
<table border="1" style="width: 100%;"><thead><tr><th style="width: 50%;">Incident</th><th style="width: 50%;">Disciplinary steps/criminal proceedings</th></tr></thead><tbody><tr><td>Non-adherence to Supply Chain</td><td>Disciplinary hearing</td></tr></tbody></table>	Incident	Disciplinary steps/criminal proceedings	Non-adherence to Supply Chain	Disciplinary hearing		
Incident	Disciplinary steps/criminal proceedings					
Non-adherence to Supply Chain	Disciplinary hearing					

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>			
<b>51 MANAGEMENT ACT</b>			
<b>51.1 Contributions to organised local government</b>			
Opening balance			
Council subscriptions			
Amount paid - current			
Amount paid - previous years			
<b>Balance unpaid (included in payables)</b>		-	-
<b>51.2 Audit fees</b>			
Opening balance			
Current year audit fee			325 044
Amount paid - current year			(325 044)
Amount paid - previous years			
<b>Balance unpaid (included in payables)</b>		-	-
The balance unpaid represents the audit fee for an interim audit conducted during May and June 20X2 and is payable by 31 July 20X2.			
<b>51.3 VAT</b>			
VAT input receivables and VAT output payables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.			
<b>51.4 PAYE and UIF</b>			
Opening balance			
Current year payroll deductions			6 565 756
Amount paid - current year			(6 565 756)
Amount paid - previous years			
<b>Balance unpaid (included in payables)</b>		-	-
The balance represents PAYE and UIF deducted from the June 20X2 payroll. These amounts were paid during July 20X2.			
<b>51.5 Pension and Medical Aid Deductions</b>			
Opening balance			
Current year payroll deductions and Council Contributions			9 570 189
Amount paid - current year			(9 570 189)
Amount paid - previous years			
<b>Balance unpaid (included in payables)</b>		-	-
The balance represents pension and medical aid contributions deducted from employees in the June 20X2 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 20X2.			
<b>51.6 Councillor's arrear consumer accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days as at: -	<b>Total</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 30 June 2011</b>			
Councillor xx	-		
Councillor xx	-		
Councillor xx	-		
<b>Total Councillor Arrear Consumer Accounts</b>	-	-	-
<b>as at 30 June 2010</b>			
Councillor xx	-		
Councillor xx	-		
Councillor xx	-		
<b>Total Councillor Arrear Consumer Accounts</b>	-	-	-
During the year the following Councillors had arrear accounts outstanding for more than 90 days.	<b>Highest Amount Outstanding</b>	<b>Ageing Days</b>	
	<b>R</b>		
<b>as at 30 June 2011</b>			
Councillor xx			x days
Councillor xx			x days
<b>as at 30 June 2010</b>			
Councillor xx			x days
Councillor xx			x days

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
------	-----------	-----------

**51.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

The Municipality has not developed a supply chain management policy due to (reason)

**52 CAPITAL COMMITMENTS**

**52.1 Commitments in respect of capital expenditure**

<b>- Approved and contracted for</b>	-	<b>157 005 000</b>
Infrastructure		120 225 023
Community		4 770 702
Heritage		
Other		32 009 275
<b>- Approved but not yet contracted for</b>	-	-
Infrastructure		
Community		
Heritage		
Other		
<b>Total</b>	-	<b>157 005 000</b>

This expenditure will be financed from:

- External Loans		
- Government Grants MIG		157 005 000
- Own resources		
- District Council Grants		
	-	<b>157 005 000</b>

**52.2 Operating leases**

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

**Operating leases - lessee**

Within one year		
In the second to fifth year inclusive		
After five years		
<b>Total</b>	-	-

Total future minimum sublease payment expected to be received under non-cancellable sublease

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable / Contingent rent is payable based on x% of the municipality's sales.

**Operating leases – as lessor**

**Minimum lease payments due**

Within one year		3 579
In second to fifth year inclusive		2 088
After five years		
<b>Total</b>	-	<b>5 667</b>

Operating Leases consists of the following:

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of -% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable / Contingent rent is receivable based on x% of the municipality's sales which amounts to R -.



**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>53 RETIREMENT BENEFIT INFORMATION</b>			
<b>53.1 Defined contribution plan</b>			
The following are defined contribution plans: xxxxxxxxxxxx. These contributions have been expensed.			
<b>53.2 Defined benefit plan</b>			
The following are defined benefit plans xxxxxxxxxxxxxxxx. These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.			
<p>Certain employees of the municipality belong to the xxx Fund, a multi-employer plan / state plan. The most recent actuarial valuation was done on x. These valuations indicate that the plan is in a sound financial position. The estimated liabilities of the fund are Rx million which are adequately funded by assets of Rx million.</p> <p>An amount of Rxxx (20X0 : Rxxx) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.</p>			
<b>54 CONTINGENT LIABILITY</b>			
<b>54.1 Claim for damages</b>			
The Municipality is being sued by a ratepayer due to damages arising from flooding. Council is contesting the claim based on legal advice. A court date has not yet been set. The contingent liability includes legal costs of Rxx. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from xxx			
<b>54.2 Performance bonus dispute – Legal fees</b>			
Several senior officials are disputing the assessment process regarding the payment of performance bonuses. Provision has been made for the payment of the bonuses as assessed by the Municipality. The claim is being considered by the labour court after the CCMA ruled in favour of the Council.			
<b>55 CONTINGENT ASSET</b>			
Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 50.2, civil proceedings have commenced against the employees concerned to recover an amount of Rxxx. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.			
<a href="#">Notes15-61!A707</a>			
<b>56 IN-KIND DONATIONS AND ASSISTANCE</b>			
The Municipality received the following in-kind donations and assistance			
<b>Description</b>			
E.g. Development of Integrated Development Plan by donor agency			
<b>57 RELATED PARTIES</b>			
Joint Ventures Associates Members of key management Close family member of key management Post employment benefit plan for employees of municipality and/or other related parties Other related party relationships Compensation to councillors and other key management (refer to note 33 & 34)			
		insert related party description insert related party description insert related party description insert related party description insert related party description insert related party description	

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>Related party balances</b>		
Loan accounts - Owing (to) by related parties <i>Municipal Entity - Umhloosinga Development Agency</i>		
Amounts included in Trade receivable (Trade payable) regarding related parties <i>insert related party</i>		
<b>Related party transactions</b>		
Expenses paid on behalf of related party <i>Telephone</i>	-	-
Salary Cost of seconded Chief Financial Officer <i>insert related party</i>		603 027
Purchases from (sales to) related parties <i>insert related party</i>		

**58 EVENTS AFTER THE REPORTING DATE**

The Municipality has agreed in principle to transfer its electricity function to the new Regional Electricity Distributor (RED) - Region AB. The date of transfer is proposed for xxx. The financial effect of this transfer is not yet known as the Municipality is uncertain as to what its share of the revenue of the RED will be or what the terms and conditions of the transfer will be. There are ongoing discussions with the management of RED - Region AB and EDI Holdings, which is the responsible authority for the implementation of REDS nationally.

**59 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS**

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment  
Recoverable amounts of property, plant and equipment  
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)  
Present value of defined benefit obligation  
Fair value of plan assets  
Provision for doubtful debts  
Impairment of assets  
Provision for long-term service award  
Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets  
Provisions  
Other

**60 RISK MANAGEMENT**

**60.1 Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base.

Financial assets exposed to credit risk at year end were as follows:

FNB Bank	6 924 725
ABSA Bank	19 312 808
Ithala Bank	40 913
Financial guarantees	
Trade and other receivables	

These balances represent the maximum exposure to credit risk.

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
The municipality is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note (N#) for additional details.		

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note

2011  
R

2010  
R

**60.2 Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

**20x1**

Gross finance lease obligations  
Borrowings  
Trade and other payables  
Other

Not later than one month

Later than one month and not later than three months

**20x1**

Gross finance lease obligations  
Borrowings  
Trade and other payables  
Other

Later than three months and not later than one year

Later than one year and not later than five years

**20x0**

Gross finance lease obligations  
Borrowings  
Trade and other payables  
Other

Not later than one month

Later than one month and not later than three months

**20x0**

Gross finance lease obligations  
Borrowings  
Trade and other payables  
Other

Later than three months and not later than one year

Later than one year and not later than five years

**60.3 Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

OR

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Long term annuity
- Development Bank of South Africa loan
- ABSA overdraft

**60.4 Other price risk**

Examples include changes in commodity prices

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>61 RESTATEMENT OF COMPARATIVE INFORMATION</b>		
Provision for leave and bonuses have been reclassified as accruals. The effect of the restatement is summarised below:		
<b>Statement of Financial Position:</b>		
Provisions		
Accruals - leave		
Accruals - bonuses		-

**62 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)



**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS**  
as at 30 June 2011

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30	Received	Redeemed /	Balance at 30	Carrying Value	Other Costs in
			June 2010	during the	written off	June 2011	of Property,	accordance in
			R	R	R	R	R	R
<b>LONG-TERM LOANS</b>	100958	31/03/2025	12 429 555			12 429 555		
DDSA Loan						-		
Stock Loan @ x% 2						-		
Stock Loan @ x% 3						-		
Stock Loan @ x% 4						-		
Stock Loan @ x% 5						-		
Stock Loan @ x% 6						-		
Stock Loan @ x% 7						-		
Stock Loan @ x% 8						-		
<b>Total long-term loans</b>			12 429 555	-	-	12 429 555		
<b>ANNUITY LOAN</b>								
Sanlam @ x%								
<b>GOVERNMENT LOANS</b>								
DDSA Loan	12381	31/12/2009	165 910			165 910		
<b>Total Government Loans</b>								
			12 595 465	-	-	12 595 465		
<b>TOTAL EXTERNAL LOANS</b>								

Finance Lease Liability	Canon IR 1570	6 039.00	6 039
Finance Lease Liability	Gestetner Server & Software	246 928.00	246 928
Finance Lease Liability	Nashua Hi-path 3800	256 033.00	256 033
Finance Lease Liability	Bizhub 420	95 199.00	95 199
Finance Lease Liability	Bizhub 920	66 089.00	66 089
Finance Lease Liability	Bizhub 350	12 886.00	12 886
Finance Lease Liability	NRB 44368	15 816.00	15 816
Finance Lease Liability	NRB 45689	43 278.00	43 278
Finance Lease Liability	NRB 44371	14 214.00	14 214
Finance Lease Liability	NRB 44369	15 415.00	15 415
Finance Lease Liability	NRB 44367	14 202.00	14 202
Finance Lease Liability	NRB 44373	14 901.00	14 901
Finance Lease Liability	NRB 44372	17 641.00	17 641
Finance Lease Liability	NRB 33625	22 270.00	22 270
Finance Lease Liability	NRB 32019	29 128.00	29 128
Finance Lease Liability	NRB 14593	25 751.00	25 751
Finance Lease Liability	NRB 35034	35 939.00	35 939
Finance Lease Liability	NRB 36189	28 655.00	28 655
Finance Lease Liability	NRB 33826	34 969.00	34 969
Finance Lease Liability	NRB 45572	36 296.00	36 296
Finance Lease Liability	NRB 45376	37 555.00	37 555
Finance Lease Liability	NRB 45377	36 275.00	36 275
Finance Lease Liability	NRB 45378	38 956.00	38 956
Finance Lease Liability	NRB 45380	24 155.00	24 155
Finance Lease Liability	NRB 42419	37 645.00	37 645
Finance Lease Liability	NRB 45495	36 446.00	36 446
Finance Lease Liability	NRB 45497	44 954.00	44 954
Finance Lease Liability	NRB 45496	36 461.00	36 461
Finance Lease Liability	NRB 45494	30 651.00	30 651
Finance Lease Liability	NRB 44651	-	-
Finance Lease Liability	NRB 44370	-	-
Finance Lease Liability	NRB 28961	-	-
Finance Lease Liability	NRB 27376	-	-

<b>1 354 747.00</b>	-	-	<b>1 354 747.00</b>	-	-
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**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R				R
<b>Land</b>														
Land	9 000				9 000					-				9 000
Landfill Sites	-				-					-				-
Quarries	-				-					-				-
	9 000	-	-	-	9 000	-	-	-	-	-	-	-	-	9 000
<b>Buildings</b>	24 032 800				24 032 800	(2 505 931)				(2 505 931)				21 526 869
<b>Infrastructure</b>														
Electricity Supply	2 244 394				2 244 394	(682 542)				(682 542)				1 561 852
Purification Works	94 608 669				94 608 669	(29 869 478)				(29 869 478)				64 739 191
Sewerage Pumps	372 600				372 600	(200 763)				(200 763)				171 837
Street Lighting	28 520				28 520	(6 938)				(6 938)				21 582
Water Reservoirs & Tanks	605 741 054				605 741 054	(78 634 316)				(78 634 316)				527 106 738
Water Supply & Reticulation	537 764 072				537 764 072	(92 578 967)				(92 578 967)				445 185 105
Reservoirs – Water	-				-	-				-				-
Water Meters	-				-	-				-				-
Storm Water	-				-	-				-				-
Under construction	-				-	-				-				-
	1 240 759 309	-	-	-	1 240 759 309	(201 973 004)	-	-	-	(201 973 004)	-	-	-	1 038 786 305
<b>Community Assets</b>														
Airports	8 415 000				8 415 000	(815 721)				(815 721)				7 599 279
Community Centres	2 501 939				2 501 939	(329 841)				(329 841)				2 172 098
Public Conveniences	21 062				21 062	(6 026)				(6 026)				15 036
Security Measures	10 000				10 000	(10 000)				(10 000)				-
Indoor Sport Facilities	24 609				24 609	(1 227)				(1 227)				23 382
Outdoor Sport Facilities	1 289 334				1 289 334	(64 290)				(64 290)				1 225 044
	-				-	-				-				-
	-				-	-				-				-
	-				-	-				-				-
	12 261 944	-	-	-	12 261 944	(1 227 105)	-	-	-	(1 227 105)	-	-	-	11 034 839
<b>Heritage Assets</b>														
Historical Buildings					-	-				-				-
Paintings & Artifacts					-	-				-				-
	-				-	-				-				-
	-				-	-				-				-
<b>Total carried forward</b>	1 277 063 053	-	-	-	1 277 063 053	(205 706 040)	-	-	-	(205 706 040)	-	-	-	1 071 357 013

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Total brought forward</b>	1 277 063 053	-	-	-	1 277 063 053	(205 706 040)	-	-	-	(205 706 040)	-	-	1 071 357 013
<b>Other Assets</b>													
Airconditioners	332 607				332 607	(221 272)				(221 272)			111 335
Bins & Containers	440				440	(405)				(405)			35
Cabinets & Cupboards	747 587				747 587	(577 926)				(577 926)			169 661
Car Ports	-				-	-				-			-
Chairs	853 480				853 480	(583 981)				(583 981)			269 499
Compressors	41 500				41 500	(22 736)				(22 736)			18 764
Computer Hardware	3 683 899				3 683 899	(2 585 858)				(2 585 858)			1 098 041
Fire Equipment	22 395				22 395	(7 323)				(7 323)			15 072
Furniture & Fittings	286 631				286 631	(215 526)				(215 526)			71 105
Motor Vehicles	681 251				681 251	(611 394)				(611 394)			69 857
Office Machines	1 422 653				1 422 653	(1 168 612)				(1 168 612)			254 041
Radio Equipment	34 208				34 208	(30 389)				(30 389)			3 819
Tables & Chairs	703 818				703 818	(475 370)				(475 370)			228 448
Telecommunication	20 422				20 422	(19 337)				(19 337)			1 085
Tractors	1 069 873				1 069 873	(769 125)				(769 125)			300 748
Plant & Equipment	626 246				626 246	(489 085)				(489 085)			137 161
Trucks & Bakkies	8 379 893				8 379 893	(7 302 464)				(7 302 464)			1 077 429
	<b>18 906 903</b>	-	-	-	<b>18 906 903</b>	<b>(15 080 803)</b>	-	-	-	<b>(15 080 803)</b>	-	-	<b>3 826 100</b>
<b>Finance Lease Assets</b>													
Office Machines	715 744				715 744	(392 767)				(392 767)			322 977
Telecommunication	493 910				493 910	(273 793)				(273 793)			220 117
Motor Vehicles	96 844				96 844	(88 832)				(88 832)			8 012
Trucks & Bakkies	3 544 927				3 544 927	(2 790 811)				(2 790 811)			754 116
Other Assets	-				-	-				-			-
	<b>4 851 425</b>	-	-	-	<b>4 851 425</b>	<b>(3 546 203)</b>	-	-	-	<b>(3 546 203)</b>	-	-	<b>1 305 222</b>
Computer Software	657 442				657 442	(614 032)				(614 032)			43 410
Prior period unexplained error	9 084				9 084	-				-			9 084
<b>Total</b>	<b>1 301 487 907</b>	-	-	-	<b>1 301 487 907</b>	<b>(224 947 078)</b>	-	-	-	<b>(224 947 078)</b>	-	-	<b>1 076 540 829</b>

1 076 540 825.00



**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R				R
<b>Land</b>														
Land	9 000				9 000									9 000
Landfill Sites					-									-
Quarries					-									-
	9 000	-	-	-	9 000	-	-	-	-	-	-	-	-	9 000
<b>Buildings</b>	24 032 800				24 032 800	(1 962 800)	(543 131)			(2 505 931)				21 526 869
<b>Infrastructure</b>														
Electricity Supply	2 244 394				2 244 394	(570 450)	(112 092)			(682 542)				1 561 852
Purification Works	94 608 669				94 608 669	(23 409 755)	(6 459 723)			(29 869 478)				64 739 191
Sewerage Pumps	372 600				372 600	(175 949)	(24 814)			(200 763)				171 837
Street Lighting	28 520				28 520	(5 799)	(1 139)			(6 938)				21 582
Water Reservoirs & Tanks	605 741 054				605 741 054	(61 567 014)	(17 067 302)			(78 634 316)				527 106 738
Water Supply & Reticulation	461 343 855	40 661		76 379 556	537 764 072	(71 897 759)	(20 681 208)			(92 578 967)				445 185 105
Reservoirs – Water					-					-				-
Water Meters					-					-				-
Storm Water					-					-				-
Under construction					-					-				-
	1 164 339 092	40 661	-	76 379 556	1 240 759 309	(157 626 726)	(44 346 278)	-	-	(201 973 004)	-	-	-	1 038 786 305
<b>Community Assets</b>														
Airports	8 415 000				8 415 000	(765 000)	(50 721)			(815 721)				7 599 279
Community Centres	2 501 939				2 501 939	(246 443)	(83 398)			(329 841)				2 172 098
Public Conveniences	21 062				21 062	(5 324)	(702)			(6 026)				15 036
Security Measures	10 000				10 000	(10 000)				(10 000)				-
Indoor Sport Facilities	24 609				24 609	(407)	(820)			(1 227)				23 382
Outdoor Sport Facilities	1 289 334				1 289 334	(21 312)	(42 978)			(64 290)				1 225 044
Theatre					-					-				-
Swimming Pools					-					-				-
Cemeteries					-					-				-
	12 261 944	-	-	-	12 261 944	(1 048 486)	(178 619)	-	-	(1 227 105)	-	-	-	11 034 839
<b>Heritage Assets</b>														
Historical Buildings					-					-				-
Paintings & Artifacts					-					-				-
					-					-				-
<b>Total carried forward</b>	1 200 642 836	40 661	-	76 379 556	1 277 063 053	(160 638 012)	(45 068 028)	-	-	(205 706 040)	-	-	-	1 071 357 013

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Total brought forward</b>	1 200 642 836	40 661	-	76 379 556	1 277 063 053	(160 638 012)	(45 068 028)	-	-	(205 706 040)	-	-	1 071 357 013
<b>Other Assets</b>													
Airconditioners	332 607				332 607	(186 063)	(35 209)			(221 272)			111 335
Bins & Containers	440				440	(374)	(31)			(405)			35
Cabinets & Cupboards	735 937	11 650			747 587	(494 161)	(83 765)			(577 926)			169 661
Car Ports	-				-					-			-
Chairs	853 480				853 480	(493 517)	(90 464)			(583 981)			269 499
Compressors	41 500				41 500	(19 000)	(3 736)			(22 736)			18 764
Computer Hardware	3 378 767	305 132			3 683 899	(2 208 269)	(377 589)			(2 585 858)			1 098 041
Fire Equipment	22 395				22 395	(5 830)	(1 493)			(7 323)			15 072
Furniture & Fittings	286 631				286 631	(186 409)	(29 117)			(215 526)			71 105
Motor Vehicles	675 115	6 136			681 251	(537 863)	(73 531)			(611 394)			69 857
Office Machines	1 374 303	48 350			1 422 653	(1 024 196)	(144 416)			(1 168 612)			254 041
Radio Equipment	34 208				34 208	(28 967)	(1 422)			(30 389)			3 819
Tables & Chairs	703 818				703 818	(406 401)	(68 969)			(475 370)			228 448
Telecommunication	20 422				20 422	(15 779)	(3 558)			(19 337)			1 085
Tractors	1 069 873				1 069 873	(631 244)	(137 881)			(769 125)			300 748
Plant & Equipment	626 246				626 246	(451 148)	(37 937)			(489 085)			137 161
Trucks & Bakkies	8 211 991		167 902		8 379 893	(6 381 116)	(753 446)	(167 902)		(7 302 464)			1 077 429
Other Assets	-				-	(590 285)				-			-
	18 367 733	371 268	167 902	-	18 906 903	(13 660 622)	(1 842 564)	(167 902)	-	(15 080 803)	-	-	3 826 100
<b>Finance Lease Assets</b>													
Office Machines	715 744				715 744	(195 576)	(197 191)			(392 767)			322 977
Telecommunication	493 910				493 910	(109 156)	(164 637)			(273 793)			220 117
Motor Vehicles	188 446		(91 602)		96 844	(157 114)	(23 320)	91 602		(88 832)			8 012
Trucks & Bakkies	4 564 764		(1 019 837)		3 544 927	(3 131 529)	(679 119)	1 019 837		(2 790 811)			754 116
Other Assets	-				-					-			-
	5 962 864	-	(1 111 439)	-	4 851 425	(3 593 375)	(1 064 267)	1 111 439	-	(3 546 203)	-	-	1 305 222
Intangible Assets	614 787	42 656			657 443	(590 285)	(23 747)			(614 032)			43 411
Prior Period unexplained error	9 084				9 084					-			9 084
<b>Total</b>	<b>1 225 597 304</b>	<b>454 585</b>	<b>(943 537)</b>	<b>76 379 556</b>	<b>1 301 487 908</b>	<b>(178 482 294)</b>	<b>(47 998 606)</b>	<b>943 537</b>	<b>-</b>	<b>(224 947 078)</b>	<b>-</b>	<b>-</b>	<b>1 076 540 830</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**APPENDIX C**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Airport	8 415 000				8 415 000	815 721			815 721	7 599 279
Municipal Manager	25 868 767				25 868 767	4 159 264			4 159 264	21 709 503
Board General	420 158				420 158	238 103			238 103	182 055
Community	1 424 261				1 424 261	86 368			86 368	1 337 893
Corporate Services	9 685 323				9 685 323	5 626 558			5 626 558	4 058 765
Financial Services	3 695 769				3 695 769	3 143 046			3 143 046	552 723
Planning & tourism	760 552				760 552	626 876			626 876	133 676
Technical Services	812 941				812 941	551 644			551 644	261 297
Development Agency	100 313				100 313	56 919			56 919	43 394
Sanitation	46 784 231				46 784 231	18 773 807			18 773 807	28 010 424
Water	1 203 511 508				1 203 511 508	190 868 801			190 868 801	1 012 642 707
Prior period unexplained	9 084				9 084				-	9 084
Other										
<b>Total</b>	<b>1 301 487 907</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 301 487 907</b>	<b>224 947 107</b>	<b>-</b>	<b>-</b>	<b>224 947 107</b>	<b>1 076 540 800</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2011

2010			2011		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R
105 928 171	17 849 912	88 078 259			
550 949	13 593 490	(13 042 541)			
77 609 878	6 831 547	70 778 331			
2 794 369	6 606 786	(3 812 417)			
3 455 141	63 699 687	(60 244 546)			
41 053 133	117 539 832	(76 486 699)			
275 252	13 861 407	(13 586 155)			
		-			
		-			
		-			
		-			
<b>231 666 893</b>	<b>239 982 661</b>	<b>(8 315 768)</b>	-	-	-
<b>231 666 893</b>	<b>239 982 661</b>	<b>(8 315 768)</b>	-	-	-

Less: Inter-Department Charges  
Total