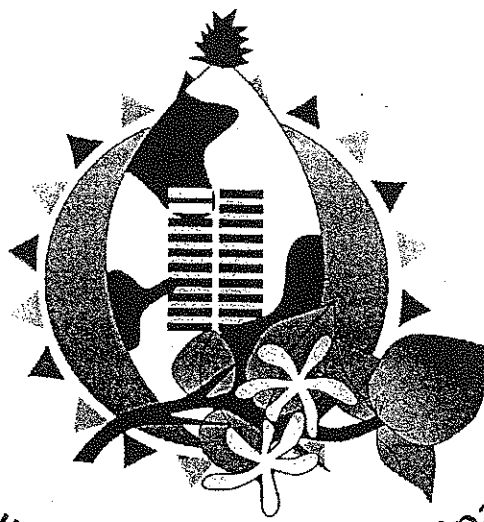


# UTHUNGULU



uThungulu District Municipality  
uThungulu Distrik Munisipaliteit  
uMasipala Wesifunda Waso Thungulu

Annual Financial Statements  
for the year ended 30 June 2011

**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**GENERAL INFORMATION**

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<b>Nature of business and principal activities</b>	Municipality
<b>Chief Financial Officer (CFO)</b>	MC Reddy
<b>Accounting Officers</b>	DP Lubbe
<b>Registered office</b>	Uthungulu House Krugerrand, CBD RICHARDS BAY
<b>Business address</b>	Uthungulu House Krugerrand, CBD RICHARDS BAY
<b>Postal address</b>	Private Bag X1025 RICHARDS BAY
<b>Bankers</b>	Nedbank Limited
<b>Auditors</b>	Auditor General of South Africa

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**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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**Abbreviations**

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

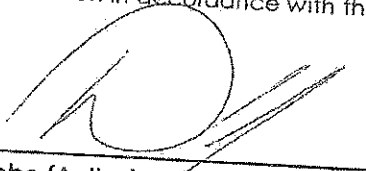
**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY**

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

I certify that the salaries, allowances and benefits of Councillors as discussed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government determination in accordance with this Act.



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DP Lubbe (Acting)  
Accounting Officer

Richards Bay

17 November 2011

**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**STATEMENT OF FINANCIAL POSITION**

Figures in Rand	Note	2011	2010
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	7 068 924	8 403 060
Consumer debtors	3	10 228 855	14 539 764
Other debtors	4	14 561 548	13 219 508
Current portion of long-term receivables	5	32 745	221 000
VAT receivable	6	5 275 361	4 349 704
Cash and cash equivalents	7	365 358 441	262 081 197
		<b>402 525 874</b>	<b>302 814 233</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	877 743 931	800 695 976
Intangible assets	9	189 520	62 621
Investments in municipal entities	10	25 719 814	24 841 061
Long-term receivables	5	542 439	671 506
Investments	11	-	18 804 415
		<b>904 195 704</b>	<b>845 075 579</b>
<b>Total Assets</b>		<b>1 306 721 578</b>	<b>1 147 889 812</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current portion of long-term liabilities	12	7 451 178	6 584 287
Trade and other payables from exchange transactions	13	115 285 741	71 494 008
Consumer deposits	14	7 244 363	6 242 602
Defined benefit obligation	15	674 258	178 885
Unspent conditional grants and receipts	16	91 246 495	78 026 959
Current provisions	17	768 503	710 363
		<b>222 670 538</b>	<b>163 237 104</b>
<b>Non-Current Liabilities</b>			
Long-term liabilities	12	108 739 410	111 087 363
Defined benefit obligation	15	12 750 483	9 416 129
Non-current provisions	17	65 117 292	60 914 211
		<b>186 607 185</b>	<b>181 417 703</b>
<b>Total Liabilities</b>		<b>409 277 723</b>	<b>344 654 807</b>
Total Assets		1 306 721 578	1 147 889 812
Total Liabilities		(409 277 723)	(344 654 807)
<b>Net Assets</b>		<b>897 443 855</b>	<b>803 235 005</b>
Accumulated surplus		897 443 856	803 235 002

**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**STATEMENT OF FINANCIAL PERFORMANCE**

Figures in Rand	Note	2011	2010
<b>Revenue</b>			
Service charges	18	41 192 934	32 876 680
Government grants & subsidies	19	386 087 990	407 502 708
Rental income		38 189	47 000
Defined benefits		-	1 011 471
Other income	20	12 896 963	11 302 606
Interest received	21	24 205 487	26 546 467
<b>Total Revenue</b>		<b>464 421 563</b>	<b>479 286 932</b>
<b>Expenditure</b>			
Employee related costs	22	(86 622 796)	(72 685 524)
Remuneration of councillors	23	(5 491 850)	(5 415 213)
Depreciation and amortisation	24	(39 086 453)	(30 116 216)
Finance costs	25	(12 698 920)	(9 243 940)
Debt impairment	3	(6 436 353)	(3 153 541)
Repairs and maintenance		(34 702 638)	(32 884 655)
Bulk purchases	26	(24 470 386)	(18 357 262)
Contracted services		(60 161 496)	(68 076 540)
Grants and subsidies paid	27	(6 031 173)	(3 475 690)
General expenses	28	(94 698 631)	(157 876 242)
<b>Total Expenditure</b>		<b>(370 400 696)</b>	<b>(401 284 823)</b>
Gain/(Loss) on disposal of property, plant and equipment		601 377	(978 902)
<b>Surplus for the year</b>		<b>94 622 244</b>	<b>77 023 207</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**STATEMENT OF CHANGES IN NET ASSETS**

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2009</b>	<b>497 053 747</b>	<b>497 053 747</b>
Changes in net assets		
GRAP 17 Unbundling of transferred assets (refer to note 37)	229 279 665	229 279 665
Net income (losses) recognised directly in net assets	229 279 665	229 279 665
Surplus for the year - restated	77 023 207	77 023 207
Total recognised income and expenses for the year	306 302 872	306 302 872
Change in accounting policy	(121 617)	(121 617)
Total changes	306 181 255	306 181 255
<b>Balance at 01 July 2010</b>	<b>803 235 002</b>	<b>803 235 002</b>
Changes in net assets		
Surplus for the year	94 622 244	94 622 244
Changes in Accounting policy	(413 390)	(413 390)
Total changes	94 208 854	94 208 854
<b>Balance at 30 June 2011</b>	<b>897 443 856</b>	<b>897 443 856</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**CASH FLOW STATEMENT**

Figures in Rand	Note	2011	2010
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from consumers		58 468 591	33 430 356
Grants		397 522 496	344 172 159
Interest income		24 205 487	26 546 467
		<u>480 196 574</u>	<u>404 148 982</u>
<b>Payments</b>			
Employee costs		(92 114 646)	(78 100 737)
Suppliers		(173 207 752)	(231 572 707)
Finance costs		(12 698 920)	(9 243 940)
Prior period adjustments		-	1 360 521
		<u>(278 021 318)</u>	<u>(317 556 863)</u>
<b>Net cash flows from operating activities</b>	29	<b><u>202 175 256</u></b>	<b><u>86 592 119</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(116 775 601)	(152 135 987)
Proceeds from sale of property, plant and equipment	8	1 319 195	158 873
Purchase of other intangible assets	9	(203 524)	-
Decrease in non-current receivables		317 322	94 189
Decrease/(Increase) in non-current investments		18 804 415	(1 966 032)
Movement in Investments		(878 754)	(2 022 275)
Reversal of impairment		-	(299 237)
		<u>(97 416 947)</u>	<u>(156 170 469)</u>
<b>Net cash flows from investing activities</b>		<b><u>(97 416 947)</u></b>	<b><u>(156 170 469)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of long-term liabilities		(1 481 062)	45 032 610
		<u>(1 481 062)</u>	<u>45 032 610</u>
<b>Net cash flows from financing activities</b>		<b><u>(1 481 062)</u></b>	<b><u>45 032 610</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>103 277 247</b>	<b>(24 545 740)</b>
Cash and cash equivalents at the beginning of the year		262 081 197	286 626 937
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>365 358 442</u></b>	<b><u>262 081 197</u></b>



## **ACCOUNTING POLICIES**

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### **1. Presentation of Annual Financial Statements**

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

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

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

#### **1.1 Significant judgements and sources of estimation uncertainty**

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

##### **1.1.1 Provisions**

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Non - Current and Current Provisions.

##### **1.1.2 Standards, amendments to standards and interpretations issued but not yet effective**

The following GRAP standards have been issued but are not yet effective.

GRAP 18: Segment reporting-Issued in March 2005

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

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

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

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

Compliance with this standard would have had an effect on the presentation only. The budget information is currently disclosed in note 36.

##### **1.1.3 Useful lives of property, plant and equipment**

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

## **ACCOUNTING POLICIES**

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

#### **1.1.4 Defined benefit plan liabilities**

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

#### **1.1.5 Revenue recognition**

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

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

#### **1.1.6 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on managements educated judgement.

#### **1.1.7 Changes in accounting policies**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. In such cases, the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

### **1.2 Financial instruments**

#### **1.2.1 Financial assets classification**

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

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

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

<b>Type of Financial Asset</b>	<b>Classification in terms of IAS 39.09</b>
Short Term Investment Deposit- Call	Held to Maturity Investments
Cash and Cash Equivalents	Loans and Receivables
Finance Lease Receivables	Loans and Receivables

## **ACCOUNTING POLICIES**

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### **1.2 Financial instruments (continued)**

Long Term Receivables	Loans and Receivables
Consumer Debtors	Loans and Receivables
Other Debtors	Loans and Receivables
Investments in Fixed Deposits	Held to Maturity Investments

#### Loans and Receivables

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

#### Held To Maturity Investments

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

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of 4 months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Loans and Receivables.

### **1.2.2 Financial liabilities classification**

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

- Trade and Other Payables
- Bank Overdraft
- Short Term Loans
- Current Portion of Long Term Liabilities
- Consumer Deposits

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

- (i) Fair Value through profit or Loss; or
- (ii) Amortised Cost using the effective interest method.

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

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

## **ACCOUNTING POLICIES**

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### **1.2 Financial instruments (continued)**

#### **1.2.3 Initial and subsequent measurement**

##### Financial Assets

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

##### Financial Liabilities

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

##### Impairment of Financial Assets

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

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

The carrying amounts of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an impairment account. Subsequent recoveries of amounts previously written off are credited against the impairment account. Changes in the carrying amount of the impairment account are recognised in the Statement of Financial Performance.

##### Derecognition of Financial Assets

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

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

##### Derecognition of Financial Liabilities

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

#### **1.2.4 Investment in municipal entities**

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

## **ACCOUNTING POLICIES**

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### **1.3 Employee benefits**

#### **1.3.1 Short-term employee benefits**

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

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

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

#### **1.3.2 Defined contribution plans**

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

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

#### **1.3.3 Defined benefit plans**

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

##### **Post-retirement health care benefits**

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

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

##### **Long-service allowance**

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

##### **Defined benefit plans**

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

## **ACCOUNTING POLICIES**

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### **1.4 Provisions**

Provisions are recognised when:

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

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

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

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

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

### **1.5 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one financial period.

#### Initial Recognition

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

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

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

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

## **ACCOUNTING POLICIES**

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### **1.5 Property, plant and equipment (continued)**

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

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

#### Subsequent Measurement

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

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

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

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

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

#### Depreciation

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

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

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

**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## ACCOUNTING POLICIES

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

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

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



## **ACCOUNTING POLICIES**

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### **1.5 Property, plant and equipment (continued)**

#### Infrastructure Assets

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

#### Derecognition of Property, Plant and Equipment

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

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

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

### **1.6 Intangible assets**

An asset is identified as an intangible asset when it:

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

#### Initial Recognition

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

#### Subsequent Measurement, Amortisation and Impairment

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

## **ACCOUNTING POLICIES**

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### **1.6 Intangible assets (continued)**

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

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

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

<b>Item</b>	<b>Useful life</b>
Computer software, other	3 years

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

#### Derecognition

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

### **1.7 Investments in municipal entities**

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

### **1.8 Leases**

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

#### **1.8.1 Finance leases -The municipality as a lessee**

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

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

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

#### **1.8.2 Operating leases - The municipality as a lessee**

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

## **ACCOUNTING POLICIES**

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### **1.9 Inventories**

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

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

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

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

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

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

### **1.10 Tax**

**Normal Tax Expense:**

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

**Value Added Tax (VAT):**

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

### **1.11 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

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

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

#### **Measurement**

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

## **ACCOUNTING POLICIES**

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### **1.11 Revenue from exchange transactions (continued)**

#### **Rendering of services**

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

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

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

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

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

Interest and rentals are recognised on a time proportion basis.

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

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

### **1.12 Revenue from non-exchange transactions**

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

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

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

#### **Measurement**

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

#### **Government grants**

Government grants are recognised as revenue when:

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

## **ACCOUNTING POLICIES**

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### **1.12 Revenue from non-exchange transactions (continued)**

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

### **1.13 Grants in aid**

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

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

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

### **1.14 Borrowing costs**

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

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.5 and in certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

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

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

## **ACCOUNTING POLICIES**

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### **1.15 Unauthorised expenditure**

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

### **1.16 Fruitless and wasteful expenditure**

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

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.17 Irregular expenditure**

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

### **1.18 Comparative figures**

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

### **1.19 Events after report date**

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

### **1.20 Contingent assets and contingent liabilities**

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

### **1.21 Currency of presentation**

These annual financial statements are presented in South African Rands.

**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand	2011	2010
<b>2. Inventories</b>		
Consumable and maintenance materials	6 817 976	8 197 380
Water	250 948	205 680
	<b>7 068 924</b>	<b>8 403 060</b>
<b>3. Consumer debtors</b>		
<b>Gross balances</b>		
Water	26 609 883	26 626 566
Sanitation	3 223 297	3 696 157
Solid waste	1 503 517	1 321 136
	<b>31 336 697</b>	<b>31 643 859</b>
<b>Less: Provision for debt impairment</b>		
Water	(18 352 305)	(14 491 662)
Sanitation	(2 185 916)	(2 117 706)
Solid Waste	(569 621)	(494 727)
	<b>(21 107 842)</b>	<b>(17 104 095)</b>
<b>Net balance</b>		
Water	8 257 578	12 134 904
Sanitation	1 037 381	1 578 451
Solid waste	933 896	826 409
	<b>10 228 855</b>	<b>14 539 764</b>
<b>Summary of debtors by service type</b>		
<b>Water</b>		
Current (0 -30 days)	5 813 248	6 306 067
31 - 60 days	2 582 025	2 908 507
61 - 90 days	1 551 187	1 069 867
91 - 120 days	1 270 673	873 668
> 121 days	15 392 750	15 468 457
Less: Impairment	(18 352 305)	(14 491 662)
	<b>8 257 578</b>	<b>12 134 904</b>
<b>Sanitation</b>		
Current (0 -30 days)	(26 072)	326 393
31 - 60 days	213 878	195 555
61 - 90 days	136 574	128 566
91 - 120 days	169 765	106 701
> 121 days	2 729 153	2 938 942
Less: Impairment	(2 185 917)	(2 117 706)
	<b>1 037 381</b>	<b>1 578 451</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand	2011	2010
<b>3. Consumer debtors (continued)</b>		
<b>Solid waste</b>		
Current (0 -30 days)	734 296	596 011
31 - 60 days	141 424	225 674
61 - 90 days	86 218	119 617
91 - 120 days	71 848	78 877
> 121 days	469 730	300 957
Less: Impairment	(569 620)	(494 727)
	<b>933 896</b>	<b>826 409</b>
<b>Summary of debtors by customer classification</b>		
<b>Domestic Consumers</b>		
Current (0 -30 days)	4 005 710	2 759 524
31 - 60 days	1 511 225	1 298 614
61 - 90 days	927 413	600 708
91 - 120 days	764 454	797 371
> 121 days	14 885 853	14 006 785
	22 094 655	19 463 002
Less: Provision for debt impairment	(19 833 086)	(15 494 523)
	<b>2 261 569</b>	<b>3 968 479</b>
<b>Industrial/Commercial</b>		
Current (0 -30 days)	1 385 154	949 608
31 - 60 days	717 405	528 054
61 - 90 days	166 003	394 064
91 - 120 days	153 193	148 190
> 121 days	2 064 899	1 699 095
	4 486 654	3 719 011
Less: Provision for debt impairment	(1 274 752)	(1 609 573)
	<b>3 211 902</b>	<b>2 109 438</b>
<b>National and Provincial government</b>		
Current (0 -30 days)	1 130 608	3 275 204
31 - 60 days	708 697	1 667 350
61 - 90 days	682 395	334 910
91 - 120 days	592 806	266 342
> 121 days	1 640 881	2 918 041
	<b>4 755 387</b>	<b>8 461 847</b>
Current (0 -30 days)	6 521 473	6 984 336
31 - 60 days	2 937 321	3 494 017
61 - 90 days	1 775 811	1 329 682
91 - 120 days	1 510 454	1 211 903
> 121 days	18 591 634	18 623 921
	31 336 693	31 643 859
Less: Provision for debt impairment	(21 107 838)	(17 104 095)
	<b>10 228 855</b>	<b>14 539 764</b>



**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand	2011	2010
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**3. Consumer debtors (continued)**

**Reconciliation of debt impairment provision**

Balance at beginning of the year	(17 104 095)	(13 950 555)
Contributions to provision - Net of write off amounting to R2 432 606	(4 003 747)	(3 153 540)
	<b>(21 107 842)</b>	<b>(17 104 095)</b>

In the determination of the amounts deemed to be doubtful at financial year end, an analysis of each debtor is undertaken. The debtors are classified into one of three categories.

- Category A Regular payers, government accounts, consumers with amounts owing not older than 60 days.
- Category B Irregular payers.
- Category C Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.

The value of the provision is determined for the detailed categories as follows:

- Category A 0% of consumer's total debt
- Category B 50% of consumer's debt less or equal to 180 days  
100% of consumer's debt > than 180 days
- Category C 100% of consumer's total debt

**4. Other debtors**

Sundry debtors	8 233 954	5 518 266
Deposits	3 029 710	2 316 602
Umhlathuze municipality - soccer stadium	3 297 884	4 771 520
Nkandla Municipality - electricity receivables	-	613 120
	<b>14 561 548</b>	<b>13 219 508</b>

**5. Long-term receivables**

Staff study loans	30 253	50 950
Staff home loans	512 186	620 556
<b>Non - Current assets</b>	<b>542 439</b>	<b>671 506</b>
Non-current assets	542 439	671 506
Current portion of long-term receivables	32 745	221 000
	<b>575 184</b>	<b>892 506</b>

**Staff home loans**

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

**UTHUNGULU DISTRICT MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand

	2011	2010
<b>6. VAT receivable</b>		
VAT receivable	5 275 361	4 349 704
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	3 200	3 200
Bank balances	45 355 241	22 077 997
Call investments deposits	320 000 000	240 000 000
	<b>365 358 441</b>	<b>262 081 197</b>

Call investment deposits portfolio is detailed below:

<u>Financial Institution</u>	<u>Maturity Date</u>	<u>Investment</u>
ABSA	01/07/2011	R 20 000 000.00
ABSA	01/07/2011	R 10 000 000.00
ABSA	08/07/2011	R 10 000 000.00
ABSA	15/08/2011	R 10 000 000.00
NEDBANK	call	R 20 000 000.00
STANDARD	26/07/2011	R 10 000 000.00
STANDARD	29/07/2011	R 10 000 000.00
STANDARD	02/08/2011	R 20 000 000.00
STANDARD	11/08/2011	R 20 000 000.00
STANDARD	14/09/2011	R 10 000 000.00
STANDARD	27/09/2011	R 10 000 000.00
STANDARD	28/09/2011	R 10 000 000.00
FIRST NATIONAL BANK	04/07/2011	R 20 000 000.00
FIRST NATIONAL BANK	02/08/2011	R 40 000 000.00
FIRST NATIONAL BANK	03/08/2011	R 20 000 000.00
FIRST NATIONAL BANK	12/08/2011	R 10 000 000.00
INVESTEC	08/07/2011	R 10 000 000.00
INVESTEC	15/07/2011	R 10 000 000.00
INVESTEC	26/07/2011	R 10 000 000.00
INVESTEC	29/07/2011	R 10 000 000.00
INVESTEC	31/08/2011	R 10 000 000.00
INVESTEC	12/09/2011	R 10 000 000.00
INVESTEC	27/10/2011	R 10 000 000.00
		<u>R 320 000 000.00</u>

An average interest rate of 5.645 % (2010 - 7.18%) was received on investments placed for the financial year.

**UTHUNGULU DISTRICT MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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2011

2010

**7. Cash and cash equivalents (continued)**

**Bank balances and cash**

The municipality has the following bank accounts:-

Primary Account

- Bank	Nedbank - Richards Bay
- Account Number	145 408 8885
- Opening balance	R 32 656 210.49
- Closing balance	R 54 994 081.93

Other Accounts

- Bank	Nedbank - Richards Bay
- Account Number	145 408 8893
- Opening balance	R 744 255.75
- Closing balance	R 1 545 345.96

- Bank	Nedbank - Richards Bay
- Account Number	145 408 9016
- Opening balance	R 0.00
- Closing balance	R 0.00

- Bank	Nedbank - Richards Bay
- Account Number	145 408 8907
- Opening balance	R 87 025.18
- Closing balance	R 95 905.47

- Bank	Nedbank - Richards Bay
- Account Number	145 409 4141
- Opening balance	R 261 131.41
- Closing balance	R 331 354.90

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

**Consolidated cash book and bank balances as at 30 June 2011**

Cash book balance at the beginning of year	22 077 997	66 623 737
Cash book balance at the end of year	45 355 241	22 077 997
Bank statement balance at the beginning of year	33 748 622	80 117 349
Bank statement balance at the end of year	56 966 688	33 748 622



**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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**8. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2010**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	12 474 983	-	-	-	-	-	12 474 983
Infrastructure in construction	168 275 559	138 046 087	-	(83 860 917)	-	-	222 460 729
Infrastructure	440 807 322	162 353	(998 686)	83 860 917	(23 429 347)	(685 906)	499 716 653
Community	12 414 153	8 599 234	-	(20 270 167)	-	-	743 220
Other property, plant and equipment	45 545 945	5 328 313	(139 089)	20 270 167	(5 704 945)	-	65 300 391
	<b>679 517 962</b>	<b>152 135 987</b>	<b>(1 137 775)</b>	<b>-</b>	<b>(29 134 292)</b>	<b>(685 906)</b>	<b>800 695 976</b>

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

**UTHUNGULU DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand

**9. Intangible assets**

	2011		2010			
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and other	2 589 552	(2 400 032)	189 520	2 386 027	(2 323 406)	62 621

**Reconciliation of intangible assets - 2011**

	Opening balance	Additions	Amortisation	Total
Computer software & other	62 621	203 524	(76 625)	189 520

**Reconciliation of intangible assets - 2010**

	Opening balance	Amortisation	Total
Computer software & other	358 640	(296 019)	62 621



**UTHUNGULU DISTRICT MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand	2011	2010
<b>12. Long-term liabilities</b>		
<b>Held at amortised cost</b>		
ABSA Bank 12.6%	43 471 380	44 757 942
The loan was raised to finance the development of uThungulu House building and Greater Mthonjaneni Bulk Water Scheme. The loan is repayable after a 15 year period. Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.		
INCA 13.95%	21 000 000	21 000 000
The loan was raised to finance the purchase and development of the regional solid waste site. The loan is repayable after a 15 year period. Interest at 13.95% is paid 6 monthly in arrears on the last day of the month. The final payment of R21 million is due in December 2015. The investment matured on the 30th of June 2011 and will be re-invested in the new financial year in order to repay this loan.		
INCA 11.95%	27 423 160	28 418 153
The loan was raised to finance extensions to uThungulu House and the development of the solid waste site cell 2. The loan is repayable after a 15 year period. Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.		
Obligation under Finance Headlease	24 296 048	23 495 555
The finance headlease payments represent payments by the municipality for a headlease property in which the municipality has a controlling interest at the end of the lease through uThungulu Financing Partnership and consist of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haiti, Central Business District, known as uThungulu House. The original lease period expires on 31 October 2017, ownership of the property will vest with uThungulu on the termination of the lease. The yield to maturity on the lease is 23.18% and is paid 6 monthly in advance on the last day of the month.		
	<u>116 190 588</u>	<u>117 671 650</u>
Refer to Appendix A for more detail on long-term liabilities.		
Details of the repayment terms of the obligations and the related interest rates are set out in Appendix A.		
<b>Non-current liabilities</b>		
At amortised cost	108 739 410	111 087 363
<b>Current liabilities</b>		
At amortised cost	7 451 178	6 584 287
	<u>116 190 588</u>	<u>117 671 650</u>



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<b>12. Long-term liabilities (continued)</b>		
<b>Obligations under finance lease</b>		
- within one year	5 642 391	4 949 465
- in the second to the fifth year inclusive	31 654 401	27 767 018
- later than five years	<u>16 651 276</u>	<u>26 181 049</u>
	53 948 068	58 897 532
Less future finance charges	<u>(29 652 020)</u>	<u>(35 401 978)</u>
	<u>24 296 048</u>	<u>23 495 554</u>
Present value of minimum lease payments		
- within one year	4 903 526	4 302 732
- in the second to the fifth year inclusive	15 193 295	13 329 526
- later than five years	4 199 227	5 863 296
	<u>24 296 048</u>	<u>23 495 554</u>
<b>13. Trade and other payables from exchange transactions</b>		
Trade payables	93 252 997	51 764 777
Amounts received in advance	1 598 200	1 441 286
Accrued leave pay	5 621 328	3 365 515
Other accrued expenses	86 931	11 027
Other payables	14 726 285	14 911 403
	<u>115 285 741</u>	<u>71 494 008</u>
<b>14. Consumer deposits</b>		
Water	<u>7 244 363</u>	<u>6 242 602</u>

In terms of Council's by-laws no interest is raised or paid on consumer deposits.

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	2011	2010
<b>15. Employee benefit obligations</b>		
Post-employment health care benefit liability	9 863 739	7 399 379
Long service awards	<u>3 561 002</u>	<u>2 195 639</u>
Total amount of liability for post retirement benefit provisions	13 424 741	9 595 014
Less current portion of post-employment health care benefit liability	(674 258)	(178 885)
Less current portion of long service awards	<u>(55 656)</u>	<u>(48 384)</u>
Net provision for post retirement benefit liability	<u>(618 602)</u>	<u>(130 501)</u>
	<u>12 750 483</u>	<u>9 416 129</u>
<b>15.1 Post-Employment Health Care Benefit Liability</b>		
Post-Employee health care benefit liability	9 863 739	7 399 379
Total: Post Retirement Medical Aid Benefit Liability	<u>9 863 739</u>	<u>7 399 379</u>
Less: Transfer to current provisions	(55 656)	(48 384)
Net Post-Employment Health Care Benefit Liability	<u>9 808 083</u>	<u>7 350 995</u>

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

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2011 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

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

In-service members (Employees)	153	160
In-service non-members	40	86
Continuation members (Retirees, widowers and orphans)	<u>2</u>	<u>2</u>
	<u>195</u>	<u>248</u>

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<b>15. Employee benefit obligations (continued)</b>		
The liability in respect of past service has been estimated to be as follows:		
In-service members	8 959 630	6 623 351
Continuation members	904 109	776 028
	<u>9 863 739</u>	<u>7 399 379</u>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Key Health
- LA Health
- Hosmed
- Samwumed

The future service cost for the ensuing year is established to be R 1 111 284, whereas the interest-cost for the next year is estimated to be R 870 570 (2010: R 812 181 and R 677 055 respectively).

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

Rate of interest	8.85 %	9.18 %
Discount rate	7.38 %	7.24 %
Health care cost inflation rate	1.37 %	1.80 %
Net effective discount rate	6.21 %	6.49 %
Expected rate of salary increase	58	58
Expected retirement age - females	63	63
Expected retirement age - males		

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

Present value of fund obligations	9 863 739	7 399 379
	<u>9 863 739</u>	<u>7 399 379</u>
Present value of unfunded obligations	<u>9 863 739</u>	<u>7 399 379</u>
Benefit Liability	<u>9 863 739</u>	<u>7 399 379</u>

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

Current service cost	812 181	557 420
Interest cost	677 055	598 109
	<u>1 489 236</u>	<u>1 155 529</u>
Total included in employee related cost	<u>1 489 236</u>	<u>1 155 529</u>

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**15. Employee benefit obligations (continued)**

The movement in the defined benefit obligation over the year is as follows:

	2011	2010
Balance at beginning of year		
- Current service cost	7 399 379	6 805 951
- Interest cost	812 181	557 420
- Benefits paid	677 055	598 109
- Actuarial (gain)/loss on the obligation	(48 384)	(80 412)
	<u>1 023 508</u>	<u>(481 689)</u>
Balance at end of year	<u>9 863 739</u>	<u>7 399 379</u>

The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:

<b>Increase</b>		
Effect on the aggregate current service and interest cost	934 000	278 800
Effect on the defined benefit obligation	2 076 000	1 187 698
<b>Decrease</b>		
Effect on the aggregate current service and interest cost	(215 400)	(215 300)
Effect on the defined benefit obligation	(1 646 000)	(1 027 713)
Defined benefit obligation	<u>9 863 739</u>	<u>7 399 379</u>

The municipality expects to make a contribution of R 55 656, (2011: R 48 384) to the defined benefit plans during the next financial year.

**15.2 Long Service Awards**

Provision for Long Service Awards	<u>3 561 001</u>	<u>2 195 634</u>
Total Provision for Long Service Awards	3 561 001	2 195 634
Less: Transfer to current provisions	<u>(618 602)</u>	<u>(130 501)</u>
Net Long Service Awards Liability	<u>2 942 399</u>	<u>2 065 133</u>

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2011 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2011 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The future service cost for the ensuing year is established to be R 859 937, whereas the interest-cost for the next year is estimated to be R 246 604 (2010: R 490 530 and R 194 019 respectively).

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<b>15. Employee benefit obligations (continued)</b>		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Rate of interest	7.57 %	9.10 %
Discount rate	1.28 %	2.52 %
Net effective discount rate	6.21 %	6.42 %
Expected rate of salary increase	58	58
Expected retirement age - females	63	63
Expected retirement age - males		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 561 001	2 195 634
	<u>3 561 001</u>	<u>2 195 634</u>
Present value of unfunded obligations	<u>3 561 001</u>	<u>2 195 634</u>
Benefit Liability	<u>3 561 001</u>	<u>2 195 634</u>
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	490 530	524 162
Interest cost	194 019	277 647
Actuarial (gain) / losses	811 319	(1 433 112)
	<u>1 495 868</u>	<u>(631 303)</u>
Total included in employee related costs		
The movement in the defined benefit obligation over the year is as follows:		
Balance at beginning of year	2 195 634	3 207 105
- Current service cost	490 530	524 162
- Interest cost	194 019	277 647
- Benefits paid	(130 501)	(380 168)
- Actuarial (gain)/loss on the obligation	811 319	(1 433 112)
	<u>3 561 001</u>	<u>2 195 634</u>
Balance at end of year		
Defined benefit obligation	3 561 001	2 195 634
Experience adjustments on plan liabilities	561 882	(1 422 469)

**Defined benefits obligations**

	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000	Net Gain/(Loss)
Government Employees Pension Fund	March 2008	707 042 000	707 042 000	-
KwaZulu-Natal Joint Municipal Provident Fund	March 2010	836 448	753 288	83 160
Natal Joint Municipal Pension Fund (Superannuation)	March 2010	5 019 300	4 751 800	267 500
Natal Joint Municipal Pension Fund (Retirement)	March 2009	1 812 000	1 848 400	(36 400)
Zululand Joint Provident Fund (uThungulu District Municipality Provident Fund)	February 2009	12 541 836	12 541 836	-

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**15. Employee benefit obligations (continued)**

An amount of R 6 209 920 (2010: R 5 207 599) was contributed by Council towards employee retirement funding. These contributions have been expensed.

**16. Unspent conditional grants and receipts**

Unspent conditional grants and receipts comprises of:

<b>Conditional Grants from other spheres of Government</b>		
National Government - Municipal Infrastructure Grant	72 554 169	57 219 922
Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)	12 881 771	16 491 403
Department of Water Affairs		
Department of Co-operative Governance and Traditional affairs	942 042	1 114 478
Department of Public Works	861 867	225 986
National Government - Other	1 727 394	749 071
Foskor	280 219	134 586
Provincial Treasury	186	17 115
Department of Sport and Recreation	1 220 833	1 028 241
Department of Agriculture	3 813	3 813
Department of Economic Affairs and Tourism	177 708	189 708
Department of Transport - KwaZulu Natal	43 857	300 000
Other	313 770	313 770
	238 866	238 866
	<b>91 246 495</b>	<b>78 026 959</b>

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**17. Non-current provisions**

**Reconciliation of non-current provisions - 2011**

	Opening Balance	Additions	Total
Reclamation of refuse landfill site	60 914 211	4 203 081	65 117 292
Performance bonus	710 363	58 140	768 503
	<b>61 624 574</b>	<b>4 261 221</b>	<b>65 885 795</b>

**Reconciliation of non-current provisions - 2010**

	Opening Balance	Additions	Utilised during the year	Total
Reclamation of refuse landfill site	57 804 231	3 109 980	-	60 914 211
Performance bonus	710 363	608 737	(608 737)	710 363
	<b>58 514 594</b>	<b>3 718 717</b>	<b>(608 737)</b>	<b>61 624 574</b>

Non-current liabilities	65 117 292	60 914 211
Current liabilities	768 503	710 363

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

In terms of licensing of the landfill refuse site, council will incur rehabilitation costs of R 65 million to restore the old Empangeni and Cell 1 refuse sites at the end of their useful life, estimated to be in 2012. Provision has been made at best estimate determined by the resident professional engineer at a cost for the current solid waste (Cell 1 & Cell 2) and the old Empangeni Site.

**18. Service charges**

Sale of water	30 124 717	23 961 064
Solid waste revenue	7 239 081	5 068 155
Sanitation revenue	3 513 026	3 297 144
Cemetery revenue	316 110	411 774
Service revenue	-	138 543
	<b>41 192 934</b>	<b>32 876 680</b>

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<b>19. Government grants and subsidies</b>		
Levy Replacement Grant	139 638 170	122 819 042
Municipal Infrastructure Grant	96 875 753	106 413 855
Equitable share	120 340 137	93 709 725
Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)	4 383 184	43 691 033
uMhlathuze Municipality	-	21 065 412
Department of Water Affairs	18 568 056	17 162 242
Department of Co-operative Governance and Traditional Affairs	3 982 596	938 843
Department of Public Works	769 178	884 369
National Treasury	854 367	644 420
Foskor	16 929	72 885
Provincial Treasury	391 477	63 636
Department of Sport and Recreation	-	26 953
Department of Agriculture	12 000	10 293
Department of Economic Affairs & Tourism	256 143	-
	<b>386 087 990</b>	<b>407 502 708</b>

**Summary of grants per funder**

**Levy Replacement Grant**

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

**Municipal Infrastructure Grant**

Balance unspent at beginning of year	57 219 922	44 950 778
Current-year receipts	112 210 000	118 683 000
Conditions met - transferred to revenue	(96 875 753)	(106 413 856)
	<b>72 554 169</b>	<b>57 219 922</b>

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

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

**Equitable Share**

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

**Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)**

Balance unspent at beginning of year	16 491 403	55 682 436
Current-year receipts	329 000	4 500 000
Conditions met - transferred to revenue	(3 938 632)	(43 691 033)
	<b>12 881 771</b>	<b>16 491 403</b>



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**19. Government grants and subsidies (continued)**

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

These grants are used:

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

**uMhlathuze Municipality**

Balance unspent at beginning of year	-	21 065 412
Conditions met - transferred to revenue	-	(21 065 412)
	-	-

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

**Department of Water Affairs**

Balance unspent at beginning of year	1 114 478	16 945 121
Current-year receipts	18 395 620	1 331 600
Conditions met - transferred to revenue	(18 568 056)	(17 162 243)
	<b>942 042</b>	<b>1 114 478</b>

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

These grants are used for:

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

**Department of Co-operative Governance and Traditional Affairs**

Balance unspent at beginning of year	225 986	429 829
Current-year receipts	3 278 000	735 000
Conditions met - transferred to revenue	(2 642 119)	(938 843)
	<b>861 867</b>	<b>225 986</b>

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

The Department of Co-operative Governance and Traditional Affairs grants are used to build capacity within the district in order to perform functions as per legislature.

**Department of Public Works Grants**

Balance unspent at beginning of year	616 950	829 342
Current-year receipts	1 747 500	616 950
Conditions met - transferred to revenue	(769 178)	(829 342)
	<b>1 595 272</b>	<b>616 950</b>

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

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

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**19. Government grants and subsidies (continued)**

**National Treasury**

Balance unspent at beginning of year	134 586	29 006
Current-year receipts	1 000 000	750 000
Conditions met - transferred to revenue	(854 367)	(644 420)
	<u>280 219</u>	<u>134 586</u>

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

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

**FOSKOR**

Balance unspent at beginning of year	17 115	-
Current-year receipts	-	90 000
Conditions met - transferred to revenue	(16 929)	(72 885)
	<u>186</u>	<u>17 115</u>

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

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

**Provincial Treasury**

Balance unspent at beginning of year	1 028 241	514 877
Current-year receipts	584 069	577 000
Conditions met - transferred to revenue	(391 477)	(63 636)
	<u>1 220 833</u>	<u>1 028 241</u>

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

The grant received from Provincial Treasury is used for the upliftment of the districts communities through various programmes.

**Department of Sports and Recreation**

Balance unspent at beginning of year	3 813	30 766
Conditions met - transferred to revenue	-	(26 953)
	<u>3 813</u>	<u>3 813</u>

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

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

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<b>19. Government grants and subsidies (continued)</b>		
<b>Department of Transport</b>		
Balance unspent at beginning of year	313 770	313 770
Conditions still to be met - remain liabilities (see note 16)		
The Department of Transport grant is used for the development of the public transport plan:		
<b>Department of Economic Affairs and Tourism</b>		
Balance unspent at beginning of year	300 000	300 000
Conditions met - transferred to revenue	(256 143)	-
	<b>43 857</b>	<b>300 000</b>
Conditions still to be met - remain liabilities (see note 16)		
The grant received from the Department of Economic Affairs and Tourism is for the development and promotion of the districts local economy and tourism.		
<b>Department of Agriculture</b>		
Balance unspent at beginning of year	189 708	-
Current-year receipts	-	200 000
Conditions met - transferred to revenue	(12 000)	(10 292)
	<b>177 708</b>	<b>189 708</b>
Conditions still to be met - remain liabilities (see note 16)		
The grant received from the Department of Agriculture is for the development of a district agricultural plan.		
<b>20. Other income</b>		
Sundry income	6 365 883	3 370 472
Income from the uThungulu House Development Trust	2 951 534	3 016 296
Income from uThungulu Financing Partnership	2 853 557	2 560 904
Tender deposits	320 617	235 565
SETA refund	190 021	198 965
Shared service revenue	-	1 007 149
Insurance refund	123 617	541 056
Other income Impairment	-	299 237
Lease income	90 805	71 535
Other income - Mark-up	929	1 427
	<b>12 896 963</b>	<b>11 302 606</b>
<b>21. Interest Received</b>		
<b>Interest revenue</b>		
Outstanding debtors	55 700	78 047
External investments	24 149 787	26 468 420
	<b>24 205 487</b>	<b>26 546 467</b>

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<b>22. Employee related costs</b>		
Employee related costs - Salaries and Wages	53 701 327	49 508 924
Employee related costs - contributions for UIF, pensions	11 190 484	9 210 541
Travel and other allowances	6 806 906	6 093 718
Overtime and relief payments	8 145 272	4 517 937
Housing benefits and allowances	2 949 080	2 760 976
Post retirement obligation: post-employment health care benefit	2 464 360	593 428
Post retirement obligation: long-service awards	1 365 367	-
	<b>86 622 796</b>	<b>72 685 524</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	863 736	800 518
Car Allowance	343 415	330 800
Performance Bonuses	142 582	132 020
Contributions to UIF	11 625	1 542
	<b>1 361 358</b>	<b>1 264 880</b>
<b>Remuneration of Deputy Municipal Manager</b>		
Annual Remuneration	803 594	701 734
Car Allowance	352 280	323 323
Performance Bonuses	135 453	124 439
Contributions to UIF	12 599	1 542
	<b>1 303 926</b>	<b>1 151 038</b>
<b>Remuneration of Executive Director Technical services</b>		
Annual Remuneration	783 090	718 564
Car Allowance	157 056	179 018
Performance Bonuses	125 316	116 034
Contributions to UIF	10 158	1 542
	<b>1 075 620</b>	<b>1 015 158</b>
<b>Remuneration of Executive Director Corporate services</b>		
Annual Remuneration	792 387	769 755
Car Allowance	219 645	202 475
Performance Bonuses	128 324	117 426
Contributions to UIF	10 831	1 542
	<b>1 151 187</b>	<b>1 091 198</b>
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration	1 007 297	824 861
Car Allowance	130 731	93 190
Performance Bonuses	128 324	118 818
Contributions to UIF	12 939	1 542
	<b>1 279 291</b>	<b>1 038 411</b>

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<b>23. Remuneration of councillors</b>		
Mayor	425 708	429 861
Deputy Mayor	439 219	435 274
Executive Committee	2 030 537	1 226 740
Speaker	439 219	466 443
Councillors	1 737 760	2 434 655
Councillors' pension contribution	419 407	422 240
	<b>5 491 850</b>	<b>5 415 213</b>
<b>In-kind benefits</b>		
<p>The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the Statement of Financial Performance. The Mayor has the use of a Council owned vehicle together with a driver for official duties.</p>		
<b>24. Depreciation and amortisation</b>		
Property, plant and equipment	39 086 453	30 116 216
<b>25. Finance costs</b>		
Interest paid - long-term liabilities	12 698 920	9 243 940
<b>26. Bulk purchases</b>		
Electricity	11 176 533	9 310 436
Water	13 293 853	9 046 826
	<b>24 470 386</b>	<b>18 357 262</b>
<b>27. Grants and subsidies paid</b>		
KZ 282 Umhlatuze Municipality	1 266 558	2 175 690
KZ 284 Umlalazi Municipality	851 616	-
KZ 283 Ntambanana Municipality	3 912 999	1 300 000
	<b>6 031 173</b>	<b>3 475 690</b>

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Figures in Rand	2011	2010
<b>28. General expenses</b>		
Advertisements	803 842	611 062
Chemicals	1 918 442	1 350 171
External audit fees	2 024 359	1 845 220
Fuel and oil	2 415 905	2 062 337
IDP operational externally funded projects	20 107 166	78 755 268
IDP operational internal funded projects	49 246 657	52 939 596
Insurance	1 307 993	937 217
Landfill site reclamation	4 203 081	3 109 980
Other expenses	6 040 129	9 848 970
Publicity	873 246	1 146 871
Rent - Plant and vehicles	3 606 332	2 980 468
Subsistence & travelling	833 226	914 394
Telephone	1 318 253	1 374 688
	<b>94 698 631</b>	<b>157 876 242</b>
<b>29. Cash generated from operations</b>		
Surplus	94 622 244	77 023 207
<b>Adjustments for:</b>		
Depreciation and amortisation	39 086 453	30 116 216
(Surplus)/Loss on sale of property, plant and equipment	(601 377)	978 902
Movements in retirement benefit assets and liabilities	3 829 727	(418 043)
Movements in provisions	4 261 221	3 109 980
Change in accounting policy	(413 390)	(121 610)
Prior period adjustment - Unbundling of assets	-	1 360 521
<b>Changes in working capital:</b>		
Inventories	1 334 136	1 313 941
Other debtors	(1 342 040)	(6 779 259)
Consumer debtors	4 310 909	(3 895 061)
Trade and other payables from exchange transactions	43 791 733	25 135 312
VAT	(925 657)	21 620 416
Unspent conditional grants and receipts	13 219 536	(63 330 550)
Consumer deposits	1 001 761	478 147
	<b>202 175 256</b>	<b>86 592 119</b>
<b>30. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Infrastructure	133 241 563	82 228 456
<b>This expenditure will be financed from:</b>		
Government Grants	127 104 914	76 565 181
Own Resources	6 136 649	5 663 275
	<b>133 241 563</b>	<b>82 228 456</b>

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Executive Committee prior to 30 June 2011. The majority of the capital projects include water infrastructure.

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	2011	2010
<b>30. Commitments</b>		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	133 241 563	82 228 456
<i>This expenditure will be financed from:</i>		
Government Grants	127 104 914	76 565 181
Own Resources	6 136 649	5 663 275
	<u>133 241 563</u>	<u>82 228 456</u>

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Executive Committee prior to 30 June 2011. The majority of the capital projects include water infrastructure.

**30.1 Operating leases - as lessee (expense)**

Minimum lease payments due		
- within one year	2 871 985	99 107
- in second to fifth year inclusive	3 357 740	-
	<u>6 229 725</u>	<u>99 107</u>

Operating lease payments represent payments for the leasing of vehicles by the municipality. Lease contracts are entered into for a three year period and the lease payments are fixed for the lease period with no escalation. New lease agreements were entered into by the municipality in the 2010/2011 financial year and an amount of R2 765 004 has been recognised in the Statement of Financial Performance.

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	2011	2010
<b>31. Contingencies</b>		
<i>Future legal fees</i>		
1. Ex-employee 1 - legal action pending	600 000	600 000
2. Contractor 1 - legal matter pending	140 000	140 000
3. Consulting Engineers 2 - legal matter pending	140 000	140 000
4. Contractor 2 - legal matter pending	100 000	100 000
5. Service provider - legal action pending	40 000	40 000
6. Ex- employee 2 - legal action pending	140 000	30 000
7. Employee 3 - a case of theft of money	42 561	-
	<u>1 202 561</u>	<u>1 050 000</u>

1. The municipality has legal action against an ex-employee that made an illegal investment. The matter is being dealt with by the high court. The matter has been preliminary set down for trial on the 19,20 and 21 October 2011.
2. This is a contractor's liability claim by the municipality against a contractor for non performance and is a high court claim.
3. This matter refers to a dispute with a consulting engineering firm and relates to the consultant increasing the scope of work of a project without obtaining prior approval from the municipality. The matter is a high court claim.
4. The municipality has legal action against a contractor for non performance and relates to the claim referred to in point 3 above. The matter is with the high court.
5. This is a high court claim that has been lodged against a service provider.
6. This matter has been finalised in October 2010 and the only outstanding issue relates to taxation matters.
7. This matter refers to a case of theft of money by an employee. A criminal case has being opened at the SAPS and attempts are being made to recover the monies, furthermore disciplinary action has also started.
8. An investigation into the ex-Mayoral vehicle milage has been commissioned by Council.



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<b>32. Related parties</b>		
Municipal entities		
	The uThungulu Financing Partnership	
	uThungulu House Development Trust	
<b>Related party balances</b>		
<b>Investments in municipal entities</b>		
The uThungulu Financing Partnership	19 063 401	18 499 551
uThungulu House Development Trust	6 656 413	6 341 510
<b>Income received from related parties</b>		
The uThungulu Financing Partnership	2 853 557	2 560 904
uThungulu House Development Trust	2 951 534	3 016 296
<b>Balances outstanding from related parties</b>		
The uThungulu Financing Partnership	24 296 048	23 495 555
<b>% Interest in municipal entities</b>		
The uThungulu Financing Partnership	99	99
uThungulu House Development Trust	100	100
<b>Related party transactions</b>		
<b>Sub-lease payments</b>		
The uThungulu Financing Partnership	4 949 464	4 341 636

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

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

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

**33. Going concern**

We draw attention to the fact that at 30 June 2011, the municipality had accumulated surplus of R 897 443 856 and that the municipality's total assets exceed its total liabilities by R 897 443 856.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, dependant on the receiving of equitable share allocations.

**34. Events after the reporting date**

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

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	2011	2010
<b>35. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year membership fee	674 157	548 786
Amount paid - current year	(674 157)	(548 786)
	<u>-</u>	<u>-</u>
<b>Audit fees</b>		
Current year subscription / fee	2 024 359	1 845 219
Amount paid - current year	(179 140)	(200 672)
Amount paid - previous years	(1 845 219)	(1 644 547)
	<u>-</u>	<u>-</u>
<b>PAYE and UIF</b>		
Current year subscription / fee	12 654 622	10 884 912
Amount paid - current year	(12 654 622)	(10 884 912)
	<u>-</u>	<u>-</u>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	9 850 535	8 482 794
Amount paid - current year	(9 850 535)	(8 482 794)
	<u>-</u>	<u>-</u>
<b>VAT</b>		
VAT receivable	5 275 361	4 349 704

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

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**36. Actual operating, capital and cashflow expenditure versus budgeted operating, capital and cashflow expenditure**

Description

2010/11

R Thousands '000	Original Budget	Budget Adjustment	Virements	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9
<b>Financial Performance</b>									
Property Rates	-	-	-	-	-	-	-	-	-
Service Charges	-	-	-	-	-	-	-	-	-
Investment Revenue	30 450	3 000	-	33 450	41 193	-	-	-	-
Transfers recognised - operational	23 653	(1 000)	-	22 653	24 205	-	(7 743)	123	135
Other owned revenue	299 620	38 153	-	337 773	282 180	-	(1 552)	107	102
<b>Total Revenue excl Capital transfers &amp; Contributions</b>	<b>22 593</b>	<b>78 787</b>	<b>-</b>	<b>101 380</b>	<b>13 537</b>	<b>-</b>	<b>55 593</b>	<b>84</b>	<b>94</b>
	376 316	118 940	-	495 256	361 115	-	87 843	13	16
							134 141	73	96
Employee Costs	107 330	(9 555)	(280)	97 495	86 623	-	(10 872)	89	81
Remuneration of Councillors	7 165	-	-	7 165	5 492	-	(1 673)	77	77
Debt Impairment	2 777	-	-	2 777	6 436	-	3 659	232	232
Depreciation & Asset impairment	15 318	17 000	-	32 318	39 086	-	6 768	121	255
Finance Charges	15 117	-	-	15 117	12 699	-	(2 418)	84	84
Materials & Bulk purchases	17 189	5 500	1 800	24 489	24 470	-	(19)	100	142
Transfers & Grants	2 251	-	5 452	7 703	6 031	-	(1 672)	78	268
Other expenditure	186 279	70 838	(8 292)	248 825	189 563	-	(59 262)	76	101
<b>Total Expenditure</b>	<b>353 426</b>	<b>83 783</b>	<b>(1 320)</b>	<b>435 889</b>	<b>370 401</b>	<b>-</b>	<b>(65 488)</b>	<b>85</b>	<b>105</b>
<b>Surplus / Deficit</b>	<b>22 890</b>	<b>35 157</b>	<b>1 320</b>	<b>59 367</b>	<b>(9 286)</b>	<b>-</b>	<b>68 653</b>	<b>(16)</b>	<b>(81)</b>
Transfers recognised Capital Contributions recognised - capital & contributed assets	125 756	48 773	840	175 369	103 908	-	(71 461)	59	83
<b>Surplus or Deficit after capital transfer &amp; contributions</b>	<b>148 646</b>	<b>83 930</b>	<b>2 160</b>	<b>234 736</b>	<b>94 622</b>	<b>-</b>	<b>(140 114)</b>	<b>40</b>	<b>64</b>
Share of surplus or deficit of associate	-	-	-	-	-	-	-	-	-
<b>Surplus or Deficit for the year</b>	<b>148 646</b>	<b>83 930</b>	<b>2 160</b>	<b>234 736</b>	<b>94 622</b>	<b>-</b>	<b>(140 114)</b>	<b>40</b>	<b>63</b>
<b>Capital Expenditure and Funds sources</b>									
<b>Capital expenditure</b>									
Transfer recognised capital Public contributions and donations	125 756	48 773	840	175 369	103 908	-	(71 461)	59	83
Borrowings	-	23 309	-	23 309	3 917	-	(23 305)	16	-
Internally generated funds	22 890	11 848	1 320	36 058	-	-	-	-	-
<b>Total sources of capital funds</b>	<b>148 646</b>	<b>83 930</b>	<b>2 160</b>	<b>234 736</b>	<b>107 825</b>	<b>-</b>	<b>(94 766)</b>	<b>45</b>	<b>72</b>
<b>Cash Flows</b>									
Net cash from / (used) operating	232 148	98 935	-	331 083	202 175	-	(128 908)	61	87
Net cash from / (used) investing	(197 958)	(98 935)	-	296 893	(97 417)	-	199 480	33	49
Net cash from / (used) financing	644	-	-	644	1 481	-	837	230	230
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>34 834</b>	<b>-</b>	<b>-</b>	<b>34 834</b>	<b>103 277</b>	<b>-</b>	<b>68 443</b>	<b>296</b>	<b>296</b>
Cash and cash equivalents at the beginning of the year	295 970	-	-	295 970	262 081	-	(33 889)	89	89
<b>Cash and cash equivalents at the end of the year</b>	<b>330 804</b>	<b>-</b>	<b>-</b>	<b>330 804</b>	<b>365 358</b>	<b>-</b>	<b>34 564</b>	<b>110</b>	<b>110</b>

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**37. Changes in accounting policy**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice and the aggregate affect of the changes in accounting policy of the annual financial statements for the year ended 30 June 2011 is as follows:

**Property, Plant and Equipment**

uThungulu District Municipality complied with the requirements of GRAP 17 for the first time in the 2008/2009 financial year, with the exception of assets that were transferred as a result of the municipality becoming the Water Services Authority as well as the transfer of function between uThungulu District Municipality, Departments and local municipalities. In line with the ASB Directive 3 & 5 of March 2009 "transitional provisions for high capacity municipalities", with specific reference to paragraph 65 of directive 3, uThungulu has employed consultants to walk through, verify and assess the transferred assets to be reflected in the asset register at Fair Value.

Accumulated Surplus as at the 1st of July 2009 as previously reported -	R 497 053 747
Adjustment:	
Change in accounting policy - GRAP 17	
Unbundling of assets	<u>R 229 279 665</u>
Adjustment in 2009/2010 surplus	R 726 333 412
Previously reported changes in accounting policy	R 77 023 207
	<u>(R 121 617)</u>
	R 803 235 002

**Movement in Property, Plant and Equipment**

Previously reported carrying value	R 578 209 853
Adjustment	<u>R 222 486 123</u>
Re-stated carrying value	R 800 695 976

**Movement in Depreciation**

Previously reported	
Adjustment	R 23 322 675
Re-stated	<u>R 6 793 541</u>
	R 30 116 216

**Movement in Net Surplus**

Previously reported surplus as at 30 June 2010	R 83 816 748
Adjustment to depreciation	<u>R 6 793 541</u>
	R 77 023 207

**38. Unauthorised, Fruitless & Wasteful and Irregular expenditure**

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

**39. Risk management**

**Capital risk management**

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

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**39. Risk management (continued)**

The capital structure of the municipality consists of debt, which includes the long-term liabilities as disclosed in note 12, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

**Gearing ratios**

The gearing ratio as at 2011 and 2010 respectively were as follows:

<b>Total borrowings</b>			
Long-term liabilities			
Less: Cash and cash equivalents	12	116 190 588	117 671 650
Net debt	7	365 358 441	262 081 197
Total equity		(249 167 853)	(144 409 547)
<b>Total capital</b>		897 443 856	803 235 002
		<u>648 276 003</u>	<u>658 825 455</u>
		17.92%	17.64%

**Financial risk management**

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The municipality's financial services function monitors and manages the financial risks relating to the operation of the municipality. These risks include credit risk and liquidity risk.

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**39. Risk management (continued)**

**Liquidity risk**

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The municipality's liquidity risk pertains to whether funds are available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Current Assets	402 525 875	302 814 230
Current Liabilities	222 670 538	163 237 104
Liquidity ratio	1.80:1	1.85:1

**Interest rate risk**

The municipality limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting for fixed interest rates rather than variable rates. There are no investments with a tenure exceeding 12 months made without Council approval.

**Credit risk**

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

Debtors comprise of mainly water and sanitation users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", which ever procedure is applicable in terms of Councils credit control and debt collection policy.

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

**Financial instrument**

Investments	320 000 000	240 000 000
Cash and cash equivalents	45 358 441	22 081 197
Consumer debtors and other debtors	24 790 403	27 759 269

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**40. Deviation from supply chain management regulations**

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

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

The deviations greater than R200 000 are listed individually below.

<u>Project Description</u>	<u>Amount</u>
Solid Waste: Operations and Maintenance	R 223 987
VIP Sanitation project - Nkandla	R 5 944 530
Ocean View waste water treatment plant	R 664 047
Ocean View waste water treatment plant	R 2 952 511
Massification programme	R 361 000
Drought relief	R 334 215
Task job evaluation implementation	R 238 284
District Kwanaloga games	<u>R 242 600</u>
	R 10 961 175
 Various deviations less than R200 000	 <u>R 7 528 500</u>
	<u>R18 489 675</u>

APPENDIX A

UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

Redeemable	Balance at 30 June 2010		Received during the period		Redeemed written off during the period		Balance at 30 June 2011		Carrying Value of Property, Plant & Equip	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Equip	Rand
<b>LONG-TERM LOANS</b>										
INCA @ 13.95%	2014/12/31	21,000,000	-	-	-	-	-	21,000,000	-	-
		<u>21,000,000</u>						<u>21,000,000</u>		
<b>ANNUITY LOAN</b>										
INCA @ 11.95%	2023/06/30	28,418,154	-	-	994,993	-	27,423,161	-	-	-
ABSA @ 12.6%	2024/06/30	44,757,943	-	-	1,286,562	-	43,471,381	-	-	-
		<u>73,176,097</u>			<u>2,281,555</u>		<u>70,894,542</u>			
<b>LEASE LIABILITY</b>										
Leased Property @ 23.8%	2017/03/31	23,495,555	800,493	-	-	-	24,296,048	-	-	-
		<u>23,495,555</u>	<u>800,493</u>				<u>24,296,048</u>			
<b>TOTAL EXTERNAL LOANS</b>										
LONG -TERM LOANS		21,000,000	-	-	-	-	21,000,000	-	-	-
ANNUITY LOAN		73,176,097	-	-	2,281,555	-	70,894,542	-	-	-
LEASE LIABILITY		23,495,555	800,493	-	-	-	24,296,048	-	-	-
		<u>117,671,652</u>	<u>800,493</u>		<u>2,281,555</u>		<u>116,190,590</u>			



APPENDIX B  
 UTHUNGULLI DISTRICT MUNICIPALITY - ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation				Accumulated Depreciation & Impairment				Carrying Value		
	Opening Balance	Capitalizations	Additions	Disposal	Closing Balance	Opening Balance	Disposals	Current		Impairments	Closing Balance
<b>Infrastructure - In Construction</b>											
Water Mains and purification	222,460,730	-30,213,109	110,576,379	-	333,037,109	-	-	-	-	-	333,037,109
	222,460,730	-30,213,109	110,576,379	-	333,037,109	-	-	-	-	-	333,037,109
<b>Infrastructure</b>											
Infrastructure Land Servitudes	32,099,927	310,054	-	-	32,099,927	-5,118,977	-	-1,022,460	-	-6,141,437	25,958,490
Infrastructure Solid Waste Services	60,495,831	-	-	-	60,495,831	-8,271,077	-	-7,579,939	-	-15,851,016	44,644,815
Infrastructure Sewerage Services	31,646,728	647,478	-	-	31,646,728	-4,890,417	-	-654,165	-235,589	-5,780,191	25,866,537
Infrastructure Water Services	454,842,042	28,722,878	-	-	484,812,012	-78,788,169	-	-20,213,250	-1,303,202	-100,304,621	354,507,391
Infrastructure Plant and Equipment	26,483,091	550,699	-	-	26,483,091	-8,752,295	-	-1,663,457	-	-10,415,752	16,067,339
Infrastructure Electricity	-	-	-	-	-	-	-	-	-	-	-
	605,537,589	30,231,109	-	-	605,537,589	-105,820,935	-	-31,133,291	-1,538,791	-138,493,017	467,044,572
<b>Other assets in construction</b>											
Other assets in construction	743,219	-	4,258,787	-	5,002,006	-	-	-	-	-	5,002,006
	743,219	-	4,258,787	-	5,002,006	-	-	-	-	-	5,002,006

	Cost/Revaluation				Accumulated Depreciation & Impairment				Carrying Value		
	Opening Balance	Capitalizations	Additions	Disposal	Closing Balance	Opening Balance	Disposals	Current		Impairments	Closing Balance
<b>Other assets</b>											
Motor Vehicles	11,813,674	-	1,303,774	-2,805,624	9,208,050	-5,470,917	1,954,565	-1,508,271	-	-5,024,623	4,183,427
Computer Equipment	5,825,856	-	-	-192,849	6,936,781	-3,174,149	158,598	-899,587	-	-3,915,138	3,021,643
Land and Buildings	64,558,762	-	-	-	64,558,762	-3,898,100	-	-1,966,393	-	-5,824,493	58,734,269
Office Equipment	4,641,051	-	301,403	-78,159	4,864,295	-1,645,148	69,146	-1,408,279	-	-2,684,281	2,180,014
Furniture	3,197,207	-	236,527	-4,620	3,429,114	-1,266,650	4,431	-296,195	-	-1,558,414	1,870,700
Plant and Equipment	3,967,882	-	98,412	-26,770	4,039,524	-814,289	3,485	-559,022	-	-1,369,846	2,669,678
	94,004,432	-	1,940,116	-2,908,022	93,036,526	-16,229,253	2,190,205	-6,337,747	-	-20,376,795	72,659,731
<b>Total carried forward</b>	922,745,970	-	116,775,282	-2,908,022	1,036,613,230	-122,050,188	2,190,205	-37,471,038	-1,538,791	-156,869,812	877,743,418
<b>INTANGIBLE ASSETS</b>											
TOTAL	2,386,028	-	203,524	-	2,589,552	-2,323,467	-	-76,625	-	-2,400,032	189,520
	925,131,998	-	116,978,806	-2,908,022	1,039,202,782	-124,373,595	2,190,205	-37,547,663	-1,538,791	-161,269,844	877,932,938

APPENDIX C  
 UTHUNGULU DISTRICT MUNICIPALITY - SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Coat/Revaluation		Accumulated Depreciation			Impairment Opening Bal Rand	Impairment Additions Rand	Impairment Closing Bal Rand	Carrying Value
	Opening Balance	Additions Rand	Disposal Rand	Closing Balance Rand	Disposals Rand				
Executive & Council	11,510,372	57,769	-18,274	11,549,867	15,131	-818,859	-1,668,613	9,881,254	
Finance & Admin	105,525,617	5,819,506	-171,150	111,173,973	153,880	-5,581,006	-13,400,785	97,773,186	
Planning & Development	11,081,649	17,660	-4,558	11,094,751	4,565	-761,311	-1,063,060	10,031,691	
Community & Social Services	4,363,303	47,427	-29,632	4,381,098	6,572	-214,470	-715,538	3,665,560	
Public Safety	5,617,760	1,385	-	5,619,145	-	-829,727	-2,204,741	3,414,374	
Waste Management	74,211,196	-7,236	-	74,203,960	-	-8,294,730	-21,466,790	52,737,170	
Water	706,137,059	110,779,280	-2,684,408	814,281,931	2,010,267	-20,861,629	-115,481,961	696,575,273	
Waste Water	4,249,014	59,521	-	4,308,535	-	-109,305	-643,626	3,664,909	
	922,745,970	116,775,282	-2,908,022	1,036,613,230	2,190,205	-37,471,037	-156,645,114	877,743,439	
<b>INTANGIBLE ASSETS</b>									
Finance & Admin	2,379,718	169,717	-	2,549,435	-	-71,861	-2,391,291	158,144	
Planning & Development	6,310	-	-	6,310	-	-2,153	-6,429	181	
Water	-	33,807	-	33,807	-	-2,611	-2,611	31,196	
Total	2,386,028	203,524	-	2,589,552	-	-76,625	-2,400,031	189,521	
<b>GRAND TOTAL</b>	<b>925,131,998</b>	<b>116,976,806</b>	<b>-2,908,022</b>	<b>1,039,202,782</b>	<b>2,190,205</b>	<b>-37,547,662</b>	<b>-159,045,145</b>	<b>877,932,940</b>	

APPENDIX D

UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF  
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011  
MUNICIPALITY

	2010	2010 Actual	2010	2011	Actual	2011	Actual	2011	Actual	2011	Surplus
	Actual	Expenditure	Surplus / (Deficit)	Income	Expenditure	Year to date	Year to date	Year to date	Year to date	Year to date	Year to date
	to date	to date	to date	Year to date	Year to date	Year to date	Year to date	Year to date	Year to date	Year to date	Year to date
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
	-	25,810,143	(25,810,143)	-	26,696,156	-	26,696,156	-	26,696,156	-	-26,696,156
Executive & Council	349,915,175	41,568,299	308,346,876	301,175,124	40,957,127	301,175,124	40,957,127	301,175,124	40,957,127	260,217,997	260,217,997
Finance & Admin	-	70,862,718	(70,862,718)	-	8,664,553	-	8,664,553	-	8,664,553	-	-8,664,553
Planning & Development	807,504	6,598,462	(5,790,958)	316,109	9,309,019	316,109	9,309,019	316,109	9,309,019	-8,992,910	-8,992,910
Community & Social Services	-	8,572,756	(8,572,756)	-	5,526,239	-	5,526,239	-	5,526,239	-	-5,526,239
Public Safety	-	4,326,116.5	(4,326,117)	13,779,693	4,450,543	13,779,693	4,450,543	13,779,693	4,450,543	9,329,150	9,329,150
Environmental Protection	5,068,153	9,598,929	(4,530,776)	7,239,081	18,615,268	7,239,081	18,615,268	7,239,081	18,615,268	-11,376,187	-11,376,187
Waste Management	155,986	245,357	(89,371)	-	-	-	-	-	-	-	-
Electricity	3,295,452	17,135,315	(13,839,863)	3,513,026	15,181,323	3,513,026	15,181,323	3,513,026	15,181,323	-11,668,297	-11,668,297
Waste Water	120,044,663	217,545,631	(97,500,968)	138,999,908	241,000,469	138,999,908	241,000,469	138,999,908	241,000,469	-102,000,561	-102,000,561
Water	479,286,933	402,263,727	77,023,207	465,022,941	370,400,697	465,022,941	370,400,697	465,022,941	370,400,697	94,622,244	94,622,244

APPENDIX E(1)

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011.					
	2011	2011	2011	2011	Explanation of Significant Variance greater than 10% versus Budget
	Actual Bal Rand	Bud Amount Rand	Variance Rand	Variance Rand	
<b>Revenue</b>					
Service Charges	41,193	33,450	7,743	23%	Increased consumptions and new schemes metered.
Interest Earned - External Investments	24,150	22,653	1,497	7%	
Interest Earned - Outstanding Debtors	56	-	56	100%	Interest on late payments is not budgeted for.
Government Grants and Subsidies	386,088	512,302	(126,214)	-25%	Projects in progress expenditure is committed.
Other Income	13,536	20,126	(6,590)	-33%	Budget includes depreciation.
	<b>465,023</b>	<b>598,531</b>	<b>(123,508)</b>	<b>-21%</b>	
<b>Expenses</b>					
Executive & Council	26,696	27,830	1,134	4%	
Finance & Admin	40,957	51,702	10,745	21%	General Savings.
Planning & Development	8,664	23,686	15,022	63%	Savings due to vacant positions and multi year projects.
Community & Social Services	9,309	10,218	909	9%	
Public Safety	5,526	7,877	2,351	30%	General Savings.
Environmental Protection	4,451	11,406	6,955	61%	Devolution to Environmental Health Services not yet finalized.
Waste Management	18,615	16,845	-1,770	-11%	Rehabilitation provision.
Electricity	-	100	100	100%	Function transferred.
Waste Water	15,181	29,782	14,601	49%	Multi year projects committed.
Water	241,000	257,761	16,761	7%	
	<b>370,399</b>	<b>437,207</b>	<b>66,808</b>	<b>15%</b>	

APPENDIX E(2)

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED

30 JUNE 2011

	Under			Total Additions Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 20% versus Budget
	Additions Rand	Construction Rand						
<b>Property, Plant &amp; Equipment</b>								
Executive & Council	57,769		204,674	210,000	5,326	3%		
Finance & Administration	1,738,716	4,250,507	5,842,318	7,318,648	1,476,330	20%		
Planning & Development	17,660		17,660	80,000	62,340	78% Vacancy		
Environmental Health				784,000	784,000	100%		Devolution of EHS not yet finalized.
Community & Social Services	39,147	1,418,096	1,457,243	2,433,611	976,368	40%		Multi year projects.
Public Safety	1,355		1,355	18,876	17,521	93%		In Progress
Water	288,993	109,114,278	109,403,271	212,878,258	103,474,987	49%		Multi year projects.
Waste Management		-7,236	-7,236	852,870	860,106	101%		Multi year projects.
Waste Water	59,521		59,521	8,000,000	7,940,479	99%		Multi year projects.
	<b>2,203,161</b>	<b>114,775,645</b>	<b>116,978,806</b>	<b>232,576,263</b>	<b>115,597,457</b>	<b>50%</b>		

APPENDIX F  
 UPHUNGULU DISTRICT MUNICIPALITY : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 233 OF MFMA, 2003

Name of Grants & Vote	Name of origin of state or municipal entity	QUARTERLY RECEIPTS				QUARTERLY EXPENDITURE								
		Mar '10	June '10	Sept '10	Dec '10	Mar '11	June '11	Sept '11	Dec '11					
Disaster Management (Grant)	DTLGA					136,866.00	71,136.00							
Disaster Management (Grant)	DTLGA					3,249.00								
Review of Waste management plan	DMW						187,500.00	2,223.00						286,143.20
Development Planning Street Services	DTLGA						14,085.53							
Planning Shared Services Internal Fixed Assets	DTLGA													
IDP Pavilion	DTLGA													
210 Multi Purpose Sport Stadium	DTLGA													
Mip Grant	DTLGA					(1,027,964.88)								194,737.00
SHARED SERVICES	DTLGA					124,155.26	49,330.00							
Local Government Finance Grant	Provincial Treasury			4,000,000		86,652.83	152,917.28							305,686.06
Finance Interns- Op Projects (Budget Cycle)	Provincial Treasury													93,780.00
Internal Swimming Pool	DMW						12,181.00							7,965.00
MSIG	DMW						301,990.57	20,800.00						
Modification Program Grant	COPTA			750,000										
Intergovernment Relations Grants	COPTA			100,000										
Establishment & Implementation IDP Chart	COPTA			317,000	1,750,000									
Shared Services- Fire Fighting	COPTA													
Asset Care Centre	COPTA													
Fire Fighting Equipment	COPTA													
Control Development	DTLGA					(290,543.46)	35,775.23							1,780,000.00
Consultative prior grants (Planning 07/08)	DTLGA					956,482.09	247,325.09							385,000.00
Technical Support Infra Backlog (MIP)	DTLGA					31,628.00	5,708.40							229,306.16
Construction of Transport Stations (MIP)	DTLGA					(391,735.35)	60,093.00							187,096.83
Planning - Municipal Regional Council	DTLGA					421,023.08	49,392.02							123,686.92
Regional Bulk Water Scheme	DTLGA					487,743.29	141,994.09							(30,335.12)
Planning Shared Services (I & E)	DTLGA					131,503.80	137,021.51							172,800.00
Agriculture - North East Region Grant	DTLGA					2,088.00	139,304.60							440,073.34
Sanitation-JDM	DMWF					85,423.00								(1,605.15)
Sanitation 7th Capacity Assessment	DTLGA					(720,774.06)								
Issue Manager	DMWF					60,569.88								11,532.00
Flood	DMWF	34,800	23,200	23,200	23,200	60,115.00								70,103.06
Municipal Dev Information Service	DMWF	250,000				88,267.00								
Strategic Support	DTLGA	250,000				25,992.00								
Water Purification Plant	DTLGA					1,445,000.00								
Greater Johannesburg Participation	DMWF	1,213,000				5,011,020.21	2,429,718.25							6,572,921.86
Backlog Integrated Dev infrastr - Capacity Build	DMWF			43,900	807,600									
Consolidate prior grants (Sanitation Dwell)	DMWF													
Institutional Support & Capacity Building Grant 07/08	DMWF													
Waste Management View area	DMWF													
Fusion - HIV AIDS Donation	DMWF					62,558.20	278,000.00							99,843.48
Umhlatuze 2010 Sport Stadium	DMWF					34,488.00	10,232.50							
Asset Data Collection	DMWF					1,793,347.64	1,985,592.38							15,920.00
Community upliftments	DMWF					48,113.70	15,601.93							
Ocean View Project	DMWF	977,000			584,088									86,025.32
CBPWP (Public Works Advance)	DMWF					137,487.91	(1,730,612.40)							810.00
EPWP Ennativie Grant	DMWF	385,950	233,200	222,500	484,000	1,041,000	65,028.12							
		2,613,760	2,456,900	2,456,900	3,062,800	3,920,883	4,172,879.13	1,355,066.54	4,043,388.34	10,353,182.21				