

Annual Financial Statements

for

ULUNDI LOCAL MUNICIPALITY

for the year ended 30 June: € **2 011.00**

Province: **KwaZulu Natal**

AFS rounding: **R (i.e. only cents)**

Contact Information:	
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ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information

Members of the Council

Councillor N.J. Manana (f)
Councillor W.M. Ntshangase (m)
Councillor H.J. Mlambo (m)

Councillor J.T. Gasa (m)
Councillor R.V. Sibiya (m)
Councillor L.N.Z. Buthelezi (f)
Councillor S.R. Shwala (m)
Councillor G.N. Mtshali (f)
Councillor K.P. Ngema (m)
Councillor M.S. Gcaba (m)

Ordinary Council Members

Councillor B.S. Khanyile (m)
Councillor F.L. Buthelezi (m)
Councillor H.M. Kubheka (m)
Councillor J.E. Xulu (m)
Councillor J.M. Khanyile (m)
Councillor J.S. Mhlongo (m)
Councillor K.J. Sibiya (m)
Councillor K.M. Sithole (m)
Councillor M. Mdlalose (m)
Councillor M.E. Buthelezi (m)
Councillor M.J. Luthuli (m)
Councillor M.M. Mpungose (m)
Councillor M.S. Buthelezi (m)
Councillor M.T. Gasa (m)
Councillor M.Z.B. Ndwandwe (m)
Councillor N.D. Masondo (m)
Councillor Prince N.M. Buthelezi (m)
Councillor V.P. Langa (f)

Her Worship the Mayor
Honourable Deputy Mayor
Honourable Speaker

Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee

Councillor R.B. Nyawo (m)
Councillor S.M. Buthelezi (m)
Councillor S.N. Buthelezi (m)
Councillor S.P. Ximba (f)
Councillor S.V. Mdluli (m)
Councillor S.V. Ngcobo (m)
Councillor S.Z. Mkhize (m)
Councillor T.J. Manqele (f)
Councillor T.K. Mkhize (m)
Councillor T.L. Khumalo (f)
Councillor V.E. Zungu (m)
Councillor W.T. Ndebele (m)
Councillor Z. Siyaya (f)
Councillor Z.L. Buthelezi (m)
Councillor M.W. Sithole (m)
Councillor N.Z. Ncala (m)
Councillor P.M. Mthethwa (m)
Councillor S.F. Cindi (f)

Grading of Local Authority

Low Capacity

Auditors

Auditor-General South Africa

Bankers

ABSA Limited
First National Bank

ULUNDI LOCAL MUNICIPALITY
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for the year ended 30 June 2011

General information (continued)

Registered Office:	Cnr Princess Magogo & King Zwelithini Roads, Ulundi	
Physical address:	Cnr Princess Magogo & King Zwelithini street, Ulundi, €	3 838.00
Postal address:	Private Bag X17 Ulundi €	3 838.00
Telephone number:	+27 35 874 5100 +27 35 874 5800	
Fax number:	+27 35 870 3506	
E-mail address:	Info@ulundi.co.za	

ULUNDI LOCAL MUNICIPALITY
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for the year ended 30 June 2011

Approval of annual financial statements

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

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

Municipal Manager:

DATE

ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

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Statement of Financial Performance	€ 6.00
Statement of Changes in Net Assets	€ 7.00
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ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Note	2011 R	2010 R
ASSETS			
Current assets			
Cash and cash equivalents	1	497 667	2 613 996
Trade and other receivables from exchange transactions	2	72 412 444	66 887 571
Other receivables from non-exchange transactions	3	7 682 267	872 285
Inventories	4	1 281 200	1 051 233
Prepayments	5	279 244	290 825
Current portion of receivables	7	35 572	35 572
VAT receivable	13	3 368 742	727 215
Non-current assets			
Investments	6	140 000	140 000
Property, plant and equipment	8	471 388 966	500 872 270
Investment property carried at fair value	9	244 149 000	244 449 000
Total assets		801 235 102	817 939 967
		c	c
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	10	42 792 206	18 599 290
Consumer deposits	11	1 369 288	1 259 888
VAT payable	12	-	-
Current provisions	14	635 408	360 356
Bank overdraft	1	-	99 596
Current portion of unspent conditional grants and receipts	15	5 216 037	9 421 515
Current portion of borrowings	17	540 420	-
Current portion of finance lease liability	18	273 205	453 087
Non-current liabilities			
Non-current borrowings	17	282 775	1 027 381
Total liabilities		51 109 338	31 221 113
		c	c
Net assets		750 125 764	786 718 854
		c	c
NET ASSETS			
Reserves		338 096 075	398 565 134
Accumulated surplus / (deficit)		412 029 689	388 153 720
Total net assets		750 125 764	786 718 854
		c	c

Legend:

C = casted

Pr = agreed to prior year afs

N = agreed to notes

Tb = agreed to trial balance

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
STATEMENT OF FINANCIAL PERFORMANCE

for the year ending 30 June 2011

	Note	2011 R	2010 R
Revenue			
Property rates	19	18 543 920	12 504 995
Property rates - penalties imposed and collection charges	19	7 865 654	7 366 746
Service charges	20	37 621 006	30 445 556
Rental of facilities and equipment	21	385 515	410 285
Interest earned - external investments	22	413 739	646 593
Fines		678 249	708 470
Licences and permits		1 638 240	934 946
Government grants and subsidies	23	91 143 172	69 313 018
Other income	24	4 380 298	3 672 639
Total revenue		162 669 792	126 003 248
		c	c
Expenses			
Employee related costs	25	50 597 768	42 013 024
Remuneration of councillors	26	9 080 984	9 591 260
Bad debts		-	59 370
Provision for Bad Debts			8 123 260
Depreciation and amortisation expense	27	66 532 535	27 530 242
Repairs and maintenance		5 774 136	3 102 386
Finance costs	28	106 921	7 895
Bulk purchases	29	33 897 823	24 594 884
Contracted services	30	16 503 250	10 800 476
Grants and subsidies paid			
General expenses	31	18 489 181	15 056 022
Total expenses		200 982 598	140 878 819
		c	c
Gain / (loss) on sale of assets	32	209 642	2 170 555
Change in Accounting Estimate		1 849 354	38 430 280
Profit / (loss) on fair value adjustment	34	-	225 298 800
Surplus / (deficit) for the period		(36 253 809)	251 024 064
		c	c

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2011

	Revaluation Reserve	Other reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R
Balance at 30 June #####	398 565 134	-	388 103 008	786 668 142
Prior year adjustment -finance leases			50 714	50 714
Adjusted balance at 30 June 2010	398 565 134	-	388 153 722	786 718 856
Surplus / (deficit) on revaluation of property of property, plant and equipment				-
<i>Transfer Depreciation on revalued assets</i>	(60 469 059)		60 469 059	-
<i>Other items</i>			(339 283)	(339 283)
Net gains and losses not recognised in the statement of financial performance				-
Transfers to / from accumulated surplus/(deficit)				-
Surplus / (deficit) for the period			(36 253 809)	(36 253 809)
Balance at 30 June #####	338 096 075	-	412 029 689	750 125 764
	C		C	C

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
CASH FLOW STATEMENT
as at 30 June 2011

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers		149 140 606	118 405 374
Cash paid to suppliers and employees		114 718 920	107 002 445
	c	34 421 686	11 402 929
Interest received		413 739	646 593
Interest paid		(37 903)	(7 895)
Net cash flows from operating activities	35	34 797 522	12 041 627
	c		c
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(37 049 231)	(22 386 403)
Proceeds from sale of fixed assets		509 642	2 170 555
Proceeds from sale of investments			
Purchase of intangibles			
Decrease/(Increase) in Loans and receivables			
Net cash flows from investing activities		(36 539 589)	(20 215 848)
	c		c
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans raises/ (repaid)			540 420
Increase/(decrease) in consumer deposits		109 400	(12 352)
Increase/(decrease) in bank overdraft		(99 596)	99 596
Repayment of finance lease liability		(384 068)	
Net cash flows from financing activities		(374 264)	627 664
	c		c
Net increase / (decrease) in net cash and cash equivalents		(2 116 331)	(7 546 557)
Net cash and cash equivalents at beginning of period		2 613 997	10 160 554
Net cash and cash equivalents at end of period	36	497 666	2 613 997
	c		c

c = casted

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

1 BASIS OF ACCOUNTING

BASIS OF PRESENTATION

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

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

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

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

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

PRESENTATION CURRENCY

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

GOING CONCERN ASSUMPTION

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

COMPARATIVE INFORMATION

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

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

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

EFFECTIVE

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

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

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

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

Nature of impending changes in accounting policy:

Impact on the municipality's financial statements once implemented:

2 PROPERTY, PLANT AND EQUIPMENT

INITIAL RECOGNITION

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

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

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

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

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

SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

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

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

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

SUBSEQUENT MEASUREMENT -REVALUATION MODEL (LAND, BUILDINGS, and other Infrastructure assets)

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

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation

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

Land is not depreciated as it is deemed to have an indefinite useful life.

DEPRECIATION AND IMPAIRMENT

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

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful

Infrastructure		Other	
Roads and Paving	10-20	Buildings	€ 30.00
Pedestrian Malls	€ 30.00	Air Conditioners	€ 7.00
Electricity	€ 25.00	Vehicles and tractors	€ 7.00
Water	€ 20.00	Office equipment	€ 5.00
Sewerage	€ 20.00	Furniture and fittings	€ 10.00
		Watercraft	
Community		Machinery and Equipmny	€ 7.00
Buildings	€ 30.00	Tools	€ 5.00
Recreational Facilities	€ 10.00	Radio	€ 5.00
		Computer equipment	€ 3.00

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

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

3 INTANGIBLE ASSETS

INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

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

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

SUBSEQUENT MEASUREMENT - COST MODEL

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

AMORTISATION AND IMPAIRMENT

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

Computer software

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

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

DERECOGNITION

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

4 INVESTMENT PROPERTY

INITIAL RECOGNITION

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

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

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

SUBSEQUENT MEASUREMENT - COST MODEL

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

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

Investment property

SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

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

5 NON-CURRENT ASSETS HELD FOR SALE

INITIAL RECOGNITION

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

SUBSEQUENT MEASUREMENT

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

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

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

6 INVENTORIES

INITIAL RECOGNITION

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

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

SUBSEQUENT MEASUREMENT

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

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

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

7 FINANCIAL INSTRUMENTS

INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

SUBSEQUENT MEASUREMENT

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

7.2.1 INVESTMENTS

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

7.2.2 TRADE AND OTHER RECEIVABLES

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

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

7.2.3 TRADE PAYABLES AND BORROWINGS

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

7.2.4 CASH AND CASH EQUIVALENTS

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

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

8 INVESTMENTS IN ASSOCIATES

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

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

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

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

9 UNAUTHORISED EXPENDITURE

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

10 IRREGULAR EXPENDITURE

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

11 FRUITLESS AND WASTEFUL EXPENDITURE

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

12 PROVISIONS

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

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

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

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

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13 LEASES

MUNICIPALITY AS LESSEE

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

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

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

MUNICIPALITY AS LESSOR

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

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

14 REVENUE

REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

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

REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

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

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

GRANTS, TRANSFERS AND DONATIONS

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

15 BORROWING COSTS

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

16 RETIREMENT BENEFITS

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

Insert defined contribution plan information here

Insert defined benefit plan information here.

17 CONSTRUCTION CONTRACTS AND RECEIVABLES

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

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

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

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

18 IMPAIRMENT OF ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

ULUNDI LOCAL MUNICIPALITY
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for the year ended 30 June 2011

	Note	2011 R	2010 R
### CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		1 000	1 000
Cash at bank		362 139	9 650
Call deposits		134 528	2 603 346
		<u>497 667</u>	<u>2 613 996</u>
Bank overdraft included in above			-
		<u>497 667</u>	<u>2 613 996</u>
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
First National Bank - Ulundi: 62035267609			
Cash book balance at beginning of year		(99 596)	1 432 659
Cash book balance at end of year		<u>352 166</u>	<u>(99 596)</u>
Bank statement balance at beginning of year		800 993	3 226 898
Bank statement balance at end of year		<u>324 211</u>	<u>800 993</u>
<u>Current Account (Other Account)</u>			
First National Bank - Westville Branch: 6208925531			
Cash book balance at beginning of year			-
Cash book balance at end of year		8 383	-
Bank statement balance at beginning of year			-
Bank statement balance at end of year		8 383	-
This account was opened to administer receipts and payments for housing projects			
<u>Current Account (Salaries)</u>			
First National Bank - Ulundi Branch: 62033637846			
Cash book balance at beginning of year		9 650	2 500
Cash book balance at end of year		<u>1 590</u>	<u>9 650</u>
Bank statement balance at beginning of year		9 650	2 500
Bank statement balance at end of year		<u>1 590</u>	<u>9 650</u>
<u>Credit Card account (Petrol purchases)</u>			
First National Bank - 8812710030007004			
Short term deposits			-
Deposits on call with banks		134 528	2 603 346
<u>Cash on hand</u>		1 000	1 000
Total cash and cash equivalents		<u>497 667</u>	<u>2 613 996</u>
Total bank overdraft			<u>(99 596)</u>
Unutilised Conditional Grants must be ring fenced and separately invested. This was not implemented and amounts invested at year end were insufficient to cover the value of unspent conditional grants , as indicated hereunder:			
Unutilised Conditional Grants		5 216 037	9 421 514
Amounts invested		<u>274 528</u>	<u>2 603 346</u>
Shortfall		<u>4 941 509</u>	<u>6 818 168</u>

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

### TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Note	2011 R	2010 R
	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
Trade receivables			
as at 30 June 2011			
Service debtors			
Service debtors	35 016 424	13 934 863.41	21 081 561
Rates	69 058 393	17 727 509.64	51 330 883
Total	104 074 817	31 662 373	72 412 444
	c	c	c cc
Other receivables			
Other receivables			
	-	-	-
Total Trade and other receivables	104 074 817	31 662 373	72 412 444
as at 30 June 2010			
Service debtors			
Service debtors	17 845 887	18 401 657	(555 770)
Rates	64 265 913	-	64 265 913
Electricity	12 975 930	10 090 933	2 884 997
Other	5 311 698	5 019 267	292 431
Total	100 399 428	33 511 857	66 887 571
	c	c	c cc
Other receivables			
Other receivables			
	-	-	-
Total Trade and other receivables	100 399 428	33 511 857	66 887 571
Rates: Ageing			
Current (0 – 30 days)		1 845 872	2 187 088
31 - 60 Days		1 417 924	1 723 886
61 - 90 Days		1 315 144	1 473 351
91 - 120 Days		1 313 988	1 305 423
121 Days and over		63 165 464	57 579 969
Total		69 058 392	64 269 717
		c	c
Electricity and other: Ageing			
Current (0 – 30 days)		1 136 092	1 329 814
31 - 60 Days		597 303	645 270
61 - 90 Days		286 393	625 341
91 - 120 Days		331 086	578 265
121 Days and over		34 141 789	32 951 020
Total		36 492 663	36 129 710
		c	c

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
### Reconciliation of the doubtful debt provision			
Balance at beginning of the year		33 511 857	63 818 877
Contributions to provision			8 123 260
Doubtful debts written off against provision			
Reversal of provision		(1 849 354)	(38 430 280)
Balance at end of year		31 662 503	33 511 857
		c	c

The provision for bad Debts relating to Rates , relates to the Land that was in the name of ITB , which is to be transferred back to the Municipality in terms the proclamation, therefore rates against these properties should have never been raised.

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R - (2010: R 44467848-) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	31-60	2 015 227	2 369 156
2 months past due	61-90	1 601 537	2 098 692
3 months past due			

Trade and other receivables impaired

As of 30 June 2011, trade and other receivables of R - (2010: R 72846075 -) were impaired and provided for.

The amount of the provision was R - as of 30 June 20x1 (20x10 R 63818872).

The ageing of these receivables is as follows:

Past due 3 months	1 645 074	1 883 688
Over 3 months past due	97 307 253	90 530 989

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

OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors	8 938 557	2 128 575
Total Other Debtors	8 938 557	2 128 575
Less: Provision for Doubtful Debts	1 256 290	1 256 290
	7 682 267	872 285

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R		2010 R
### INVENTORIES		c	c	
Opening balance of inventories:		1 051 233		896 765
Consumable stores - at cost		1 051 233		896 765
Additions:		229 967		154 468
Closing balance of inventories:		1 281 200		1 051 233
		c	c	
### PREPAYMENTS				
Prepaid expenses		279 244		290 825
Insurance for x months relating to following financial year, were paid in the current year.				
### INVESTMENTS				
<u>Financial Instruments</u>				
Call deposits		140 000		140 000
The New Republic Bank went into liquidation and was placed under curatorship. The value of this investment has been written down to its estimated net realisable value.				
### NON-CURRENT RECEIVABLES				
Car loans		35 572		35 572
Less : Current portion transferred to current receivables		35 572		35 572
Car loans		(35 572)		(35 572)
Total		-		-

CAR LOANS

During the 2009/2010 Audit this matter was raised by the Auditors, and it was recommended that this Debt be written off. Management have made a decision that the amount not be written off, and one last attempt to be made for the collection by involving the Lawyers.

Legend

c =cast

cc = cross cast

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R
as at 1 July 2010	108 902 291	386 532 883	3 480 418	965 916	990 762	500 872 270
Cost/Revaluation	128 114 311	835 102 802	3 679 913	12 173 477	1 622 727	980 693 230
Accumulated depreciation and impairment losses	(19 212 020)	(448 569 919)	(199 495)	(11 207 561)	(631 965)	(479 820 960)
Acquisitions	-	70 401	-	235 632	-	306 032
Capital under Construction	8 705 615	27 991 612	45 054	-	-	36 742 281
Depreciation	(5 205 757)	(60 494 054)	(182 888)	(325 291)	(324 545)	(66 532 535)
Carrying value of disposals	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-
as at 30 June 2011	112 402 149	354 100 842	3 342 584	876 257	666 217	471 388 049
Cost/Revaluation	136 819 926	863 164 815	3 724 967	12 409 109	1 622 727	1 017 741 544
Accumulated depreciation and impairment losses	(24 417 777)	(509 063 973)	(382 383)	(11 532 852)	(956 510)	(546 353 495)
	c	c	c	c	c	c cc

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

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Reconciliation of Carrying Value	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R
as at 1 July 2009	104 825 784	397 115 081	2 365 442	719 039	-	505 025 346
Cost/Revaluation	122 454 040	820 288 382	2 408 800	12 801 490	-	957 952 712
Accumulated depreciation and impairment losses	(17 628 256)	(423 173 301)	(43 358)	(12 082 451)	-	(452 927 366)
Acquisitions	2 177 926	9 135 861	1 271 113	640 600	-	13 225 500
Capital under Construction	3 482 345	5 678 559	-	-	-	9 160 904
Depreciation	(1 583 764)	(25 396 618)	(156 137)	(393 723)	-	(27 530 242)
Carrying value of disposals	-	-	-	0	-	0
Cost/Revaluation	-	-	-	(1 268 613)	-	(1 268 613)
Accumulated depreciation and impairment losses	-	-	-	1 268 613	-	1 268 613
as at 30 June 2010	108 902 291	386 532 883	3 480 418	965 916	990 762	500 872 270
Cost/Revaluation	128 114 311	835 102 802	3 679 913	12 173 477	1 622 727	980 693 230
Accumulated depreciation and impairment losses	(19 212 020)	(448 569 919)	(199 495)	(11 207 561)	(631 965)	(479 820 960)
	c	c	c	c	c	c cc

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

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€	2 011.00	€	2 010.00
		R		R	
### INVESTMENT PROPERTY CARRIED AT FAIR VALUE					
Reconciliation of carrying value					
as at the beginning of the financial year		244 449 000		19 150 200	
Revaluation of vacant land				225 298 800	
Sales recognised during the year ending 30 June 2011		(300 000)			
as at 30 June 2011		244 149 000		244 449 000	
		c		c	

Details of property:

The full listing was revalued, and ownership verified by Professional Valuers, Municipal Valuer, Martin Fitchet, BPG Mass Appraisals, and it has been confirmed that the revalued investment properties under the ownership of Ulundi Municipality amounted to R 244,449,000 , the Market values of the current years finalised sales amounted to R 300,000

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€	2 011.00	€	2 010.00
		R	R		R
### TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS					
Trade creditors		21 102 718			6 136 577
Payments received in advance		7 464 058			2 400 809
Retentions		3 825 629			1 845 185
Staff leave accrual		3 802 323			3 429 956
Deposits other		212 940			161 627
Land Sales Suspense		3 195 093			917 836
Unallocated receipts					654 600
VAT accrual		3 189 445			3 046 348
Other payables					6 352
Total creditors		<u>42 792 206</u>			<u>18 599 290</u>

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

Land Sales Suspense relates to funds received on property sales for which monies are still outstanding. Only when full payment is received is the

### CONSUMER DEPOSITS					
Electricity		1 369 288			1 259 888
		-			-
Total consumer deposits		<u>1 369 288</u>			<u>1 259 888</u>

### VAT PAYABLE					
VAT payable		-			-

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

### VAT RECEIVABLE					
VAT receivable		3 368 742			727 215
		<u>3 368 742</u>			<u>727 215</u>

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

### PROVISIONS					
Performance bonus		635 408			360 356
		-			-
Total Provisions		<u>635 408</u>			<u>360 356</u>

Performance bonuses for Section 57 Employees were provided for as outlined in the "Performance Regulations" promogated by the Department of Provincial and Local Government on the 1st August 2006.

The movement in current provisions are reconciled as follows: -

as at 1 July 2010		360 356			395 000
Contributions to provision		275 052			184 454
Expenditure incurred		-			(219 098)
as at 30 June 2011		<u>635 408</u>			<u>360 356</u>

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note	€ R	2 011.00 R	€ R	2 010.00 R
### UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
Unspent Conditional Grants from other spheres of Government		5 216 037		9 421 515
Total Unspent Conditional Grants and Receipts		5 216 037		9 421 515
<p>See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised. Notes15-61!A291</p>				
### ACCUMULATED SURPLUS				
(Deficit) / Surplus for the year		(36 253 809)		251 024 063
Other accumulated surplus		448 283 500		136 446 978
		412 029 691		387 471 041
Government Grant Reserve				
Balance as at 30 June 2010		108 696 972		96 071 460
Capital grants used to finance Property, Plant, and Equipment				20 680 570
Offsetting of Depreciation				(8 055 058)
Transferred to Accumulated Surplus		(108 696 972)		
Balance as at 30 June 2011		-		108 696 972
Capitalisation Reserve				
Balance as at 30 June 2010		7 672 587		7 936 535
Offsetting of Depreciation				(263 948)
Transferred to Accumulated Surplus		(7 672 587)		
Balance as at 30 June 2011		-		7 672 587
Other Accumulated Reserves				271 733 447

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€ R	2 011.00 R	€ R	2 010.00 R
### BORROWINGS					
Local Registered Stock Loans					
Annuity Loans					
DBSA			540 420		540 420
BIDVEST			555 979		1 622 727
			<u>1 096 399</u>		<u>2 163 147</u>
Less : Current portion transferred to current liabilities			(540 420)		-
Local Registered Stock Loans					
Annuity Loans			(540 420)		
DBSA					
Other borrowings					
Total borrowings			<u>555 979</u>		<u>2 163 147</u>

Refer to Appendix A for more detail on borrowings.

[App A!A1](#)

	€	2 011.00	€	2 010.00
### FINANCE LEASE LIABILITY				
Amounts payable under finance leases				
Within one year		273 205		453 087
Within two to five years		282 775		1 027 381
		<u>555 979</u>		<u>1 480 468</u>
Correction of prior period error				
Current portion of borrowings				-
Current portion of finance lease liability recognised				453 087
				<u>453 087</u>
Non Current borrowings				
Previously reported				540 420
Long term portion of Finance lease liability				1 169 640
				<u>1 710 060</u>

In prior years finance lease were recognised as operating leases.

PROPERTY RATES

Actual

Residential	5 502 373	5 466 113
Commercial	4 564 708	4 693 917
Agriculture	1 630 834	1 574 680
Heavy Industries		
State	9 691 502	4 384 337
Total property rates	<u>21 389 417</u>	<u>16 119 047</u>
Rates Rebates	2 845 497	3 614 052
	18 543 920	12 504 995
Property rates - penalties imposed and collection charges	7 865 654	7 366 746
Total	<u>26 409 574</u>	<u>19 871 741</u>

Valuations

Residential	522 186 001	516 734 001
Commercial	236 357 010	218 367 007
State	530 696 006	438 155 003
Non Profit Organisations		79 119 000
Agricultural	667 686 502	629 876 500
Non-Rateable	233 821 692	278 958 190

Municipal

Total Property Valuations	<u>2 190 747 211</u>	<u>2 161 209 701</u>
----------------------------------	----------------------	----------------------

Valuations on land and buildings are performed every four years. The latest valuation was completed on 1st January 2009, and came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual

The following are the rate randages that were applied to the valuations in respect of the various categories:

- Domestic and commercial R 00.21
- Public Works R 00.6385

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€	2 011.00	€	2 010.00
			R		R
Rebates of 40 % are granted to residential owners and 20 % to state property owners. Rates are levied on an annual basis on property owners.					
All registered indigents receive a monthly subsidy of R 00.21 for rates, this subsidy is funded from the equitable share grant.					

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€	2 011.00	€	2 010.00
			R		R
### SERVICE CHARGES					
Sale of electricity			32 516 513		26 582 671
Refuse removal			4 525 350		2 986 993
Other			579 143		875 892
Total Service Charges			37 621 006		30 445 556
### RENTAL OF FACILITIES AND EQUIPMENT					
Rental of facilities			385 515		410 285
Rental of equipment			-		-
Other rentals			-		-
Total rentals			385 515		410 285
### INTEREST EARNED - EXTERNAL INVESTMENTS					
Bank			413 739		646 593
Financial assets					
Other					
Total interest			413 739		646 593
### GOVERNMENT GRANTS AND SUBSIDIES					
Equitable share			56 600 644		46 240 065
Conditional Grants utilised			34 530 528		23 072 953
Other Government Grants and Subsidies			12 000		-
Total Government Grant and Subsidies			91 143 172		69 313 018
### Equitable Share					
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R00.21 for rates which is funded from the grant.					
			56 600 644		46 240 065
### MIG Grant					
Balance unspent at beginning of year			(3)		3 169 571
Current year receipts			18 300 000		15 800 000
Prior year adjustment					(1 590 517)
Transfer 2008/2009					(2 074 228)
Debtor 2011			6 332 543		
Conditions met - transferred to revenue			(24 632 540)		(15 304 826)
Conditions still to be met - remain liabilities (see note 21)			-		-
<i>Provide explanations of conditions still to be met and other relevant information</i>					
### Other Government Grants and Subsidies					
Balance unspent at beginning of year			9 421 515		11 702 434
Current year receipts			9 176 039		9 500 011
Prior year adjustment					(3 193 767)
Transfer 2008/2009					(819 034)
Debtor 2011					
Conditions met - transferred to revenue			(13 381 518)		(7 768 129)
Conditions still to be met - remain liabilities (see note 21)			5 216 036		9 421 515
<i>Provide explanations of conditions still to be met and other relevant information</i>					
### Changes in levels of government grants					
Based on the allocations set out in the Division of Revenue Act, (Act ...of 20X2), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.					

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note	€	2 011.00	€	2 010.00
		R		R
### OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS				
Other income				
Other income		686 371		42 767
VAT Recovery - Projects funded from Grant	Notes15-61!A684	3 693 927		2 881 622
Contribution shared services				748 250
Total Other Income		4 380 298		3 672 639

### EMPLOYEE RELATED COSTS				
		54 570 538		45 192 334
Employee related costs - Salaries and Wages		34 453 684		26 968 725
Employee related costs - Contributions for UIF, pensions and medical aids		9 982 607		9 748 445
Travel, motor car, accommodation, subsistence and other allowances		3 072 771		2 038 516
Housing benefits and allowances		129 485		126 778
Overtime payments		930 990		751 044
Performance and other bonuses		-		360 356
Other employee related costs		2 028 231		2 019 160
Employee Related Costs		50 597 768		42 013 024

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

Remuneration of the Municipal Manager				
Annual Remuneration		618 494		589 363
Performance- and other bonuses		124 266		87 639
Travel, motor car, accommodation, subsistence and other allowances		226 159		209 017
Contributions to UIF, Medical and Pension Funds		43 042		60 363
Total		1 011 962		946 382

Remuneration of the Chief Finance Officer				
Annual Remuneration		463 863		467 053
Performance- and other bonuses		93 199		-
Travel, motor car, accommodation, subsistence and other allowances		90 509		79 507
Contributions to UIF, Medical and Pension Funds		117 418		101 886
Total		764 990		648 446

Remuneration of the Manager Corporate Services				
Annual Remuneration		471 285		628 540
Performance- and other bonuses		93 199		71 705
Travel, motor car, accommodation, subsistence and other allowances		90 509		79 508
Contributions to UIF, Medical and Pension Funds		117 418		111 029
Total		772 412		890 782

Remuneration of Individual Executive Directors				
		Community Services R	Protection Services R	Technical Services R
€	2 011.00			<
Annual Remuneration		463 863	463 863	504 388
Performance- and other bonuses		93 199	93 199	
Travel, motor car, accommodation, subsistence and other allowances		90 509	90 509	160 000
Contributions to UIF, Medical and Pension Funds		117 418	117 418	1 452
Total		764 990	764 990	665 840

		Community Services R	Protection Services R	Technical Services R
€	2 010.00			
Annual Remuneration		542 602	444 612	127 952
Performance- and other bonuses		59 754		
Travel, motor car, accommodation, subsistence and other allowances		83 260	79 508	29 500
Contributions to UIF, Medical and Pension Funds		106 265	111 029	
Total		791 881	635 149	157 452

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€	2 011.00	€	2 010.00
		R	R	R	R
### REMUNERATION OF COUNCILLORS					
Executive Mayor			562 859		570 114
Deputy Executive Mayor			532 685		461 125
Speaker			463 023		461 105
Executive Committee Members			1 054 028		1 708 064
Councillors			6 468 389		6 319 935
Councillors' contributions Skills Development					70 917
Councillors' allowances					
Total Councillors' Remuneration			9 080 984		9 591 260
In-kind Benefits					
The Executive Mayor, Deputy Mayor, Speaker and Executive Committee Members are provided with an office and secretarial support at the cost of the Council.					
### DEPRECIATION AND AMORTISATION EXPENSE					
Depreciation - Finance lease assets			324 545		
Property, plant and equipment			66 207 989		27 530 242
Total Depreciation and Amortisation			66 532 535		27 530 242
### FINANCE COSTS					
External Interest			37 903		7 895
Finance lease interest			69 018		
Total Interest paid			106 921		7 895
The Interest paid amount as disclosed relates to accrued interest on the DBSA Loan.					
### BULK PURCHASES					
Electricity			33 897 823		24 594 884
Total Bulk Purchases			33 897 823		24 594 884
### CONTRACTED SERVICES					
Contracted services for:					
Hire of equipment			945 098		
Hire of Vehicles			3 544 874		1 226 804
Professional fees			1 602 135		1 909 954
Private Security Service			2 768 839		2 074 573
Refuse Removal contracts			4 141 770		3 931 186
Software and licenses			804 610		681 656
Grant expenditure	MPRA		118 427		976 302
Grant expenditure	SYSTEMS		447 772		
Grant expenditure	CO-OP CENTRE		2 073 715		
Grant expenditure	SECTOR PLAN		56 010		
			16 503 250		10 800 476

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€	2 011.00	€	2 010.00
			R		R
### GENERAL EXPENSES					
Included in general expenses are the following:-					
Accommodation			278 574		384 034
Advertising			316 897		115 948
Ammunition			79 282		
Arts and Culture			998		
Audit fees - External			1 284 453		1 099 899
Audit fees - Internal			695 564		864 407
Bank charges			430 271		334 253
Brochures - Council					2 301
Cash handling fee			163 309		149 087
Cash shortages			800		6 325
Chemicals & gasses					6 805
Children holiday programme			859		-
Civic entertainment					24 614
Commision : Sale pre-paid Electricity			420 660		174 074
Conference fees			26 665		25 838
Contribution - Leave pay provision					
Decorations			20 700		42 428
Delivery - Consumer accounts			80 645		59 186
Digging of graves					43 807
Disconnection fees					133 563
Entertainment / Refreshments			497 277		206 243
Expendable tools			16 637		30 980
Fertilizer & Compost			53 571		7 063
Fixed asset register			350 000		
Fuel and oil - machinery			35 249		
Free basic Services - Electricity			188 086		369 151
Fruitless and wasteful expenses			67 589		333 947
Grant : Community dev workers					
Grant : FMG			1 085 877		605 665
Grant : P/CONS HR Systems					47 410
Grant : LUMS					
Grant : MAP					
Grant : Municipal Governance					347 735
Grant : National Electrification					
Grant : PMS					
Grant : Skills Development			228 888		141 337
Grant Bookkeeping training					
Grant P/Cons HR Systems					
Grant Project Consolidate Comm Consultant					
Grant valuation roll					
Hire of equipment					644 683
Hire of offices			84 746		
HIV/AIDS Projects			299 012		69 818
Housing Grant Expenditure					43 860
IDP projects			201 751		
Indigent burials			1 009 389		926 960
Indigent relief			133 993		149 559
Insurance			541 372		559 347
IT - Management training					495
Legal expenses			314 361		174 432
LED projects			34 855		
Library material			37 395		11 506
License fees			17 694		6 042
Local mayoral sports cup			460 691		280 982
Lost/Damaged library books			6 623		2 629
Mayoral functions			926 148		285 963
Medical examination fees			4 935		6 006
Membership fees			255 110		238 512
MPRA					44 087
Official photographs					5 187
Pauper burials					
Periodicals			7 437		51 659
Printing and stationery			1 281 951		542 832
Projects tourism			178 208		230 074
Promotional material			148 884		25 653
Publicity			270 628		76 501
Quality Special projects/Grass cutting			378 540		267 535
Refuse bags			250 006		223 410
Refuse receptacles					
Repeater licence fee					
Small office equipment			97 170		51 724
Small tools					108
Stamps and postage			12 232		48 716
Stocks and material			375 649		255 316
Stores shortages			143 028		
Street lights					
Study aid - Staff			(29 306)		(6 734)
Sundries			116 006		32 170
Telephone cost			1 136 178		1 200 432

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€	2 011.00	€	2 010.00
			R		R
Training			221 172		241 896
Transport			1 392 476		1 548 501
Travel and subsistence			500 455		697 476
Trees and shrubs			14 481		
Uniforms & overalls			145 550		215 047
Valuation costs			168 871		
Ward committees					
Water charges			292 418		246 768
WCC			719 487		50 107
Weed killer programme			885		
Weed killers and insecticides					50 662
Youth Affairs			15 850		
Other					
			18 489 181		15 056 022

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€	2 011.00	€	2 010.00
			R		R
### GAIN / (LOSS) ON SALE OF ASSETS					
Investment property			199 842		1 840 055
Vehicles			9 800		330 500
Total Gain / (Loss) on Sale of Assets			209 642		2 170 555
### PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT					
Investment property carried at fair value			-		225 298 800
Total Profit / (Loss) on Fair Value Adjustment			-		225 298 800
 ### PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT					
Investment property carried at fair value					225 298 800
Total Profit / (Loss) on Fair Value Adjustment			-		225 298 800

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€	2 011.00	€	2 010.00
		R	R	R	R
### CASH GENERATED BY OPERATIONS					
(Deficit)/ Surplus for the year			(36 253 809)		251 024 063
Adjustment for:-					
Prior year			(339 283)		
Depreciation and amortisation			66 532 535		27 530 242
(Gain) / loss on sale of assets			(209 642)		(2 170 555)
Doubtful debt provision written back			(1 849 354)		(3)
Contributions to provisions - current					-
Housing grants received/ Expenditure					(50 580)
Finance costs			37 903		7 895
Interest earned			(413 739)		(646 593)
Fair value adjustments			-		(212 063 600)
Operating surplus before working capital changes:			27 504 610		63 630 869
	c	c			
(Increase)/decrease in inventories			(229 967)		(154 468)
(Increase)/decrease in trade receivables			(3 675 519)		(10 227 110)
(Increase)/decrease in other receivables			(6 809 982)		126 548
(Increase)/decrease in prepayments			11 581		
Adjustment to provisions - current			275 052		(34 644)
(Increase)/decrease in VAT receivable			(2 641 527)		201 438
Increase/(decrease) in conditional grants and receipts			(4 205 477)		(666 207)
Increase/(decrease) in trade payables			24 192 916		2 068 723
Increase/(decrease) in consumer deposits					
Cash generated by/(utilised in) operations			34 421 687		54 945 149
	c	c			
### CASH AND CASH EQUIVALENTS					
Cash and cash equivalents included in the cash flow statement comprise the following:					
Bank balances and cash			497 667		2 613 996
Bank overdrafts			-		(99 596)
Net cash and cash equivalents (net of bank overdrafts)			497 667		2 514 400
	c	c			
### UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION					
Long-term liabilities (see Note 22)					Notes15-61\A135
Used to finance property, plant and equipment – at cost					
Sub- total					
Cash set aside for the repayment of long-term liabilities					
Cash invested for repayment of long-term liabilities					
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.					
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE					
### DISALLOWED					
### Fruitless and wasteful expenditure					
Reconciliation of unauthorised fruitless and wasteful expenditure					
Opening balance			7 676 126		930 392
Unauthorised fruitless and wasteful expenditure current year			164 835		8 010 073
Approved by Council or condoned					(1 264 339)
Transfer to receivables for recovery					-
Unauthorised fruitless and wasteful expenditure awaiting authorisation			7 840 961		7 676 126
Irregular expenditure	c	c			
Reconciliation of irregular expenditure					
Opening balance					
Irregular expenditure current year			943 311		-
Condoned or written off by Council					
Transfer to receivables for recovery – not condoned					
Irregular expenditure awaiting condonement			943 311		-
Unauthorised expenditure	c	c			
Reconciliation of unauthorised expenditure					
Opening balance					
Unauthorised expenditure current year					
Depreciation			66 207 989		
Bulk purchases			2 906 123		
Contracted services			1 456 764		
Approved by Council or condoned					
Transfer to receivables for recovery					

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€	2 011.00	€	2 010.00
		R		R	
Unauthorised expenditure awaiting authorisation		70 570 876		-	

c

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note	€	2 011.00	€	2 010.00
		R		R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE				
### MANAGEMENT ACT				
### Contributions to organised local government				
Opening balance				
Council subscriptions		(255 110)		(238 512)
Amount paid - current		255 110		238 512
Amount paid - previous years				
Balance unpaid (included in payables)		<u>-</u>		<u>-</u>
### Audit fees				
Opening balance		(1 284 453)		(1 099 899)
Current year audit fee				
Amount paid - current year		1 284 453		1 099 899
Amount paid - previous years				
Balance unpaid (included in payables)		<u>-</u>		<u>-</u>
### VAT				
Opening balance		727 215		1 757 174
VAT due to SARS : Letter of Assessment - 2007 and 2008 periods		(339 283)		(828 521)
Revised opening balance		387 932		928 653
Current year output vat		(5 236 395)		(4 359 016)
Current year input vat		13 504 079		9 626 153
Amount paid current year				249 106
Amount refunded by SARS - current		(5 286 874)		(5 717 682)
Amount due by SARS		<u>3 368 742</u>		<u>727 214</u>

VAT receivables and payables are shown in note 12. All VAT returns have been submitted by the due date throughout the year.

PAYE and UIF

Opening balance				
Current year payroll deductions		6 331 640		5 124 969
Amount paid - current year		(6 331 640)		(5 124 969)
Amount paid - previous years				
Balance unpaid (included in payables)		<u>0</u>		<u>-</u>

Pension and Medical Aid Deductions

Opening balance				
Current year payroll deductions and Council Contributions		15 692 156		14 495 286
Amount paid - current year		(15 692 156)		(14 495 286)
Amount paid - previous years				
Balance unpaid (included in payables)		<u>(0)</u>		<u>-</u>

Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

	Total	Outstanding less	Outstanding more
	R	than 90 days	than 90 days
		R	R
as at 30 June 2011			
NJ Manana	946	946	
F L Buthelezi	8 566		8 566
W T Ndebele	1 294		1 294
Total Councillor Arrear Consumer Accounts	<u>10 806</u>	<u>946</u>	<u>9 860</u>
MA Sibiya	8 729		
SG Jali	10 137	1 915	2 433

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note	€	2 011.00	€	2 010.00
		R		R

CAPITAL COMMITMENTS

- Approved and contracted for

Infrastructure
Community
Heritage
Other

	20 909 550	16 425 000
22 010 053		16 425 000

- Approved but not yet contracted for

Infrastructure
Community
Heritage
Other

	1 459 700

Total

	20 909 550	17 884 700
--	-------------------	-------------------

This expenditure will be financed from:

- External Loans

- Government Grants
- Own resources
- District Council Grants

	20 909 550	16 425 000
	-	1 459 700
	20 909 550	17 884 700

Operating leases

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

Operating leases - lessee

Within one year
Greater than one year

		<u>457 470</u>
		1 309 506
Total	-	1 766 976

Operating Leases consists of the following:


Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable

**ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011**

Note	€	2 011.00	€	2 010.00
		R		R
### RETIREMENT BENEFIT INFORMATION				
### Defined contribution plan				
<p>Certain Councillors and employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2009.</p>				
### Retirement Fund				
<p>The Fund's Actuary confirmed that, at the valuation date, - the Memorandum account was fully funded</p> <p>- the Fund's liabilities for members exceeded the value of the assets, however, it was anticipated that the surcharge of 17 % of pensionable salaries, which currently applies, will enable the shortfall to be eliminated by July 2010.</p>				
<u>CERTIFICATE AS ISSUED BY VALUATOR ACTUARY</u>				
<p><i>We have reconciled the valuation data with the financial statements and performed a number of reasonableness tests to verify the correctness of the</i></p> <p><i>I am satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities.</i></p> <p><i>The Fund self-insures its risk benefits. The lump sum element of these benefits is relatively small, with the major element comprising of annuity</i></p> <p><i>At the valuation date:</i></p> <p><i>The Memorandum Account in respect of pensioners was fully funded;</i></p> <p><i>Based on the valuation assumptions that applied in 2000, the Fund was fully funded.</i></p> <p><i>However, based on the revised assumptions, the Fund's liabilities for the Members exceeded the value of the assets and an extension of the</i></p> <p><i>The position will be reviewed at the next interim valuation of the Fund as at 31 March 2010.</i></p>				
<u>AR ELS (FASSA FIA) S HEYNEKE (FASSA FIA)</u>				
<u>VALUATOR ACTUARY</u>				
<p><i>In my capacity as valuator to the Fund and as an In my capacity as actuary and as an employee of Arthur Els & Associates employee of Arthur Els & Associates</i></p> <p>02-Dec-09</p>				
### CONTINGENT LIABILITY				
### Claim for damages				
<p>The following matters are currently on the roll of the high court and as at balance sheet date the following amounts represent possible liabilities, they are an estimate from the Municipality's attorneys.</p>				
D.N. Nzimande on behalf of S.E. Nzimande vs Ulundi Municipality		2 300 000		2 300 000
G.M. Zondo on behalf of L.Z. Zondo vs Ulundi Municipality		100 000		100 000
<p>The Municipality is being sued by these ratepayers for damages arising from incidents relating to electric shock injuries sustained.</p>				
		2 400 000		2 400 000
<p>This matter will be arbitrated upon. It has not reached the arena of court. The current amount being claimed, for services rendered is in the region of R540 000-00. It is for the services of speed cameras and equipment supplied to Ulundi.</p>				
		600 000		600 000
<p>The arbitrator will find that the Municipality will have to pay the full amount outstanding together with costs. This will be estimated to be R600 000-00. (the claim plus costs)</p>				
		3 000 000		2 400 000
### RELATED PARTIES				
Compensation paid to members of key management				4 070 092
Compensation paid to councillors			c	9 591 260
<p>There were no related party transactions during the 2010/2011 financial year.</p>				
### EVENTS AFTER THE REPORTING DATE				
<p>There have been no events after the reporting date that require disclosure.</p>				
### KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS				
<p>No areas have involved a significant degree of estimation, uncertainty or judgements made by management in applying the municipalities accounting policies and that have a material and significant affect on the amounts recognised in the financial statements.</p>				

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note	€	2 011.00	€	2 010.00
		R		R



ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note	€	2 011.00	€	2 010.00
	R		R	
### DISTRIBUTION LOSSES				
The municipality incurred distribution losses on Electricity amounting to approximately 24,503,480.69 units for the year ending 30 June 2010, this loss amounted to approximately . These losses are calculated as the difference between power supplies purchased and units sold (Residential and Commercial)				
Number of consumers (Residential and Commercial)				
Units purchased (kwh)		75 574 919		71 978 022
Units sold (total)		44 749 682		47 474 541
Units lost in distribution		30 825 237		24 503 481
% Lost in distribution		40.79%		34.04%
Average Cost per unit purchased		R 0.4486		R 0.1898
TOTAL COST OF DISTRIBUTION LOSSES		<u>R 13 829 513</u>		<u>R 4 661 105</u>

RISK MANAGEMENT

Maximum credit risk exposure

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or consumer contract, leading to financial loss. The municipality is exposed to credit risk from its operating activities (primarily for trade receivables)

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assess

Credit risk from balances with banks and financial institutions is managed by the municipality's finance and management committee in accordance with the municipality's policy. Investments of surplus funds are made only with approved counterparties and with

Counterparty credit facilities are reviewed by MANCO on an annual basis, and may be updated throughout the year subject to approval by EXCO.

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

First National Bank Call Investments	<u>134 528</u>	<u>2 603 346</u>
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These balances represent the maximum exposure to credit risk.

105 551 055 100 399 428

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	€	2 011.00	€	2 010.00
			R		R

Liquidity risk

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

GOING CONCERN

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

Immediate indication of going concern problems include: Cash book overdraft ; Unspent conditional grants and consumer deposits not cash backed; disclosed operating deficit; and over spend on budget.

The physical bank account never went into overdraft, the unpresented cheques , were subsequently covered by deposits.

As disclosed in note 1 , the unspent grants and consumer deposits were not cash backed. The main reason for this was due to collection challenges experienced with a number of major clients, and legal proceedings have been commenced on collection.

Unspent Grants balance
Consumer Deposits - Electricity

	5 216 036	9 421 514
	<u>1 369 288</u>	<u>1 259 888</u>
	<u>6 585 324</u>	<u>10 681 402</u>

c c

Interest rate risk

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

COMPARISON WITH THE BUDGET

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

Correction of prior period error

Current portion of borrowings

Current portion of finance lease liability recognised

	€	-
	€	453 087.00
	<u>€</u>	<u>453 087.00</u>

c

Non Current borrowings

Previously reported

Long term portion of Finance lease liability

		540 420
		<u>1 169 640</u>
		<u>1 710 060</u>

c

ULUNDI LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2011

EXTERNAL LOANS	Loan number	Redeemable Date	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 & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS Development Bank			540 420			540 420		
Total long-term loans			540 420			540 420		
TOTAL EXTERNAL LOANS			540 420			540 420		

ULUNDI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation				Accumulated Depreciation			Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Depreciation	Closing Balance	
	R	R	R	R	R	R	R	
	-	-	-	-	-	-	-	-
Buildings	128 114 311		8 705 615	136 819 926	(19 212 020)	(5 205 757)	(24 417 777)	112 402 149
Infrastructure								
Roads	646 177 207		19 285 034	665 462 241	(344 481 881)	(51 070 922)	(395 552 803)	269 909 438
Sewerage Mains & Purification	98 282			98 282	(98 282)		(98 282)	-
Electricity Mains	188 551 209	70 401	8 706 578	197 328 188	(103 855 966)	(8 363 709)	(112 219 675)	85 108 513
Electricity Peak Load Equip	242 520			242 520	(129 812)		(129 812)	112 708
Storm Water	33 584			33 584	(3 978)	(1 059 423)	(1 063 401)	(1 029 817)
Under construction	-			-	-		-	-
	835 102 802	70 401	27 991 612	863 164 815	(448 569 919)	(60 494 054)	(509 063 973)	354 100 842
Community Assets								
Cemeteries	3 679 913		45 054	3 724 967	(199 495)	(182 888)	(382 383)	3 342 584
	3 679 913	-	45 054	3 724 967	(199 495)	(182 888)	(382 383)	3 342 584
Other Assets								
Office Equipment	-			-	-		-	-
Furniture & Fittings	2 191 991	158 448		2 350 439	(1 984 634)	(44 502)	(2 029 136)	321 303
Bins and Containers	-			-	-		-	-
Machinery Equipment	3 647 924	49 809		3 697 733	(3 570 521)	(24 235)	(3 594 757)	102 976
Motor vehicles	3 276 680			3 276 680	(3 276 360)		(3 276 360)	320
Fire engines	-			-	-		-	-
Refuse tankers	-			-	-		-	-
Computer Equipment	3 056 882	27 375		3 084 257	(2 376 046)	(252 608)	(2 628 654)	455 602
Other Assets	-			-	-	(144)	(144)	(144)
						(3 801)	(3 801)	(3 801)
	12 173 477	235 632	-	12 409 109	(11 207 561)	(325 291)	(11 532 852)	876 257
Finance Lease Assets								
Office Equipment								
Other Assets								
	-	-	-	-	-	-	-	-
Total	979 070 503	306 032	36 742 281	1 016 118 817	(479 188 995)	(66 207 989)	(545 396 984)	470 721 833

ULUNDI LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2011

€	2 010.00	€	2 010.00	€	2 010.00	€	2 011.00	€	2 011.00	€	2 011.00
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)	
R	R	R		R	R	R		R	R	R	
11 030 509	36 774 670	(25 744 161)	Executive & Council	43 303 789	31 343 689	11 960 100		43 303 789	31 343 689	11 960 100	
62 734 548	36 899 305	25 835 243	Finance & Admin	76 357 465	11 645 365	64 712 100		76 357 465	11 645 365	64 712 100	
3 070 529	2 771 901	298 628	Planning & Development	1 014 777	4 287 661	(3 272 884)		1 014 777	4 287 661	(3 272 884)	
		-	Health			-				-	
56 848	5 189 500	(5 132 652)	Community & Social Services	37 975	6 709 614	(6 671 639)		37 975	6 709 614	(6 671 639)	
1 642 681	9 105 053	(7 462 372)	Public Safety	2 316 108	11 291 985	(8 975 877)		2 316 108	11 291 985	(8 975 877)	
467 164	4 356 053	(3 888 889)	Sport & Recreation	75 444	5 226 135	(5 150 691)		75 444	5 226 135	(5 150 691)	
-	346 681	(346 681)	Environmental Protection	-	457 169	(457 169)		-	457 169	(457 169)	
2 986 993	5 484 891	(2 497 898)	Waste Management	4 525 350	4 564 804	(39 454)		4 525 350	4 564 804	(39 454)	
18 345 852	4 399 471	13 946 381	Road Transport	-	68 056 973	(68 056 973)		-	68 056 973	(68 056 973)	
43 860	43 860	-	Housing			-				-	
31 408 869	38 980 127	(7 571 258)	Electricity	35 248 527	49 506 044	(14 257 517)		35 248 527	49 506 044	(14 257 517)	
	1 045 301	(1 045 301)	Other		6 103 328	(6 103 328)			6 103 328	(6 103 328)	
131 787 853	145 396 813	(13 608 960)		162 879 435	199 192 767	(36 313 332)		162 879 435	199 192 767	(36 313 332)	
			Less: Inter-Department Charges								
131 787 853	145 396 813	(13 608 960)	Total	162 879 435	199 192 767	(36 313 332)		162 879 435	199 192 767	(36 313 332)	

Ulundi Municipality

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	Actual R	Budget R	Variance R	Variance %	2 011.00 Explanation of significant variances greater than 10 % versus budget
REVENUE					
Property rates	18 543 920.00	24 000 000.00	(5 456 080.00)	-23%	
Rates penalties and collection charges	7 865 654.00	900 000.00	6 965 654.00	774%	
Service charges	38 270 543.00	60 214 500.00	(21 943 957.00)	-36%	
Rental of facilities and equipment	385 515.00	450 000.00	(64 485.00)	-14%	
Interest earned - external investments	413 739.00	800 000.00	(386 261.00)	-48%	
Fines	678 249.00	1 601 000.00	(922 751.00)	-58%	
Licences and permits	1 638 240.00	3 500 000.00	(1 861 760.00)	-53%	
Government grants and subsidies	91 148 435.10	79 341 000.00	11 807 435.10	15%	
Other income	3 730 761.00	50 000.00	3 680 761.00	7362%	
Gain on disposal of property, plant and equipment	509 642.00	3 000 000.00	(2 490 358.00)	-83%	
Total Revenue	163 184 698.10	173 856 500.00	(10 671 801.90)	-6%	
EXPENDITURE					
Employee related costs	50 597 768.00	51 154 465.00	(556 697.00)	-1%	
Remuneration of Councillors	9 080 984.00	10 188 020.00	(1 107 036.00)	-11%	
Bad Debts write off					
Provision for Bad debts			-		
Depreciation	66 532 534.59	-	66 532 534.59		
Repairs and maintenance	5 774 136.00	8 156 800.00	(2 382 664.00)	-29%	
Interest paid	37 903.00		37 903.00		
Bulk purchases	33 906 123.00	31 000 000.00	2 906 123.00	9%	
Contracted services	16 503 251.00	15 046 487.00	1 456 764.00	10%	
General expenses	18 939 231.06	22 147 387.00	(3 208 155.94)	-14%	
Total Expenditure	201 371 930.65	137 693 159.00	63 678 771.65	46%	
Surplus (Deficit) for the year	(38 187 232.55)	36 163 341.00	(74 350 573.55)		
Change in Accounting Estimate	1 849 353.95				
Profit / (loss) on Investment Property Valuation	(300 000.00)				
Adjusted Deficit for the period	(36 637 878.60)				

Ulundi Municipality

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	€			2 011.00	
	Additions R	Under Construction R	Total Additions R	Budgeted Additions R	Variance
Buildings		8 705 615	8 705 615		8 705 615
Infrastructure					
Roads		19 285 034	19 285 034		19 285 034
Electrical Infrastructures	70 401	8 706 578	8 776 979		8 776 979
Cemeteries		45 054	45 054		45 054
	70 401	28 036 666	28 107 067	-	28 107 067
Community Assets					
Recreational facilities					
Tourism Hub	-	-	-		-
Production Centre	-	-	-		-
	-	-	-	-	-
Other Assets					
Office & Computer Equipment	27 375	-	27 375		27 375
Air conditioners		-	-		-
Furniture and fittings	158 448	-	158 448		158 448
Machinery and equipment	49 809	-	49 809		49 809
Vehicles		-	-		-
	235 632	-	235 632	-	235 632
					-
Total	306 033	36 742 281	37 048 314	-	37 048 314

APPENDIX F
ULUNDI MUNICIPALITY: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2011

Description	Unspent balance at 1 July 2010	Adjustment 2010/2011	Received 2010/2011	Expenditure 2010/2011	Transfer 2010/2011	Unspent balance at 30 June 2011	Grants delayed/ withheld	Reason for delaying/ withholdin g funds	Compliance with grant conditions
	R	R	R	R	R	R	R		
NER Electricity	0					0	N/A		YES
Indigent Support	0					0	N/A		YES
Management Assistance Program	400 000			350 000		50 000	N/A		YES
Skills Development	293 453		124 488	228 888		189 053	N/A		YES
Finance Management	0		1 200 000	1 200 000		0	N/A		YES
Development Planning	191 559					191 559	N/A		YES
Tourism	164 666		185 000	195 157		154 509	N/A		YES
Sector plan	245 588			63 851		181 737	N/A		YES
LUMS	72 117					72 117	N/A		YES
Housing plan	36 172					36 172	N/A		YES
Anti corruption	8 474					8 474	N/A		YES
Library equipment	5 461					5 461	N/A		YES
MFMA implementation	104 513					104 513	N/A		YES
Dev inform. System (GIS)	15 934					15 934	N/A		YES
Inter dept. monitoring	63 780					63 780	N/A		YES
MSIG	0		750 000	552 320		197 680	N/A		YES
Strategic planning	4 362					4 362	N/A		YES
Community development workers	0					0	N/A		YES
MDIS support	125 000					125 000	N/A		YES
Performance Management	42 864					42 864	N/A		YES
MDPCB	80 000					80 000	N/A		YES
Capacity building	234 500					234 500	N/A		YES
Valuation roll	0					0	N/A		YES
Human resources policies	29 698					29 698	N/A		YES
Govt. structures and human resources	0					0	N/A		YES
MIG	-3	6 332 543	18 300 000	24 632 540		0	N/A		YES
Investment Plan	200 000					200 000	N/A		YES
Unit M	560 000					560 000	N/A		YES
REDS	150 000					150 000	N/A		YES
H V Cable Tester	460					460	N/A		YES
Basic bookkeeping training	1 212					1 212	N/A		YES
Parallel feeders	-492					-492	N/A		YES
Sportsfields	77 836			800		77 036	N/A		YES
ZDM corridor development	3 000 000			2 364 035		635 965	N/A		YES
Electricity supply to households	287 975		2 490 000	2 376 549		401 427	N/A		YES
Implementation of municipal governance	26 384					26 384	N/A		YES
Taxi Rank	3 000 000		4 000 000	6 049 920		950 080			YES
Arts and Culture			382 051			382 051			YES
Housing - Ekushumayeleni			44 500			44 500			
	9 421 514	6 332 543	27 476 039	38 014 060	0	5 216 036			