Umtshezi Municipality

Annual Financial Statements

2009/2010

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The reports and statements set out below comprise the annual financial statements presented to the auditor general:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the uMtshezi Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 3.

The annual financial statements set out on pages 7 to 45, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

Accounting Officer

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UMTSHEZI MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Umtshezi Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 44.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2009 (Act No.12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 *et seq.* of GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Umtshezi Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umtshezi Municipality as at 30 June 2010, and its financial performance and its cash flows for the year then ended are prepared, in accordance with SA Standards of GRAP to the financial statements and in the manner required by the MFMA and DoRA.

Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

10. As disclosed in note 34, to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of an error discovered during June 2010 in the financial statements of the Municipality at, and for the year ended 30 June 2010.

Unauthorised expenditure

11. As disclosed in note 39 to the financial statements unauthorised expenditure of R10, 200 million was incurred as a result of actual expenditure exceeding the budget.

Additional matter

12. I draw attention to the matters below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

13. The supplementary information set out on pages 45 to 51 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003)(MFMA),the Division of Revenue Act, 2009 (Act No.12 of 2009) (DoRA),Municipal Supply Chain Regulations of South Africa ,GRN 868 of 30 May 2005 (MSCM) and Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and financial management (internal control).

Predetermined objectives

15. Material findings on the report on predetermined objectives, as set out on pages 9 to 28 are reported below:

Non-compliance with regulatory and reporting requirements

Objectives budget

16. No evidence could be provided that the development objectives as contained in the IDP were budgeted for, as required in terms of regulation 6(a) of the Local Government: Municipal Planning and Performance Regulations, 2001.

Usefulness of information

17. The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

- The following audit finding relates to the above criteria:

Planned and reported performance targets not specific/measureable/time bound

18. For the selected objectives, 50% of the planned and reported targets were not:
    - Specific in clearly identifying the nature and the required level of performance;
    - Measurable in identifying the required performance;
    - Time bound in specifying the time period or deadline for delivery.

19. A comparison of performance with targets set in the previous financial year, and measures taken to improve performance were not disclosed in the annual performance report as required by paragraph 46(b) of the MSA.

Compliance with laws and regulations

Municipal Finance Management Act, No. 56 of 2003

Payments in excess of approved limits

20. Payments totalling R340 000 were made in excess of the approved limits of the original agreement, this is in contravention with section 116 (2) of the MFMA.

Tenders awarded without stipulating terms and conditions

21. Tenders have been awarded to suppliers without stipulating the terms and conditions of the contract as required by section 116(1) of the MFMA.

Bank overdraft

22. The letter sent to National Treasury notifying Treasury of the net overdrawn account balance of the Municipality was not in the format prescribed by section 70 (2) of the MFMA.

Annual financial statements

23. Contrary to the requirements of section 122(1)(a) of the MFMA, the financial statements submitted for audit were subject to material adjustments due to errors noted during the audit.

Municipal Supply Management Regulations GRN 868 of 30 May 2005
Evaluation criteria for disallowance of prohibited suppliers

24. Tenders have been awarded without evaluation of whether the supplier is prohibited from doing business with the public sector before awarding of the contract as required by section 14(c) of the MSCM Regulations.

INTERNAL CONTROL

25. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the following key laws and regulations MFMA, MSA, and SCM Regulations, but not for the purposes of expressing an opinion on the effectiveness of internal control.

26. The matters reported are limited to the significant deficiencies that gave rise to the findings on the report on predetermined objectives and compliance.

Financial and performance management

27. Management did not implement policies and procedure necessary to ensure that performance is adequately monitored and reported on.

Pietermaritzburg

Auditor General

30 November 2010

AUDITOR-GENERAL

Auditing to build public confidence

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements which are set out on pages 6 to 40 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 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Accounting Officer
31 August 2010

The supplementary information presented does not form part of the annual financial statements and is unaudited

Statement of Financial Position

	Note(s)	2010 R	2009 Restated R
Assets			
Current Assets			
Inventories	6	388,468	368,540
Trade and other receivables	7	3,340,493	4,074,620
VAT receivable	8	2,469,131	3,762,517
Consumer debtors	9	49,433,233	48,518,655
Financial assets - Investments	5	156,348	9,559,351
Cash and cash equivalents	10	-	3,147,727
		55,787,673	**69,431,410**
Non-Current Assets			
Property, plant and equipment	2	632,289,591	619,750,035
Intangible assets	3	246,716	164,452
Loans and receivables		805,701	725,818
Financial assets - Investments	5	97,921	92,221
		633,439,929	**620,732,526**
Non-Current Assets		633,439,929	620,732,526
Current Assets		55,787,673	69,431,410
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**689,227,602**	**690,163,936**
Liabilities			
Current Liabilities			
Finance lease obligation	11	1,112,058	900,152
Trade and other payables	15	18,347,842	27,230,003
Consumer deposits	16	2,196,927	2,041,324
Unspent conditional grants and receipts	12	2,878,852	12,693,493
Provisions	13	6,360,642	3,513,465
Bank overdraft	10	5,145,574	-
		36,041,895	**46,378,437**
Non-Current Liabilities			
Finance lease obligation	11	3,357,504	3,330,307
Interest bearing borrowing	14	2,242,107	2,235,175
		5,599,611	**5,565,482**
Non-Current Liabilities		5,599,611	5,565,482
Current Liabilities		36,041,895	46,378,437
Liabilities of disposal groups		-	-
Total Liabilities		**41,641,506**	**51,943,919**
Assets		689,227,602	690,163,936
Liabilities		(41,641,506)	(51,943,919)
Net Assets		**647,586,096**	**638,220,017**
Net Assets			
Reserves			
Housing dedicated fund		1,095,260	1,095,260
Accumulated surplus		646,490,836	637,124,757
Total Net Assets		**647,586,096**	**638,220,017**

Statement of Financial Performance

	Note(s)	2010 R	2009 Restated R
Revenue	17	185,893,721	154,150,289
Revenue		185,893,721	154,150,289
Cost of sales		-	-
Other income		1,386,213	858,425
Operating expenses		(184,312,839)	(159,460,039)
		185,893,721	154,150,289
		(182,926,626)	(158,601,614)
Operating surplus (deficit)		**2,967,095**	**(4,451,325)**
Investment revenue		333,148	2,591,467
Write off of non-current assets		(133,685)	-
Finance costs	26	(917,286)	(1,087,103)
Profit (loss) for the period from continuing operations		2,249,272	(2,946,961)
Profit (loss) from discontinued operations		-	-
Surplus (deficit) for the year		**2,249,272**	**(2,946,961)**

Statement of Changes in Net Assets

	Housing dedicated Fund R	Accumulated surplus R	Total net assets R
Balance at 01 July 2008	**1,222,426**	**653,037,749**	**654,260,175**
Changes in net assets			
Deficit for the year	-	(2,946,961)	(2,946,961)
Current year movements	(127,166)	-	(127,166)
Corrections of previous misstatements	-	(5,204,325)	(5,204,325)
Total changes	(127,166)	(8,151,286)	(8,278,452)
Opening balance as previously reported	1,095,260	644,886,463	645,981,723
Adjustments			
Prior year adjustments	-	(7,761,706)	(7,761,706)
Balance at 01 July 2009 as restated	**1,095,260**	**637,124,757**	**638,220,017**
Changes in net assets			
Change in net assets	-	5,856,836	5,856,836
Prior year adjustments	-	1,259,971	1,259,971
Net income (losses) recognised directly in net assets	-	7,116,807	7,116,807
Surplus for the year	-	2,249,272	2,249,272
Total recognised income and expenses for the year	-	9,366,079	9,366,079
Total changes	-	9,366,079	9,366,079
Balance at 30 June 2010	**1,095,260**	**646,490,836**	**647,586,096**

Note(s)

Cash flow statement

	Note(s)	2010 R	2009 Restated R
Cash flows from operating activities			
Receipts			
Cash receipt from customers		184,979,143	156,872,478
Payments			
Cash paid to suppliers and employees		(167,518,149)	(142,125,113)
Finance costs		(917,286)	(1,087,103)
Decrease in housing fund		-	(127,166)
		(168,435,435)	(143,339,382)
Total receipts		184,979,143	156,872,478
Total payments		(168,435,435)	(143,339,382)
Net cash flows from operating activities	30	**16,543,708**	**13,533,096**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(24,904,028)	(21,272,405)
Write off and sale of property, plant and equipment	2	-	1,722,750
Purchase of other intangible assets	3	(170,544)	-
Decrease in financial investments		9,397,303	18,618,249
Decrease in Government grants		(9,814,641)	(13,136,122)
Interest received		333,148	2,591,467
Increase in loans and receivables		(79,883)	547,869
Net cash flows from investing activities		**(25,238,647)**	**(10,928,192)**
Cash flows from financing activities			
Increase in interest bearing borrowing		6,932	2,235,175
Movement in finance lease obligation		239,103	1,438,291
Increase in consumer deposits		155,603	320,873
Net cash flows from financing activities		**401,638**	**3,994,339**
Net increase/(decrease) in cash and cash equivalents		**(8,293,301)**	**6,599,243**
Cash and cash equivalents at the beginning of the year		3,147,727	(3,451,516)
Cash and cash equivalents at the end of the year	10	**(5,145,574)**	**3,147,727**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

uMtshezi Municipality is situated in KwaZulu Natal in South Africa.

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

In adopting GRAP, the municipality has taken advantage of the transitional provisions of Directive 4 which are available to medium capacity municipalities for the year ended 30 June 2010. The application of these transitional provisions is detailed in each policy to which the Directive applies.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each statement of position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Directive 4

As allowed by the tansitional provisions included in Directive 4, the following asset classes have not been measured in the accordance with the relevant GRAP for the year ended June 30, 2010:

Inventories	(GRAP 12)
Property, Plant and Equipment	(GRAP 17)
Intangible assets	(GRAP 102)

Management has estimated provisional amounts for each of these assets classes which are included in the statement of financial position. These amounts are subject to change once the measurement process has been completed, which is expected to occur by June 30, 2011.

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 18 Segment reporting
GRAP 21 Impairment of non-cash-generating assets
GRAP 23 Revenue from non-exchange transactions (taxes and transfers)
GRAP 25 Employee benefits
GRAP 26 Impairment of cash-generating assets
GRAP 103 Heritage assets
GRAP 104 Financial instruments

The municipality has not applied the following accounting statements and interpretations that have been issued but are not yet effective. These will be applied by the municipality when they become effective.

IFRS 2 Amendments to IFRS 2 Share-based payments - Group cash settled share-based payment arrangements.
This amendment is required for years commencing on or after 1 January 2010 but is not expected to be relevant to the activities of the municipality.

IFRS 9 Financial instruments
This new standard is required for years commencing on or after 1 January 2013. The impact of this standard is currently being determined.

IAS 24 Related party disclosures
This amended standard is required for years commencing on or after 1 January 2011 but is not expected to have a material impact on the municipality.

IAS 32 Amendments to IAS 32 Financial instruments: Presentation – Classification of rights issues
This amendment is required for years commencing on or after 1 February 2010 but is not relevant to the activities of the municipality.

IFRIC 14 Amendments for prepayments of a minimum funding requirement
This amended interpretation is required for years commencing on or after 1 January 2011 but is not expected to be relevant to the activities of the municipality.

IFRIC 19 Extinguishing financial liabilities with equity instruments
This interpretation is required for years commencing on or after 1 July 2010 but is not expected to be relevant to the activities of the municipality.

Improvements to IFRS (April 2009)
These annual improvements are required mostly for years commencing on or after 1 January 2010 and are not expected to be relevant to the activities of the municipality.

Improvements to IFRS (May 2010)
These annual improvements are required mostly for years commencing on or after 1 January 2011 and are not expected to be relevant to the activities of the municipality.

1.2 Property, plant and equipment

Accounting Policies

1.2 Property, plant and equipment (continued)

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the depreciable amount, using the straight line method over the estimated useful lives of the assets.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Average useful life
Property and permanent works	30 years
Plant and equipment	10 years
Vehicles	7 years
Office equipment and furniture	7 years
Leased Assets- Vehicles	5 years
Other leased Assets	5 years

The residual value, the useful life and depreciation method of each asset is reviewed at each financial period-end.

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

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

Accounting Policies

1.2 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2009. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 2. The transitional provision expires on 30 June 2011.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- Leases (GRAP 13),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.3 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
- subject to the point below, changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.4 Intangible assets

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

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

Intangible assets are initially recognised at cost.

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

1.4 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

Transitional provision

The municipality changed its accounting policy for intangible assets in 2009. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in note 3. The transitional provision expires on 30 June 2011.

Until such time as the measurement period expires and intangible assets are recognised and measured in accordance with the requirements of the Standard of GRAP on intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- Leases (GRAP 13),
- Non-current assets held for Sale and discontinued operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on intangible assets.

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial

1.5 Financial instruments (continued)
recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

Transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Loans to employees

These financial assets are classified as loans and receivables for salary overpayments.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents and other financial assets

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

Bank overdraft and borrowings

Bank overdrafts and trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

Accounting Policies

1.5 Financial instruments (continued)

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

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

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

1.6 Leases (continued)

Operating lease income is recognised as income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in statement of financial performance.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

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

Transitional provision

The municipality changed its accounting policy for inventories in 2009. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on inventories. Inventories have accordingly been recognised at provisional amounts, as disclosed in note 6. The transitional provision expires on 30 June 2011.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- Leases (GRAP 13),
- Non-current assets held for sale and discontinued operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.8 Impairment of assets

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

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

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

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

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

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

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable 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.

1.8 Impairment of assets (continued)

Impairment of assets have not been performed as the transitional provisions in Directive 4 relating to the exemption of measurement of all assets have been applied.

1.9 Employee benefits

Short-term employee benefits

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

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

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 funds, which are administered on a provincial basis, are treated as defined contribution plans by the municipality as allowed by IAS 19 Employee benefits. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds.

1.10 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

Government Grants

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.

1.11 Revenue from exchange transactions

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be measured reliably
- it is probabble that the economic benefits associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

1.11 Revenue from exchange transactions (continued)

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the statement of financial position date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- the variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in surplus and deficit, using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.12 Revenue from non-exchange transactions

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

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Revenue from the issuing of fines is recognised when:

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

Grants, transfer and donations

Grants and donations are recognised as revenue when:

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

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

1.12 Revenue from non-exchange transactions (continued)
If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liabilty is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.13 Investment income

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

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset 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.

1.15 Unauthorised expenditure

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

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

1.16 Fruitless and wasteful expenditure

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

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

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Officers 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.

1.18 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

1.20 Offsetting

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

Accounting Policies

1.21 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.22 Housing subsidies

The municipality provides post-retirement housing subsidies for qualifying staff members. The payment of these subsidies is reflected as expenditure in the statement of financial performance.

1.23 Purchase of service

The municipality provides post-retirement housing subsidies for qualifying staff members. The payment of these subsidies is reflected as expenditure in the statement of financial performance.

1.24 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.25 Conditional grants and receipts

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

2. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Property and permanent works	668,928,407	(83,063,541)	585,864,866	663,748,051	(71,812,271)	591,935,780
Plant and equipment	7,058,727	(4,535,655)	2,523,072	6,317,131	(4,263,838)	2,053,293
Motor vehicles	6,000,097	(4,159,715)	1,840,382	3,603,892	(3,424,937)	178,955
Office equipment and furniture	9,109,956	(936,728)	8,173,228	9,673,299	(6,506,075)	3,167,224
Capital work in progress	30,037,320	-	30,037,320	17,976,654	-	17,976,654
Finance lease assets	6,477,094	(3,143,848)	3,333,246	5,594,142	(1,402,859)	4,191,283
Landfill site	646,846	(129,369)	517,477	246,846	-	246,846
Total	**728,258,447**	**(95,968,856)**	**632,289,591**	**707,160,015**	**(87,409,980)**	**619,750,035**

Notes to the Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Review of useful life	Other changes, movements	Depreciation	Total
Property and permanent work	591,935,779	5,180,356	-	4,205,596	-	-	(15,456,865)	585,864,866
Plant & equipment	2,053,293	741,596	-	-	-	-	(271,817)	2,523,072
Motor vehicles	178,955	-	(6,979)	-	-	3,058,452	(302,164)	2,928,264
Office equipment & furniture	3,167,224	1,832,862	(126,074)	-	1,512,148	1,285,606	(586,420)	7,085,346
Finance lease assets	4,191,284	882,952	-	-	-	-	(1,740,990)	3,333,246
Capital work in progress	17,976,654	16,266,262	-	(4,205,596)	-	-	-	30,037,320
Landfill site	246,846	-	-	-	-	400,000	(129,369)	517,477
	619,750,035	**24,904,028**	**(133,053)**	**-**	**1,512,148**	**4,744,058**	**(18,487,625)**	**632,289,591**

Notes to the Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Property and permanent works	615,076,018	2,166,508	(1,722,750)	-	(7,621,000)	(15,716,151)	592,182,625
Plant & equipment	2,222,159	88,372	-	-	-	(257,238)	2,053,293
Motor vehicles	230,578	-	-	-	-	(51,623)	178,955
Office equipment & furniture	3,875,002	219,604	-	(164,531)	-	(762,851)	3,167,224
Finance lease assets	2,616,908	821,267	-	-	1,540,076	(786,967)	4,191,284
Capital work in progress	-	17,976,654	-	-	-	-	17,976,654
	624,020,665	**21,272,405**	**(1,722,750)**	**(164,531)**	**(6,080,924)**	**(17,574,830)**	**619,750,035**

Transitional provision

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 2. The transitional provision expires on 30 June 2011.

Assets subject to finance lease (Net carrying amount)

Finance lease assets	3,333,246	4,191,284

Revaluations

Revaluations were performed by an independent valuer, Mills Fitchet (Natal) (Pty) Ltd. Mills Fitchet (Natal) (Pty) Ltd is not connected to the municipality. The effective date of the valuations was July,01 2008, however the revaluations were adopted by the municipality by June, 30 2008.

Land and buildings are re-valued independently every 5 years.

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

	2010 R	2009 R

2. Property, plant and equipment (continued)

The carrying value of the revalued assets under the cost model would have been:

Land & Building	559,528,208	567,149,208

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

3. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	869,424	(622,708)	246,716	698,801	(534,349)	164,452

Transitional provision

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in note 3. The transitional provision expires on 30 June 2011.

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software, other	164,452	170,544	(146)	(88,134)	246,716

Reconciliation of intangible assets - 2009

	Opening balance	Amortisation	Total
Computer software, other	698,880	(534,428)	164,452

Transitional provisions

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in note 3. The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in 3 above.

4. Retirement benefits

Defined benefit plan

All municipal councillors and employees belong to The Natal Joint Municipal Pension Fund (Superannuation) and The Natal Joint Pension Fund (Retirement) or provident fund which are administered by the board of trustees.

These schemes cannot be broken down per municipality, as they are considered to be multi-employer schemes and hence are treated as defined contribution schemes by the municipality.

Notes to the Annual Financial Statements

	2010 R	2009 R

4. Retirement benefits (continued)

Municipal employees are also members of the KwaZulu-Natal Joint Municipal Provident Fund or Pension Fund. All contributions have been included in the employee related cost note.

Certain councillors have opted to join the Municipal Council's Pension Fund.

5. Financial assets - Investments

	2010 R	2009 R
Current portion		
First National Bank		
Call Account	155,197	250,303
Business fixed deposits	-	9,307,926
ABSA call account	1,151	1,122
	156,348	9,559,351
Non current portion		
Nedbank fixed deposits	15,464	15,464
Borough of Dundee	15,200	15,200
Standard Bank	12,528	12,528
FNB fixed deposit	29,729	24,029
FNB fixed deposit	11,000	11,000
FNB fixed deposit	14,000	14,000
	97,921	**92,221**

6. Inventories

	2010 R	2009 R
Consumable stores	388,468	368,540

Transitional provisions

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in note 6. The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and inventories has accordingly been recognised at provisional amounts, as disclosed in 6 above.

7. Trade and other receivables

	2010 R	2009 R
Sundry debtors	3,340,493	4,049,574
Prepayments	-	25,046
	3,340,493	**4,074,620**
Conditional grants overspent		
Municipal systems infrastructure grant (MSIG)	1,470,000	2,205,000
Hostel development and upgrading	1,337,810	-
Department of minerals and energy grant (DME)	518,358	-
	3,326,168	**2,205,000**

8. VAT receivable

	2010 R	2009 R
VAT Refundable	2,469,131	3,762,517

Notes to the Annual Financial Statements

	2010 R	2009 R
9. Consumer debtors		
Gross balances		
Rates	46,950,601	47,935,212
Electricity	12,967,600	7,517,708
Refuse	9,844,574	7,121,609
Sundry debtors	7,558,549	3,603,103
	77,321,324	**66,177,632**
Less: Provision for debt impairment		
Rates	(21,929,290)	(14,616,645)
Electricity	(4,804,628)	(3,042,332)
Refuse	(1,154,173)	-
	(27,888,091)	**(17,658,977)**
Net balance		
Rates	25,021,311	33,318,567
Electricity	8,162,972	4,475,376
Refuse	8,690,401	7,121,609
Sundry debtors	7,558,549	3,603,103
	49,433,233	**48,518,655**
Rates		
Current (0 -30 days)	3,313,691	1,951,401
31-60 days	1,490,690	865,187
61 - 90 days	1,264,387	1,226,947
91 - 120 days	18,952,543	29,275,032
	25,021,311	**33,318,567**
Electricity		
Current (0 -30 days)	8,162,972	3,793,803
31 - 60 days	-	458,912
61 - 90 days	-	222,661
	8,162,972	**4,475,376**
Refuse		
Current (0 -30 days)	436,953	200,765
31 - 60 days	179,393	163,699
61 - 90 days	276,847	155,642
91 - 120 days	7,797,208	6,601,503
	8,690,401	**7,121,609**
Sundry debtors		
Current (0 -30 days)	806,036	636,767
31 - 60 days	79,838	27,918
61 - 90 days	200,180	37,465
91 - 120 days	6,472,495	2,900,953
	7,558,549	**3,603,103**
Reconciliation of bad debt provision		
Balance at beginning of the year	(17,658,977)	(13,813,938)
Contributions to provision	(27,888,091)	(17,658,977)
Reversal of provision	17,658,977	13,813,938

	2010 R	2009 R

9. Consumer debtors (continued)

	(27,888,091)	**(17,658,977)**

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 5,518,483 (2009: R 7,189,342) were past due but not impaired.

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

1 month past due	3,213,588	5,690,573
2 months past due	2,304,895	1,844,553
3 months past due	60,736,387	62,732,180

Consumer debtors impaired

As of 30 June 2010, consumer debtors of R 27,888,091 (2009: R 17,658,978) were impaired and provided for.

The amount of the provision was R 27,888,091 as of 30 June 2010 (2009: R 17,658,978).

The ageing of these loans is as follows:

Over 3 months	27,888,091	17,658,978

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9,692	8,753
Bank balances	-	3,138,974
Bank overdraft	(5,155,266)	-
	(5,145,574)	**3,147,727**
Current assets	-	3,147,727
Current liabilities	(5,145,574)	-
	(5,145,574)	**3,147,727**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009		30 June 2010	30 June 2009	
First National Bank -Current Account -Account number 52200363994	(4,408,001)	5,167,220	-	(5,145,574)	2,798,354	-
First National Bank -Current Account -Account number 62216024737	-	781	-	-	781	-
First National Bank -Current Account -Account number 622116021345	-	258,390	-	-	258,390	-

Notes to the Annual Financial Statements

					2010 R	2009 R

10. Cash and cash equivalents (continued)

Total	**(4,408,001)**	**5,426,391**	**-**	**(5,145,574)**	**3,057,525**	**-**

11. Finance lease obligation

	2010 R	2009 R
Minimum lease payments due		
- within one year	1,825,312	1,523,337
- in second to fifth year inclusive	5,467,848	4,814,423
- later than five years	306,564	715,316
	7,599,724	7,053,076
less: future finance charges	(3,130,162)	(2,822,617)
Present value of minimum lease payments	**4,469,562**	**4,230,459**
Present value of minimum lease payments due		
- within one year	1,112,058	900,152
- in second to fifth year inclusive	3,055,192	2,743,131
- later than five years	302,312	587,176
	4,469,562	**4,230,459**
Non-current liabilities	3,357,504	3,330,307
Current liabilities	1,112,058	900,152
	4,469,562	**4,230,459**

It is municipality policy to lease motor vehicles and equipment under finance lease.

Interest rates are linked to prime less 2% at contract date. Contingent rents have been recognised as an expense R 16 576 (2009: R120 601) as a result of the change in interest rates. The leased assets as indicated in note 2 and annexure A. These assets are financed by Wesbank (a division of FirstRand Bank Limited).

The annual lease instalments inclusive of interest is R1 112 058.00 (2009: R1 012 889.00)

The average lease term is 5 years.

12. Unspent conditional grants and receipts

	2010 R	2009 R
Deferred income comprises:		
Municipal infrastructure grant (MIG)	2,567,499	1,496,742
Department of minerals and energy (DME) grant	-	20,127
Municipal assistance programme (MAP) grant	210,291	575,090
Finance management grant (FMG)	16,514	487,650
Hostel development and upgrading	-	9,613,884
Good governance grant	84,547	500,000
	2,878,851	**12,693,493**
Movement during the year		
Balance at the beginning of the year	12,693,493	25,829,615
Additions / Transfers during the year	15,242,169	7,774,000
Income recognition during the year	(25,056,810)	(20,910,122)
	2,878,852	**12,693,493**
MIG Grant		
Balance unspent at the beginning of the year	1,496,742	1,541,355
Current year receipts	12,636,000	3,899,000

Notes to the Annual Financial Statements

	2010 R	2009 R
12. Unspent conditional grants and receipts (continued)		
Conditions met - transferred to revenue	(11,565,243)	(3,943,613)
Conditions met	**2,567,499**	**1,496,742**
DME Grant		
Balance unspent at the beginning of the year	20,127	-
Current year receipts	-	1,200,000
Transferred to sundry debtors	518,358	-
Conditions met - transferred to revenue	(538,485)	(1,179,873)
Conditions met	**-**	**20,127**
MAP Grant		
Balance unspent at the beginning of the year	575,090	521,817
Current year receipts	-	400,000
Conditions met - transferred to revenue	(364,799)	(346,727)
	210,291	**575,090**
MSIG Grant		
Balance unspent at the beginning of the year	-	1,206
Current year receipts	-	1,275,000
Conditions met - transferred to revenue	-	(1,276,206)
Conditions still to be met - remain liabilities	**-**	**-**
FMG Grant		
Balance unspent at the beginning of the year	487,650	380,294
Current year receipts	750,000	500,000
Conditions met - transferred to revenue	(1,221,136)	(392,644)
Conditions still to be met - remain liabilities	**16,514**	**487,650**
Hostel development and upgrading		
Balance unspent at the beginning of the year	9,613,884	23,384,943
Current year receipts	-	-
Transferred to sundry debtors	1,337,810	-
Conditions met - transferred to revenue	(10,951,694)	(13,771,059)
Conditions still to be met - remain liabilities	**-**	**9,613,884**
Good governance grant		
Balance unspent at the beginning of the year	500,000	-
Current year receipts	-	500,000
Conditions met - transferred to revenue	(415,453)	-
Conditions still to be met - remain liabilities	**84,547**	**500,000**

MIG Grant
This grant is used to address backlogs in municipal infrastructure required for the provision of basic services. The unspent portion will be used to complete the same projects.

DME Grant
This grant is used for the installation, rehabilitation and refurbishment of electricity infrastructure at a local level to support sustained supply and to eradicate the electrification backlog. The unspent portion will be used to complete the same projects.

MAP Grant
The management assistance programme is the funding from local government used to assist the municipality in the areas of financial management and other capital projects required to ensure the financial viability of the municipality.

	2010 R	2009 R

12. Unspent conditional grants and receipts (continued)
MSIG Grant
This grant is used for infrastructure, capacity building and restructuring. The capacity builing and restructuring grants were set up to assist the municipality in developing their planning, budgeting, financial management and technical skills.

Furthermore, the municipality used this grant for the payment of the valuation roll expenses. The municipality was also granted a loan from the DBSA to fund the implementation of the Municipal Property Rates Act. This grant will be used to assist in the payment of the DBSA loan which is repayable in one year's time. The valuation roll expenditure had already been incurred which resulted in an over expenditure of the MSIG grant as at 30 June 2009. This grant received in the 2010 financial year was fully recognised in the 2009 financial year and was therefore allocated against the over expenditure of the grant that is allocated in sundry debtors.

FMG Grant
The main objective of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through capacity building in financial management. The unspent portion will be used to complete the same projects.

Hostel development and upgrading
This grant was received from provincial goverment in 2006 and was used for the upgrading and development of the Kwezi hostel. The project is still in its infancy stake and the grant received has been overspent. Additional funding allocated in the following financial years will ensure that the project is completed.

13. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Reversed during the year	Total
Legal proceedings	-	183,540	-	183,540
Leave pay provision	3,513,465	5,777,102	(3,513,465)	5,777,102
Provision for landfill site	-	400,000	-	400,000

Reconciliation of provisions - 2009

	Opening Balance	Additions	Reversed during the year	Total
Leave pay provision	3,436,625	3,513,465	(3,436,625)	3,513,465

The landfill site provision is a provision to rehabilitate the landfill site. The land fill site currently has an estimed useful life of 5 years. A valuation for the rehabilitation of landfill site was conducted by the municipality and certified by authorised civil engineers.

A dispute was in progress as at June 30, 2010 relating to the erection of billboards in the uMtshezi area. It was probable that there would be an outflow of economic benefit as a result of the dispute, and therefore a provision has been raised in accordance with the GRAP standard on provisions and contingent liabilities.

Leave pay provision is calculated on all outstanding leave balances as at 30 June 2010. This is the amount that the employees would be entitled to receive should the employees resign or cease employment with the municipality on 30 June 2010.

14. Interest bearing borrowing

The municipality has received a loan from DBSA which will be used to fund valuation roll expenditure. The period of the loan is four years. Interest will be charged at 6.75% per annum, payables every six months. There will be four equal six monthly capital repayments.

15. Trade and other payables

	2010 R	2009 R
Trade payables	15,682,934	21,912,001
Revenue received in advanced - prepaid electricity meters	590,180	193,476
Audit fee accrual	920,000	900,000

Notes to the Annual Financial Statements

	2010 R	2009 R
15. Trade and other payables (continued)		
Accued interest	-	488,932
Sundry creditor	1,154,728	3,735,594
	18,347,842	**27,230,003**

The fair value of trade and other payables approximates the carrying amount.

16. Consumer deposits

Electricity	2,196,927	2,041,324

Interest is not paid to consumers when deposits are refunded.

Guarantees held in lieu of electricity deposits R1 885 965 (2009: R1 885 965).

17. Revenue

Rendering of services	944,519	3,388,540
Property rates	29,163,986	26,232,141
Property rates – Penalties imposed and collection charges	5,007,707	5,182,690
Service charges	101,723,939	76,621,639
Rental of facilities & equipment	748,325	749,027
Fines	345,986	199,256
Licences and permits	4,010,167	4,554,279
Government grants & subsidies	43,949,092	37,222,717
	185,893,721	**154,150,289**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	944,519	3,388,540
Service charges	101,723,939	76,621,639
Rental of facilities & equipment	748,325	749,027
Licences and permits	4,010,167	4,554,279
	107,426,950	**85,313,485**

The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	29,163,986	26,232,141
Property rates – Penalties imposed and collection charges	5,007,707	5,182,690
Fines	345,986	199,256
Government grants & subsidies	43,949,092	37,222,717
	78,466,771	**68,836,804**

	2010 R	2009 R

18. Property rates

Rates received

	2010 R	2009 R
Property rates	29,163,986	26,232,141
	29,163,986	26,232,141
Property rates - penalties imposed and collection charges	5,007,707	5,182,690
	34,171,693	**31,414,831**

Updating of the valuation roll is done every five years. With the implementation of the municipal property rates act (MPRA) which came into effect on July 01, 2008, all the properties on the valuation roll were revalued to market related values.

The following general rates applied:

CATEGORY	**IMPERMISSABLE**	**REBATE**	**RANDAGE**
Residential	30 000	55%	0.0151
Commercial	-	As Per Table	0.03
Agriculture	-	50%	0.0025
Public Service Infrastructure	-	First 30% non rated	0.025
State Owned	-	-	0.025
Industrial	-	As Per Table	0.03

REBATES FOR COMMERCIAL PROPERTIES

Value of Property	**Rebate**
0-1.5 million	30%
>1.5 million – 2.5 million	35%
>2.5 million – 7.5 million	25%
>7. 5 million -10 million	27%
>10 million	22.5%

REBATES FOR INDUSTRIAL PROPERTIES

Value of property	**Rebate**
0-1 Million	25%
>1-2 million	20%
>2-5 million	38%
>5-36 million	45%
>36 million	68%

ADDITIONAL RELIEF

Usage / Owner	**Additional rebate**
Bed and breakfast	25%
Bed and breakfast (non resident)	20%
Pensioner	12.50%

Rates are levied on a monthly basis.

Rates are levied on following properties as per the valuation roll:

Property valuations	2010 R	2009 R
Agriculture	607,712,000	607,158,000
Agricultural smallholding	102,446,000	111,843,000
Commercial	366,949,000	429,815,000
Communal property	134,304,000	134,915,000
Game farms	22,341,000	22,341,000
Industrial	333,173,000	268,914,000
Institutional	22,532,000	10,606,000
Municipal	341,978,333	559,808,333
Public benefit organisation	2,970,000	-
Public service infrastructure	38,550,845	37,816,845

Notes to the Annual Financial Statements

	2010 R	2009 R
18. Property rates (continued)		
Residential	1,529,424,120	1,538,589,120
Residentail hospitality	23,093,000	11,712,000
Sectional title - Commercial	7,800,000	12,028,000
Sectional title - Residential	55,876,000	55,876,000
Sectional title - Residential hospitality	2,043,000	2,043,000
State owned	285,308,000	273,603,000
Place of worship	43,114,000	34,761,000
	3,919,614,298	**4,111,829,298**

19. Service charges

Sale of electricity	96,669,272	71,850,261
Refuse removal	5,054,667	4,771,378
	101,723,939	**76,621,639**

20. Government grants and subsidies

Equitable share	16,937,643	13,841,189
DME	538,485	2,859,303
Department of Health grant	1,573,639	1,333,912
Municipal infrastructure grant	11,565,243	6,250,919
Hostel development and upgrade	10,951,694	9,926,888
MSIG	100,000	1,275,000
Good Governance grant	415,453	-
MAP grant	364,799	767,862
Finance management grant	1,221,136	392,644
Councillors remuneration grant	-	575,000
Subsidy province	281,000	-
	43,949,092	**37,222,717**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

21. Other revenue

Administration and management fees received - third party	2,590	-
Fees earned	37,192	-
Discount received	2	4,103
Other income	1,346,429	854,322
	1,386,213	**858,425**

Notes to the Annual Financial Statements

22. General expenses

	2010 R	2009 R
Advertising	618,366	214,339
Auditors remuneration	1,657,919	1,684,757
Bank charges	541,193	293,803
Cleaning	11,975	44,660
Commission paid	343,714	442,838
Consulting and professional fees	1,954,430	4,267,296
Entertainment	66,022	154,238
Fines and penalties	-	30,094
Insurance	503,327	452,433
IT expenses	3,566	185,984
Fleet	314,416	277,879
Promotions and sponsorships	97,705	75,093
Levies	195,579	178,637
Medical expenses	104,637	99,216
Pest control	2,880	2,868
Fuel and oil	987,045	1,472,311
Postage and courier	265,250	237,631
Printing and stationery	543,635	451,720
Protective clothing	295,421	198,623
Project maintenance costs	1,431,159	1,410,544
Security (Guarding of municipal property)	2,477,204	1,823,621
Software expenses	371,468	244,450
Telephone and fax	1,128,203	1,073,733
Transport and freight	-	2,004
Training	113,004	105,147
Travel - local	716,556	483,674
Electricity	866,247	841,796
Sewerage and waste disposal	724,479	13,280
Water	1,087,370	931,669
Refuse	22,473	23,004
Utilities - 2	-	1,949,192
Tourism development	-	32,750
Chemicals	102,221	87,223
Other expenses	5,302,835	9,887,148
	22,850,299	**29,673,655**

Notes to the Annual Financial Statements

	2010 R	2009 R

23. Employee related costs

Basic	30,977,983	23,392,055
Bonus	2,679,684	3,835,673
Medical aid - company contributions	2,249,799	1,869,952
SDL	381,430	341,221
Other payroll levies	14,338	13,806
Leave pay provision charge	2,263,638	76,840
Post-employment benefits - Pension - Defined contribution plan	4,867,735	3,757,150
Overtime payments	1,581,183	1,269,975
Car allowance	975,151	862,909
Housing benefits and allowances	319,258	475,149
Other allowances	380,334	543,768
Redemption of leave	140,382	121,863
Insurance	520,200	452,085
	47,351,115	**37,012,446**

Remuneration of municipal manager

Annual remuneration	827,075	731,924
Car allowance	9,634	22,049
	836,709	**753,973**

Remuneration of chief finance officer

Annual remuneration	485,900	286,687
Car allowance	120,000	80,000
	605,900	**366,687**

Remuneration of Director Corporate Services

Annual remuneration	29,014	308,112
Car allowance	17,714	223,093
Performance Bonuses	-	74,751
Leave pay	119,643	-
	166,371	**605,956**

Remuneration of Director Planning, Economic & Corporate Services

Annual remuneration	343,047	296,370
Car allowance	243,614	173,390
Performance Bonuses	-	79,423
Leave pay	-	101,318
	586,661	**650,501**

Remuneration of councillors

Executive Mayor	400,370	363,322
Deputy Executive Mayor	320,296	290,653
Speaker	320,296	290,657
Councillors	1,277,583	1,089,960
Councillors pension and medical aid contribution	364,987	337,863
Executive committee members	165,153	149,871
Councillors allowances	994,456	1,098,553
	3,843,141	**3,620,879**

Notes to the Annual Financial Statements

	2010 R	2009 R
24. Debt impairment		
Contributions to debt impairment provision	8,629,584	8,341,555
Bad debts written off	1,859,289	-
	10,488,873	**8,341,555**
25. Depreciation and amortisation		
Property, plant and equipment	18,575,759	17,574,832
26. Finance costs		
Non-current borrowings	148,837	54,981
Finance leases	768,449	1,032,122
	917,286	**1,087,103**
27. Auditors' remuneration		
Fees	1,052,196	1,523,473
Audit fees: External	585,723	-
	1,637,919	**1,523,473**
28. Rental of facilities and equipment		
Premises		
Venue hire	748,325	749,027
Premises	748,325	749,027
Garages and parking	-	-
Facilities and equipment	-	-
29. Bulk purchases		
Electricity	74,022,509	55,370,513
30. Cash generated from operations		
Surplus (deficit)	2,249,272	(2,946,961)
Adjustments for:		
Depreciation and amortisation	18,575,759	17,574,832
Write off of non-current assets	133,685	-
Loss on investments	-	1,943,063
Interest income	(333,148)	(2,591,467)
Adjustments for GRAP	-	(7,147,389)
Changes in working capital:		
Inventories	(19,928)	427,991
Trade and other receivables	734,127	(2,973,713)
Consumer debtors	(914,578)	2,722,189
Movements in provisions	2,847,177	76,840
Trade and other payables	(8,022,044)	10,548,581
VAT	1,293,386	(3,973,704)
Decrease in housing fund	-	(127,166)
	16,543,708	**13,533,096**

Notes to the Annual Financial Statements

	2010 R	2009 R

31. Commitments

Authorised capital expenditure

Approved and contracted for		
• Kwezi Hostel	-	9,613,885
• Public Toilets	-	150,000
• Parking lot	350,000	-
• MIG- Excellence @ Work	318,118	-
• MIG- Sharma consulting	527,895	-
• MIG- Zamolwe-africa consulting	542,453	-
• MIG Registered Projects	32,441,000	-
	34,179,466	**9,763,885**

This committed expenditure relates to the construction of the parking lot and will be financed by council funding.

32. Contingencies

Litigation is in the process against the municipality relating to a dispute with a supplier. The municipality's lawyers and management were negotiating with the suppliers and some of the matters have been resolved.

The following were disputes as at June 30, 2010:

SROR R1,218,342,

The matter with SROR is still in progress. The dispute arose as a result of RDP houses that were built that did not satisfy the quality requirements of the municipality. This cost is recognised in current liabilities as this cost meets the definition and recognition requirements of a liability.

There is no reimbursement from any third parties for potential obligations of the municipality.

33. Related parties

A related party exists between the municipality and Inkomfe Trust.

A section 21 company was formed by way of council resolution. The company has not been operating for the past 4 years. The assets were lost / transferred back to the municipality. The bank account was closed and is no longer active.

34. Prior period errors

Property and permanent works was revalued in 2009 in line with the Municipal Property Rates Act. The municipal valuers have realised that the municipal property was overvalued by R7,621,000. Municipal land is not depreciated and there was no effect on depreciation.

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

Statement of financial position		
Property, plant and equipment	6,361,032	(7,621,000)
Long term liabilities	-	(30,175)
Cash and cash equivalents	-	12,528
Statement of financial performance		
Interest due	-	30,175

Cash flow statement

Cash flow from operating activities

Notes to the Annual Financial Statements

	2010 R	2009 R

34. Prior period errors (continued)

Finance charges	-	30,175
Cash flow from investing activities		
Increase in investments	-	12,528
Decrease in property, plant and equipment	-	(7,621,000)
	-	**(7,608,472)**
Cash flow from financing activities		
Increase in long term liabilities	-	30,175

35. Comparative figures

Certain comparative figures have been reclassified.

The leases relating to the hire of office equipment was previously classified as an operating lease. In terms of GRAP 13, the rental period of the office equipment of five years is equal to the useful life of the equipment and should therefore be classified as finance leases.]

The effects of the reclassification are as follows:

Statement of financial position		
Property, plant and equipment	632,289,591	619,750,035
Long term liabilities	(3,357,504)	(3,217,570)
Finance lease obligation	(1,112,058)	(1,012,889)
Statement of financial performance		
Finance charges	607,890	565,626

36. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality's financial liabilities are all classified as current liabilities, payable within the next 12 months, other that the finance lease, the maturity of which is disclosed in the finance lease note.

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.

At year end, financial instruments exposed to interest rate risk were as follows:
- Call deposits
- Notice deposits
- Long term debtors.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates on that portion of financial assets - investments and borrowings. With all other variables held constant, the municipal surplus for the year is affected through the imapct on variable rate investments and borrowings as follows:

2010		
2% Increase in investments	5,085	-
2% Decrease in investments	-	(5,085)

Notes to the Annual Financial Statements

	2010 R	2009 R
36. Risk management (continued)		
2% Increase in loans	-	(134,233)
2% Decrease in loans	134,233	-
2009		
2% Increase in investments	193,031	-
2% Decrease in investments	-	(193,031)
2% Increase in loans	-	(129,313)
2% Decrease in loans	129,313	-
	461,662	**(461,662)**

Credit risk

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 evaluated 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 assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality. The utilisation of credit limits is regularly monitored.

Fair value hierarchy

The municipality does not carry any of its financial assets at fair value. The fair value hierachy disclosure is therefore of no relevance and has not been included.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

37. Going concern

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

38. Events after the reporting date

The municipality was facing litigation with regards to the erection of billboards. A provision was raised for the contingent liability as it was probable that an outflow of economic resurces would occur. During July 2010, settlement was reached on the matter and the municipality had paid R183 540.

39. Unauthorised expenditure

At the time of completion the annual financial statements, there appears to be unauthorised expenditure.

Description (Budget vs Actual)		
Salaries and wages	43,292,037	44,706,047
Remuneration of councillors	3,670,286	386,141
Provision for doubtful debts	4,000,000	10,488,873
Depreciation	18,000,000	18,575,759
Finance charges	342,500	917,286
Other expenditure	27,735,542	30,204,910
Capital	19,900,000	23,055,422
	116,940,365	**128,334,438**

40. Fruitless and wasteful expenditure

Notes to the Annual Financial Statements

	2010 R	2009 R

40. Fruitless and wasteful expenditure (continued)

At the time of completion of the annual financial statement, there appears to be no fruitless and wasteful expenditure.

41. Irregular expenditure

	2010 R	2009 R
Opening balance	349,900	-
Less: Expenditure approved by Full Council	(349,900)	-
Add: Irregular Expenditure - current year	-	-
Emergency orders not signed	-	87,153
Quotes not obtained	-	262,747
Competetive price not obtained	340,000	-
	340,000	**349,900**

Details of irregular expenditure condoned

-

Irregular expenditure condoned by full council

	2010 R	2009 R
Emergency orders	87,153	-
Quotes not obtained	262,747	-
	349,900	**-**

Details of irregular expenditure - current year

-

Irregular expenditure under investigation

	2010 R	2009 R
Lowest quotation not obtained	340,000	-

Irregular expenditure for the 2010 financial year was due to a procurement being made to a supplier that did not provide the lowest quotation. The matter is investigated and appropriate disciplinary steps are being initiated.

42. In-kind donations and assistance

Siyenza Manje Project
The Siyenza Manje Project is a municipal support program by the Development Bank of South Africa to support and assist all municipalities in improving their level of financial management and skills available to them through capacity building to ensure sustainability of the municipality operations.

GRAP Conversion Project
The KZN Treasury co-financed with the municipality the cost of the conversion from the IMFO basis of accounting to Generally Recognised Accounting Practice (GRAP).

43. Additional disclosure in terms of Municipal Finance Management Act

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

44. Actual operating expenditure versus budgeted operating expenditure

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

45. Electricity Losses

Notes to the Annual Financial Statements

	2010 R	2009 R
45. Electricity Losses (continued)		
Electricity units purchased from Eskom		
Estcourt (units)	208,915,222	211,372,054
Wembezi (units)	12,422,189	12,094,691
TOTAL (units)	**221,337,411**	**223,466,745**
Electricity units sold by the Municipality		
Domestic (units)	38,087,920	38,876,000
Commercial (units)	11,838,320	12,509,000
Bulk (units)	152,584,110	150,625,561
Departmental (units)	2,675,418	2,622,000
	205,185,768	**204,632,561**

Electricity losses for the financial year is 7,3% (2009: 8,43%) These losses are attributable to electricity line losses within the electricity network infrastructure.

Detailed Income statement

	Note(s)	2010 R	2009 Restated R
Revenue			
Rendering of services		944,519	3,388,540
Property rates	18	29,163,986	26,232,141
Service charges	19	101,723,939	76,621,639
Property rates - penalties imposed and collection charges		5,007,707	5,182,690
Rental of facilities and equipment		748,325	749,027
Interest received (trading)		333,148	2,591,467
Fines		345,986	199,256
Licences and permits		4,010,167	4,554,279
Government grants & subsidies	20	43,949,092	37,222,717
Administration and management fees received		2,590	-
Fees earned		37,192	-
Discount received		2	4,103
Other income		1,386,213	854,322
Total Revenue		**187,652,866**	**157,600,181**
Expenditure			
Employee related costsl	23	(47,351,115)	(37,012,446)
Remuneration of councillors		(3,843,142)	(3,620,879)
Depreciation and amortisation	25	(18,575,759)	(17,574,832)
Finance costs	26	(917,286)	(1,087,103)
Debt impairment	24	(10,488,873)	(8,341,555)
Repairs and maintenance		(7,220,926)	(5,923,096)
Bulk purchases	29	(74,022,509)	(55,370,513)
General Expenses	22	(22,850,299)	(29,673,655)
Total Expenditure		**(185,269,909)**	**(158,604,079)**
Loss in investments		-	(1,943,063)
Loss & scraping of assets		(133,685)	-
Revenue		187,652,866	157,600,181
Expenditure		(185,269,909)	(158,604,079)
Other		(133,685)	(1,943,063)
Surplus (deficit) for the year		**2,249,272**	**(2,946,961)**

UMTSHEZI MUNICIPALITY - KZN234

APPENDIX A: Statement of comparative and actual information

Description	2009/2010								
R thousand or R	**Original Budget**	**Budget Adjustments** (I.t.o. s28 and s31 of MFMA)	**Virement** (I.t.o.Council approved by-law)	**Final Budget**	**Actual Outcome**	**Unauthorised Expenditure**	**Variance**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Financial Perfomance									
Property rates	29,010,395.00	29,010,395.00		29,010,395.00	29,163,985.56		153,590.56	100.53	100.53
Service charges	99,882,141.00	103,282,586.00		103,282,586.00	101,723,938.66		-1,558,647.34	98.49	101.84
Investment revenue	-	-		-	-		-	-	-
Tranfers recognised - Operational	27,026,000.00	28,155,000.00		28,155,000.00	20,893,669.32		-7,261,330.68	74.21	77.31
Other own revenue	11,273,375.00	11,482,455.00		11,482,455.00	12,815,850.00		1,333,395.00	111.61	113.68
Total Revenue (exluding capital transfers and contributions)	**167,191,911.00**	**171,930,436.00**		**171,930,436.00**	**164,597,443.54**		**-7,332,992.46**	**95.73**	**98.45**
Employee cost	43,292,398.00	43,292,037.00		43,292,037.00	47,351,115.63		4,059,078.63	109.38	109.38
Remuneration of Councillors	3,670,286.00	3,670,286.00		3,670,286.00	3,843,141.64		172,855.64	104.71	104.71
Debt impairement	4,000,000.00	4,000,000.00		4,000,000.00	10,488,873.00		6,488,873.00	262.22	262.22
Depreciation & asset impairement	9,000,000.00	18,000,000.00		18,000,000.00	18,575,759.00		575,759.00	103.20	206.40
Finance charges	764,901.00	342,500.00		342,500.00	917,286.00		574,786.00	267.82	119.92
Materials and bulk purchases	74,215,767.00	74,607,767.00		74,607,767.00	74,022,508.85		-585,258.15	99.22	99.74
Transfers and grants	-	-		-			-	-	-
Other Expenditure	31,636,904.00	27,735,542.00		27,735,542.00	30,204,910.00		2,469,368.00	108.90	95.47
Total Expenditure	**166,580,256.00**	**171,648,132.00**		**171,648,132.00**	**185,403,594.12**		**13,755,462.12**	**108.01**	**111.30**
Suplus /(Deficit)	**611,655.00**	**282,304.00**		**282,304.00**	**-20,806,150.58**		**-21,088,454.58**	**-7,370.12**	**-3,401.62**
							-	-	-
Tranfers recognised - Capital	10,518,000.00	19,900,000.00		19,900,000.00	23,055,422.58		3,155,422.58	115.86	219.20
Contribution recognised - capital & contributed Assets	-	-		-	-		-	-	-
Surplus /(Deficit) after capital transfers & contributions	**11,129,655.00**	**20,182,304.00**		**20,182,304.00**	**2,249,272.00**		**-17,933,032.00**	**11.14**	**20.21**
Share of surplus / (Deficit) of associate	11,129,655.00	20,182,304.00		20,182,304.00	2,249,272.00		-17,933,032.00	11.14	20.21
Surplus/ (Deficit) for year	**11,129,655.00**	**20,182,304.00**		**20,182,304.00**	**2,249,272.00**		**-17,933,032.00**	**11.14**	**20.21**
Capital expenditure & funds sources									
Capital expenditure									
Trasfers recognised - capital	10,518,000.00	9,592,000.00	12,405,875.57	21,997,875.57	21,997,875.57		0.00	100.00	209.15
Public contributions and Donations	-	-		-	-		-	-	-
Borrowing	8,500,000.00	-		-	882,952.00		882,952.00	-	-
Internally generated funds	6,802,500.00	3,637,500.00		3,637,500.00	2,193,744.43		-1,443,755.57	60.31	32.25
Total sources of capital funds	**25,820,500.00**	**13,229,500.00**		**25,635,375.57**	**25,074,572.00**		**-560,803.57**	**97.81**	**97.11**
Cash flows									
Net cash from (used) operating	24,510,000.00	35,473,000.00		35,473,000.00	16,543,708.00		-18,929,292.00	46.64	67.50
Net cash from (used) investing	-28,769,000.00	-16,678,000.00		-16,678,000.00	-25,238,647.00		-8,560,647.00	151.33	87.73
Net cash from (used) Financing	8,365,000.00	-135,000.00		-135,000.00	401,638.00		536,638.00	-297.51	4.80
Cash / cash equivalents at the year end	655,000.00	21,808,000.00		21,808,000.00	-5,145,574.00		-26,953,574.00	-23.59	-785.58

Column 1: First budget for the year

Column 3: May only be populated if the municipality has a virement policy approved by the council.Virements must offset each other so that virements in Total Expenditure equals zero

Column 4 : = 1+ (2 - 1) + 3

Column 6: Does not necessary equal the difference between column 5 and 4 because overspending is not the only reason for unauthorised expenditure

Column 7: = 5 - 4

Column 8: = (5 / 4)*100

A municipality may include narrative reason for variances as part of the notes to this statement. The municipality may also refer the user to the other public documentation containing such explanations

Column 9: **=** (5 / 1)*100

uMtshezi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30-Jun-10

	Cost / Revaluation						Accumulated Depreciation								
	Opening Balance	Prior Years Adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Prior Years Adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'
Property and Permanent Works															
													-	-	
Electrical Infrastructure	45,168,815.50	-	1,516,817.71	0.00	-	46,685,633.21	17,443,316.58	4,951.61	2,435,428.03	-	-	19,883,696.22	-	-	26,801,936.99
Fittings	791,931.20	-	0.00	0.00	-	791,931.20	639,637.81	131.49	35,954.72	-	-	675,724.02	-	-	116,207.18
Grounds & Fences	4,412,020.47	-	0.00	0.00	-	4,412,020.47	2,455,615.71	5,909.07	159,240.90	-	-	2,620,765.68	-	-	1,791,254.79
Land & Buildings	16,096,746.09		0.00	0.00	-	16,096,746.09	9,648,521.37	150,315.62	520,686.69	-	-	10,319,523.68			5,777,222.41
Land	551,300,601.92		0.00	0.00	-	551,300,601.92	8,936,432.60	-7,549.82	10,218,814.00	-	-	19,147,696.78			532,152,905.14
Roads	43,705,581.59	-	7,869,134.30	0.00	-	51,574,715.89	28,560,791.41	4,227.20	1,830,636.87	-	-	30,395,655.47			21,179,060.42
Survey	1,288,593.67	-	0.00	0.00	-	1,288,593.67	1,259,791.04	113.97	15,302.07	-	-	1,275,207.08			13,386.59
Water Infrastructure	983,760.44	-	0.00	0.00	-	983,760.44	983,760.44	-	-			983,760.44			0.00
Landfill site	246,846.00	400,000.00	0.00			646,846.00			129,369			129,369.00	-	-	517,477.00
	663,994,896.88	400,000.00	9,385,952.01	0.00	-	673,780,848.89	69,927,866.96	158,099.14	15,345,432	-	-	85,431,398.38	-	-	588,349,450.51
Other Assets															
Furn & Office Equipment	4,676,691.22	1,286,235.00	1,366,533.00	-565,643.00	-	6,763,816.22	2,059,309.95	-155,660.89	463,803.86	-515,675.28	-	1,851,777.64			4,912,038.58
It Equipment	4,996,607.78		466,329.00	-141,933.28		5,321,003.50	4,446,765.05	-278,496.09	363,418.29	-136,145.26	-	4,395,541.99			925,461.51
Plant & Equipment	6,317,131.00		741,596.29	-535,024.61		6,523,702.68	4,263,838.00	-429,841.53	271,816.91	-464,075.73	-	3,641,737.65			2,881,965.03
	15,990,430.00	1,286,235.00	2,574,458.29	-1,242,600.89	0.00	18,608,522.40	10,769,913.00	-863,998.50	1,099,039.06	-1,115,896.28	0.00	9,889,057.28	0.00	0.00	8,719,465.12
Leased Assets															
Vehicles and equipment	5,594,142.00	-	882,952.00	0.00	-	6,477,094.00	1,402,859.00	-9,728.21	1,740,990.00	-	-	3,134,120.79			3,342,973.21
	5,594,142.00	0.00	882,952.00	0.00	0.00	6,477,094.00	1,402,859.00	-9,728.21	1,740,990.00	0.00	0.00	3,134,120.79	0.00	0.00	3,342,973.21
Total carried forward	685,579,468.88	1,686,235.00	12,843,362.30	-1,242,600.89	0.00	698,866,465.29	82,100,638.96	-715,627.57	18,185,461.33	-1,115,896.28	0.00	98,454,576.45	0.00	0.00	600,411,888.84

uMtshezi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30-Jun-10

	Cost / Revaluation						Accumulated Depreciation								
	Opening Balance		Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Prior Years Adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
	R'	R'	R'	R'	R'	R'	R'		R'	R'	R'	R'	R'	R'	R'
Total brought forward	685,579,468.88	1,686,235.00	12,843,362.30	-1,242,600.89	0.00	698,866,465.29	82,100,638.96	-715,627.57	18,185,461.33	-1,115,896.28	0.00	98,454,576.45	0.00	0.00	600,411,888.84
Motor Vehicles	3,603,892.00	3,058,453.00		-662,248.03		6,000,096.97	5,309,341.61	-796,520.66	302,164.14	-655,269.60		4,159,715.49	-	-	1,840,381.48
	3,603,892.00	3,058,453.00	0.00	-662,248.03	0.00	6,000,096.97	5,309,341.61	-796,520.66	302,164.14	-655,269.60	0.00	4,159,715.49	0.00	0.00	1,840,381.48
Work In Progress															
Land & Buildings	13,946,853.52	-	10,649,736.21			24,596,589.73	-	-	-	-		0.00	-	-	24,596,589.73
Roads	4,029,800.60	-	1,410,929.48			5,440,730.08	-	-	-	-		0.00			5,440,730.08
	17,976,654.12	0.00	12,060,665.69	0.00	0.00	30,037,319.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30,037,319.81
Total	**707,160,015.00**	**4,744,688.00**	**24,904,027.99**	**-1,904,848.92**	**0.00**	**734,903,882.07**	**87,409,980.57**	**-1,512,148.23**	**18,487,625.47**	**-1,771,165.87**	**0.00**	**102,614,291.94**	**0.00**	**0.00**	**632,289,590.13**

uMtshezi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30-Jun-09

	Cost / Revaluation					Accumulated Depreciation							
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'
Property and Permanent Works													
Land & Buildings	575,282,073	182,998	(1,808,000)	17,976,654	591,633,726	(9,171,765)	(11,324,691)	85,250		(20,411,209)	(164,531)	(7,621,000)	563,436,986
Electrical Infrastructure	44,828,563	1,825,723	-		46,654,286	(15,014,938)	(2,417,435)			(17,432,374)	-	-	29,221,912
Grounds & Fences	4,309,728	49,261	-		4,358,989	(2,298,380)	(151,366)			(2,449,746)	-	-	1,909,244
Roads	43,705,582	108,528	-		43,814,110	(26,831,684)	(1,731,633)			(28,563,317)	-	-	15,250,793
Water drains	983,760	-	-		983,760	(983,760)	-			(983,760)	-	-	-
Other	2,147,678	-	-		2,147,678	(1,880,841)	(91,024)			(1,971,865)	-	-	175,813
	671,257,384	2,166,510	(1,808,000)	17,976,654	689,592,549	(56,181,368)	(15,716,150)	85,250	-	(71,812,270)	(164,531)	(7,621,000)	609,994,748
Plant and Equipment													
Tractors & lawnmowers	1,825,221	-	-	-	1,825,221	(1,803,815)	(10,667)			(1,814,482)			10,740
Trailers	345,856	-	-	-	345,856	(344,467)	(692)			(345,159)			697
Pumps & motors	345,632	-	-	-	345,632	(218,572)	(25,969)			(244,541)			101,091
Brush cutters	150,004	88,373	-	-	238,377	(110,695)	(13,902)			(124,597)			113,779
Small tools and other equipment	3,562,046	-	-	-	3,562,046	(1,529,050)	(206,009)			(1,735,058)			1,826,988
	6,228,760	88,373	-	-	6,317,133	(4,006,599)	(257,238)	-	-	(4,263,838)	-	-	2,053,295
Office Equipment and Furniture	10,052,574	219,605	-	-	10,272,179	(6,177,572)	(762,851)	-	-	(6,940,424)	-	-	3,331,756
										-			-
	10,052,574	219,605	-	-	10,272,179	(6,177,572)	(762,851)	-	-	(6,940,424)	-	-	3,331,756
Total carried forward	687,538,718	2,474,488	(1,808,000)	17,976,654	706,181,861	(66,365,540)	(16,736,239)	85,250	-	(83,016,531)	(164,531)	(7,621,000)	615,379,799

uMtshezi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30-Jun-09

	Cost / Revaluation					Accumulated Depreciation							
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'	R'
Total brought forward	687,538,718	2,474,488	(1,808,000)	17,976,654	706,181,861	(66,365,540)	(16,736,239)	85,250	-	(83,016,531)	(164,531)	(7,621,000)	615,379,799
Motor Vehicles	3,603,892		-	-	3,603,892	(3,373,314)	(51,624)	-	-	(3,424,937)	-	-	178,955
	3,603,892	-	-	-	3,603,892	(3,373,314)	(51,624)	-	-	(3,424,937)	-	-	178,955
Finance Lease Assets													
Motor Vehicles	3,024,433	821,267	-	-	3,845,700	(407,525)	(786,967)	-	-	(1,194,492)	-	1,540,073	4,191,281
					-					-			-
	3,024,433	821,267	-	-	3,845,700	(407,525)	(786,967)	-	-	(1,194,492)	-	1,540,073	4,191,281
Total	**694,167,043**	**3,295,755**	**(1,808,000)**	**17,976,654**	**713,631,453**	**(70,146,378)**	**(17,574,830)**	**85,250**	**-**	**(87,635,960)**	**(164,531)**	**(6,080,927)**	**619,750,035**