

# **CITY OF uMHLATHUZE**



## **FINANCIAL STATEMENTS for the year ended 30 JUNE 2009**

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# **REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF uMHLATHUZE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the accompanying financial statements of the uMhlathuze Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 130 to 166

### **The 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 Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)] and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **The Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 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 the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. 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 the Standards of GRAP, 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 uMhlathuze 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 uMhlathuze Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Standards of GRAP and in the manner required by the MFMA

### **Emphasis of matter**

I draw attention to the following matter on which I do not express a qualified opinion

### **Material losses/impairment**

9. As disclosed in note 27 to the financial statements, the municipality incurred a significant water loss of 14 639 044 kilolitres amounting to R36 595 611.

### **Restatement of corresponding figures**

10. As disclosed in notes 33 and 34 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of a change in accounting policy and errors discovered during 2008/2009 in the financial statements of the municipality at and for the year ended 30 June 2008

### **Other matters**

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

### **Unaudited supplementary schedules**

11. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary information set out on pages 167 to 176 does not form part of the financial statements and is presented as additional information. I do not express an opinion thereon.

### **Governance framework**

12. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

## Key governance responsibilities

13. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	<input type="checkbox"/>	
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		<input type="checkbox"/>
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		<input type="checkbox"/>
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	<input type="checkbox"/>	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	<input type="checkbox"/>	
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	<ul style="list-style-type: none"> <li>The municipality had an audit committee in operation throughout the financial year.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>	<input type="checkbox"/>	
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The municipality had an internal audit function in operation throughout the financial year.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>	<input type="checkbox"/>	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		<input type="checkbox"/>
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	<input type="checkbox"/>	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	<input type="checkbox"/>	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set	<input type="checkbox"/>	

No.	Matter	Y	N
	out in section 62(1)(c)(i) of the MFMA.		
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	<input type="checkbox"/>	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	<input type="checkbox"/>	
14.	SCOPA resolutions have been substantially implemented.	<input type="checkbox"/>	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	<input type="checkbox"/>	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	<input type="checkbox"/>	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA (municipalities).	<input type="checkbox"/>	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	<input type="checkbox"/>	

14. Governance policies and practices operated effectively and appropriately during the year. The municipality has complied with the key governance responsibilities, except for weaknesses identified in the Information Technology control environment, quality of financial statements and the systems and the design of controls underlying the asset register which need to be addressed to improve adherence to the governance framework.

### Investigations

15. An investigation into the activities of various staff members was finalised during the financial year. Investigations into allegations of untoward relationship between employees and a supplier and allegations of irregularities within the traffic department are pending disciplinary processes.
16. In terms of a council meeting held on the 29 September 2009, a decision was taken to place the City Manager on special leave with effect from 1 October 2009 until an investigation has been completed on, inter alia, land sales and other deviations from council policy.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on performance information

17. I have reviewed the performance information as set out on pages 23 to 83.

### The accounting officer's responsibility for the performance information

18. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

### **The Auditor-General's responsibility**

19. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
20. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
21. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

### **Findings on performance information**

#### **Non-compliance with regulatory requirements**

##### **Content of integrated development plan**

22. The integrated development plan of the municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

#### **Usefulness and reliability of reported performance information**

23. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:
  - Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
  - Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
  - Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following review findings relate to the above criteria:

#### **Inconsistently reported performance information**

24. The municipality had not indicated measures taken to improve performance where targets were not met in the areas of water supply, electricity operation, inspection of formal food premises and scheduled trades.

## APPRECIATION

25. The assistance rendered by the staff of the uMhlathuze Municipality during the audit is sincerely appreciated.

*Auditor-General*

Pietermaritzburg

30 November 2009



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# **STATEMENT OF THE MUNICIPAL MANAGERS RESPONSIBILITY**

## **City of uMhlathuze ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

The uMhlathuze Municipality situated at 5 Mark Strasse, Richardsbay is a category B municipality, established in terms of section 12 (1) of the Municipal Structures Act, No 117 of 1998 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of 83 of the Municipal Structures Act.

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 64, 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 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.



**N.P. NHLEKO  
ACTING CITY MANAGER**

31/08/2009  
DATE

# CITY OF uMHLATHUZE

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Notes	2009 R	RESTATED 2008 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>1 357 128 792</b>	<b>1 427 821 890</b>
Housing Development Fund	1	57 463 622	57 821 456
Self-insurance reserve		-	320 422
Accumulated surplus		1 299 665 170	1 369 680 012
<b>Non-current liabilities</b>		<b>856 226 718</b>	<b>537 894 866</b>
Long-term liabilities	2	725 519 718	408 938 866
Post employment medical aid benefits	30	130 707 000	128 956 000
<b>Current liabilities</b>		<b>354 256 927</b>	<b>265 349 344</b>
Consumer deposits	3	31 221 776	31 637 703
Trade and other payables	4	207 595 981	158 009 103
Provisions	31	15 957 783	15 390 618
Unspent conditional grants and receipts	5	43 760 808	43 620 879
Current portion of long-term liabilities	2	55 720 579	16 691 041
<b>Total Net Assets and Liabilities</b>		<b>2 567 612 437</b>	<b>2 231 066 100</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>2 240 543 914</b>	<b>1 916 964 486</b>
Property, plant and equipment	8	2 156 986 017	1 830 289 686
Investment property	10	77 662 085	77 881 880
Intangible assets	9	5 520 882	6 890 640
Non-current receivables	12	374 930	1 902 280
<b>Current assets</b>		<b>327 068 523</b>	<b>314 101 614</b>
Inventory	7	78 296 969	118 659 009
Trade and other receivables from exchanged transactions	11	95 808 222	79 502 505
Other receivables from non-exchanged transactions	13	16 379 198	8 582 446
VAT	6	20 397 021	10 210 712
Current portion of long-term receivables	12	759 234	754 841
Bank balances and cash	25	115 427 879	96 392 101
<b>Total Assets</b>		<b>2 567 612 437</b>	<b>2 231 066 100</b>

# CITY OF uMHLATHUZE

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
<b>REVENUE</b>			
Property rates	15	125 068 126	104 141 463
Property rates - penalties imposed and collection charges		1 350 171	1 457 670
Service charges	16	632 066 077	475 612 225
Rental of facilities and equipment		9 903 792	9 932 434
Interest earned - external investments		16 614 284	17 359 709
Interest earned - outstanding debtors		579 085	364 302
Fines		3 685 080	5 704 115
Licences and permits		1 744 924	1 516 923
Income for agency services		3 762 297	3 180 717
Government grants and subsidies	17	168 234 221	250 597 545
Public contributions		6 446 427	2 258 023
Other income	18	25 139 322	23 756 906
Reduction in provision for bad debts	11	2 469 735	-
Gains on sale of land		15 486 317	21 991 656
Gains on disposal of property, plant and equipment		55 652	2 711 304
<b>Total Revenue</b>		<u>1 012 605 510</u>	<u>920 584 992</u>
<b>EXPENDITURE</b>			
Employee related costs	19	280 327 309	255 099 226
Remuneration of Councillors	20	13 214 416	11 741 904
Bad debts	11	-	1 651 008
Collection costs		28 758	107 529
Depreciation		86 514 951	93 526 452
Amortisation		1 369 758	1 032 541
Post employment benefits expenses	30	1 751 000	-
Conditional grant expenditure		3 452 005	1 849 365
Repairs and maintenance		70 095 397	38 175 213
Finance costs	21	68 252 938	44 787 085
Bulk purchases	22	387 375 087	239 622 632
Contracted services		64 627 409	54 052 246
Grants and subsidies paid	23	1 167 209	10 877 846
General expenses		105 122 369	87 756 627
<b>Total Expenditure</b>		<u>1 083 298 607</u>	<u>840 279 674</u>
<b>(DEFICIT)/SURPLUS FOR THE YEAR (Refer to statement of changes in net assets)</b>		<u>(70 693 097)</u>	<u>80 305 318</u>

Refer to Appendix E (1) for the comparison with the approved budget

CITY OF uMHLATHUZE

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Housing Development Fund	Capitalisation Reserve	Government Grant Reserve	Donation and Public Contribution Reserve	Self- Insurance Reserve	Revaluation Reserve	Accumulated Surplus	Total
2008	R	R	R	R	R	R	R	R
Balance at 30 June 2007	11 368 273	229 323 332	227 840 359	180 745 002	217 307	-	72 296 144	721 790 417
Incorrect capitalisation of John Ross Highway							(20 000 000)	(20 000 000)
Reversal of depreciation							776 256	776 256
Restatement of 1 July 2007 balance		(229 323 332)	(227 840 359)	(180 745 002)			637 908 693	-
Restated balance	<b>11 368 273</b>	-	-	-	<b>217 307</b>	-	<b>690 981 093</b>	<b>702 566 673</b>
Surplus for the year							80 305 318	80 305 318
Revaluation Land (note 36)						709 765 690	-	709 765 690
Realisation of revaluation						(53 861 883)	53 861 883	
Capital grants used to purchase PPE			32 937 469	2 121 102			(35 058 571)	-
Donated/contributed PPE			76 893 040	79 595 666			(156 488 706)	-
Contribution to Insurance Reserve					541 634		(541 634)	-
Insurance claims processed					(438 519)		438 519	-
Transfer to Housing Development Fund	51 550 439						(51 550 439)	-
Offsetting of depreciation	(5 097 256)	(34 753 246)	(21 846 078)	(7 673 522)		-	69 370 102	-
Reversal of movements during the 2008			(109 830 509)	(81 716 768)		(655 903 807)	847 451 084	-
2008 Depreciation taken to Surplus		34 753 246	21 846 078	7 673 522			(64 272 846)	-
<b>Balance at 30 June 2008</b>	<b>57 821 456</b>	-	-	-	<b>320 422</b>	-	<b>1 434 495 803</b>	<b>1 492 637 681</b>
2009	R	R	R	R	R	R	R	R
Balance at 30 June 2008	57 821 456	-	-	-	320 422	-	1 434 495 803	1 492 637 681
Inventory land not brought in previous year							43 294 717	43 294 717
Investment land not brought in previous year							20 824 944	20 824 944
Reversal of depreciation (capital under construction)							20 548	20 548
Restatement (defined benefit obligation)							(128 956 000)	(128 956 000)
Restated balance	<b>57 821 456</b>	-	-	-	<b>320 422</b>	-	<b>1 369 680 012</b>	<b>1 427 821 890</b>
Surplus / (deficit) for the year							(70 693 097)	(70 693 097)
Contribution to Insurance Reserve					377 505		(377 505)	-
Insurance claims processed					(1 012 190)		1 012 190	-
Transfer from Housing Development Fund	(357 835)						357 835	-
Transfer Insurance reserve to Surplus					314 263	-	(314 263)	-
<b>Balance at 30 June 2009</b>	<b>57 463 622</b>	-	-	-	-	-	<b>1 299 665 170</b>	<b>1 357 128 793</b>

# CITY OF uMHLATHUZE

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	RESTATED 2008 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		965 276 331	853 084 934
Cash paid to suppliers and employees		(845 080 185)	(669 392 955)
Cash generated from operations	24	120 196 146	183 691 979
Interest received		16 614 284	17 359 709
Interest paid		(68 252 938)	(44 787 085)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<u>68 557 492</u>	<u>156 264 603</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property plant and equipment		(406 712 526)	(281 736 608)
Proceeds on disposal of property plant and equipment		57 465	3 115 164
Decrease in non-current receivables		1 522 957	2 285 863
<b>NET CASH UTILISED IN INVESTING ACTIVITIES</b>		<u>(405 132 104)</u>	<u>(276 335 581)</u>
<b>CASH FLOWS UTILISED IN FINANCING ACTIVITIES</b>			
Proceeds from borrowings		380 000 000	353 560
Repayment of borrowings		(24 389 610)	(19 795 047)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<u>355 610 390</u>	<u>(19 441 487)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		19 035 778	(139 512 465)
<b>Cash and cash equivalents at the beginning of the year</b>		96 392 101	235 904 566
<b>Cash and cash equivalents at the end of the year</b>	25	<u>115 427 879</u>	<u>96 392 101</u>

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

**1. BASIS OF PRESENTATION**

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

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

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

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an arrangement contains a lease

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

**2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

**3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**4. OFFSETTING**

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

**5. 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 - issued March 2005
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

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

- IAS 19 Employee Benefits - effective 1 January 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all the of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

**6. PROPERTY, PLANT AND EQUIPMENT**

**6.1 INITIAL RECOGNITION**

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

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

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

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

**6.2 SUBSEQUENT MEASUREMENT**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.



**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

**6.2 SUBSEQUENT MEASUREMENT (continued)**

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

**6.3 DEPRECIATION**

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	<b>Years</b>		<b>Years</b>
<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	15-30	Buildings	30
Pedestrian Malls	20	Specialised vehicles	10
Electricity	20-30	Other vehicles	3-7
Water	15-20	Office equipment	3-5
Sewerage	15-20	Furniture and fittings	7
Housing	30	Watercraft	15
<b>Community</b>		Bins and containers	5-10
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5	Landfill sites	15

The assets residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted retrospectively if appropriate, at each reporting date.

**7. LEASES**

**The Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

**7. LEASES (continued)**

**The Municipality as Lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

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

**8. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**Impairment of Cash generating assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount.

The recoverable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

**Impairment of Non-cash generating assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the serviceable amount.

The serviceable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

**9. INTANGIBLE ASSETS**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The cost of an intangible asset is amortised over the useful life of 3 years.

**10. INVESTMENT PROPERTIES**

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

**11. INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods and land held for sale are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

**12. REVENUE RECOGNITION**

**12.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

**12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

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

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

**12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)**

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items or property, plant and equipment are brought into use. Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognized when the recovery thereof from the responsible councillors or officials is virtually certain.

**13. 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.

**14. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

**15. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Housing selling schemes, both complete and in progress 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.

**16. RETIREMENT BENEFITS**

The Municipality provides post retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

The Expected costs of these benefits are accrued of the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the value of the defined benefit obligation are charged or credited to income over the expected average remaining useful lives of the related employees.

The Defined benefit obligation are valued annually by independent qualified actuaries.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

**17. BORROWING COSTS**

Borrowing costs incurred relating to qualifying assets and all other borrowing costs incurred were recognised as expenses in the Statement of Financial Performance in the previous financial year in accordance with the benchmark treatment in the old IAS 23, i.e. expensing all borrowing costs. The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2009 in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. 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.

**18. FINANCIAL INSTRUMENTS**

**18.1 INITIAL RECOGNITION**

Financial instruments are initially recognized at fair value.

**18.2 SUBSEQUENT MEASUREMENT**

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

**18.2.1 INVESTMENTS**

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

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

**18.2 SUBSEQUENT MEASUREMENT (continued)**

**18.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorized as financial assets: loans and receivables and recognized at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probabilities that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognized in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

**18.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortised cost, are initially recognized at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. Amounts that are payable within 12 months from the reporting date are classified as current.

**18.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdraft.

Bank overdrafts are recorded based on the facility used. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorized as financial liabilities.

**19. UNAUTHORISED EXPENDITURE**

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

**20. IRREGULAR EXPENDITURE**

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

**21. FRUITLESS AND WASTEFUL EXPENDITURE**

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

**22. COMPARATIVE INFORMATION**

**21.1 *Current year comparatives:***

Budgeted amounts have been included in the annual financial statements for the current financial year only.

**21.2 *Prior year comparatives:***

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>1 HOUSING DEVELOPMENT FUND</b>		
The Housing Development Fund is represented by the following assets		
Fixed Assets	52 043 897	52 471 142
Bank and cash	17 020 085	15 450 397
Accumulated Surplus	(11 600 360)	(10 100 083)
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>57 463 622</b>	<b>57 821 456</b>
<b>2 LONG-TERM LIABILITIES</b>		
Annuity Loans	781 240 297	425 629 907
Less: Current portion transferred to current liabilities	(55 720 579)	(16 691 041)
<b>Total External Loans</b>	<b>725 519 718</b>	<b>408 938 866</b>

Refer to Appendix A for more detail on long-term liabilities



CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2 LONG-TERM LIABILITIES (continued)

External Loans repayments- Future years

	DBSA	DBSA	INCA	DBSA (EMP)	Standard Bank	Nedbank	INCA	DBSA	DBSA	DBSA	Totals
	R	R	R	R	R	R	R	R	R	R	R
	28 198 187	7 179 890	13 306 999	690 582	69 219 294	69 534 511	220 000 000	238 110 832	35 000 000	100 000 000	781 240 295
	12.00%	14.50%	13.95%	16.16%	9.62%	7.75%	8.75%	11.70%	6.75%	11.57%	
2010	5 347 477	1 403 464	2 570 621	536 931	15 942 543	15 569 076	33 473 084	42 207 733	4 869 733	17 131 701	139 052 363
2011	5 347 477	1 403 464	2 570 621	268 465	15 942 543	15 569 076	33 473 084	42 207 733	4 869 733	17 131 701	138 783 897
2012	5 347 477	1 403 464	2 570 621		15 942 543	15 569 076	33 473 084	42 207 733	4 869 733	17 131 701	138 515 432
2013	5 347 477	1 403 464	2 570 621		15 942 543	15 569 076	33 473 084	42 207 733	4 869 733	17 131 701	138 515 432
2014	5 347 477	1 403 464	2 570 621		15 942 543	15 569 076	33 473 084	42 207 733	4 869 733	17 131 701	138 515 432
2015	5 347 477	1 403 464	2 570 621		15 942 543	15 569 076	33 473 084	42 207 733	4 869 733	17 131 701	138 515 432
2016	5 347 477	1 403 464	2 570 621		7 971 271	7 784 538	33 473 084	42 207 733	4 869 733	17 131 701	122 759 622
2017	5 347 477	1 403 464	2 570 621				33 473 084	42 207 733	4 869 733	17 131 701	107 003 813
2018	5 347 477	1 403 464	2 570 621				33 473 084	42 207 733	4 869 733	17 131 701	107 003 813
2019			1 298 842				33 473 084	21 103 724	4 869 733	17 131 701	77 877 084

Disclosure about the Terms and Conditions of Financial Instruments-Borrowings

Future payments are based on the balances at 30/06/09

- (i) The interest rate applicable to the Standard Bank & Nedbank loan is variable and yearly instalments are therefore subject to Interest rate risk
- (ii) Lease liability has been settled in full
- (iii) Yearly instalments payable bi-annually, consist of capital redemption and interest due and no other requirements are attached

No early settlement options are profitable to Council

Conversion options are not applicable

There is no security given against the loans

Receipts or payments of the loans are in South African currency

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>3 CONSUMER DEPOSITS</b>		
Electricity and Water	30 596 644	30 600 870
Other	625 133	1 036 833
<b>Total Deposits</b>	<b>31 221 776</b>	<b>31 637 703</b>
Guarantees held in lieu of Electricity and Water Deposits	<b>48 440 771</b>	<b>48 252 432</b>
<b>4 TRADE AND OTHER PAYABLES</b>		
Trade payables	48 297 418	38 232 578
Other payables	116 275 440	86 904 151
Retentions	24 651 718	18 118 688
Amounts Received in Advance	18 371 406	14 753 686
<b>Total Creditors</b>	<b>207 595 981</b>	<b>158 009 103</b>
<b>5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>Conditional Grants from other spheres of Government</b>		
National Conditional Grants	3 965 802	5 505 339
Provincial Local Government Grants	772 974	1 980 784
Provincial Development Planning Grants	137 201	37 201
Provincial Housing Grants	13 735 275	16 699 285
Provincial Library Services Subsidies	278 279	411 998
Provincial Community Development Workers Programme	29 711	30 935
Provincial Department of Transport Subsidy	167 279	167 279
Department of Sport & Recreation	73 144	-
Department of Water Affairs (DWAF) Cleanest Town Award	69 228	70 507
Department of Water Affairs (DWAF) Water Services Programme	255 307	255 307
Department of Water Affairs (DWAF) Refurbishment Grant	5 329 040	6 178 000
Department of Water Affairs (DWAF) Institutional Support Programme Grant	283 578	1 078 578
Department of Water Affairs (DWAF) Water Conservation and Demand Management	105 243	462 000
Department of Minerals & Energy	-	326 152
Department of Agriculture and Environmental Affairs	290 953	90 953
Municipal Infrastructure Grant (MIG)	18 100 061	10 158 828
uThungulu District Municipality Capacity Building Grant	130 977	130 977
uThungulu District Municipality Museum Operating Subsidy	36 756	36 756
	<b>43 760 808</b>	<b>43 620 879</b>

See Note 17 for reconciliation of grants from other spheres of government.

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>6 VAT</b>		
Output Suspense	2 460 628	2 745 606
Input Suspense	(17 522 822)	(12 210 103)
Output Payable	(5 334 827)	(746 215)
<b>VAT (claimable)</b>	<b>(20 397 021)</b>	<b>(10 210 712)</b>

VAT is payable on the payment basis. Only once payment is made or received is VAT claimed or paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

	2009 R	RESTATED 2008 R
<b>7 INVENTORY</b>		
<b>Opening balance of inventories</b>	<b>118 659 009</b>	<b>9 048 272</b>
Consumable stores - at cost	10 057 955	8 462 231
<b>Water - at cost</b>	659 337	586 041
Land	107 941 717	-
<b>Additions</b>	<b>51 950 830</b>	<b>35 856 822</b>
Consumable stores	51 950 830	35 856 822
<b>Issued (expensed)</b>	<b>92 168 995</b>	<b>34 163 284</b>
Consumable stores	48 874 278	34 163 284
Land	43 294 717	-
<b>Write-down to Net Replacement Value (NRV) or Net Replacement Cost (NRC):</b>	<b>265 556</b>	<b>97 814</b>
Consumable stores	265 556	97 814
<b>Closing balance of inventories</b>	<b>78 296 969</b>	<b>118 659 009</b>
Consumable stores - at cost	12 868 949	10 057 955
Water - at cost	781 021	659 337
Land	64 647 000	107 941 717

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

8 Property, Plant And Equipment

30 June 2009

Reconciliation Of Carrying Values	Land	Housing	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R	R
<b>Carrying Values</b>							
<b>At 1 July 2008</b>	<b>561 694 800</b>	<b>52 471 142</b>	<b>938 102 850</b>	<b>121 269 861</b>	<b>49 502</b>	<b>156 701 531</b>	<b>1 830 289 686</b>
Cost	(94 209 007)	57 568 398	1 507 872 491	174 346 718	49 502	304 095 608	1 949 723 710
Revaluation	655 903 807	-	-	-	-	-	655 903 807
Accumulated Depreciation	-	(5 097 256)	(569 769 641)	(53 076 857)	-	(147 394 077)	(775 337 831)
Acquisitions	3 150	4 864 943	272 897 493	16 783 729	-	97 163 211	391 712 526
Capital under construction				21 278 782			21 278 782
Donated						1 993	1 993
Depreciation		(5 292 188)	(57 056 206)	(4 859 430)	-	(19 087 332)	(86 295 156)
Based on cost	-	(5 292 188)	(57 056 206)	(4 859 430)	-	(19 087 332)	(86 295 156)
Based on revaluation							-
Carrying Value Of Disposals	-	-	-	-	-	(1 814)	(1 814)
Cost	-	-	-	-	-	(135 678)	(135 678)
Revaluation							-
Accumulated Depreciation	-	-	-	-	-	133 864	133 864
<b>Carrying Values</b>							
<b>At 30 June 2009</b>	<b>561 697 950</b>	<b>52 043 897</b>	<b>1 153 944 137</b>	<b>154 472 942</b>	<b>49 502</b>	<b>234 777 589</b>	<b>2 156 986 017</b>
Cost	(94 205 857)	62 433 341	1 780 769 984	212 409 229	49 502	401 125 134	2 362 581 333
Revaluation	655 903 807						655 903 807
Accumulated Depreciation		(10 389 444)	(626 825 847)	(57 936 287)	-	(166 347 545)	(861 499 123)
Cost	-	(10 389 444)	(626 825 847)	(57 936 287)	-	(166 347 545)	(861 499 123)
Revaluation	-		-	-	-	-	-

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**Property, Plant And Equipment (continued)**

**30 June 2008 (Restated)**

<b>Reconciliation Of Carrying Values</b>	<b>Land</b>	<b>Housing</b>	<b>Infrastructure</b>	<b>Community</b>	<b>Heritage</b>	<b>Other</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Carrying Values</b>							
<b>At 1 July 2007</b>	<b>1 371 953</b>	<b>-</b>	<b>797 670 676</b>	<b>59 768 257</b>	<b>49 502</b>	<b>139 220 979</b>	<b>998 081 367</b>
Cost	1 371 953	-	1 310 969 755	100 038 172	49 502	273 266 286	1 685 695 668
Accumulated Depreciation	-	-	(513 299 079)	(40 269 915)	-	(134 045 307)	(687 614 301)
Acquisitions	24 064 917	57 568 398	78 222 328	63 796 872	-	36 200 716	259 853 231
Capital Under Construction			118 681 603	12 604 111	-	4 034 017	135 319 731
Revaluation	709 765 690						709 765 690
Transferred to Inventory	(59 628 000)			(2 083 000)		(2 936 000)	(64 647 000)
Transfer to Investment	(56 001 000)						(56 001 000)
Transfer to Intangible						(542 675)	(542 675)
Depreciation	-	(5 097 256)	(56 471 757)	(12 836 927)	-	(18 871 646)	(93 277 586)
Based on cost	-	(5 097 256)	(56 471 757)	(12 836 927)	-	(18 871 646)	(93 277 586)
Based on revaluation							-
Carrying Value Of Disposals	(57 878 760)	-	-	-	-	(403 860)	(58 282 620)
Cost	(4 016 877)		(1 195)	(9 437)	-	(5 926 736)	(9 954 245)
Revaluation	(53 861 883)						(53 861 883)
Accumulated Depreciation	-		1 195	9 437	-	5 522 876	5 533 508
<b>Carrying Values</b>							
<b>At 30 June 2008</b>	<b>561 694 800</b>	<b>52 471 142</b>	<b>938 102 850</b>	<b>121 269 861</b>	<b>49 502</b>	<b>156 701 531</b>	<b>1 830 289 686</b>
Cost	(94 209 007)	57 568 398	1 507 872 491	174 346 718	49 502	304 095 608	1 949 723 710
Revaluation	655 903 807						655 903 807
Accumulated Depreciation		(5 097 256)	(569 769 641)	(53 076 857)	-	(147 394 077)	(775 337 831)
Cost	-	(5 097 256)	(569 769 641)	(53 076 857)	-	(147 394 077)	(775 337 831)

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

9 Intangible Asset

30 June 2009

Reconciliation Of Carrying Values	Total
	R
<b>Carrying Values</b>	
<b>At 1 July 2008</b>	<b>6 890 640</b>
Cost	13 138 086
Accumulated Amortisation	(6 247 446)
Acquisitions	-
Amortisation	(1 369 758)
<b>Carrying Values</b>	
<b>At 30 June 2009</b>	<b>5 520 882</b>
Cost	13 138 086
Accumulated Amortisation	(7 617 204)

30 June 2008 (Restated)

Reconciliation Of Carrying Values	Total
	R
<b>Carrying Values</b>	
<b>At 1 July 2007</b>	<b>2 600 983</b>
Cost	7 815 888
Accumulated Amortisation	(5 214 905)
Acquisitions	4 779 523
Transfer from Property, plant and equipment	542 675
Amortisation	(1 032 541)
<b>Carrying Values</b>	
<b>At 30 June 2008</b>	<b>6 890 640</b>
Cost	13 138 086
Accumulated Amortisation	(6 247 446)

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**10 INVESTMENT PROPERTY**

**30 June 2009**

Reconciliation of carrying values	Lot 617 Meerensee Ext 5-Pick n Pay	Lot 16990/2 Remainder Ext 90-Caravan park	Airport	Lot 11376 Pulp United (Pty) Ltd	Total
Deed numbers	T22887/2000	T789/1999	T12114/1976	T34219/1993	
	R	R	R	R	R
<b>Carrying Values At 1 July 2008</b>	<b>3 779 777</b>	<b>8 087 049</b>	<b>10 014 054</b>	<b>56 001 000</b>	<b>77 881 880</b>
Cost	6 663 646	9 448 505	14 763 863	56 001 000	86 877 014
Accumulated Depreciation	(2 883 869)	(1 361 456)	(4 749 809)	-	(8 995 134)
Depreciation	(83 931)	(19 447)	(116 417)	-	(219 795)
Carrying Value Of Disposals	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
<b>Carrying Values At 30 June 2009</b>	<b>3 695 846</b>	<b>8 067 602</b>	<b>9 897 637</b>	<b>56 001 000</b>	<b>77 662 085</b>
Cost	6 663 646	9 448 505	14 763 863	56 001 000	86 877 014
Accumulated Depreciation	(2 967 800)	(1 380 903)	(4 866 226)	-	(9 214 929)

**30 June 2008**

Reconciliation of carrying values	Lot 617 Meerensee Ext 5-Pick n Pay	Lot 16990/2 Remainder Ext 90-Caravan park	Airport	Lot 11376 Pulp United (Pty) Ltd	Total
Deed numbers	T22887/2000	T789/1999	T12114/1976	T34219/1993	
	R	R	R	R	R
<b>Carrying Values At 1 July 2007</b>	<b>228 814</b>	<b>118 576</b>	<b>957 412</b>	<b>-</b>	<b>1 304 802</b>
Cost	3 001 946	1 460 261	5 588 863	-	10 051 070
Accumulated Depreciation	(2 773 132)	(1 341 685)	(4 631 451)	-	(8 746 268)
Transfer from PPE	-	-	-	56 001 000	56 001 000
Investment land recognised	3 661 700	7 988 244	9 175 000	-	20 824 944
Depreciation	(110 737)	(19 717)	(118 358)	-	(248 812)
Carrying Value Of Disposals	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
<b>Carrying Values At 30 June 2008 (Restated)</b>	<b>3 779 777</b>	<b>8 087 049</b>	<b>10 014 054</b>	<b>56 001 000</b>	<b>77 881 880</b>
Cost	6 663 646	9 448 505	14 763 863	56 001 000	86 877 014
Accumulated Depreciation	(2 883 869)	(1 361 456)	(4 749 809)	-	(8 995 134)

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**11 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**As at 30 June 2009**

	R	R
Service Debtors		101 986 230
Rates		14 484 813
Electricity	18 744 491	
June consumption billed in July	38 654 598	57 399 089
Water	12 180 080	
June consumption billed in July	5 742 228	
June water surcharge billed in July	174 896	18 097 204
Sewerage	7 808 713	
Special Sewer charges	197 166	
June sewer surcharge billed in July	150 905	8 156 784
Refuse		3 848 340
Rental		2 371 882
Sundry		6 250 110
Gross Balance		110 608 222
Less: Provision for Bad Debts		(14 800 000)
Net Balance		95 808 222

**As at 30 June 2008**

Service Debtors		86 260 070
Rates		11 463 862
Electricity	18 905 495	
June consumption billed in July	26 033 482	44 938 977
Water	12 143 890	
June consumption billed in July	6 083 469	18 227 359
Sewerage	7 364 281	
Special Sewer charges	205 642	7 569 923
Refuse		4 059 949
Rental		1 835 255
Sundry		8 807 180
Gross Balance		96 902 505
Less: Provision for Bad Debts		(17 400 000)
Net Balance		79 502 505



CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>11 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)</b>		
<b>Rates Ageing</b>		
Current (0 - 30) days	7 535 918	6 191 803
31 - 60 days	1 224 529	1 173 257
61- 90 days	807 291	404 978
91 - 120 days	333 404	268 659
121-360 days	2 761 617	1 624 952
361 + days	1 822 354	1 800 213
<b>Total</b>	<b>14 485 113</b>	<b>11 463 862</b>
<b>Electricity, Water, Sewerage and Refuse: Ageing</b>		
Current (0 - 30) days	73 305 568	57 921 067
31 - 60 days	2 021 379	4 379 870
61- 90 days	1 179 715	1 249 446
91 - 120 days	1 339 440	1 006 086
121-360 days	3 857 380	3 640 203
361+ days	5 797 935	6 599 536
<b>Total</b>	<b>87 501 417</b>	<b>74 796 208</b>
<b>Rental</b>		
Current (0 - 30) days	255 179	575 676
31 - 60 days	185 325	119 611
61- 90 days	130 172	98 459
91 - 120 days	124 667	73 500
121-360 days	701 139	598 356
361+ days	975 340	369 653
<b>Total</b>	<b>2 371 822</b>	<b>1 835 255</b>
<b>Sundry</b>		
Current (0 - 30) days	2 175 268	607 316
31 - 60 days	(212 141)	2 634 235
61- 90 days	132 066	(119 141)
91 - 120 days	(23 668)	86 694
121-360 days	555 514	1 031 530
361+ days	3 623 070	4 566 546
<b>Total</b>	<b>6 250 109</b>	<b>8 807 180</b>

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

11 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Summary of Debtors by Customer classification

	Domestic consumers	Industry/ commercial	Nat / Provincial government
	R	R	R
<b>30 June 2009</b>			
Current (0 - 30) days	18 970 586	45 611 953	11 290 002
31 - 60 days	1 788 636	1 801 734	912 570
61- 90 days	1 307 883	797 272	561 068
91 - 120 days	830 654	570 784	516 305
121+days	12 056 021	7 159 569	6 433 186
Sub-total	34 953 780	55 941 312	19 713 131
Less provision for bad debt	(9 285 643)	(5 514 357)	-
<b>Total debtors by customer classification</b>	<b>25 668 137</b>	<b>50 426 955</b>	<b>19 713 131</b>
<b>30 June 2008</b>			
Current (0 - 30) days	14 856 354	38 834 364	8 969 607
31 - 60 days	1 763 225	1 776 136	899 605
61- 90 days	1 289 302	785 945	553 096
91 - 120 days	818 852	562 675	508 969
121+days	11 884 737	7 057 850	6 341 788
Sub-total	30 612 470	49 016 970	17 273 065
Less provision for bad debt	(10 916 905)	(6 483 095)	-
<b>Total debtors by customer classification</b>	<b>19 695 565</b>	<b>42 533 875</b>	<b>17 273 065</b>

	2009 R	2008 R
<b>Reconciliation of the bad debt provision</b>		
Balance at beginning of the year	17 400 000	17 257 817
Contributions to provision	(2 469 735)	1 651 008
Bad debts written off against provision	(130 265)	(1 508 825)
<b>Balance at end of year</b>	<b>14 800 000</b>	<b>17 400 000</b>

12 NON-CURRENT RECEIVABLES

Housing loans	343 609	682 787
Study loans	783 254	1 929 430
Car loans	7 301	44 904
	1 134 164	2 657 121
Less: Current portion transferred to Current Assets	(759 234)	(754 841)
<b>Total Receivables</b>	<b>374 930</b>	<b>1 902 280</b>

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>13 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Payments made in advance	460 720	333 253
Government subsidies and other debtors	2 951 382	1 192 956
Other receivables	12 967 096	7 056 237
<b>Total Other Debtors</b>	<b>16 379 198</b>	<b>8 582 446</b>

Housing Loans , car loans and study loans were made in terms of council policies on these schemes. No new housing or car loans have been granted since the effective implementation date of the Municipal Finance Management Act of 2003. There are no significant terms or conditions that will affect the timeous recovery of these amounts.

## 14 BANK, CASH AND OVERDRAFT BALANCES

### Bank accounts

The municipality has the following bank accounts:

#### Current Account (Primary Account)

ABSA Bank - Richards Bay

Current /Cheque Account number 2150000028

Cash book balance at beginning of year	12 025 415	20 972 900
Cash book balance at end of year	16 025 986	12 025 415

Bank statement balance at beginning of year	11 894 025	27 319 920
Bank statement balance at end of year	16 279 815	11 894 025

#### Deposit Account

ABSA Bank - Richards Bay

Current/Deposit Account number 2150000095

Cash book balance at beginning of year	19 926 900	8 500 114
Cash book balance at end of year	28 417 922	19 926 900

Bank statement balance at beginning of year	18 102 648	7 600 525
Bank statement balance at end of year	25 351 662	18 102 648

#### Hostel Account

ABSA Bank - Richards Bay

Current/Deposit Account number 90 8291 6767

Cash book balance at beginning of year	16 725 502	15 393 137
Cash book balance at end of year	18 424 804	16 725 502

Bank statement balance at beginning of year	16 725 502	15 393 137
Bank statement balance at end of year	18 424 804	16 725 502

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>14 BANK, CASH AND OVERDRAFT BALANCES (continued)</b>		
<b>Housing Account - Brackenham</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 2361 5121		
Cash book balance at beginning of year	3 486 049	2 920 494
Cash book balance at end of year	3 840 230	3 486 049
Bank statement balance at beginning of year	3 486 049	2 920 494
Bank statement balance at end of year	3 840 230	3 486 049
<b>Housing Account - Ngwelezane</b>		
ABSA Bank - Richards Bay		
Current /Cheque Account number 91 7137 3496		
Cash book balance at beginning of year	1 419 616	1 419 616
Cash book balance at end of year	1 719 523	1 560 933
Bank statement balance at beginning of year	1 419 616	1 419 616
Bank statement balance at end of year	1 719 523	1 560 933
<b>Housing Account - Pionierhof</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 90 9224 7889		
Cash book balance at beginning of year	9 809 129	9 809 129
Cash book balance at end of year	11 460 333	10 403 415
Bank statement balance at beginning of year	9 809 129	9 809 129
Bank statement balance at end of year	11 460 333	10 403 415
<b>Conditional Grants</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 7137 3917		
Cash book balance at beginning of year	20 517 523	20 517 523
Cash book balance at end of year	35 505 732	32 230 937
Bank statement balance at beginning of year	32 230 937	20 517 523
Bank statement balance at end of year	35 505 732	32 230 937
<b>Petty Cash</b>		
Balance at beginning of year	32 950	25 450
Balance at end of year	33 350	32 950

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>15 PROPERTY RATES</b>		
<b>Actual</b>		
Residential	47 262 041	32 939 217
Commercial	68 521 512	64 900 166
State	9 284 573	6 302 080
<b>Total Assessment Rates</b>	<b>125 068 126</b>	<b>104 141 463</b>
<b>Property Valuations</b>		
Residential	14 108 851 898	771 392 300
Commercial	8 982 094 700	1 318 807 550
State	2 424 496 900	133 792 000
Municipal	1 453 182 700	-
<b>Total Property Valuations</b>	<b>26 968 626 198</b>	<b>2 223 991 850</b>

The first valuation in terms of the Property Rates Act No 6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Two supplementary valuations and objections in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

Predominant Use	Rate Randage	Ratio to Residential Tariff
Residential Properties	0,00412	1:1
Business, Commercial and Industrial Properties and Mining	0,00824	1:2
Agricultural Properties	0,00113	1:0,25
Agricultural Properties (business)	0,00824	1:2
State Trust land	0,00412	1:1
State Owned Properties	0,00412	1:1
Public Service Infrastructure	0,00412	1:1

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 15 PROPERTY RATES (continued)

Subject to the provisions contained in the Rate Policy and upon application the following rebates were applied:

Agricultural Properties - 5%  
Public Benefit Organisations - 100%  
Sporting Bodies - 100%  
Pensioners - 20%

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R85 000 of the valuation on all developed residential properties was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis, is 30 September of each year and 30 June for monthly rate payers. Interest of prime plus 1% per annum is levied on outstanding rates.

	2009 R	2008 R
<b>16 SERVICE CHARGES</b>		
Sale of electricity	456 454 558	323 016 499
Sale of water	92 439 949	80 900 312
Surcharge on water	4 754 329	-
Refuse removal	32 950 960	29 089 147
Sewerage and sanitation charges	45 466 281	42 606 267
<b>Total Service Charges</b>	<b>632 066 077</b>	<b>475 612 225</b>

### 17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	95 131 764	72 007 975
National Conditional Grants	2 439 537	2 075 194
Provincial Health Subsidies	5 107 500	3 064 500
Provincial Casino Levies Subsidies	-	1 245 000
Provincial Local Government Grants	1 207 810	234 586
Provincial Department of Public Works	-	80 909 917
Provincial Department of Housing	-	57 354 000
Provincial Housing Grants	5 003 437	343 033
Provincial Library Service Subsidies	854 260	1 414 129
Provincial Museum Services Subsidies	62 972	72 000
Provincial Community Development Workers Programme	1 224	12 498
Department of Sport & Recreation	876 051	-
Department of Water Affairs - Cleanest Town Award	1 279	-
Department of Water Affairs - Water Services Programme	-	160 630
Department of Water Affairs - Refurbishment Grant	848 960	-
Department of Water Affairs (DWAF) Water Conservation and Demand	357 957	-
Department of Water Affairs - Institutional Support Programme Grant	795 000	121 422
Department of Agriculture and Environmental Affairs	-	109 047
Department of Minerals and Energy	2 947 589	1 273 848
Municipal Infrastructure Grant (incl SMIF allocation)	44 190 470	29 257 469
Municipal Infrastructure Grant (Disaster Relief)	-	116 894

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
uThungulu District Municipality Environmental Health service	1 319 418	879 612
uThungulu District Municipality Capacity Building Grants	-	109 023
uThungulu District Municipality Management of Cemeteries	808 218	835 873
uThungulu District Municipality Infrastructure Grant	-	48 488
uThungulu District Municipality Infrastructure Grant		(1 057 593)
uThungulu District Municipality Local Aids Launch Subsidy	-	10 000
uThungulu District Municipality United Nations Development Programmes	1 993	-
uThungulu District Municipality Infrastructure Grant (2010 Stadium)	6 278 782	-
<b>Total Government Grants &amp; Subsidies</b>	<b>168 234 221</b>	<b>250 597 545</b>

### 17.1 Equitable Share

In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services

### 17.2 National Conditional Grants

Balance unspent at beginning of year	5 505 339	7 080 533
Current year receipts	900 000	500 000
Conditions met - transferred to revenue	(2 439 537)	(2 075 194)
Conditions still to be met - transferred to liabilities	<b>3 965 802</b>	<b>5 505 339</b>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote support reforms to financial management and the implementation of the Municipal Finance Management Act. The Restructuring Grant received in 2002, 2003, 2004 from National Treasury has been earmarked for certain projects that will improve the local economy. The Municipal Systems Improvement Grant is used to assist in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act.

### 17.3 Provincial Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	5 107 500	3 064 500
Conditions met - transferred to revenue	(5 107 500)	(3 064 500)
Conditions still to be met - transferred to liabilities	-	-

The municipality renders health services on behalf of the Provincial Government and is refunded approximately 35% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There are no funds withheld.

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.4 Provincial Casino Levies Subsidies</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	1 245 000
Conditions met - transferred to revenue	-	(1 245 000)
Conditions still to be met - transferred to liabilities	-	-

The purpose of the allocation is to pay over the outstanding amounts for the prescribed Local Government levies due to the respective municipalities for the period 2003/04 to 2006/07. There was no delay or withholding of the subsidy.

### 17.5 Provincial Local Government Grants

Balance unspent at beginning of year	1 980 784	2 215 370
Current year receipts	-	-
Conditions met - transferred to revenue	(1 207 810)	(234 586)
Conditions still to be met - transferred to liabilities	<b>772 974</b>	<b>1 980 784</b>

Provincial Local Government grants are used to implement, administrative and financial municipal framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government.

### 17.6 Provincial Development Planning Grants

Balance unspent at beginning of year	37 201	37 201
Current year receipts	100 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<b>137 201</b>	<b>37 201</b>

Provincial Development Planning grants are used to promote informed integrated planning and development in the province. The grants are spent in accordance with a business plan approved by the Provincial Government.



# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.7 Provincial Department of Public Works/Housing</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	138 263 917
Conditions met - transferred to revenue	-	(138 263 917)
Conditions still to be met - transferred to liabilities	-	-

First time take over of donated assets from Department of Public Works and Housing.

### 17.8 Provincial Housing Grants

Balance unspent at beginning of year	16 699 285	15 510 056
Current year receipts	340 125	-
Conditions met - transferred to revenue	(5 003 437)	(343 033)
Interest Received	1 699 302	1 532 262
Conditions still to be met - transferred to liabilities	<b>13 735 275</b>	<b>16 699 285</b>

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were also provided for the Municipality to implement the Enhanced Extended Discount Benefit Scheme. No funds have been withheld.

### 17.9 Provincial Library Services Subsidies

Balance unspent at beginning of year	411 998	-
Current year receipts	720 541	1 826 127
Conditions met - transferred to revenue	(854 260)	(1 414 129)
Conditions still to be met - transferred to liabilities	<b>278 279</b>	<b>411 998</b>

Provincial Library Grants were allocated to subsidise the purchase of equipment for various libraries. A subsidy was also received to assist in the construction of the Empangeni Library Study Hall. Funds were also provided to refurbish the old community hall at Felixton into a library. Further funding was also received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.10 Provincial Museum Services Subsidies</b>		
Balance unspent at beginning of year	-	-
Current year receipts	62 972	72 000
Conditions met - transferred to revenue	(62 972)	(72 000)
Conditions still to be met - transferred to liabilities	-	-
Department of the Premier allocates a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.		
<b>17.11 Provincial Community Development Workers Programme</b>		
Balance unspent at beginning of year	30 935	43 433
Current year receipts	-	-
Conditions met - transferred to revenue	(1 224)	(12 498)
Conditions still to be met - transferred to liabilities	<b>29 711</b>	<b>30 935</b>
Department of Local Government and Traditional Affairs allocated funds to Council for the administration the Community Development Workers Programme. No funds have been withheld.		
<b>17.12 Provincial Department of Transport Subsidy</b>		
Balance unspent at beginning of year	167 279	167 279
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<b>167 279</b>	<b>167 279</b>
Provincial Department of Transport provided for a subsidy for Pedestrian Safety Project. Provincial Department of Transport Subsidy for the reimbursement of expenses paid for the relocation of the Empangeni Licensing Offices. No funds have been withheld		
<b>17.13 Department of Water Affairs (DWAF) Cleanest Town Award</b>		
Balance unspent at beginning of year	70 507	139 967
Current year receipts	-	-
Conditions met - transferred to revenue	(1 279)	(69 460)
Conditions still to be met - transferred to liabilities	<b>69 228</b>	<b>70 507</b>
Department of Water Affairs Cleanest Town Award. Funds will be used on a recycling project. No funds have been withheld.		

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.14 Department of Water Affairs (DWAF) Water Services Programme</b>		
Balance unspent at beginning of year	255 307	415 937
Current year receipts	-	-
Conditions met - transferred to revenue	-	(160 630)
Conditions still to be met - transferred to liabilities	<u>255 307</u>	<u>255 307</u>
Department of Water Affairs Sector Institutional Support and Capacity Building Initiatives in support of Water Services Authority and Water Service Provider functions. The grants are spent in accordance with an approved business proposal.		
<b>17.15 Department of Water Affairs (DWAF) Refurbishment Grant</b>		
Balance unspent at beginning of year	6 178 000	-
Current year receipts	-	6 178 000
Conditions met - transferred to revenue	(848 960)	-
Conditions still to be met - transferred to liabilities	<u>5 329 040</u>	<u>6 178 000</u>
Department of Water Affairs Refurbishment Grant and Subsidy for Water Services Works. The grant is spent in accordance with an approved business plan.		
<b>17.16 Department of Water Affairs (DWAF) Institutional Support Programme Grant</b>		
Balance unspent at beginning of year	1 078 578	1 200 000
Current year receipts	-	-
Conditions met - transferred to revenue	(795 000)	(121 422)
Conditions still to be met - transferred to liabilities	<u>283 578</u>	<u>1 078 578</u>
Department of Water Affairs Support Project Grant for Institutional Support & Capacity Building. The grant is spent in accordance with an approved business plan.		

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.17 Department of Water Affairs (DWAF) Water Conservation and Demand Management Grant</b>		
Balance unspent at beginning of year	462 000	-
Current year receipts	1 200	462 000
Conditions met - transferred to revenue	(357 957)	-
Conditions still to be met - transferred to liabilities	<b>105 243</b>	<b>462 000</b>

Department of Water Affairs Water Conservation and Demand Management grant in support of capacity building and institutional support. The grant is spent in accordance with an approved business plan.

### 17.18 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	10 158 828	7 743 619
Current year receipts	52 131 703	31 672 678
Conditions met - transferred to revenue	(44 190 470)	(29 257 469)
Conditions still to be met - transferred to liabilities	<b>18 100 061</b>	<b>10 158 828</b>

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

### 17.19 Municipal Infrastructure Grant (MIG) (Disaster Relief)

Balance unspent at beginning of year	-	-
Current year receipts	-	116 894
Conditions met - transferred to revenue	-	(116 894)
Conditions still to be met - transferred to liabilities	-	-

This grant was provided following storm and tidal surges in March 2007.

### 17.20 uThungulu District Municipality Environmental Health Costs

Balance unspent at beginning of year	-	-
Current year receipts	1 319 418	879 612
Conditions met - transferred to revenue	(1 319 418)	(879 612)
Conditions still to be met - transferred to liabilities	-	-

The function to provide environmental health services was transferred to the District Municipality. Council is still performing this function on behalf of the District Municipality. In terms of a service level agreement the District Municipality allocates a portion of their Equitable Share allocation.

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.21 uThungulu District Municipality Capacity Building Grant</b>		
Balance unspent at beginning of year	130 977	240 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(109 023)
Conditions still to be met - transferred to liabilities	<u>130 977</u>	<u>130 977</u>
uThungulu District Council allocated funds for capacity building grants. No funds have been withheld.		
<b>17.22 uThungulu District Municipality Administration of Regional Cemeteries</b>		
Balance unspent at beginning of year	-	-
Current year receipts	808 218	835 873
Conditions met - transferred to revenue	(808 218)	(835 873)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
Council administers the Regional Cemetery on behalf of uThungulu District Council in terms aservice level agreement. No funds have been withheld.		
<b>17.23 uThungulu District Municipality Museum Operating Subsidy</b>		
Balance unspent at beginning of year	36 756	36 756
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>36 756</u>	<u>36 756</u>
uThungulu District Council allocated a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.		
<b>17.24 uThungulu District Council Infrastructure Grant</b>		
Balance unspent at beginning of year	-	48 488
Current year receipts	-	(1 057 593)
Conditions met - transferred to revenue	-	1 009 105
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
uThungulu District Council provided a grant to partially fund the Nseleni Bulk Water Supply Project and a further grant for capital projects in the IDT area. No funds have been withheld.		
Incorrect capitalisation of the Mtunzini bulk water pipeline as per audit findings for the 2006/2007 financial year. Reversal processed in 2007/2008 financial year.		

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	2009 R	2008 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.25 uThungulu District Council Infrastructure Grant (2010 Stadium)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	6 278 782	-
Conditions met - transferred to revenue	(6 278 782)	-
Conditions still to be met - transferred to liabilities	-	-
uThungulu District Council contributed to the construction of the 2010 Stadium. This contribution together with Council's contribution is disclosed as capital under		
<b>17.26 uThungulu District Council Local Aids Launch Subsidy</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	10 000
Conditions met - transferred to revenue	-	(10 000)
Conditions still to be met - transferred to liabilities	-	-
uThungulu District Council provided a subsidy to partially fund the Local Aids Launch.		
<b>17.27 uThungulu District Council United Nations Development Programme fight against HIV/AIDS</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 993	-
Conditions met - transferred to revenue	(1 993)	-
Conditions still to be met - transferred to liabilities	-	-
uThungulu District Council donated assets inherited from United Nations Development Programme.		
<b>17.28 Department of Agriculture and Environmental Affairs</b>		
Balance unspent at beginning of year	90 953	-
Current year receipts	200 000	200 000
Conditions met - transferred to revenue	-	(109 047)
Conditions still to be met - transferred to liabilities	<b>290 953</b>	<b>90 953</b>
Department of Agriculture and Environmental affairs provided a subsidy for a recycling project. The grants are spent in accordance with an approved business proposal.		

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

<b>2009</b>	<b>2008</b>
<b>R</b>	<b>R</b>

**17 GOVERNMENT GRANTS AND SUBSIDIES (continued)**

**17.29 Department of Minerals & Energy**

Balance unspent at beginning of year	326 152	235 000
Current year receipts	2 621 437	1 365 000
Conditions met - transferred to revenue	(2 947 589)	(1 273 848)
Conditions still to be met - transferred to liabilities	-	<b>326 152</b>

Department of Minerals & Energy in support of Electrification Projects. The grants are spent in accordance with an approved business proposal.

**17.30 Department of Sport and Recreation**

Balance unspent at beginning of year	-	-
Current year receipts	949 195	-
Conditions met - transferred to revenue	(876 051)	-
Conditions still to be met - transferred to liabilities	<b>73 144</b>	-

Funds were received for the upgrade of the Vulindlela Sports Facility. The grants are spent in accordance with an approved business proposal.

**17.31 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act No.2 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years. The Provincial Department of Health plans to take over the Municipal Primary Health care services. A Service Level Agreement has been signed with Province so that service delivery can be maintained.

**18 OTHER INCOME**

Buiding Plans	1 000 184	1 513 488
Extension Fees	11 090 077	10 749 842
Connection Fees	2 459 871	2 392 745
Sundries	10 533 394	9 086 580
Stock Surplus	55 796	14 251
<b>Total Other Income</b>	<b>25 139 322</b>	<b>23 756 906</b>

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**19 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	173 057 041	157 949 936
Employee related costs - Contributions for UIF, pensions and medical aids	46 107 534	41 884 161
Travel, motor car, accommodation, subsistence and other allowances	24 503 946	23 661 722
Housing benefits and allowances	7 219 607	8 107 672
Overtime payments	24 131 247	19 898 986
Performance bonus	733 950	158 890
Leave Payments	6 753 654	5 978 989
Less: Employee costs capitalised to Property, Plant and Equipment	(2 179 670)	(2 541 130)
<b>Total Employee Related Costs</b>	<b>280 327 309</b>	<b>255 099 226</b>

There were no advances to employees. Loans to employees are set out in note 13.

**Remuneration of the Municipal Manager**

Annual Remuneration	658 507	588 587
Performance Bonuses	117 938	109 724
Housing Subsidy	65 534	65 534
Travel Allowance	188 294	188 294
Contributions to UIF, Medical and Pension Funds	1 497	1 440
<b>Total</b>	<b>1 031 770</b>	<b>953 579</b>

**Remuneration of Individual Executive Directors**

	<b>Deputy Municipal Manager</b>	<b>Snr Manager Community Services</b>	<b>Snr Manager Technical Services</b>
	R	R	R
<b>30 June 2009</b>			
Annual Remuneration	451 985	138 000	49 167
Annual Bonus	-	-	-
Entertainment	-	-	-
Performance Bonuses	-	-	-
Housing Subsidy	-	-	-
Travel Allowance	81 546	38 514	11 158
Contributions to UIF, Medical and Pension Funds	45 094	29 641	8 393
<b>Total</b>	<b>578 625</b>	<b>206 155</b>	<b>68 718</b>

Newly created positions. No comparative information.



**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**19 EMPLOYEE RELATED COSTS (continued)**

	<b>Chief Financial Officer</b>	<b>City Engineer</b>	<b>City Electrical Engineer</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>30 June 2009</b>			
Annual Remuneration	177 662	649 834	407 376
Annual Bonus	-	-	-
Entertainment	-	-	-
Performance Bonuses	94 607	-	94 607
Housing Subsidy	25 274	-	50 547
Travel Allowance	150 289	239 860	194 075
Contributions to UIF, Medical and Pension Funds	13 473	186 878	81 396
<b>Total</b>	<b>461 305</b>	<b>1 076 572</b>	<b>828 001</b>
<b>30 June 2008</b>			
Annual Remuneration	326 790	477 268	374 663
Annual Bonus	-	-	-
Entertainment	-	-	-
Performance Bonuses	-	-	49 166
Housing Subsidy	46 674	-	46 674
Travel Allowance	274 745	128 748	178 504
Contributions to UIF, Medical and Pension Funds	26 355	158 548	74 725
<b>Total</b>	<b>674 564</b>	<b>764 564</b>	<b>723 732</b>

**Remuneration of Individual Executive Directors**

	<b>Management Services</b>	<b>Corporate Services</b>	<b>Planning &amp; Sustainable Development</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>30 June 2009</b>			
Annual Remuneration	355 324	175 971	355 324
Annual Bonus	-	39 131	-
Entertainment	-	700	-
Performance Bonuses	-	90 696	94 607
Housing Subsidy	50 548	4 326	50 548
Travel Allowance	285 228	88 946	285 228
Contributions to UIF, Medical and Pension Funds	42 295	65 905	42 295
<b>Total</b>	<b>733 395</b>	<b>465 675</b>	<b>828 002</b>
<b>30 June 2008</b>			
Annual Remuneration	324 291	324 970	326 790
Annual Bonus	22 967	27 081	-
Entertainment	-	1 400	-
Performance Bonuses	-	-	-
Housing Subsidy	39 135	21 662	46 674
Travel Allowance	148 676	156 325	264 419
Contributions to UIF, Medical and Pension Funds	82 308	117 867	36 682
<b>Total</b>	<b>617 377</b>	<b>649 305</b>	<b>674 565</b>

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 19 EMPLOYEE RELATED COSTS (continued)

	Community Facilitation & Marketing	Community Services & Health	Parks Sports & Recreation
	R	R	R
<b>30 June 2009</b>			
Annual Remuneration	351 942	351 942	351 942
Annual Bonus	29 329	29 329	29 329
Entertainment	1 400	1 400	1 400
Performance Bonuses	94 715	55 320	91 460
Housing Subsidy	44 728	5 183	26 880
Travel Allowance	176 840	157 416	176 729
Contributions to UIF, Medical and Pension Funds	137 682	116 482	133 272
<b>Total</b>	<b>836 636</b>	<b>717 072</b>	<b>811 012</b>
<b>30 June 2008</b>			
Annual Remuneration	324 970	324 970	324 970
Annual Bonus	27 081	27 081	27 081
Entertainment	1 400	1 400	1 400
Performance Bonuses	-	-	-
Housing Subsidy	41 925	-	23 940
Travel Allowance	155 522	155 820	156 325
Contributions to UIF, Medical and Pension Funds	127 118	106 879	121 047
<b>Total</b>	<b>678 016</b>	<b>616 150</b>	<b>654 763</b>

### 20 REMUNERATION OF COUNCILLORS

Mayor	504 126	457 615
Deputy Mayor	406 949	366 843
Speaker	406 781	365 658
Executive Committee Members	3 056 803	2 666 517
Councillors	7 672 705	6 846 876
Councillors pension contribution	1 165 763	1 038 395
<b>Total Councillors Remuneration</b>	<b>13 213 127</b>	<b>11 741 904</b>

The Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor is also provided with a vehicle for business use at the cost of the Council.

### 21 FINANCE COSTS

Long-term liabilities	68 252 938	44 787 085
<b>Total Interest on External Borrowings</b>	<b>68 252 938</b>	<b>44 787 085</b>

### 22 BULK PURCHASES

Electricity	347 371 879	205 147 797
Water	40 003 208	34 474 835
<b>Total Bulk Purchases</b>	<b>387 375 087</b>	<b>239 622 632</b>

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>23 GRANTS AND SUBSIDIES PAID</b>		
Richards Bay Country Club	393 338	463 951
S P C A	245 500	233 100
uMhlathuze Tourism Association	329 009	87 887
Richards Bay Bowling Club	68 028	-
Zululand Expo	19 500	16 228
uThungulu Community	-	20 000
Sundries	111 834	56 680
Department of Transport (Contribution for the construction of the John Ross Highway disclosure in terms of Section 123 (1)(b)(ii) of the MFMA)	-	10 000 000
<b>Total Grants and Subsidies</b>	<b>1 167 209</b>	<b>10 877 846</b>

## 24 CASH GENERATED FROM OPERATIONS

Surplus for the year	(70 693 097)	80 305 318
Adjustment for:		
Depreciation	86 514 951	93 526 452
Amortisation	1 369 758	1 032 541
Post employment benefit expenses	1 751 000	-
Sale of land (revaluation realised)	-	53 861 883
Grants received (Ex R293 properties excluded as non cash)	-	(114 199 000)
Other grants received (excluded as non cash)	(6 280 775)	
(Gain)/Loss on disposal of property, plant and equipment	(55 652)	(2 711 304)
Movement in bad debt provision	(2 600 000)	142 183
Investment income	(16 614 284)	(17 359 709)
Interest paid	68 252 938	44 787 085
<b>Operating surplus before working capital changes:</b>	<b>61 644 839</b>	<b>139 385 449</b>
Decrease/ (Increase) in inventories	40 362 040	(1 669 020)
(Increase)/ in debtors	(13 705 717)	(5 549 209)
(Increase)/ Decrease in other debtors	(7 796 754)	5 518 479
Increase in conditional grants and receipts	139 929	8 576 700
Increase in creditors	50 154 043	31 921 671
(Increase)/ decrease in VAT claimable	(10 186 309)	1 287 990
(Decrease)/ increase in consumer deposits	(415 927)	4 219 919
<b>Cash generated from operations</b>	<b>120 196 146</b>	<b>183 691 979</b>

	2009 R	2008 R
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## 25 BANK BALANCES AND CASH

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts

Bank balances and cash	115 427 879	96 392 101
<b>Total bank balances and cash</b>	<b>115 427 879</b>	<b>96 392 101</b>

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>26 UNAUTHORISED, IRREGULAR AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure		
Unauthorised expenditure current year	-	452,992
Approved by Council or condoned	-	(452,992)
Unauthorised expenditure awaiting authorisation	-	-

## 27 WATER LOSSES

Water losses for uMhlathuze Municipality calculated at an average cost per kilolitre amounts to (14639044 kl @ R2.50 per kl):

36,595,611

Losses can be accounted for primarily through: illegal connections, rural areas not yet connected to billing system and operational usage through new reticulation systems.

## 28 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

### 28.1 Contributions to SALGA

Council subscriptions	1,250,923	1,158,878
Amount paid	(1,250,923)	(1,158,878)

### 28.2 Audit fees

Amount paid - current year	1,521,228	1,476,722
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### 28.3 PAYE and UIF

Opening balance	2,331,358	
Current year payroll deductions	33,646,359	28,974,654
Amount paid - current year	(30,933,754)	(26,643,296)
Amount paid - previous year	(2,331,358)	-
<b>Balance unpaid (included in creditors)</b>	<b>2,712,605</b>	<b>2,331,358</b>

The balance represents June's contribution paid over in July.

### 28.4 Pension and Medical Aid Deductions

Opening balance	3,248,282	88
Current year payroll deductions	65,562,508	58,240,350
Amount paid - current year	(62,215,154)	(54,992,156)
Amount paid - previous year	(3,248,282)	-
<b>Balance unpaid (included in creditors)</b>	<b>3,347,354</b>	<b>3,248,282</b>

The balance represents continued members contributions received in advance.

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	2009 R	2008 R
<b>28 ADDITIONAL DISCLOSURE (continued)</b>		

**28.5 Councillor's Arrear Consumer Accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at **30 June 2009**

	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
None	-	-	-
<b>Total Councillor Arrear Consumer Account</b>	<b>-</b>	<b>-</b>	<b>-</b>

**30 June 2008**

Councillor Gumede TN	911	741	170
Councillor Mbanjwa N	873	25	848
Councillor Mtshali D	7,539	7,539	-
<b>Total Councillor Arrear Consumer Account</b>	<b>9,323</b>	<b>8,305</b>	<b>1,018</b>

During the year the following Councillor's had arrears accounts outstanding for more than 90 days.

	Highest Amount Outstanding	Ageing
<b>30 June 2009</b>		
Councillor Mtshali D	1,169	120 days
Councillor Gumede TN	660	150 days
Councillor Mtshali D	15,015	150 days
<b>30 June 2008</b>		
Councillor Gumede TN	170	120 days
Councillor Mbanjwa N	848	990 days

**29 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

Approved and contracted for	278,161,232	259,118,363
Approved but not yet contracted for	311,934,468	300,349,537
<b>Total capital commitments</b>	<b>590,095,700</b>	<b>559,467,900</b>

This expenditure will be financed from:

Internal Sources	324,746,800	282,112,700
External Loans	188,349,400	200,807,200
Grants	76,999,500	76,548,000
	<b>590,095,700</b>	<b>559,467,900</b>

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>30 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
Guarantees by City of uMhlathuze in respect of building society and commercial bank housing loans to officials.	<u>8,354</u>	<u>257,897</u>
Guarantee by City of uMhlathuze in respect of Postal services.	<u>200,000</u>	<u>80,000</u>
Fountain Civil Engineering - disputed retention claims.	<u>-</u>	<u>398,000</u>

### 31 Post Employment Medical Benefits

The Municipality operates a number of post employment medical benefit schemes in South Africa.

A valuation of the obligation has been performed for the year ended 30 June 2009.

#### The amounts recognised in the Statements of Financial Position were determined as follows:

Present Value of the obligation	130,707,000	128,956,000
Unrecognised actuarial gain / (loss)	-	-
Liability in the Balance Sheet	<u>130,707,000</u>	<u>128,956,000</u>

#### Movements in the defined benefit obligation is as follows:

Balance at the beginning of the year	128,956,000	-
Current service cost	11,538,000	-
Interest cost	13,730,000	-
Benefits paid	(2,466,000)	-
Actuarial (gain) loss on obligation	(21,051,000)	-
	<u>130,707,000</u>	<u>-</u>

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

Current service cost	11,538,000	-
Interest cost	13,730,000	-
Actuarial gain loss recognised during the year	(21,051,000)	-
Benefit paid	(2,466,000)	-
Net amount recognised in the Statement of Financial Performance	<u>1,751,000</u>	<u>-</u>

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>32 PROVISIONS</b>		
Staff leave	9,196,951	9,498,743
Staff Bonuses	6,760,832	5,891,875
	<b>15,957,783</b>	<b>15,390,618</b>

## 33 EVENTS AFTER THE REPORTING DATE

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

## 34 CHANGE IN ACCOUNTING POLICY

### 34.1 Reclassification of reserves to accumulated surplus

During the period ended 30 June 2009, City of uMhlathuze adopted GRAP 3, accounting policies, changes in accounting estimates and errors.

Reserves that were not cash backed have been transferred to accumulated surplus in line with the requirements of the standard.

The effects of this restatement are as follows:

<b>Capitalisation reserve</b>	<b>R</b>
Balance as previously stated at 1 July 2007	194,570,086
Balance transferred to accumulated surplus	(194,570,086)
<b>Restated Balance at 30 June 2008</b>	<b>-</b>
<b>Government Grant Reserve</b>	
Balance as previously stated	315,824,790
Balance transferred to accumulated surplus	(315,824,790)
<b>Restated Balance at 30 June 2008</b>	<b>-</b>
<b>Donations and Public contributions</b>	
Balance as previously stated	254,788,248
Balance transferred to accumulated surplus	(254,788,248)
<b>Restated Balance at 30 June 2008</b>	<b>-</b>

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 34 CHANGE IN ACCOUNTING POLICY (continued)

#### Revaluation reserve

Balance as previously stated	655,903,807
Balance transferred to accumulated surplus	(655,903,807)
<b>Restated Balance at 30 June 2008</b>	<b>-</b>

#### Restatement of accumulated surplus Accumulated Surplus

R

Balance as previously stated	13,408,872
Transfer from Capitalisation reserve	194,570,086
Transfer from Government Grant reserve	315,824,790
Transfer from Donations and Public contributions reserve	254,788,248
Correction of error-Land not previously recognised	43,294,717
Transfer from Revaluation reserve	655,903,807
<b>Restated Balance at 30 June 2008</b>	<b>1,477,790,520</b>

Post employment medical aid benefit	(128,956,000)
Reversal of depreciation on capital under construction	20,548
Correction of error - Investment land not previously recognised	20,824,944
<b>Restated Balance as at 30 June 2008</b>	<b>1,369,680,012</b>

#### Adoption of IAS 19 Employee Benefits

During the Year City of uMhlathuze adopted IAS 19 employee benefits, the standard requires that the obligation for post employment medical aid benefits be disclosed in the financial statements

The effects of this change in accounting policy, or the first time adoption of this accounting policy are as follows

Post employment medical aid obligation as previously disclosed in the financial statements

-

Post employment medical aid obligation as determined by actuarial valuation at the 30 June 2008

128,956,000

#### Restated Balance as at 30 June 2008

**128,956,000**

The balance has been restated to 1 July 2008, due to the fact that it is impracticable to restate back to periods prior to this.



# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 35 PRIOR PERIOD ERROR

#### Restatement of Inventory for Land Held for sale

During the year, the municipality discovered land and sold that was previously not accounted for in the accounting records and also inventory land that was accounted under PPE.

The impact of this error is as follows:

**R**

Balance as previously stated in the Financial statements	10,717,292
Land For sale not previously recognised	43,294,717
Land Transferred from PPE	64,647,000
<b>Restated Inventory Balance at 30 June 2008</b>	<b>118,659,009</b>

#### Restatement of Investment property, inventory and intangible incorrectly classified under Property, plant and equipment

During the year it was discovered that land was incorrectly classified as PPE, and should have been classified as Investment property, inventory and intangible assets.

The impact of this error is as follows:

#### Restatement of Property, plant and equipment (Cost)

Balance as previously stated	2,070,914,385
Transfer of Property plant and equipment to investment property	(56,001,000)
Transfer of Property plant and equipment to inventory	(64,647,000)
Transfer of Property, plant and equipment to intangible	(542,675)
<b>Restated Balance at 30 June 2008</b>	<b>1,949,723,710</b>

#### Restatement of Property, plant and equipment (Accumulated depreciation)

Balance previously stated	775,358,379
Reversal of depreciation on capital under construction (Community Assets)	(20,548)
<b>Restated Balance at 30 June 2008</b>	<b>775,337,831</b>

#### Restatement of Investment property (Cost)

During the year it was discovered that land for Investment Property was not brought in during 2007/2008 financial year.

The impact of this error is as follows:

Balance previously stated	10,051,070
Transfer of Property, plant and equipment to investment property	56,001,000
Correction of error - Land not previously recognised	20,824,944
<b>Restated Balance at 30 June 2008</b>	<b>86,877,014</b>

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

36 RELATED PARTY TRANSACTIONS

36.1 MOTOR VEHICLE LOANS			BALANCE 30/06/2008	2008/2009 INTEREST	2008/2009 REPAYMENT	BALANCE 30/06/2009
van Roojen	M	Dep PSD	44,903.71	2,390.89	29,116.84	7,300.60
			<b>44,903.71</b>	<b>2,390.89</b>	<b>29,116.84</b>	<b>7,300.60</b>

36 RELATED PARTY TRANSACTIONS

36.2 KEY PERSONNEL EMPLOYEE BENEFIT

		BENEFIT R	THIRD PARTY TRANSACTIONS R
Heyneke	AW	1,031,770.58	10,045.92
Nhleko	NP	578,625.84	-
Sibeko	NJ	206,154.69	16,543.91
Mdakane	S	68,718.23	7,381.11
Pillay	J	461,304.81	15,818.54
Baker	DL	828,002.19	6,864.84
Bosman	FG	464,167.40	17,346.66
Naidoo	JK	612,404.07	-
Khoza	EL	828,002.19	11,061.44
Erasmus	SC	465,674.59	11,751.17
Phillips	F	717,071.83	16,254.33
van Biljon	EH	811,012.19	9,231.30
Odendaal	P E	836,635.71	10,602.94
Volschenk	PN	578,725.41	6,082.59
Nel	MJ	574,675.89	8,433.98
Moss	AF	557,969.49	14,890.22
Mulder	OJH	590,739.07	64,176.45
van Roojen	M	585,000.81	49,692.64
Kirsten	HAD	108,204.00	11,360.86
Pullen	WNS	579,118.29	19,864.27
Klopper	JM	511,813.21	7,006.82
Koekemoer	CM	601,866.83	8,884.16
Mathenjwa	CM	206,498.35	-
Dladla	HR	557,904.21	-
Gullan	AL	279,974.75	10,392.36
Mbatha	SM	534,719.49	5,893.34
Vumba	AP	575,524.38	6,716.66
Renald	H D	603,452.69	8,732.15
Angell-Schau	D L	596,033.29	12,554.88
Cronje	G P	576,903.93	5,255.33
Schutte	J J	250,896.43	7,072.76
Oliver	PM	575,543.67	8,627.82
Francis	T E	617,321.60	7,573.88
Hlela	SN	564,114.69	5,311.81
Ngidi	PD	476,780.98	3,955.74
Ndlovu	M B T	519,269.61	6,275.11

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**36 RELATED PARTY TRANSACTIONS (continued)**

**36.2 KEY PERSONNEL EMPLOYEE BENEFIT**

		<b>BENEFIT</b>	<b>THIRD PARTY TRANSACTIONS</b>
		<b>R</b>	<b>R</b>
Mbhamali	BS	359,028.54	8,055.76
Hariparsad	S	541,587.93	-
Khan	SY	410,246.47	527.70
Marais	RM	646,501.99	1,072.16
Makhubu	GG	406,059.90	-
Kanyile	B	209,403.95	-
		<b>22,105,424.17</b>	<b>421,311.61</b>

**36.3 COUNCILLORS**

		<b>BENEFIT</b>	<b>THIRD PARTY TRANSACTIONS</b>
		<b>R</b>	<b>R</b>
Mnqayi	AZ	554,559.00	5,917.83
Mbatha	EF	446,844.00	10,718.32
Madlopha	CQ	446,844.00	7,733.53
Harvey	JR	419,915.00	97,258.49
Lourens	M	419,915.00	6,599.79
Mbanjwa	NC	419,915.00	8,424.87
Moffatt	DJB	419,915.00	-
Mzimela	NB	419,915.00	-
Nxumalo	DA	419,915.00	2,922.23
van Zyl	JL	419,915.00	9,164.92
Zikhali	RM	419,915.00	-
Bissoondial	R	171,543.00	-
Buthlezi	MJ	171,542.00	-
Calitz	CF	171,542.00	10,983.00
Cele	NR	171,542.00	2,872.85
Dawood	AS	171,542.00	827.74
Dube	EJB	171,542.00	-
Fourie	LCM	171,542.00	18,665.56
Fourie (Jnr)	LW	171,542.00	-
Gumbi	NV	171,542.00	2,459.48
Gumede	T N	171,542.00	3,700.51
Gumede	BD	171,542.00	-
Herbert	DM	171,542.00	-
Hlophe	NS	171,542.00	-
Khoza	FG	171,542.00	-
Khuboni	AP	171,542.00	4,014.08
Khumalo	LM	171,542.00	-
Madonsela	NE	171,542.00	-
Makatini	MT	171,542.00	-
Mbatha	PT	171,542.00	-
Mbokazi	MM	171,542.00	4,020.37
Mkhize	SG	171,542.00	4,707.58
Mngomezulu	LP	171,542.00	1,604.80
Mnqayi	MS	171,542.00	-
Mpungose	VRT	171,542.00	-
Mthembu	AH	171,542.00	2,548.96
Mthembu	BM	171,542.00	-
Mthembu	BC	171,542.00	2,390.20

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

36 RELATED PARTY TRANSACTIONS (continued)

36.3 COUNCILLORS

		BENEFIT	THIRD PARTY TRANSACTIONS
		R	R
Mthethwa	KN	171,542.00	-
Mthiyane	BM	171,542.00	-
Mthiyane	B	171,542.00	-
Mtshali	D	171,542.00	48,325.08
Myeni	MB	171,542.00	-
Ndlela	MWN	171,542.00	2,460.56
Ndwandwe	GB	171,542.00	-
Ngobese	ND	171,542.00	5,343.03
Nkwanyana	RZ	171,542.00	-
Ntanzi	PM	171,542.00	4,264.78
Ntetha	FF	171,542.00	3,943.75
Shandu	MF	171,542.00	-
Simmadhri	SS	171,542.00	12,691.44
Sukreben	K	171,542.00	13,461.86
Thusi	NT	171,542.00	1,398.59
Tshabalala	CN	171,542.00	0.63
van der Westhuizen	JC	171,542.00	15,798.83
van Huyssteen	RJ	171,542.00	11,818.17
Viljoen	A	171,542.00	7,782.09
Zulu	SM	171,542.00	-
Zulu	SH	171,542.00	-
Zulu	TL	171,542.00	2,789.32
		<b>13,213,126.00</b>	<b>337,613.24</b>

36.4 SCM EMPLOYEES

		BENEFIT	THIRD PARTY TRANSACTIONS
		R	R
van der Westhuizen	JD	465,509.49	8,082.88
de Jager	E	468,389.42	11,136.43
Kluckow	N	381,463.31	2,639.00
Nzimande	BS	341,886.79	5,203.67
Qulu	S	412,865.64	3,488.67
Mbhamali	BS	155,177.39	8,055.76
Zulu	ZY	227,977.56	-
Mdlalose	GN	377,740.87	6,327.12
Thusini	PST	383,213.85	-
Madlala	TB	230,259.61	-
Ngwira	SN	57,284.99	-
		<b>3,501,768.92</b>	<b>44,933.53</b>

**APPENDIX A**

**CITY OF uMHLATHUZE : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009**

<b>EXTERNAL LOANS</b>	<b>Interest Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30/06/2008</b>	<b>Received during the period</b>	<b>Redeemed/ written off during the period</b>	<b>Balance at 30/06/2009</b>	<b>Carrying Value Property, Plant &amp; Equipment R</b>	<b>Other costs in accordance with MFMA</b>
				<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		
<b>LONG-TERM LOANS</b>									
Development Bank of SA	12.00%	10593	2018/03/31	6,052,880		339,324	5,713,556	1,023,466	
Development Bank of SA	12.00%	10594	2017/03/31	2,800,973	-	186,840	2,614,133	951,100	
Development Bank of SA	12.00%	10595	2017/03/31	10,516,365	-	701,498	9,814,867	-	
Development Bank of SA	12.00%	10596	2017/03/31	2,447,193	-	163,241	2,283,952	-	
Development Bank of SA	14.50%	10597	2018/03/31	7,551,936	-	372,045	7,179,891	1,975,673	
Development Bank of SA	12.00%	10600	2017/03/31	4,772,748	-	318,367	4,454,381	1,275,264	
Development Bank of SA	12.00%	10601	2017/03/31	2,836,815	-	189,231	2,647,584	95,257	
Development Bank of SA	12.00%	10602	2017/03/31	717,581	-	47,866	669,715	212,128	
				<b>37,696,491</b>	<b>-</b>	<b>2,318,412</b>	<b>35,378,079</b>	<b>5,532,888</b>	<b>-</b>
INCA	13.95%	UMHL	2019/06/30	13,952,722	-	645,723	13,306,999	10,448,851	
Development Bank of SA	16.16%	11665	2010/12/31	1,069,255	-	378,673	690,582	124,962	
Standard Bank	*1	357636	31/03/2015	76,254,968	-	7,035,674	69,219,294	84,234,330	
Nedbank	*2	05/7831	30/06/2016	76,656,471	-	7,121,960	69,534,511	44,010,706	
INCA	8.75%		28/06/2019	220,000,000	-	-	220,000,000	207,200,771	
Development Bank of SA	11.70%	103170	31/12/2018		245,000,000	6,889,168	238,110,832	236,339,796	
Development Bank of SA	6.75%	103494	30/06/2019		35,000,000	-	35,000,000	33,762,828	
Development Bank of SA	11.57%	103494	30/06/2019		100,000,000	-	100,000,000	96,465,223	
<b>TOTAL EXTERNAL LOANS</b>				<b>425,629,907</b>	<b>380,000,000</b>	<b>24,389,610</b>	<b>781,240,297</b>	<b>718,120,355</b>	<b>-</b>

\*1 = JIBAR plus 1.218%

\*2 = Prime less 3.249%

**APPENDIX B**

**CITY OF uMHLATHUZE : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Land	561 694 800	3 150			561 697 950				-	561 697 950
	561 694 800	3 150	-	-	561 697 950	-	-	-	-	561 697 950
Infrastructure										
Power Stations	138 086 290				138 086 290	28 196 716	4 973 697		33 170 413	104 915 877
Electricity Meters	9 559 799				9 559 799	4 888 467	247 097		5 135 564	4 424 235
Electricity Peak Load Equipment	8 919 079				8 919 079	8 436 963	45 661		8 482 624	436 455
Switchgear Equipment	10 215 575				10 215 575	6 186 602	17 874		6 204 476	4 011 099
Electricity Supply And Reticulation	215 063 046	33 882 429			248 945 475	89 229 854	11 212 733		100 442 587	148 502 889
Electricity Mains	13 136 290				13 136 290	11 513 230	187 339		11 700 569	1 435 721
Street Lights	22 461 347	2 501 355			24 962 702	12 592 301	1 154 253		13 746 554	11 216 148
Stormwater Drains	36 303 512				36 303 512	24 224 102	1 820 939		26 045 041	10 258 471
Roads	447 657 218	64 614 505			512 271 723	261 061 734	14 584 489		275 646 223	236 625 500
Reservoirs-Water	47 132 331				47 132 331	12 399 030	749 812		13 148 842	33 983 489
Water Meters	9 690 516				9 690 516	5 638 350	667 233		6 305 583	3 384 933
Water Mains	20 057 121				20 057 121	8 595 654	612 170		9 207 824	10 849 297
Water Supply And Reticulation	340 572 694	168 573 233			509 145 927	54 085 886	11 867 242		65 953 128	443 192 799
Water Mains & Purification	180 657 271				180 657 271	38 456 416	5 983 408		44 439 824	136 217 447
Pedestrain Malls	3 033 860				3 033 860	2 816 808	121 470		2 938 278	95 582
Taxiways	360 592				360 592	145 669	12 980		158 649	201 943
Security Measures	4 965 950	3 325 970			8 291 920	1 301 859	2 797 810		4 099 669	4 192 251
	1 507 872 491	272 897 493	-	-	1 780 769 984	569 769 641	57 056 206	-	626 825 847	1 153 944 137
Community Assets										
Beach Development	22 532 473				22 532 473	6 788 615	513 754		7 302 369	15 230 104
Cemeteries	6 969 237				6 969 237	990 392	156 258		1 146 650	5 822 587
Clincs	229 414				229 414	34 054	7 844		41 898	187 516
Community Centres	62 643 829				62 643 829	12 254 626	344 452		12 599 078	50 044 751
Fire Stations	2 054 019				2 054 019	453 967	44 172		498 139	1 555 880
Libraries	9 713 694				9 713 694	4 794 681	255 596		5 050 277	4 663 417
Museum	2 221 571				2 221 571	702 833	75 955		778 788	1 442 783
Parks & Gardens	11 186 659				11 186 659	10 252 612	270 594		10 523 206	663 453
Public Conveniences	7 999 838				7 999 838	1 942 379	526 759		2 469 138	5 530 700
Recreation Facilities	48 795 984	16 783 729	21 278 782		86 858 495	14 862 698	2 664 046		17 526 744	69 331 751
	174 346 718	16 783 729	21 278 782	-	212 409 229	53 076 857	4 859 430	-	57 936 287	154 472 942

**APPENDIX B (continued)**

**CITY OF Umhlathuze : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

Cost/Revaluation					Accumulated Depreciation				Carrying Value
Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
R	R	R	R	R	R	R	R	R	R
				-				-	-
49 502	-	-	-	49 502	-	-	-	-	49 502
49 502	-	-	-	49 502	-	-	-	-	49 502
57 568 398	4 864 943			62 433 341	5 097 257	5 292 189		10 389 446	52 043 895
7 105 223				7 105 223	1 414 317	131 566		1 545 883	5 559 340
326 866				326 866	101 406	6 481		107 887	218 979
71 840 070				71 840 070	33 621 582	3 703 178		37 324 760	34 515 310
7 405 253				7 405 253	658 433	172 882		831 315	6 573 938
22 251 126				22 251 127	2 493 758	611 776		3 105 534	19 145 593
17 072 576	13 787 155		135 679	30 724 052	8 241 886	3 025 557	133 864	11 133 579	19 590 473
6 969 780	1 347 246			8 317 026	3 533 268	1 613 209		5 146 477	3 170 549
4 150 564	-			4 150 564	1 635 165	267 335		1 902 500	2 248 064
69 708	-			69 708	52 067	5 060		57 127	12 581
64 455 303	33 837 901			98 293 204	30 034 484	2 549 791		32 584 275	65 708 929
6 258 540	-			6 258 540	2 036 916	182 695		2 219 611	4 038 929
30 393 465	7 254 604			37 648 069	13 605 092	3 905 467		17 510 559	20 137 510
65 799 127	40 936 305			106 735 432	49 965 702	2 912 336		52 878 038	53 857 394
361 666 000	102 028 154	-	135 679	463 558 475	152 491 333	24 379 521	133 864	176 736 990	286 821 485
2 605 629 511	391 712 527	21 278 782	135 679	3 018 485 140	775 337 831	86 295 157	133 864	861 499 124	2 156 986 016

**APPENDIX C**

**APPENDIX C**

**CITY OF uMHLATHUZE : SEGMENTAL ANYALYSIS OF PROPERTY,PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive & Council	4 656 711	574 480		217	5 230 974	563 139	42 794	217	606 150	4 624 824
Finance & Admin	753 395 325	53 629 268		18 575	807 006 018	57 387 211	11 957 385	18 575	69 363 171	737 642 847
Planning & Development	20 592 764	38 670		1 698	20 629 736	5 917 186	49 213	1 698	5 968 098	14 661 638
Health	887 473	52 038		-	939 511	581 115	72 903	-	654 018	285 493
Community & Social Services	189 148 378	10 760 583	21 278 782	3 727	221 184 016	70 445 639	7 298 866	3 727	77 748 231	143 435 784
Housing	61 355 115	4 864 943		-	66 220 058	6 294 400	3 967 403	-	10 261 804	55 958 254
Public Safety	3 481 046	1 678 600		581	5 159 064	1 268 879	317 336	581	1 586 796	3 572 268
Sport & Recreation	112 918 775	36 676 803		12 704	149 582 875	37 549 753	4 769 404	12 704	42 331 861	107 251 014
Waste Management	200 907 676	39 007 782		13 511	239 901 947	58 913 775	9 682 462	13 511	68 609 748	171 292 199
Road Transport	499 080 530	65 369 270		22 642	564 427 158	307 604 228	18 636 558	22 642	326 263 428	238 163 730
Water	447 649 815	88 923 160		30 800	536 542 175	99 079 212	14 784 602	28 986	113 892 800	422 783 236
Electricity	390 739 964	90 138 923		31 222	480 847 665	145 109 735	16 305 785	31 222	161 446 742	319 400 924
Other	4 100				4 100				0	4 100
<b>Total</b>	<b>2 684 817 672</b>	<b>391 714 520</b>	<b>21 278 782</b>	<b>135 678</b>	<b>3 097 675 297</b>	<b>790 714 271</b>	<b>87 884 711</b>	<b>133 864</b>	<b>878 732 847</b>	<b>2 219 076 312</b>



## APPENDIX D

### CITY OF uMHLATHUZE: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/(Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/(Deficit) R
1 411 257	34 631 133	(33 219 876)	Executive & Council	60 088	34 646 386	(34 586 298)
275 117 673	150 383 566	124 734 107	Finance & Admin	232 444 245	158 689 332	73 754 913
1 792 440	15 578 916	(13 786 476)	Planning & Development	1 094 759	17 303 216	(16 208 457)
4 063 159	17 459 083	(13 395 924)	Health	6 835 604	23 597 583	(16 761 979)
5 164 463	49 620 494	(44 456 031)	Community & Social Services	4 568 533	53 157 780	(48 589 247)
60 380 454	8 830 015	51 550 439	Housing	7 910 890	8 268 725	(357 835)
6 522 601	41 255 149	(34 732 548)	Public Safety	4 910 603	48 420 358	(43 509 755)
3 056 868	82 398 118	(79 341 250)	Sport & Recreation	10 572 961	93 733 737	(83 160 776)
95 171 532	131 054 160	(35 882 628)	Waste Management	113 020 682	133 502 253	(20 481 571)
6 736 362	97 750 593	(91 014 231)	Road Transport	6 514 107	122 194 491	(115 680 384)
168 826 903	159 604 907	9 221 996	Water	215 718 917	224 433 143	(8 714 226)
346 559 514	362 152 155	(15 592 641)	Electricity	487 597 697	556 841 837	(69 244 140)
292 478	134 358	158 120	Other	489 889	132 418	357 471
975 095 704	1 150 852 647	-175 756 943	Sub Total	1 091 738 975	1 474 921 259	(383 182 284)
(54 510 712)	(310 572 973)	256 062 261	Less: Inter- Dep Charges	(79 133 465)	(391 622 652)	312 489 187
<b>920 584 992</b>	<b>840 279 674</b>	<b>80 305 318</b>	<b>Total</b>	<b>1 012 605 510</b>	<b>1 083 298 607</b>	<b>(70 693 097)</b>

**APPENDIX E(1)**

**CITY OF uMHLATHUZE : ACTUAL VERSUS BUDGET(REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009**

<b>REVENUE</b>	<b>2009 ACTUAL</b>	<b>2009 BUDGET</b>	<b>2009 VARIANCE</b>	<b>2009 VARIANCE</b>	<b><u>Explanation of significant variance greater than 10% versus budget</u></b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>(%)</b>	
Property Rates	125 068 126	132 095 000	(7 026 874)	-5	
Property Rates-Penalties Imposed And Collection Charges	1 350 171	1 030 000	320 171	31	Due to excellent settlement on rates and strict implementation of credit control measures fewer penalties and collection charges were imposed, however income has reduced from the previous year.
Service Charges	632 066 077	782 989 300	(150 923 223)	-19	Incorrect amount for Electricity Purchases was provided by the CEE department for the second adjustment budget.
Rental Of Facilities And Equipment	9 903 792	9 879 700	24 092	0	
Interest Earned-External Investments	16 614 284	13 848 600	2 765 684	20	Due to excellent cashflow management, more funds were available for investment purposes.
Interest Earned-Outstanding Debtors	579 085	149 000	430 085	289	Conservation budget figure for interest, however income has reduced from the previous year.
Fines	3 685 080	5 752 200	(2 067 120)	-36	Under recovery as a result of vacancies and changes at the Magistrate's office.
Licences And Permits	1 744 924	1 558 100	186 824	12	Increased revenue on learners licences and vehicle licences.
Income For Agency Services	3 762 297	3 421 000	341 297	10	
Government Grants & Subsidies	168 234 221	153 421 600	14 812 621	10	Increased revenue due to grant funding for the 2010 stadium
Public Contributions	6 446 427		6 446 427	-	
Other Income	106 742 522	97 351 800	9 390 722	10	Unrealised revenue from general connection fees and sundries fees.
Gains on Sale Of Land	15 486 317	77 011 100	(61 524 783)	-80	Non realisation of revenue from land sales.
Gains On Disposal Of Property,Plant And Equipment	55 652	-	55 652	-	
Inter-Departmental Charges	(79 133 465)	-	(79 133 465)	-	
<b>Total Revenue</b>	<b>1 012 605 510</b>	<b>1 278 507 400</b>	<b>(265 901 890)</b>	<b>(21)</b>	
<b>EXPENDITURE</b>					
Executive & Council	34 646 386	34 683 000	(36 614)	(0)	
Finance & Admin	158 689 332	198 573 400	(39 884 068)	(20)	Savings realised on consultancy fees and internal training (NOSA).
Planning & Development	17 303 216	18 179 300	(876 084)	(5)	
Health	23 597 583	22 268 500	1 329 083	6	
Community & Social Services	53 157 780	63 123 400	(9 965 620)	(16)	Savings realised on parks maintenance, interest and depreciation.
Housing	8 268 725	15 005 400	(6 736 675)	(45)	
Public Safety	48 420 358	50 749 300	(2 328 942)	(5)	
Sport & Recreation	93 733 737	99 887 900	(6 154 163)	(6)	
Waste Management	133 502 253	187 991 248	(54 488 995)	(29)	Savings realised on depreciation.
Road Transport	122 194 491	133 677 685	(11 483 194)	(9)	
Water	224 433 143	205 660 467	18 772 676	9	
Electricity	556 841 837	635 893 700	(79 051 863)	(12)	Incorrect amount for Electricity Purchases was provided by the CEE department for the second adjustment budget.
Other	132 418	163 600	(31 182)	(19)	No expenditure incurred on consultancy fees budgeted for.
Inter-Departmental Charges	(391 622 652)	(300 763 400)	(90 859 252)	30	Interdepartmental charges reversals at year end.
<b>Total Expenditure</b>	<b>1 083 298 607</b>	<b>1 365 093 500</b>	<b>(281 794 893)</b>	<b>(21)</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(70 693 097)</b>	<b>(86 586 100)</b>	<b>15 893 003</b>	<b>(0)</b>	

**APPENDIX E(2)**

**CITY OF uMHLATHUZE : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009**

	<u>2009 ACTUAL</u> R	<u>2009 UNDER CONSTRUCTION</u> R	<u>2009 TOTAL ADDITIONS</u> R	<u>2009 BUDGET</u> R	<u>2009 VARIANCE</u> R	<u>2009 VARIANCE</u> %	<u>Explanation of significant variances greater than 5% versus budget</u> <u>(Explanations To Be Recorded)</u>
Executive & Council	574 480	-	574 480	699 000	(124 520)	(18)	Savings on office furniture.
Finance & Admin	53 627 332	-	53 627 332	61 607 500	(7 980 168)	(13)	The CDB extension South of Guldengracht, Public open spaces-infill, Central industrial area and Marina development projects, has been carried over to the 2009/2010 financial year.
Planning & Development	38 670	-	38 670	39 400	(730)	(2)	
Health	52 038	-	52 038	60 300	(8 262)	(14)	Savings on machinery and equipment and office furniture.
Community & Social Services	25 760 583	-	25 760 583	38 350 900	(12 590 317)	(33)	The extension and development of the Richards Bay Cemetary, refurbishment of various halls, extension of eNseleni and Vulindlela hall, Hlanganani hall parking and extension to existing covered parking projects, has been carried over to the 2009/2010 financial year.
Housing	4 864 943	-	4 864 943	3 600 000	1 264 943	35	Additional expenditure incurred for the eSikhaleni hostels.
Public Safety	1 678 600	-	1 678 600	5 073 200	(3 394 600)	(67)	An amount of R3 365 000 for the design and installation of the CCTV camera system, has been carried over to the 2009/2010 financial year.
Sport & Recreation	21 676 803	21 278 782	42 955 585	40 003 400	2 952 185	7	complex entrances and staff change room lockers, has been carried over to the 2009/2010 financial year. Savings realised on machinery and equipment.
Waste Management	39 007 782	-	39 007 782	55 132 999	(16 125 217)	(29)	Upgradind of the sewerage pumpstations and emergency generators, has been carried over to the 2009/2010 financial year. Savings realised on upgrading of the macerator stations and standby pumps.
Road Transport	65 369 270	-	65 369 270	108 008 349	(42 639 079)	(39)	Doubling NCA from Premium Promenade to Brackenham, East Central Arterial John Ross to Saligna, Street Rehabilitation -Tanner Road, Main Road Doubling and Richards Bay Taxi City additional bus parking and general improvement, has been carried over to the 2009/2010 financial year.
Water	88 923 160	-	88 923 160	100 663 652	(11 740 492)	(12)	Reservoir - structures repairs, uThungulu/uMhlathuze seperation eNseleni Reservoir site, Richards Bay - water network improvements, Industrial water mains upgrading 2009/2010 financial year.
Electricity	90 138 923	-	90 138 923	92 886 800	(2 747 877)	(3)	
Other	-	-	-	-	-	-	
<b>Total</b>	<b>391 712 584</b>	<b>21 278 782</b>	<b>412 991 366</b>	<b>506 125 500</b>	<b>(93 134 134)</b>	<b>(18)</b>	

APPENDIX F

CITY OF uMHLATHUZE

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grants	Name of organ of state	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed/withheld					Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2008	Dec 2008	Mar 2009	June 2009	Total 2008/2009 as per AFS	Sept 2008	Dec 2008	Mar 2009	June 2009	Total 2008/2009 as per AFS	Sept 2008	Dec 2008	Mar 2009	June 2009	Total 2008/2009 as per AFS		Yes/No	
		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R			
Museum Subsidy	KZN - Dept of Education & Culture	-	62 972	-	-	62 972	161 679	174 778	182 322	262 871	781 650	-	-	-	-	-	None	Yes	
Primary Health Subsidy	KZN - Dept of Health	2 043 000	1 021 500	1 021 500	1 021 500	5 107 500	3 187 171	3 558 394	3 378 154	3 751 402	13 875 122	-	-	-	-	-	None	Yes	
Housing Development Plan	KZN - Dept of Housing	-	-	-	-	-	-	-	-	49	49	-	-	-	-	-	None	Yes	
Esikhawini Hostel Refurbishment	KZN - Dept of Housing	-	-	-	-	-	895 847	547 222	1 566 394	1 993 925	5 003 388	-	-	-	-	-	None	Yes	
Enhanced Extended Discount Benefit Scheme	KZN - Dept of Housing	340 125	-	-	-	340 125	-	-	-	-	-	-	-	-	-	-	None	Yes	
Infrastructural Grants	KZN - Dept of Library Services	434 228	-	-	-	434 228	-	403 741	20 046	27 119	450 906	-	-	-	-	-	None	Yes	
Electrical costs - Libraries	KZN - Dept of Arts & Culture	-	-	-	6 314	6 314	3 168	2 867	279	-	6 314	-	-	-	-	-	None	Yes	
Public Internet access libraries	KZN - Dept of Arts & Culture	-	-	157 800	-	157 800	51 391	79 717	79 730	79 011	289 849	-	-	-	-	-	None	Yes	
Head Count Systems - Libraries	KZN - Dept of Arts & Culture	-	-	122 199	-	122 199	-	-	-	107 192	107 192	-	-	-	-	-	None	Yes	
Community Development Workers Programme	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	-	975	-	249	-	1 224	-	-	-	-	-	None	Yes	

APPENDIX F

CITY OF uMHLATHUZE

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)

Grants and Subsidies Received

Name of Grants	Name of organ of state	Quarterly Receipts						Quarterly Expenditure						Grants and Subsidies delayed/withheld					Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2008	Dec 2008	Mar 2009	June 2009	Total 2008/2009 as per AFS	Sept 2008	Dec 2008	Mar 2009	June 2009	Total 2008/2009 as per AFS	Sept 2008	Dec 2008	Mar 2009	June 2009	Total 2008/2009 as per AFS	Yes/No				
Remote Water Reading System	KZN - Dept of Local Gov & Trad Affairs	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	None	Yes			
Technical Support Grant	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	-	867 970	-	195 324	74 620	1 137 913	-	-	-	-	-		Yes			
Upgrade of Vulindlela Sports Facility	KZN - Dept of Sport & Recreation	-	276 250	672 945	-	949 195	-	69 897	-	-	69 897	-	-	-	-	-		Yes			
Land Use Management	KZN - Dept of Local Gov & Trad Affairs	-	100 000	-	-	100 000	-	-	-	-	-	-	-	-	-	-		Yes			
Refurbishment of Pumpstation Grant	Nat - Dept of Water Affairs	-	-	-	-	-	-	-	-	848 960	848 960	-	-	-	-	-		Yes			
Institutional Support	Nat - Dept of Water Affairs	-	-	-	-	-	795 000	-	-	-	795 000	-	-	-	-	-		Yes			
Institutional Support (Water conservation and demand management project)	Nat - Dept of Water Affairs	1 200	-	-	-	1 200	58 130	153 393	146 435	-	357 957	-	-	-	-	-		Yes			
Cleanest Town Award	Nat - Dept of Water Affairs	-	-	200 000	-	200 000	-	-	-	1 279	1 279	-	-	-	-	-		Yes			

APPENDIX F

CITY OF uMHLATHUZE

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)

Grants and Subsidies Received

Name of Grants	Name of organ of state	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed/withheld					Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2008	Dec 2008	Mar 2009	June 2009	Total 2008/2009 as per AFS	Sept 2008	Dec 2008	Mar 2009	June 2009	Total 2008/2009 as per AFS	Sept 2008	Dec 2008	Mar 2009	June 2009	Total 2008/2009 as per AFS		Yes/No	
Municipal Infrastructure Grant	National Treasury	R 11 630 000	R 17 630 000	R 7 107 586	R 16 975 000	R 53 342 586	R 13 188 151	R 8 893 120	R 14 188 753	R 7 920 445	R 44 190 470	R -	R -	R -	R -	R -	None	Yes	
Financial Management Grant	National Treasury	-	500 000	-	-	500 000	50 074	373 888	576 649	456 137	1 456 748	-	-	-	-	-	None	Yes	
Restructuring Grant	National Treasury	-	-	-	-	-	5 401	-	3 000	574 389	582 790	-	-	-	-	-	None	Yes	
Municipal Systems Improvement Grant (MSIG)	National Treasury	400 000	-	-	-	400 000	-	-	-	400 000	400 000	-	-	-	-	-	None	Yes	
Equitable Share	National Treasury	29 617 261	22 212 946	43 301 557	-	95 131 764	-	-	-	-	-	-	-	-	-	-	None	Yes	
Electrification	Nat - Dept of Minerals & Energy	-	-	1 200 000	-	1 200 000	80 000	-	1 793 000	1 074 589	2 947 589	-	-	-	-	-	None	Yes	
Management of Cemetry	uThungulu District Municipality	-	270 971	209 970	327 278	808 218	-	270 971	209 970	327 278	808 218	-	-	-	-	-	None	Yes	
United Nations Development Programme - fight against HIV/AIDS	uThungulu District Municipality	-	-	-	1 993	1 993	-	-	-	1 993	1 993	-	-	-	-	-	None	Yes	
Environmental Health Services	uThungulu District Municipality	-	-	1 319 418	-	1 319 418	1 457 009	1 450 862	1 595 727	2 070 017	6 573 614	-	-	-	-	-	None	Yes	