



## **INTSIKA YETHU MUNICIPALITY**

**Financial statements  
for the year ended 30 June 2013**

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## General Information

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<b>Legal form of entity</b>	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No. 117 of 1998)
<b>Nature of business and principal activities</b>	Intsika Yethu Municipality is a local municipality performing the functions as set out in the Constitution (Act No. 108 of 1996)
<b>Mayoral committee</b>	
Executive Mayor	K Vimbayo A Mbotoloshi S Myataza
Councillors	WN Mdwayingana- Executive Councillor N Tshangana - Executive Councillor KF Mdleleni - Executive Councillor J Cengani - Executive Councillor K Ntsaluba - Executive Councillor NE Stata - Executive Councillor M Shasha- Chairperson of the MPAC NG Futiso (deceased July 2012) NG Baleka (replaced NG Futiso) MM Mbebe ML Papiyana Z Qayiya D Kapsile HM Hewu P Nqandela M Mahali NS Mafanya FN Dangazele M Yamile VG Matomela W Sobekwa N Magaga S Tame N Ntloko ZS Matshikiza N Bani N Jada NH Mgodeli NA Somdyala M Zulu HM Nobongoza NP Gadeni MA Mbotshane MI Bikitsha Z Mxi S Mkhunyana M Gulubela NA Rotyi N Mto NV Hexana

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## General Information

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<b>Grading of local authority</b>	Grade 3
<b>Chief Finance Officer (CFO)</b>	Mr M Dyushu
<b>Accounting Officer</b>	Mr Zamuxolo Shasha
<b>Business address</b>	Building No. 201 Main Street Cofimvaba 5380
<b>Postal address</b>	Private Bag X 1251 Cofimvaba 5380
<b>Auditors</b>	Auditor General South Africa

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the financial statements and is unaudited:

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### Abbreviations

NT	National Treasury
SARS	South African Revenue Services
DBSA	Development Bank of South Africa
PAYE	Pay As You Earn
GRAP	Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
VAT	Value Added Tax
IMFO	Institute of Municipal Finance Officers
SALGA	South African Local Government and Bargaining Council
MSIG	Municipal Systems Improvement grant
FMG	Financial Management Grant
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
LG SETA	Local government- Sector Education and Training Authority
CHDM	Chris Hani District Municipality
NHC	National Heritage Council

# **Intsika Yethu Municipality**

Financial Statements for the year ended 30 June 2013

## **Accounting Officer's Responsibilities and Approval**

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 5 to 39, which have been prepared on the going concern basis, were approved by the Council on 29 August 2013 were signed on its behalf by:

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**Mr Zamuxolo Shasha**  
**Municipal Manager**

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	Restated 2012
<b>Assets</b>			
Current Assets			
Inventories	5	91 076	212 049
Other Receivables	6	3 668 533	20 498 009
Receivables from non-exchange transactions	7	7 418 543	2 161 078
VAT receivable	8	722 959	6 008 018
Receivables from exchange transactions	9	6 038 748	938 413
Cash and cash equivalents	10	7 722 364	6 859 152
		<b>25 662 223</b>	<b>36 676 719</b>
Non-Current Assets			
Property, plant and equipment	3	544 331 384	528 715 658
Intangible assets	4	649 959	355 473
		<b>544 981 343</b>	<b>529 071 131</b>
<b>Total Assets</b>		<b>570 643 566</b>	<b>565 747 850</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	14	24 398 568	29 856 507
Unspent conditional grants and receipts	11	9 463 726	1 386 981
Provisions	12	906 675	404 165
Short - term borrowings	13	465 739	367 233
		<b>35 234 708</b>	<b>32 014 886</b>
Non-Current Liabilities			
Long - term borrowings (DBSA)	13	8 297 504	8 763 242
<b>Total Liabilities</b>		<b>43 532 212</b>	<b>40 778 128</b>
<b>Net Assets</b>		<b>527 111 354</b>	<b>524 969 722</b>
Reserves			
Revaluation reserve		22 831 223	22 831 223
Other NDR		407 153 589	487 751 464
Accumulated surplus		97 126 542	14 387 035
<b>Total Net Assets</b>		<b>527 111 354</b>	<b>524 969 722</b>

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	16	4 258 163	2 899 388
Rental of facilities and equipment	24	885 378	757 618
Income from agency services		512 904	461 826
Licences and permits		1 123 773	846 919
Other income	18	2 434 856	4 798 800
Interest received - investment		41 874	49 450
<b>Total revenue from exchange transactions</b>		<b>9 256 948</b>	<b>9 814 001</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	15	8 987 332	3 726 368
<b>Transfer revenue</b>			
Government grants & subsidies	17	167 227 042	128 197 618
<b>Total revenue from non-exchange transactions</b>		<b>176 214 374</b>	<b>131 923 986</b>
<b>Total revenue</b>		<b>185 471 322</b>	<b>141 737 987</b>
<b>Expenditure</b>			
Personnel	20	75 974 944	63 857 787
Remuneration of councillors	21	9 158 525	5 047 598
Depreciation and amortisation	22	33 999 990	32 829 271
Finance costs	23	492 051	618 973
Repairs and maintenance		4 481 394	3 432 462
Bulk purchases	26	598 936	1 118 250
Grants and subsidies paid	25	5 423 898	6 350 008
General Expenses	19	47 816 506	79 461 764
<b>Total expenditure</b>		<b>177 946 244</b>	<b>192 716 113</b>
<b>Operating surplus (deficit)</b>		<b>7 525 078</b>	<b>(50 978 126)</b>
Gain or Loss on disposal of asset		283 015	90 794
<b>Surplus (deficit) for the year</b>		<b>7 808 093</b>	<b>(50 887 332)</b>

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Other NDR	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	-	485 937 394	485 937 394	85 088 654	571 026 048
Adjustments					
Prior year adjustments	-	1 814 070	1 814 070	(19 814 287)	(18 000 217)
<b>Balance at 01 July 2011 Restated</b>	<b>-</b>	<b>487 751 464</b>	<b>487 751 464</b>	<b>65 274 367</b>	<b>553 025 831</b>
Changes in net assets					
Surplus for the year	-	-	-	(50 887 332)	(50 887 332)
Property Revalued	22 831 223	-	22 831 223	-	22 831 223
Total changes	22 831 223	-	22 831 223	(50 887 332)	(28 056 109)
<b>Balance at 01 July 2012 Restated</b>	<b>22 831 223</b>	<b>487 751 464</b>	<b>510 582 687</b>	<b>14 387 035</b>	<b>524 969 722</b>
Changes in net assets					
Correction of error	-	31 442 267	31 442 267	-	31 442 267
Surplus for the year	-	-	-	7 808 093	7 808 093
Prior year adjustments	-	(112 040 142)	(112 040 142)	74 931 414	(37 108 728)
Total changes	-	(80 597 875)	(80 597 875)	82 739 507	2 141 632
<b>Balance at 30 June 2013</b>	<b>22 831 223</b>	<b>407 153 589</b>	<b>429 984 812</b>	<b>97 126 542</b>	<b>527 111 354</b>

Note(s)



# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

Figures in Rand	Note(s)	2013	Restated 2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		39 029 424	24 657 081
Interest income		41 874	49 450
Other receipts		59 185 714	282 739 600
		<u>98 257 012</u>	<u>307 446 131</u>
<b>Payments</b>			
Employee costs		(18 126 717)	(13 925 919)
Finance costs		(492 051)	(618 973)
		<u>(18 618 768)</u>	<u>(14 544 892)</u>
<b>Net cash flows from operating activities</b>	27	<b><u>79 638 244</u></b>	<b><u>292 901 239</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(78 197 009)	(306 549 580)
Proceeds from sale of property, plant and equipment	3	283 015	90 794
Purchase of other intangible assets	4	(493 806)	(335 333)
<b>Net cash flows from investing activities</b>		<b><u>(78 407 800)</u></b>	<b><u>(306 794 119)</u></b>
<b>Cash flows from financing activities</b>			
Movement in long - term borrowings (dbsa)		(367 232)	9 130 475
Other non - cash item		-	202 083
<b>Net cash flows from financing activities</b>		<b><u>(367 232)</u></b>	<b><u>9 332 558</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>863 212</b>	<b>(4 560 322)</b>
Cash and cash equivalents at the beginning of the year		6 859 152	11 419 474
<b>Cash and cash equivalents at the end of the year</b>	10	<b><u>7 722 364</u></b>	<b><u>6 859 152</u></b>

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

<b>Item</b>	<b>Average useful life</b>
Infrastructure	
• Roads and Paving	3 - 50 years
Community	
• Buildings	25 - 50 years
• Recreational facilities	25 - 30 years
• Halls	25 - 50 years
• Libraries	25 - 30 years
• Other assets	25 - 30 years
Others	
• Buildings	30 - 50 years
• Mobile offices	10 years
• Specialized vehicles	6 years
• Other vehicles	5 years
• Office equipment	5 years
• Furniture and fittings	6 years
• Specialized plant and equipment	10 years
• Other items of plant and equipment	5 years
• Landfill sites	30 - 55 years
• Emergency equipment	3 - 10 years
• Computer equipment	3 years
• Intangible assets (software)	3 years

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.2 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

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

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

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

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

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

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

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

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

Item	Useful life
Computer software, other	3 years

### 1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.3 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument, the municipality shall use the contractual cash flows over the full contractual term of the financial instrument.

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

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.3 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### 1.4 Leases

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

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

#### Operating leases - lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

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

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

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.5 Inventories (continued)

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

### 1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost. Due to the short nature of cash the amortised cost would equal the cash balances.

### 1.7 Employee benefits

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

### 1.8 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.8 Revenue from exchange transactions (continued)

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

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

#### Measurement

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

### 1.9 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another municipality in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.



# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.9 Revenue from non-exchange transactions (continued)

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### 1.10 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an municipality directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.11 Comparative figures

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

### 1.12 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.13 Fruitless and wasteful expenditure

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

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

### 1.14 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.14 Irregular expenditure (continued)

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.15 Offsetting

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

### 1.16 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.17 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

### 1.18 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.

### 1.19 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.19 Budget information (continued)

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The budget for the economic municipality includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.20 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.21 Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>
• GRAP 23: Revenue from Non-exchange Transactions	01 July 2012
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 July 2012
• GRAP 104: Financial Instruments	01 July 2012
• GRAP 1 (as revised 2010): Presentation of Financial Statements	01 July 2012
• GRAP 2 (as revised 2010): Cash Flow Statements	01 July 2012
• GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	01 July 2012
• GRAP 9 (as revised 2010): Revenue from Exchange Transactions	01 July 2012
• GRAP 12 (as revised 2010): Inventories	01 July 2012
• GRAP 13 (as revised 2010): Leases	01 July 2012
• GRAP 17 (as revised 2010): Property, Plant and Equipment	01 July 2012
• GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 July 2012
• GRAP 20: Related parties	01 July 2012
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 July 2012
• GRAP 12 (as revised 2012): Inventories	01 July 2012
• GRAP 13 (as revised 2012): Leases	01 July 2012
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 July 2012
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 July 2012

#### 2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013

#### 2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>
• GRAP 25: Employee benefits	01 April 2013

#### GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

#### **GRAP 26: Impairment of cash-generating assets**

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

The revision resulted in various terminology and definition changes.

Recognition of investment property:

- Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property.
- This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.
- The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably.
- Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

Disclosure:

Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount.

Amendments to be applied as follow:

- Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality expects to adopt the amendment for the first time in the 2012 financial statements.

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

### 3. Property, plant and equipment

	2013			Restated 2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	189 814 023	(8 433 896)	181 380 127	189 814 023	(6 325 422)	183 488 601
Buildings	932 890	(448 821)	484 069	932 890	(388 989)	543 901
Plant and machinery	31 855 038	(13 010 469)	18 844 569	31 771 189	(10 562 847)	21 208 342
Transport Assets	4 895 541	(1 956 083)	2 939 458	4 056 155	(1 172 120)	2 884 035
Office equipment	4 244 499	(1 927 177)	2 317 322	3 914 596	(1 259 137)	2 655 459
Computer equipment	1 839 555	(1 313 653)	525 902	1 584 476	(1 025 711)	558 765
Road Transport	343 529 942	(106 592 353)	236 937 589	320 597 288	(80 215 103)	240 382 185
Community	29 945 085	(3 893 154)	26 051 931	24 304 878	(3 299 469)	21 005 409
Electricity	2 208 213	(397 480)	1 810 733	2 208 213	(298 110)	1 910 103
Park facilities	7 503 653	(990 600)	6 513 053	7 503 653	(742 950)	6 760 703
Solid waste disposal	732 964	(293 764)	439 200	732 964	(220 323)	512 641
Work In Progress	66 087 431	-	66 087 431	46 805 514	-	46 805 514
<b>Total</b>	<b>683 588 834</b>	<b>(139 257 450)</b>	<b>544 331 384</b>	<b>634 225 839</b>	<b>(105 510 181)</b>	<b>528 715 658</b>

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	183 488 601	-	-	-	(2 108 474)	181 380 127
Buildings	543 901	-	-	-	(59 832)	484 069
Plant and machinery	21 208 342	83 849	-	-	(2 447 622)	18 844 569
Transport Assets	2 884 035	839 385	-	-	(783 962)	2 939 458
Office equipment	2 655 459	337 953	(4 910)	-	(671 180)	2 317 322
Computer equipment	558 765	306 103	(762)	-	(338 204)	525 902
Road Transport	240 382 185	22 932 653	-	-	(26 377 249)	236 937 589
Community	21 005 409	5 640 207	-	-	(593 685)	26 051 931
Electricity	1 910 103	-	-	-	(99 370)	1 810 733
Park facilities	6 760 703	-	-	-	(247 650)	6 513 053
Solid Waste Disposal	512 641	-	-	-	(73 441)	439 200
Work In Progress	46 805 514	48 056 859	-	(28 774 942)	-	66 087 431
	<b>528 715 658</b>	<b>78 197 009</b>	<b>(5 672)</b>	<b>(28 774 942)</b>	<b>(33 800 669)</b>	<b>544 331 384</b>



# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2012 Restated

	<b>Opening balance</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Total</b>
Land	189 814 024	-	(6 325 423)	183 488 601
Buildings	543 901	-	-	543 901
Plant and machinery	21 208 342	-	-	21 208 342
Transport Assets	3 850 036	-	(966 001)	2 884 035
Office equipment	2 655 459	-	-	2 655 459
Computer equipment	558 765	-	-	558 765
Road Transport	14 249 792	306 347 497	(80 215 104)	240 382 185
Community	24 898 562	-	(3 893 153)	21 005 409
Electricity	1 910 103	-	-	1 910 103
Park facilities	6 760 703	-	-	6 760 703
Solid Waste Disposal	732 965	-	(220 324)	512 641
Work In Progress	46 603 431	202 083	-	46 805 514
	<b>313 786 083</b>	<b>306 549 580</b>	<b>(91 620 005)</b>	<b>528 715 658</b>

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

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

### 4. Intangible assets

	2013			Restated 2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	944 653	(294 694)	649 959	450 848	(95 375)	355 473

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	355 473	493 806	(199 320)	649 959

#### Reconciliation of intangible assets - 2012 Restated

	Opening balance	Additions	Amortisation	Total
Computer software, other	115 515	335 333	(95 375)	355 473

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	Restated 2012
<b>5. Inventories</b>		
Inventories	91 076	212 049
<b>6. Other Receivables</b>		
Debtors	3 533 801	20 363 277
Prepaid expenses	134 732	134 732
	<b>3 668 533</b>	<b>20 498 009</b>
<b>7. Receivables from non-exchange transactions</b>		
Property Rates	7 418 543	2 161 078
<b>8. VAT receivable</b>		
VAT	722 959	6 008 018
<b>9. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Water	3 570 512	2 614 087
Sewerage	3 275 403	2 116 777
Refuse	870 827	603 209
Housing rental	688 663	540 625
Other	42 605	42 605
	<b>8 448 010</b>	<b>5 917 303</b>
<b>Less: Allowance for impairment</b>		
Water	(1 476 878)	(2 522 358)
Sewerage	(932 384)	(2 029 758)
Refuse	-	(231 515)
Housing rental	-	(154 900)
Other	-	(40 359)
	<b>(2 409 262)</b>	<b>(4 978 890)</b>
<b>Net balance</b>		
Water	2 093 634	91 729
Sewerage	2 343 019	87 019
Refuse	870 827	371 694
Housing rental	688 663	385 725
Other	42 605	2 246
	<b>6 038 748</b>	<b>938 413</b>
<b>10. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	106 538	47 656
Bank balances	2 340 083	4 880 973
Short-term deposits	5 275 743	1 930 523
	<b>7 722 364</b>	<b>6 859 152</b>

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

2013

Restated 2012

### 10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
FNB 62022331003- Main account	1 987 547	4 104 787	2 715 500	1 894 290	3 994 886	472 582
FNB 62101651398	4 163 942	1 305 410	23 085	4 163 942	1 305 410	22 369
FNB 62022332316	333 000	58 120	26 388	221 666	58 120	26 597
FNB 62090678320	44 089	21 723	4 316 463	44 090	21 723	4 316 463
FNB 62240443820	621 235	1 004 089	21 723	445 793	886 087	828 620
Standard Bank 088795101	-	11	33 286	(1 065)	(1 065)	-
FNB 94865858	-	-	-	(1 065)	75 170	-
ABSA 961149096	643 410	20 038	605 734	643 411	625 772	-
FNB 62026740549 Municipal Rank	28 471	28 177	1 398 298	28 471	28 178	-
FNB 62027099234 Closed	-	241 956	-	-	241 956	-
FNB 62027101245	127 994	124 216	119 989	127 995	124 217	-
FNB 62160167500	40 632	40 055	39 250	40 633	40 055	-
Petty Cash	7 668	7 668	7 793	7 666	-	-
FNB credit card	-	-	54 461	106 537	-	-
<b>Total</b>	<b>7 997 988</b>	<b>6 956 250</b>	<b>9 361 970</b>	<b>7 722 364</b>	<b>7 400 509</b>	<b>5 666 631</b>

### 11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

LG SETA	-	81 571
MIG Grant	1 001 395	1 305 410
INEP Grant	8 462 331	-
<b>Total</b>	<b>9 463 726</b>	<b>1 386 981</b>

### 12. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonus	-	534 833	-	534 833
Provision for long service	-	164 198	-	164 198
Landfill Site Provision	404 165	-	(196 521)	207 644
<b>Total</b>	<b>404 165</b>	<b>699 031</b>	<b>(196 521)</b>	<b>906 675</b>

#### Reconciliation of provisions - 2012 Restated

	Opening Balance	Total
Landfill Site Provision	404 165	404 165

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

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### 13. Long - term borrowings (DBSA)

The loan is 20 years at a fixed interest rate of 5%. The capital is repayable in 40 equal six - monthly instalments, commencing on the last day of the first half of the year during which the first disbursement was advanced to the Borrower. Penalty interest shall be calculated with regard to actual period during which the amount payable remain unpaid, at a fixed interest rate of the loan, 5% plus 2 % (p.a). Penalty interest shall be compounded six- monthly (01 April to 30 September, and /or , 01 October to 31 March during the next calender year), payable on demand.

Furthermore paragraph 10.1 of the agreement states: "That DBSA shall be entitled, after giving the Borrower 30 days written notice, to suspend drawdowns from the loan OR terminate this agreement and to claim from the Borrower immediate payment from the outstanding amount should the Borrower commit any breach of this Agreement."

Long - term borrowings	8 297 504	8 763 242
Short - term borrowings	465 739	367 233
	<b>8 763 243</b>	<b>9 130 475</b>

### 14. Payables from exchange transactions

Trade payables	4 885 340	10 141 578
Other Creditors	19 513 228	19 714 929
	<b>24 398 568</b>	<b>29 856 507</b>

### 15. Property rates

#### Rates received

Commercial	8 987 332	3 726 368
------------	-----------	-----------

### 16. Service charges

Sale of water	1 780 316	644 666
Sewerage and sanitation charges	1 989 676	1 801 945
Refuse removal	488 171	452 777
	<b>4 258 163</b>	<b>2 899 388</b>

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand 2013      Restated 2012

### 17. Government grants and subsidies

Equitable share	88 676 000	78 404 000
Water Services Grant	25 669 487	(6 942 822)
FMG	1 500 000	1 500 000
LG SETA	452 715	86 050
MIG	30 459 605	25 935 000
Integrated National Electrification Programme	16 537 669	-
EPWP	1 000 000	-
LED	-	85 000
CHDM grants	2 131 566	28 340 390
MSIG	800 000	790 000

**167 227 042      128 197 618**

#### Equitable share

Current-year receipts	88 676 000	78 414 940
Amount transferred to revenue	(88 676 000)	(78 414 940)
	-	-

#### MIG Grant

Current-year receipts	31 461 000	25 935 000
Conditions met - transferred to revenue	(30 459 605)	(25 935 000)
	<b>1 001 395</b>	-

The grant was received from National Treasury for infrastructural development purposes

#### MSIG

Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(800 000)	(790 000)
	-	-

The grant was received for infrastructure improvement purposes.

#### FMG

Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 500 000)	(1 500 000)
	-	-

The grant was received from National Treasury for financial management support

#### LG SETA

Current-year receipts	452 715	86 050
Conditions met - transferred to revenue	(452 715)	(86 050)
	-	-

The grant was received from the Department of Local government for training

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand 2013      Restated 2012

### 17. Government grants and subsidies (continued)

#### LED (NHC)

Current-year receipts	-	85 000
Conditions met - transferred to revenue	-	(85 000)
<b>Balance</b>	<b>-</b>	<b>-</b>

The grant was received from local government for economic development

#### CHDM Water and Sanitation

Current-year receipts	32 692 574	31 619 590
Conditions met - transferred to revenue	(32 692 574)	(31 619 590)
	-	-

The grant was received from Chris Hani District Municipality for the support of water services.

#### INEP

Current-year receipts	25 000 000	-
Conditions met - transferred to revenue	(16 537 668)	-
	<b>8 462 332</b>	<b>-</b>

The grant was received from National Treasury for electrification of the community

### 18. Other income

Pound Auction Charges	87 333	37 078
Bad Debt recovered	480 175	2 240 193
Other income	37 138	-
Administration Fees	-	400
Refunds - Bonitas Medical Aid	-	24 451
Penalty Fees-Income	825	-
Vending & Hawkers	-	107
Pound Fees	138 119	96 047
Sports field	6 991	526
Toilet Fees	37 472	57 909
Indemnity Fee rent	3 146	-
Business Licence/Police	1 225	52 433
Cemetery	14 154	9 124
Plan Approval Fees	56 018	35 906
Traffic Fines	397 911	250 712
Refunds - Telephone	-	31 663
Miscellaneous Income	39 208	1 000 911
Interdepartmental Charges	700 000	-
Interest Received	326 457	810 126
Other Revenue	26 790	79 950
Tender Receipt	81 894	71 264
	<b>2 434 856</b>	<b>4 798 800</b>

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	Restated 2012
<b>19. General expenses</b>		
Accommodation	2 131 463	3 220 618
Advertising	489 559	758 479
Audit Fees	5 972 327	1 044 393
Auditors remuneration	5 175	894 381
Bad Debts	4 127 515	3 868 125
Bank charges	283 972	293 104
Books and publication	135 391	121 651
Catering	658 989	932 188
Chemicals	252	208 395
Cleaning	118 355	137 105
Conferences and seminars	986 487	1 714 057
Consulting and professional fees	3 174 906	286 406
Electricity	2 820 553	2 736 422
Entertainment	360 828	1 529 668
Fuel and oil	3 789 178	3 813 744
Hire	148 080	902 075
IT expenses	2 038 549	1 131 396
Insurance	649 042	394 580
LED Programmes	2 309 873	1 930 269
Lease rentals on operating lease	665 482	394 205
Leave Enchashment	3 961 666	2 677 661
Marketing	39 366	232 771
Mayoral Programmes	1 867 992	1 403 214
Motor vehicle expenses	2 148 128	2 046 890
Operating Expenses - Transfer of assets	-	33 725 196
Other expenses	1 580 666	1 453 193
Postage and courier	2 375	1 367
Printing and stationery	698 120	1 109 622
Protective clothing	212 783	930 503
Rental	1 132 918	1 004 067
Security	233 287	294 404
Speakers Programmes	130 412	617 608
Stores and Materials	1 247 629	2 280 190
Subscriptions and membership fees	295 854	237 829
Telephone and fax	723 964	1 984 564
Tourism development	79 854	258 989
Training	1 100 229	1 178 306
Travel - local	397 428	716 946
Valuation Roll	957 159	458 123
Ward Committees	140 700	539 060
	<b>47 816 506</b>	<b>79 461 764</b>



# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand 2013      Restated 2012

### 20. Employee related costs

Basic	54 252 431	45 215 832
Bonus	4 637 933	1 390 629
Medical aid and pension - company contributions	6 549 453	7 477 543
SDL	955 662	449 783
Travel, motor car, accommodation, subsistence and other allowances	7 279 510	7 364 355
Long-service awards	(1 391 599)	193 587
Acting allowances	263 328	65 209
Housing benefits and allowances	118 095	116 682
Employee costs - Remuneration of the senior management	3 310 131	1 584 167
	<b>75 974 944</b>	<b>63 857 787</b>

### Remuneration of municipal manager - Mr Z Shasha

Annual Remuneration	589 815	516 251
Performance Bonuses	15 717	52 168
Travel, motor car accommodation, subsistence, and other allowances	438 601	203 600
Backpay, leave pay and refund	100 891	-
	<b>1 145 024</b>	<b>772 019</b>

### Remuneration of chief finance officer - Mr M Dyushu

Annual Remuneration	521 813	459 042
Performance Bonuses	25 026	67 089
Travel, motor car, accommodation, subsistence and other allowance	448 820	211 858
Backpay, leave and refund	57 862	-
	<b>1 053 521</b>	<b>737 989</b>

### Remuneration of Community Services Director - Ms Y Mniki

Annual Remuneration	521 813	459 042
Performance Bonuses	-	46 962
Contributions to UIF, Medical and Pension Funds	1 497	-
Travel, motor car, accommodation, subsistence and other allowance	385 027	182 432
Backpay, leave and refund	70 762	-
	<b>979 099</b>	<b>688 436</b>

### Remuneration of Corporate Services Director - Ms Mahlali

Annual Remuneration	521 813	459 042
Performance Bonuses	-	46 962
Contributions to UIF, Medical and Pension Funds	16 358	-
Travel, motor car, accommodation, subsistence and other allowance	403 640	182 432
Back-pay, leave and refund	74 299	-
	<b>1 016 110</b>	<b>688 436</b>

### Remuneration of Technial Services Director - Mr S Koyo

Annual Remuneration	521 813	459 042
Performance Bonuses	-	46 962
Contributions to UIF, Medical and Pension Funds	19 029	-
Travel, motor car, accommodation, subsistence and other allowance	440 391	182 432
Back-pay, leave and refund	87 135	-
	<b>1 068 368</b>	<b>688 436</b>

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	Restated 2012
<b>20. Employee related costs (continued)</b>		
<b>Remuneration for Local Economic Development - Mr K Maceba</b>		
Annual Remuneration	521 813	459 042
Performance Bonuses	-	46 962
Contributions to UIF, Medical and Pension Funds	18 561	-
Travel, accommodation, subsistence and other allowances	412 878	223 040
Back-pay, leave and refunds	41 559	-
	<b>994 811</b>	<b>729 044</b>
<b>21. Remuneration of councillors</b>		
Speaker	386 743	320 029
Councillors	8 771 782	4 727 569
	<b>9 158 525</b>	<b>5 047 598</b>
<b>22. Depreciation and amortisation</b>		
Property, plant and equipment	33 800 670	32 738 771
Intangible assets	199 320	90 500
	<b>33 999 990</b>	<b>32 829 271</b>
<b>23. Finance costs</b>		
DBSA loan	486 489	613 411
Other interest paid	5 562	5 562
	<b>492 051</b>	<b>618 973</b>
<b>24. Rental of facilities and equipment</b>		
Rental of facilities	885 378	757 618
<b>25. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
IDP	-	14 989
EPWP	10 327	3 220
LG Seta	1 188	-
MIG	134 385	-
Other grants	4 766 955	5 759 990
LED	511 043	571 809
	<b>5 423 898</b>	<b>6 350 008</b>
<b>26. Bulk purchases</b>		
Electricity	73 954	36 425
Water	524 982	1 081 825
	<b>598 936</b>	<b>1 118 250</b>

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	Restated 2012
<b>27. Cash generated from operations</b>		
Surplus (deficit)	7 808 093	(50 887 332)
<b>Adjustments for:</b>		
Depreciation and amortisation	33 999 990	32 829 271
Profit or loss on sale of asset	(283 015)	(90 794)
Movements in provisions	502 510	(4 167 003)
Other non-cash items	23 114 160	259 791 984
<b>Changes in working capital:</b>		
Inventories	120 973	212 049
Other Receivables	16 829 476	20 498 009
Receivables from non-exchange transactions	(5 257 465)	7 811 140
Receivables from exchange exchange transactions	(5 100 335)	28 195
Payables from exchange transactions	(5 457 947)	24 917 558
VAT	5 285 059	938 414
Unspent conditional grants and receipts	8 076 745	1 386 981
Short - term borrowings	-	(367 233)
	<b>79 638 244</b>	<b>292 901 239</b>
<b>28. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Infrastructure	17 749 619	10 353 732
<b>Approved but not yet contracted for</b>		
• Property, plant and equipment	-	-
<b>This committed expenditure relates to Infrastructure and will be financed from following:</b>		
External loans	-	-
Government grants	5 888 230	-
Own resources	11 240 158	-
District Council grants	621 231	-
	<b>17 749 619</b>	<b>-</b>
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	40 299	-
Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.		
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	260 279	-
- in 2 to 5 year inclusive	1 537	-
	<b>261 816</b>	<b>-</b>

Certain of the municipality's land and building are held to generate rental income. Lease agreements are non-cancellable and have terms of 5 years.

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 29. Contingencies

#### Contingent Liability

Estimation of legal fees for court cases

**R883,103**

#### The contingent liability relates to the legal fees for the following cases:

Tax matters - IYM/Sello Motupi and 15 others  
Land issues - IYM vs Residents  
Collection matters - IYM vs Gqiba Land Surveyors and Bhubhesi Concrete CC  
Money owing - IYM vs Vincemus Investments and Vulindlela Mbhotoli  
Damages - IYM vs Ntombizakhe Seyisi  
Legal Opinion - IYM vs B.BG Buyaphi  
Review of judgement - IYM vs Mathemba Mbotho

The Municipality did not provide for the increment in terms of the wage curve agreement due to the following:

- The matter is still being discussed at the High Court and no final decision has been reached.
- There is no final agreement between SALGA and the municipal labour unions as to the way the agreement (wage curve) is to be implemented (who is to benefit, compared to whom).

Due to the above it is consequently impracticable to reliably measure the obligation that exists of the wage curve agreement.

### 30. Related parties

#### Relationships

Mr Z Shasha

1. Mr M Shasha a councillor of the municipality is a brother to the Municipal manager, Mr Z Shasha

2. Mrs Shasha: Store manager is wife to the brother of the Municipal manager, Mr Z Shasha

Councillor NF Dangazele

M Dangazele who is an Intern is son to Councillor Dangazele

Councillor M Gulubele

Mrs V Gulubele, wife to Councillor Gulubele works as a general worker

Councillor S Mkhunyana

L Mkhunyana : Student (ICT)- son to Councillor Mkhunyana

Councillor N Somdyala

N Somdyala Public Participation officer - a sister to Councillor Somdyala

Councillor S Myataza

B Myataza, Student (finance ), daughter to the councillor

Councillor Rhotyi

O Myataza, Student (ICT), son to the councillor

Councillor Vimbayo

Mr Z Rhotyi, is a son to Councillor Rhotyi

Ms N Vimbayo who works for the municipality is a sister to Councillor Vimbayo

Mr Koyo

Mr L Koyo is related to Mr Koyo ( Senior manager: Technical department)

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

### 31. PRIOR PERIOD ERRORS

		Previously stated	Reclassification	Correction of error	Restated
<b>Statement of Financial Position</b>					
<b>Current Assets</b>					
Other receivables	7	-	-	20 498 009	20 498 009
Receivables from non-exchange transactions	8	9 002 492	-	(6 841 414)	2 161 078
Receivables from exchange transactions	9	1 854 849	-	(916 436)	938 413
Cash and cash equivalents		15 703 599	-	(8 844 447)	6 859 152
Vat receivables		3 411 355	-	2 596 663	6 008 018
		<u>29 972 295</u>	-	<u>6 492 375</u>	<u>36 464 670</u>
<b>Non-current assets</b>					
Property, plant and equipment		512 566 608	-	16 149 050	528 715 658
		<u>512 566 608</u>	-	<u>16 149 050</u>	<u>528 715 658</u>
<b>Current liabilities</b>					
Payables from exchange transaction	14	12 109 518	-	17 746 990	29 856 508
Provisions	12	7 146 960	-	(6 742 795)	404 165
Unspent conditional grants		-	-	1 386 981	1 386 981
		<u>19 256 478</u>	-	<u>12 391 176</u>	<u>31 647 654</u>
<b>Non-current liabilities</b>					
Long term borrowings(DBSA)		8 781 383	-	(18 141)	8 763 242
<b>Net assets</b>					
Accumulated surplus		41 342 940	-	(26 955 905)	14 387 035
Revaluation Reserve		450 545 168	-	37 206 296	487 751 464
		<u>491 888 108</u>	-	<u>10 250 391</u>	<u>502 138 499</u>
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
Service Charges	15	498 454	-	2 400 934	2 899 388
Rental of Facilities		647 405	-	110 213	757 618
Income from agency fees		-	-	461 826	461 826
Licences and permits		1 320 384	-	(473 465)	846 919
Other Income		5 737 584	-	(938 784)	4 798 800
Interest received		-	-	49 450	49 450
Property Rates		3 712 661	-	13 707	3 726 368
Government grants and subsidies		138 430 580	-	(10 232 962)	128 197 618
		<u>150 347 068</u>	-	<u>(8 609 081)</u>	<u>141 737 987</u>
<b>Expenditure</b>					
Employee related costs	20	(62 083 039)	-	(1 774 748)	(63 857 787)
Remuneration of councillors	21	(8 594 996)	-	3 547 398	(5 047 598)
Depreciation and amortisation	22	(36 545 148)	-	3 715 877	(32 829 271)
Finance costs		(525 035)	-	(93 938)	(618 973)
Repairs and maintenance		(6 595 611)	-	3 163 149	(3 432 462)
Grants and subsidies paid	25	-	-	(6 350 008)	(6 350 008)
General expenses	19	(78 612 972)	-	(848 792)	(79 461 764)
Bulk purchases		(2 870 538)	-	1 752 288	(1 118 250)
		<u>(195 827 339)</u>	-	<u>3 111 226</u>	<u>(192 716 113)</u>

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

### 31. PRIOR PERIOD ERRORS (continued)

		Previously stated	Reclassification	Correction of error	Restated
<b>Cash Flows Statement</b>					
<b>Cash flow from operating activities</b>					
Net cash flows from operating activities		35 585 248	-	257 315 991	292 901 239
<b>Cash flow from investing activities</b>					
Purchase of property plant and equipment	3	(30 459 690)	-	(276 089 890)	(306 549 580)
Proceeds from sale of fixed assets		37 804	-	52 990	90 794
<b>Cash flows from financing activities</b>					
Movement in DBSA loan		(543 904)	-	(8 586 571)	(9 130 475)
Other non - cash items		-	-	202 083	202 083
<b>Net cash and cash equivalents</b>					
cash and cash equivalents at the end o the year	10	11 419 474	-	-	11 419 474

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	Restated 2012
<b>32. Unauthorised expenditure</b>		
Unauthorised expenditure	34 492 041	117 163 828
Less: Amount condoned	-	(117 163 828)
Less : Amount awaiting condonation	(34 492 041)	-
	<u>-</u>	<u>-</u>
<b>33. Fruitless and wasteful expenditure</b>		
Interest paid on late payments to service providers	<u>74 990</u>	<u>620 333</u>
<b>Fruitless and wasteful accrued from the following service providers:</b>		
Auditor General	66 884	-
Telkom	5 468	-
Cape Joint	1 739	-
Eskom	899	-
	<u>74 990</u>	<u>-</u>
<b>34. Irregular expenditure</b>		
Add: Irregular Expenditure - current year	4 364 287	4 448 708
Less: Amounts condoned	(4 364 287)	(4 448 708)
	<u>-</u>	<u>-</u>
Irregular expenditure is due to non-compliance with supply chain management policy.		
<b>35. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription (SALGA)	258 671	76 039
Amount paid - current year	(258 671)	(76 039)
	<u>-</u>	<u>-</u>
<b>Audit fees</b>		
Current year fee	<u>5 977 502</u>	<u>1 938 774</u>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	5 545 930	2 283 873
Amount paid - current year	(5 545 930)	(2 283 873)
	<u>-</u>	<u>-</u>
<b>VAT</b>		
VAT receivable	<u>722 959</u>	<u>6 008 018</u>

# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

### 36. Statement of comparative and actual information

2013

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance
<b>Financial Performance</b>									
Property rates	4 500 000	4 850 000	9 350 000	-		9 350 000	8 987 332		(362 668)
Service charges	4 437 000	3 872 000	8 309 000	-		8 309 000	4 258 163		(4 050 837)
Investment revenue	300 000	300 000	600 000	-		600 000	41 874		(558 126)
Transfers recognised - operational	152 026 000	114 460 000	266 486 000	-		266 486 000	-		(266 486 000)
Other own revenue	2 306 000	13 105 000	15 411 000	-		15 411 000	172 183 953		156 772 953
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>163 569 000</b>	<b>136 587 000</b>	<b>300 156 000</b>	<b>-</b>		<b>300 156 000</b>	<b>185 471 322</b>		<b>(114 684 678)</b>
Employee costs	(55 642 000)	(55 913 000)	(111 555 000)	-	-	(111 555 000)	(75 974 944)	-	35 580 056
Remuneration of councillors	(11 807 000)	(12 185 000)	(23 992 000)	-	-	(23 992 000)	(9 158 525)	-	14 833 475
Depreciation and asset impairment	-	-	-			-	(33 999 990)	33 999 990	(33 999 990)
Finance charges	-	-	-	-	-	-	(492 051)	492 051	(492 051)
Materials and bulk purchases	(14 020 000)	2 000 000	(12 020 000)	-	-	(12 020 000)	(598 936)	-	11 421 064
Transfers and grants	(31 461 000)	(56 531 000)	(87 992 000)	-	-	(87 992 000)	(5 423 898)	-	82 568 102
Other expenditure	(55 553 000)	(68 265 000)	(123 818 000)	-	-	(123 818 000)	(52 297 900)	-	71 520 100
<b>Total expenditure</b>	<b>(168 483 000)</b>	<b>(190 894 000)</b>	<b>(359 377 000)</b>	<b>-</b>	<b>-</b>	<b>(359 377 000)</b>	<b>(177 946 244)</b>	<b>34 492 041</b>	<b>181 430 756</b>
<b>Surplus/(Deficit) for the year</b>	<b>(4 914 000)</b>	<b>(54 307 000)</b>	<b>(59 221 000)</b>	<b>-</b>		<b>(59 221 000)</b>	<b>7 525 078</b>		<b>66 746 078</b>



# Intsika Yethu Municipality

Financial Statements for the year ended 30 June 2013

## SCM DEVIATION REGISTER

1.

Transaction Description	Circumstances / Reasons which led to deviation from norm	Name of service provider	Amount
ADVERTISING	ONE QUOTE/ ADVERT	Dispatch Media	9 781
WAC PRODUCTION	ONE QUOTE/ ADVERT	ADVERTISING	3 625
WAC PRODUCTION	ONE QUOTE/ ADVERT	ADVERTISING	3 625
WAC PRODUCTION	ONE QUOTE/ ADVERT	Advertising Bid IYM SCMU 14- 2012/2013	3 625
WAC PRODUCTION	ONE QUOTE/ ADVERT	Advertising Bid IYM SCMU 16- 2012/2013	3 625
WAC PRODUCTION	ONE QUOTE/ ADVERT	Advertising Bid IYM SCMU 15- 2012/2013	3 625
Car service for CXF	ONE QUOTE/ REPAIRS & MAINTANCE	Jackson delta	11 946
Acc.Meals & Conference room	ONE QUOTE/ TRAINING	Zoo Lake Guesthouse	6 450
Accomodation (For Employment Equity Workshop)	ONE QUOTE/ TRAINING	Zoo Lake Guesthouse	10 240
VEHICLE REPAIRS	ONE QUOTE/ REPAIRS & MAINTANCE	JACKSON DELTA	8 135
VEHICLE REPAIRS	ONE QUOTE/ REPAIRS & MAINTANCE	JACKSON DELTA	7 143
VEHICLE REPAIRS	ONE QUOTE/ REPAIRS & MAINTANCE	JACKSON DELTA	8 135
VEHICLE REPAIRS	ONE QUOTE/ REPAIRS & MAINTANCE	JACKSON DELTA	7 143
VEHICLE REPAIRS	ONE QUOTE/ REPAIRS & MAINTANCE	PEUGAIR Border	4 320
Repairs & Maintenance	ONE QUOTE/ REPAIRS & MAINTANCE	Queenstown Volswagen	1 746
PARTS FOR BELL EXCAVATOR	ONE QUOTE/ REPAIRS & MAINTANCE	BELL EQUIPMENT	4 079
PARTS FOR KOMATSU GRADER	ONE QUOTE/ CAR SERVICE	PEUGAIR BORDER	4 456
Mayors car service	ONE QUOTE/ CAR SERVICE	Weirs toyota	3 792
Mayors car service	ONE QUOTE/ CAR SERVICE	Weirs Toyota	924
Purchase of a Vehicle (VITO)	NO TENDER PROCESS	MERCEDES Benz	493 717
Tomato Hydroponocs	Variation due to climatic conditions of the area	Greener Solutions	101 000
			<b>701 132</b>