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Uthukela District Municipality  
Annual Financial Statements  
for the year ended 30 June 2013

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## General Information

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| <b>Legal form of entity</b>                | District Municipality  |
| <b>Municipal Demarcation Code</b>          | DC23   |
| <b>Mayoral committee</b>                   |  |
| Executive Mayor                            | Mrs DCP Mazibuko (Mayor)<br>Mr ML Shelembe (Deputy Mayor)<br>Mr TJMB Jeebodh (Speaker)   |
| <b>Councillors</b>                         | MG Hlubi<br>NW Sibiya<br>AS Mazibuko<br>M A Mkhize<br>Z J Sibisi<br>D Banda<br>N M Hadebe<br>S B Sibisi<br>M J Ntshaba<br>VR Mlotshwa<br>N M Hlomuka<br>M L Mlotshwa<br>M L Zwane<br>B C Mazibuko<br>T M Cele<br>B R Madonsela<br>T Xaba<br>M E Mbatha<br>N L Zikalala<br>M Ngubane<br>S D Magubane<br>K A Vilakazi<br>B C Mabizela<br>S G Sikhakhane<br>M W Hadebe<br>SJ Sithole<br>T Y Nqubuka<br>T Shelembe |
| <b>Grading of local authority</b>          | 4  |
| <b>Accounting Officer</b>                  | Sifiso Kunene  |
| <b>Acting Chief Finance Officer (ACFO)</b> | Sphamandla Dlamini   |
| <b>Registered office</b>                   | 33 Forbes Street<br>Ladysmith<br>Tel: 036-6385100<br>Fax: 036-6385126<br>municipalmanager@uthukeladm.co.za   |
| <b>Postal address</b>                      | PO Box 116<br>Ladysmith<br>Kwazulu Natal<br>3370   |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## General Information

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**Bankers**

FNB - Ladysmith

**Auditors**

Auditor General

**Attorneys**

Ramkhelawan Inc  
Attorney JH Slabbert

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

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### Abbreviations

|       |   |
|-------|---|
| COID  | Compensation for Occupational Injuries and Diseases |
| DBSA  | Development Bank of South Africa                    |
| GRAP  | Generally Recognised Accounting Practice            |
| IAS   | International Accounting Standards                  |
| IMFO  | Institute of Municipal Finance Officers             |
| IPSAS | International Public Sector Accounting Standards    |
| MEC   | Member of the Executive Council                     |
| MFMA  | Municipal Finance Management Act                    |
| MIG   | Municipal Infrastructure Grant                      |

# **Uthukela District Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Statement of Municipal Manager's responsibility**

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I am responsible for the preparation of these annual financial statements, which are set out on pages s 5 to 62, in terms of Section 126(1) of the Municipal Finance Management Act(Act no 56 of 2003) and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as discussed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government determination in accordance with this Act.

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**Accounting Officer**  
**Municipal Manager**

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

|  | Note(s) | 2013<br>R            | 2012<br>Restated<br>R |
|--|---------|----------------------|-----------------------|
| <b>Assets</b>  |         |                      |                       |
| <b>Current Assets</b>                                  |         |                      |                       |
| Inventories  | 7       | 5 852 799            | 3 703 942             |
| Consumer debtors from exchange transactions            | 10      | 35 478 433           | 180 646 836           |
| Trade and other receivables from exchange transactions | 8       | 6 181 426            | 3 242 409             |
| Receivables from non-exchange transactions             | 9       | 506 957              | 9 644 789             |
| Prepayments  | 6       | 594 000              | 113 399               |
| Cash and cash equivalents                              | 11      | 153 300 175          | 88 404 191            |
|  |         | <b>201 913 790</b>   | <b>285 755 566</b>    |
| <b>Non-Current Assets</b>                              |         |                      |                       |
| Property, plant and equipment                          | 3       | 812 442 125          | 712 292 615           |
| Intangible assets                                      | 4       | 47 209               | 49 042                |
|  |         | <b>812 489 334</b>   | <b>712 341 657</b>    |
| <b>Total Assets</b>                                    |         | <b>1 014 403 124</b> | <b>998 097 223</b>    |
| <b>Liabilities</b>                                     |         |                      |                       |
| <b>Current Liabilities</b>                             |         |                      |                       |
| Finance lease obligation                               | 13      | 2 548 206            | 1 548 035             |
| Trade and other payables from exchange transactions    | 16      | 64 472 480           | 85 046 766            |
| Other accruals   | 17      | 16 444 589           | 13 158 280            |
| Consumer deposits                                      | 18      | 8 758 905            | 8 408 026             |
| Retirement benefit obligation                          | 5       | 167 237              | 148 225               |
| Unspent conditional grants and receipts                | 14      | 133 389 894          | 126 350 884           |
| Development Bank of South Africa - Current portion     | 12      | 2 627 608            | 2 317 251             |
| VAT payable  | 15      | 19 682 275           | 28 089 247            |
| Bank overdraft   | 11      | 4 527 234            | -                     |
|  |         | <b>252 618 428</b>   | <b>265 066 714</b>    |
| <b>Non-Current Liabilities</b>                         |         |                      |                       |
| Development Bank of South Africa - Non-current portion | 12      | 7 845 838            | 10 535 808            |
| Finance lease obligation                               | 13      | 1 691 905            | 1 921 781             |
| Retirement benefit obligation                          | 5       | 3 692 552            | 3 310 395             |
|  |         | <b>13 230 295</b>    | <b>15 767 984</b>     |
| <b>Total Liabilities</b>                               |         | <b>265 848 723</b>   | <b>280 834 698</b>    |
| Assets   |         | 1 014 403 124        | 998 097 223           |
| Liabilities  |         | <u>(265 848 723)</u> | <u>(280 834 698)</u>  |
| <b>Net Assets</b>                                      |         | <b>748 554 401</b>   | <b>717 262 525</b>    |
| <b>Net Assets</b>                                      |         |                      |                       |
| Accumulated surplus                                    |         | 748 554 401          | 717 262 525           |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

|  | Note(s) | 2013<br>R            | 2012<br>Restated<br>R |
|--|---------|----------------------|-----------------------|
| <b>Revenue</b>   |         |                      |                       |
| Government grants & subsidies                                      | 21      | 495 985 099          | 341 485 743           |
| Service charges  | 20      | 117 286 385          | 93 550 967            |
| Interest received  | 27      | 39 236 761           | 19 048 071            |
| Other income   |         | 5 075 640            | 3 019 579             |
| <b>Total revenue</b>   |         | <b>657 583 885</b>   | <b>457 104 360</b>    |
| <b>Expenditure</b>   |         |                      |                       |
| Employee related costs   | 24      | (119 882 034)        | (101 423 717)         |
| Remuneration of councillors  | 25      | (4 791 780)          | (5 502 364)           |
| Depreciation and amortisation                                      | 28      | (32 001 282)         | (26 999 350)          |
| Impairment loss  | 3       | 163 767              | -                     |
| Finance costs  | 29      | (2 431 826)          | (10 887 368)          |
| Impairment of debtors  | 26      | (244 001 250)        | (16 390 524)          |
| Collection costs   |         | -                    | (616 050)             |
| Repairs and maintenance  |         | (16 088 472)         | (14 268 441)          |
| Bulk purchases   | 32      | (3 857 201)          | (4 043 301)           |
| Contracted services  | 31      | (45 289 471)         | (38 423 698)          |
| General Expenses   | 23      | (181 196 156)        | (157 908 411)         |
| <b>Total expenditure</b>   |         | <b>(649 375 705)</b> | <b>(376 463 224)</b>  |
| Total revenue  |         | 657 583 885          | 457 104 360           |
| Total expenditure  |         | <u>(649 375 705)</u> | <u>(376 463 224)</u>  |
| <b>Operating surplus</b>   |         | <b>8 208 180</b>     | <b>80 641 136</b>     |
| Loss on disposal of assets   |         | (2 168 399)          | (65 296)              |
| Deemed cost adjustment in respect of property, plant and equipment | 3       | 32 687 264           | -                     |
|  |         | <b>30 518 865</b>    | <b>(65 296)</b>       |
| <b>Surplus for the year</b>  |         | <b>38 727 045</b>    | <b>80 575 840</b>     |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

|  | Accumulated<br>surplus<br>R | Total net<br>assets<br>R |
|--|-----------------------------|--------------------------|
| Balance as at 01 July 2011 previously reported | 641 728 469                 | 641 728 469              |
| Adjustments                                    |                             |                          |
| Prior year adjustments restated for 2012       | (5 041 784)                 | (5 041 784)              |
| <b>Balance at 01 July 2011 as restated</b>     | <b>636 686 685</b>          | <b>636 686 685</b>       |
| Changes in net assets                          |                             |                          |
| Restated surplus for the year                  | 80 575 840                  | 80 575 840               |
| Total changes                                  | 80 575 840                  | 80 575 840               |
| Opening balance restated                       | 717 262 525                 | 717 262 525              |
| Adjustments                                    |                             |                          |
| Prior year adjustments (note 36.2)             | (7 435 169)                 | (7 435 169)              |
| <b>Balance at 01 July 2012 restated</b>        | <b>709 827 356</b>          | <b>709 827 356</b>       |
| Changes in net assets                          |                             |                          |
| Surplus for the year                           | 38 727 045                  | 38 727 045               |
| Total changes                                  | 38 727 045                  | 38 727 045               |
| <b>Balance at 30 June 2013</b>                 | <b>748 554 401</b>          | <b>748 554 401</b>       |



# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

|   |         | 2013                      | 2012                      |
|---|---------|---------------------------|---------------------------|
|   | Note(s) | R                         | Restated<br>R             |
| <b>Cash flows from operating activities</b>             |         |                           |                           |
| <b>Receipts</b>   |         |                           |                           |
| Service charges   |         | 85 376 238                | 38 280 984                |
| Grants  |         | 503 024 109               | 440 030 963               |
| Interest income   |         | 39 236 761                | 19 048 071                |
| Other receipts  |         | 3 153 045                 | 3 019 579                 |
|   |         | <u>630 790 153</u>        | <u>500 379 597</u>        |
| <b>Payments</b>   |         |                           |                           |
| Employee and councillor costs                           |         | (124 673 814)             | (104 287 634)             |
| Suppliers and others                                    |         | (340 240 144)             | (251 025 513)             |
| Finance costs   |         | (2 431 826)               | (10 887 368)              |
|   |         | <u>(467 345 784)</u>      | <u>(366 200 515)</u>      |
| Total receipts  |         | 630 790 153               | 500 379 597               |
| Total payments  |         | <u>(467 345 784)</u>      | <u>(366 200 515)</u>      |
| <b>Net cash flows from operating activities</b>         | 33      | <b><u>163 444 369</u></b> | <b><u>134 179 082</u></b> |
| <b>Cash flows from investing activities</b>             |         |                           |                           |
| Purchase of property, plant and equipment               | 3       | <u>(101 466 302)</u>      | <u>(38 107 055)</u>       |
| <b>Cash flows from financing activities</b>             |         |                           |                           |
| Decrease in long term loan                              |         | (2 379 613)               | (2 155 562)               |
| Increase in finance lease liability                     |         | 770 296                   | 2 449 599                 |
|   |         | <u>(1 609 317)</u>        | <u>294 037</u>            |
| <b>Net cash flows from financing activities</b>         |         | <b><u>(1 609 317)</u></b> | <b><u>294 037</u></b>     |
| <b>Net increase in cash and cash equivalents</b>        |         | <b>60 368 750</b>         | <b>96 366 064</b>         |
| Cash and cash equivalents at the beginning of the year  |         | 88 404 191                | (7 961 873)               |
| <b>Cash and cash equivalents at the end of the year</b> | 11      | <b><u>148 772 941</u></b> | <b><u>88 404 191</u></b>  |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved budget      | Adjustments         | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Variences greater than 10% analysed in note 43 |
|--|----------------------|---------------------|----------------------|------------------------------------|--|--|
|  | R                    | R                   | R                    | R                                  | R  |  |
| <b>Statement of Financial Performance</b>                          |                      |                     |                      |                                    |  |  |
| <b>Revenue</b>   |                      |                     |                      |                                    |  |  |
| <b>Revenue from exchange transactions</b>                          |                      |                     |                      |                                    |  |  |
| Service charges  | 129 616 000          | (1 016 000)         | <b>128 600 000</b>   | 117 286 385                        | <b>(11 313 615)</b>                        | 7.3%   |
| Interest received  | 17 401 000           | 2 849 000           | <b>20 250 000</b>    | 39 236 761                         | <b>18 986 761</b>                          | 93.76%   |
| Other income   | 424 000              | 14 000              | <b>438 000</b>       | 5 075 640                          | <b>4 637 640</b>                           | 619%   |
| Government grants-Transfers recognised (operational)               | 275 308 000          | 2 800 000           | <b>278 108 000</b>   | 279 411 839                        | <b>1 303 839</b>                           | 0.4%   |
| <b>Total revenue from exchange transactions</b>                    | <b>422 749 000</b>   | <b>4 647 000</b>    | <b>427 396 000</b>   | <b>441 010 625</b>                 | <b>13 614 625</b>                          |  |
| <b>Revenue from non-exchange transactions</b>                      |                      |                     |                      |                                    |  |  |
| <b>Taxation revenue</b>  |                      |                     |                      |                                    |  |  |
| Government grants-Transfers recognised (capital)                   | 207 503 000          | 11 000 000          | <b>218 503 000</b>   | 216 573 260                        | <b>(1 929 740)</b>                         | 0.8%   |
| 'Total revenue from exchange transactions'                         | 422 749 000          | 4 647 000           | <b>427 396 000</b>   | 441 010 625                        | <b>13 614 625</b>                          | 3%   |
| 'Total revenue from non-exchange transactions'                     | 207 503 000          | 11 000 000          | <b>218 503 000</b>   | 216 573 260                        | <b>(1 929 740)</b>                         | 0.8%   |
| <b>Total revenue</b>   | <b>630 252 000</b>   | <b>15 647 000</b>   | <b>645 899 000</b>   | <b>657 583 885</b>                 | <b>11 684 885</b>                          |  |
| <b>Expenditure</b>   |                      |                     |                      |                                    |  |  |
| Personnel  | (118 117 000)        | 1 620 000           | <b>(116 497 000)</b> | (119 882 034)                      | <b>(3 385 034)</b>                         | 5%   |
| Remuneration of councillors  | (5 254 000)          | -                   | <b>(5 254 000)</b>   | (4 791 780)                        | <b>462 220</b>                             | 8%   |
| Depreciation and amortisation                                      | (36 040 000)         | -                   | <b>(36 040 000)</b>  | (32 001 282)                       | <b>4 038 718</b>                           | 11%  |
| Reversal of impairments  | -                    | -                   | -                    | 163 767                            | <b>163 767</b>                             | 100%   |
| Finance costs  | (3 841 000)          | -                   | <b>(3 841 000)</b>   | (2 431 826)                        | <b>1 409 174</b>                           | 31%  |
| Debt impairment  | (73 232 000)         | -                   | <b>(73 232 000)</b>  | (244 001 250)                      | <b>(170 769 250)</b>                       | 239%   |
| Repairs and maintenance  | (22 310 000)         | 4 360 000           | <b>(17 950 000)</b>  | (16 088 472)                       | <b>1 861 528</b>                           | 10%  |
| Bulk purchases   | (40 013 000)         | -                   | <b>(40 013 000)</b>  | (3 857 201)                        | <b>36 155 799</b>                          | 6%   |
| Contracted Services  | (37 614 000)         | (7 060 000)         | <b>(44 674 000)</b>  | (45 289 471)                       | <b>(615 471)</b>                           | 1%   |
| General Expenses   | (71 549 000)         | (26 483 000)        | <b>(98 032 000)</b>  | (181 196 156)                      | <b>(83 164 156)</b>                        | 133%   |
| <b>Total expenditure</b>   | <b>(407 970 000)</b> | <b>(27 563 000)</b> | <b>(435 533 000)</b> | <b>(649 375 705)</b>               | <b>(213 842 705)</b>                       |  |
|  | 630 252 000          | 15 647 000          | <b>645 899 000</b>   | 657 583 885                        | <b>11 684 885</b>                          |  |
|  | (407 970 000)        | (27 563 000)        | <b>(435 533 000)</b> | (649 375 705)                      | <b>(213 842 705)</b>                       |  |
| <b>Operating surplus</b>   | <b>222 282 000</b>   | <b>(11 916 000)</b> | <b>210 366 000</b>   | <b>8 208 180</b>                   | <b>(202 157 820)</b>                       |  |
| Loss on disposal of assets and liabilities                         | -                    | -                   | -                    | (2 168 399)                        | <b>(2 168 399)</b>                         | 100%   |
| Deemed cost adjustment in respect of property, plant and equipment | -                    | -                   | -                    | 32 687 264                         | <b>32 687 264</b>                          | 100%   |
|  | -                    | -                   | -                    | <b>30 518 865</b>                  | <b>30 518 865</b>                          |  |
|  | 222 282 000          | (11 916 000)        | <b>210 366 000</b>   | 8 208 180                          | <b>(202 157 820)</b>                       |  |
|  | -                    | -                   | -                    | 30 518 865                         | <b>30 518 865</b>                          |  |
| <b>Surplus before taxation</b>                                     | <b>222 282 000</b>   | <b>(11 916 000)</b> | <b>210 366 000</b>   | <b>38 727 045</b>                  | <b>(171 638 955)</b>                       |  |
| Deficit before taxation  | 222 282 000          | (11 916 000)        | <b>210 366 000</b>   | 38 727 045                         | <b>(171 638 955)</b>                       |  |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved<br>budget | Adjustments         | Final Budget       | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Variances<br>greater than 10<br>% analysed in<br>note 43 |
|--|--------------------|---------------------|--------------------|--|---|--|
|  | R                  | R                   | R                  | R  | R   |  |
| Taxation   | -                  | -                   | -                  | -  | -   | -  |
| <b>Actual Amount on Comparable<br/>Basis as Presented in the<br/>Budget and Actual<br/>Comparative Statement</b> | <b>222 282 000</b> | <b>(11 916 000)</b> | <b>210 366 000</b> | <b>38 727 045</b>                        | <b>(171 638 955)</b>                                |  |
| <b>Reconciliation</b>  |                    |                     |                    |  |   |  |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved budget      | Adjustments        | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Variances greater than 10% analysed in note 43 |
|--|----------------------|--------------------|----------------------|------------------------------------|--|--|
|  | R                    | R                  | R                    | R                                  | R  |  |
| <b>Statement of Financial Position</b>                             |                      |                    |                      |                                    |  |  |
| <b>Assets</b>  |                      |                    |                      |                                    |  |  |
| <b>Current Assets</b>  |                      |                    |                      |                                    |  |  |
| Inventories  | 3 955 000            | -                  | <b>3 955 000</b>     | 5 852 799                          | <b>1 897 799</b>                           | 11%  |
| Trade and other receivables from exchange transactions             | 4 014 000            | -                  | <b>4 014 000</b>     | 6 181 426                          | <b>2 167 426</b>                           | 59%  |
| Receivables from non-exchange transactions                         | -                    | -                  | -                    | 506 957                            | <b>506 957</b>                             | 100%   |
| Prepayments  | -                    | -                  | -                    | 594 000                            | <b>594 000</b>                             | 100%   |
| Consumer debtors from exchange transactions                        | 180 787 000          | -                  | <b>180 787 000</b>   | 35 478 433                         | <b>(145 308 567)</b>                       | 80%  |
| Cash and cash equivalents  | 63 300 000           | 185 315 000        | <b>248 615 000</b>   | 153 300 175                        | <b>(95 314 825)</b>                        | 38%  |
|  | <b>252 056 000</b>   | <b>185 315 000</b> | <b>437 371 000</b>   | <b>201 913 790</b>                 | <b>(235 457 210)</b>                       |  |
| <b>Non-Current Assets</b>  |                      |                    |                      |                                    |  |  |
| Property, plant and equipment                                      | 1 001 518 000        | -                  | <b>1 001 518 000</b> | 812 442 125                        | <b>(189 075 875)</b>                       | 19%  |
| Intangible assets  | 51 000               | -                  | <b>51 000</b>        | 47 209                             | <b>(3 791)</b>                             | 7%   |
|  | <b>1 001 569 000</b> | -                  | <b>1 001 569 000</b> | <b>812 489 334</b>                 | <b>(189 079 666)</b>                       |  |
| Non-Current Assets   | 252 056 000          | 185 315 000        | <b>437 371 000</b>   | 201 913 790                        | <b>(235 457 210)</b>                       |  |
| Current Assets   | 1 001 569 000        | -                  | <b>1 001 569 000</b> | 812 489 334                        | <b>(189 079 666)</b>                       |  |
| Non-current assets held for sale (and) (assets of disposal groups) | -                    | -                  | -                    | -                                  | -  |  |
| <b>Total Assets</b>  | <b>1 253 625 000</b> | <b>185 315 000</b> | <b>1 438 940 000</b> | <b>1 014 403 124</b>               | <b>(424 536 876)</b>                       |  |
| <b>Liabilities</b>   |                      |                    |                      |                                    |  |  |
| <b>Current Liabilities</b>   |                      |                    |                      |                                    |  |  |
| Borrowings ( DBSA loans)   | 2 722 000            | -                  | <b>2 722 000</b>     | 2 627 608                          | <b>(94 392)</b>                            | 3%   |
| Finance lease obligation   | -                    | -                  | -                    | 2 548 206                          | <b>2 548 206</b>                           | 100%   |
| Trade and other payables from exchange transactions                | 294 276 000          | 126 351 000        | <b>420 627 000</b>   | 64 472 480                         | <b>(356 154 520)</b>                       | 85%  |
| Other accruals   | -                    | -                  | -                    | 16 444 589                         | <b>16 444 589</b>                          | 100%   |
| Consumer deposits  | 8 132 000            | -                  | <b>8 132 000</b>     | 8 758 905                          | <b>626 905</b>                             | 8%   |
| Provisions (Retirement benefit obligation)                         | -                    | -                  | -                    | 167 237                            | <b>167 237</b>                             | 100%   |
| Unspent conditional grants and receipts                            | -                    | -                  | -                    | 133 389 894                        | <b>133 389 894</b>                         | 100%   |
| VAT payable  | -                    | -                  | -                    | 19 682 275                         | <b>19 682 275</b>                          | 100%   |
| Bank overdraft   | 231 161 000          | -                  | <b>231 161 000</b>   | 4 527 234                          | <b>(226 633 766)</b>                       | 98%  |
|  | <b>536 291 000</b>   | <b>126 351 000</b> | <b>662 642 000</b>   | <b>252 618 428</b>                 | <b>(410 023 572)</b>                       |  |
| <b>Non-Current Liabilities</b>                                     |                      |                    |                      |                                    |  |  |
| Borrowings ( DBSA loans)   | 14 267 000           | -                  | <b>14 267 000</b>    | 7 845 838                          | <b>(6 421 162)</b>                         | 81%  |
| Finance lease obligation   | -                    | -                  | -                    | 1 691 905                          | <b>1 691 905</b>                           | 100%   |
| Provisions (Retirement benefit obligation)                         | 4 180 000            | -                  | <b>4 180 000</b>     | 3 692 552                          | <b>(487 448)</b>                           | 12%  |
|  | <b>18 447 000</b>    | -                  | <b>18 447 000</b>    | <b>13 230 295</b>                  | <b>(5 216 705)</b>                         |  |
|  | 536 291 000          | 126 351 000        | <b>662 642 000</b>   | 252 618 428                        | <b>(410 023 572)</b>                       |  |
|  | 18 447 000           | -                  | <b>18 447 000</b>    | 13 230 295                         | <b>(5 216 705)</b>                         |  |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|                          | Approved<br>budget | Adjustments        | Final Budget       | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Variances<br>greater than 10<br>% analysed in<br>note 43 |
|--------------------------|--------------------|--------------------|--------------------|--|---|--|
|                          | R                  | R                  | R                  | R  | R   |  |
| <b>Total Liabilities</b> | <b>554 738 000</b> | <b>126 351 000</b> | <b>681 089 000</b> | <b>265 848 723</b>                       | <b>(415 240 277)</b>                                |  |
| Assets                   | 1 253 625 000      | 185 315 000        | 1 438 940 000      | 1 014 403 124                            | (424 536 876)                                       |  |
| Liabilities              | (554 738 000)      | (126 351 000)      | (681 089 000)      | (265 848 723)                            | 415 240 277   |  |
| <b>Net Assets</b>        | <b>698 887 000</b> | <b>58 964 000</b>  | <b>757 851 000</b> | <b>748 554 401</b>                       | <b>(9 296 599)</b>                                  |  |
| <b>Net Assets</b>        |                    |                    |                    |  |   |  |
| Accumulated surplus      | 698 887 000        | 58 964 000         | 757 851 000        | 748 554 401                              | (9 296 599)   |  |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved budget      | Adjustments       | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Variances greater than 10% analysed in note 43 |
|--|----------------------|-------------------|----------------------|------------------------------------|--|--|
|  | R                    | R                 | R                    | R                                  | R  |  |
| <b>Cash Flow Statement</b>                               |                      |                   |                      |                                    |  |  |
| <b>Cash flows from operating activities</b>              |                      |                   |                      |                                    |  |  |
| <b>Receipts</b>  |                      |                   |                      |                                    |  |  |
| Sale of goods and services                               | 130 968 000          | 1 847 000         | <b>132 815 000</b>   | 24 900 908                         | <b>(107 914 092)</b>                       | 81.25%   |
| Government - operating                                   | 275 308 000          | 10 957 000        | <b>286 265 000</b>   | 297 048 006                        | <b>10 783 006</b>                          | 3.7%   |
| Government - capital                                     | 207 503 000          | 43 000            | <b>207 546 000</b>   | 205 976 103                        | <b>(1 569 897)</b>                         | 7.56%  |
| Interest income  | 16 473 000           | -                 | <b>16 473 000</b>    | 39 236 761                         | <b>22 763 761</b>                          | 138%   |
| Other receipts   | -                    | -                 | -                    | 3 153 045                          | <b>3 153 045</b>                           | 100%   |
|  | <b>630 252 000</b>   | <b>12 847 000</b> | <b>643 099 000</b>   | <b>570 314 823</b>                 | <b>(72 784 177)</b>                        |  |
| <b>Payments</b>  |                      |                   |                      |                                    |  |  |
| Suppliers and employees                                  | (430 983 000)        | 1 949 000         | <b>(429 034 000)</b> | (404 226 112)                      | <b>24 807 888</b>                          | 29.46%   |
| Finance costs  | (3 841 000)          | 17 000            | <b>(3 824 000)</b>   | (2 644 342)                        | <b>1 179 658</b>                           | 30%  |
|  | <b>(434 824 000)</b> | <b>1 966 000</b>  | <b>(432 858 000)</b> | <b>(406 870 454)</b>               | <b>25 987 546</b>                          |  |
| Total receipts   | 630 252 000          | 12 847 000        | <b>643 099 000</b>   | 570 314 823                        | <b>(72 784 177)</b>                        |  |
| Total payments   | (434 824 000)        | 1 966 000         | <b>(432 858 000)</b> | (406 870 454)                      | <b>25 987 546</b>                          |  |
| <b>Net cash flows from operating activities</b>          | <b>195 428 000</b>   | <b>14 813 000</b> | <b>210 241 000</b>   | <b>163 444 369</b>                 | <b>(46 796 631)</b>                        |  |
| <b>Cash flows from investing activities</b>              |                      |                   |                      |                                    |  |  |
| Purchase of property, plant and equipment                | (210 208 000)        | (33 000)          | <b>(210 241 000)</b> | (101 466 302)                      | <b>108 774 698</b>                         | 3.41%  |
| <b>Cash flows from financing activities</b>              |                      |                   |                      |                                    |  |  |
| Repayment of borrowings ( dbsa loans and finance leases) | -                    | -                 | -                    | (2 379 613)                        | <b>(2 379 613)</b>                         | 100%   |
| Finance lease payments                                   | -                    | -                 | -                    | 770 296                            | <b>770 296</b>                             | 100%   |
| <b>Net cash flows from financing activities</b>          | <b>-</b>             | <b>-</b>          | <b>-</b>             | <b>(1 609 317)</b>                 | <b>(1 609 317)</b>                         |  |
| Net increase/(decrease) in cash and cash equivalents     | (14 780 000)         | 14 780 000        | -                    | 60 368 750                         | <b>60 368 750</b>                          |  |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual 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 annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand. All figures are rounded off to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied to all years presented, except where otherwise indicated below.

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

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

##### 1.1.1 Provisions

Management determined an estimate for provisions raised based on the information available.

##### 1.1.2 Useful lives of property, plant and equipment

As described in accounting policies 1.3 and 1.5 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and reviewed annually.

##### 1.1.3 Defined benefit plan liabilities

As described in accounting policy 1.8, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement health benefit obligations. The estimated liabilities are recorded in accordance with the requirements of IAS 19.

Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 5 to the financial statements.

##### 1.1.4 Revenue recognition

Accounting policy 1.10 on Revenue from Exchange Transactions and accounting policy 1.11 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9; Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### 1.1.5 Financial assets and liabilities

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

##### 1.1.6 Impairment of property plant and equipment

The impairment of property, plant and equipment is based on the input provided by the municipality's technical advisors, including those in management. This input includes the condition assessment of the assets after physical verification.

##### 1.1.7 Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

##### 1.1.8 Impairment allowance

Management currently determines an impairment allowance for accounts receivables based on collection trends. This basis is subject to review after the receivable data base has been updated.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.2 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) 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 entity 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 paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), 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 (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.



# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.2 Financial instruments (continued)

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities.

A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised 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 entity'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 entity.

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 entity 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 entity 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:

- combined instruments that are designated at fair value.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.2 Financial instruments (continued)

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class  | Category                                    |
|--|---|
| Cash and cash equivalents                                  | Financial assets measured at amortised cost |
| Trade and other receivables from non-exchange transactions | Financial assets measured at amortised cost |
| Trade and other receivables from exchange transactions     | Financial assets measured at amortised cost |
| Long term receivables                                      | Financial assets measured at amortised cost |
| Prepayments  | Financial assets measured at amortised cost |
| Consumer receivables from exchange transactions            | Financial assets measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class                                    | Category                                       |
|--|--|
| Borrowings and finance lease obligations | Financial liability measured at amortised cost |
| Trade and other payables                 | Financial liability measured at amortised cost |
| Other payables                           | Financial liability measured at amortised cost |
| Other financial liabilities              | Financial liability measured at amortised cost |
| Bank overdraft                           | Financial liability measured at amortised cost |
| Consumer deposits                        | Financial liability measured at amortised cost |

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are added to financial instruments carried at amortised cost or cost.

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost.

#### Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Additional text

#### Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.3 Property, plant and equipment

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

#### Initial Recognition

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

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

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

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

When significant components of an item of property, plant, equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, equipment for purposes of depreciation. Costs include costs incurred initially to acquire or construct an item of property, plant, 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, 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, equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

#### Subsequent Measurement

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

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity for future economic benefits associated with the asset. Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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

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

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

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

#### Depreciation

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

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

Land, is not depreciated as it is regarded as having an infinite life. If the cost of the land includes the cost of site dismantlement, removal and restoration, that portion of the land asset is depreciated over the period of benefits or service potential, obtained by incurring those costs. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the asset. 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.

| Item   | Average useful life |
|--|---------------------|
| Land   | Infinite            |
| Buildings                                    |                     |
| • Office                                     | 30                  |
| •  |                     |
| Plant and machinery                          |                     |
| • Graders                                    | 5                   |
| • Tractors                                   | 5                   |
| • Mechanical Horses                          | 5                   |
| • Compressors                                | 2                   |
| • Lawnmowers                                 | 5                   |
| • Laboratory equipment                       | 5                   |
| • Radio equipment                            | 5                   |
| • Telecommunication equipment                | 5                   |
| • Irrigation systems                         | 10                  |
| • Lathes & Milling equipment                 | 5                   |
| • Tippers                                    | 5                   |
| • Tools                                      | 5                   |
| • General                                    | 5                   |
| Water networks ( Infrastructure assets)      |                     |
| • Meters                                     | 10                  |
| • Dams                                       | 80                  |
| • Supply / reticulation                      | 20                  |
| • Reservoirs                                 | 30                  |
| • Water pumps                                | 5                   |
| • Mains                                      | 30                  |
| • Rights                                     | 30                  |
| • Boreholes                                  | 15                  |
| Wastewater Networks ( Infrastructure assets) |                     |
| • Sewers                                     | 30                  |
| • Outfall sewers                             | 40                  |
| • Purification works                         | 30                  |
| • Sewerage pumps                             | 5                   |
| • Sludge machines                            | 15                  |
| Office equipment                             |                     |
| • Computer equipment                         | 3                   |
| • Office machines                            | 3-5                 |
| • Air conditioners                           | 3                   |
| • Furniture & fittings                       | 7                   |
| • Emergency equipment                        | 5                   |
| • Security equipment                         | 5                   |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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

Other equipment

- |                   |   |
|-------------------|---|
| • Motor vehicles  | 5 |
| • Truck / bakkies | 5 |

#### Infrastructure assets

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

#### Assets under construction

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

#### Derecognition of property, plant and equipment

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

The gain or loss arising from the derecognition is included in surplus or deficit when the item is derecognised. Gains or losses, calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds, are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

### 1.4 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the 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.

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

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is the period of time over which an asset is expected to be used by the municipality.

#### Identification

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

The 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, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.5 Intangible assets

An asset is identified as an intangible asset when it:

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

#### Initial recognition

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

Subsequent measurement, amortisation and impairment

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

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.

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

#### Derecognition

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

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

| Item         | Useful life |
|--------------|-------------|
| Water rights | 30 Years    |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.6 Leases

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

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

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

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

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

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

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

### 1.7 Inventories

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

Subsequently inventories are measured at the lower of cost and, net realisable value or current replacement cost.

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value 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.

### 1.8 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.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.8 Employee benefits (continued)

#### 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 entity 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.

#### Short-term employee benefits

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

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

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. Unpaid amounts are recognised as liabilities.

#### Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity.

The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

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

#### Defined benefit plans

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

#### Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees.

According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

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



# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25 and 30 years of continued service. The rules of this obligation was applicable for the first six (6) months of the financial year and were amended to 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

### Defined benefit plans

The municipality contributes to various defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds surpluses or deficits in which cannot be attributed to any one employer. As such the funds are dealt with in the same way as a defined contribution plan.

### 1.9 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

### 1.10 Revenue from exchange transactions

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

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

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

### Measurement

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

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.10 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

Interest is recognised on a time proportion basis.

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

### 1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a 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.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a 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.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Government grants are recognised as revenue when:

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

Revenue received from conditional grants, public contributions, 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.

### 1.12 Investment income

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

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.13 Borrowing costs

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

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number and 1.8. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

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

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

### 1.14 Comparative figures

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

### 1.15 Unauthorised expenditure

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

### 1.16 Fruitless and wasteful expenditure

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

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

### 1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity'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.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.18 Presentation of currency

These annual financial statements are presented in South African Rands.

### 1.19 Offsetting

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

### 1.20 Purchase of service

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

### 1.21 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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as Accounts Receivable in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is the municipality's interest it is recognised as interest earned in the surplus of deficit for the year.

### 1.22 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

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

The annual 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.

Changes between the approved and final budget are a consequence of reallocations within the budget.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.23 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 national 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.

The municipality applies IPSAS 20 for related parties except for remuneration for key management.

### 1.24 Going concern assumption

The financial statements have been prepared on a going concern basis.

### 1.25 Tax

#### **Tax Expense:**

The municipality is exempt from taxation in terms of section 10(1)(A) of the Income Tax Act.

#### **Value Added Tax**

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality, permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

### 1.26 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date. Risks and exposure are disclosed as follows:

#### **Credit Risk**

- Each class of financial assets is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial assets covered by collateral are specified.

#### **Liquidity Risk**

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.26 Risk management of financial assets and liabilities (continued)

#### Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

- Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.
- Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### 1.27 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Events after the reporting date that have been classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the note 38.

### 1.28 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will result in the future outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability and are disclosed in note 34 of the annual financial statements, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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|  |      |               |
|--|------|---------------|
|  | 2013 | 2012          |
|  | R    | Restated<br>R |

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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:<br/>Years beginning on or<br/>after</b> | <b>Expected impact:</b>   |
|---|--|---|
| <ul style="list-style-type: none"><li>GRAP 23: Revenue from Non-exchange Transactions</li></ul>                         | 01 April 2012  | No significant impact on the financial statements as the accounting policies are in line with this standard.  |
| <ul style="list-style-type: none"><li>GRAP 24: Presentation of Budget Information in the Financial Statements</li></ul> | 01 April 2012  | This standard is being applied prospectively according to directive 4. There will be no impact on the previous financial years.   |
| <ul style="list-style-type: none"><li>GRAP 103: Heritage Assets</li></ul>   | 01 April 2012  | This standard has no impact on the financial statements as the municipality has no assets classified as heritage assets.  |
| <ul style="list-style-type: none"><li>GRAP 21: Impairment of non-cash-generating assets</li></ul>                       | 01 April 2012  | This standard is applicable to the municipality. The impairment considerations for non cash generating assets have included in determining impairment of the municipality's assets. |
| <ul style="list-style-type: none"><li>GRAP 26: Impairment of cash-generating assets</li></ul>                           | 01 April 2012  | This standard is not applicable to the municipality. The municipality does not have cash - generating assets.   |
| <ul style="list-style-type: none"><li>GRAP 104: Financial Instruments</li></ul>   | 01 April 2012  | No significant impact on financial statements as the accounting policies are in line with this standard.  |

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been issued but not yet effective for the current financial year:

| <b>Standard/ Interpretation:</b>   | <b>Effective date:<br/>Years beginning on or<br/>after</b> | <b>Expected impact:</b>   |
|--|--|---|
| <ul style="list-style-type: none"><li>GRAP 18: Segment Reporting</li></ul> | 01 April 2013  | Unlikely to be significant as the effect is on presentation only. |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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

|  |               |   |
|--|---------------|---|
| • GRAP 25: Employee benefits   | 01 April 2013 | This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the municipality is expected. |
| • GRAP 105: Transfers of functions between entities under common control                   | 01 April 2014 | Not applicable to the municipality as the municipality does not have entities under common control.   |
| • GRAP 106: Transfers of functions between entities not under common control               | 01 April 2014 | Currently not relevant to the municipality as it is unlikely that the municipality will enter into any such transactions in the foreseeable future.   |
| • GRAP 107: Mergers  | 01 April 2014 | Currently not relevant to the municipality as this standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future.  |
| • GRAP 20: Related parties   | 01 April 2013 | No significant impact is expected.  |
| • IGRAP 11: Consolidation – Special purpose entities                                       | 01 April 2014 | Currently not applicable to the municipality.   |
| • IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures           | 01 April 2014 | Currently not applicable to the municipality.   |
| • GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements                 | 01 April 2014 | Currently not applicable to the municipality.   |
| • GRAP 7 (as revised 2010): Investments in Associates                                      | 01 April 2014 | Currently not applicable to the municipality.   |
| • GRAP 8 (as revised 2010): Interests in Joint Ventures                                    | 01 April 2014 | Currently not applicable to the municipality.   |
| • GRAP 1 (as revised 2012): Presentation of Financial Statements                           | 01 April 2013 | No material impact expected.  |
| • GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors | 01 April 2013 | No material impact expected.  |
| • GRAP 7 (as revised 2012): Investments in Associates                                      | 01 April 2013 | Currently not applicable to the municipality.   |
| • GRAP 9 (as revised 2012): Revenue from Exchange Transactions                             | 01 April 2013 | No material impact expected.  |
| • GRAP 12 (as revised 2012): Inventories   | 01 April 2013 | No material impact expected.  |
| • GRAP 13 (as revised 2012): Leases  | 01 April 2013 | No material impact expected.  |
| • GRAP 16 (as revised 2012): Investment Property   | 01 April 2013 | Currently not applicable to the municipality.   |
| • GRAP 17 (as revised 2012): Property, Plant and Equipment                                 | 01 April 2013 | No material impact expected.  |



# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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

- |  |               |   |
|--|---------------|---|
| • GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)                               | 01 April 2013 | Currently not applicable to the municipality. |
| • GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)                         | 01 April 2013 | No material impact expected.                  |
| • IGRAP16: Intangible assets website costs   | 01 April 2013 | Currently not applicable to the municipality. |
| • IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue | 01 April 2013 | No material impact expected.                  |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

|                                     | 2013                 |   |                    | 2012               |   |                    |
|-------------------------------------|----------------------|---|--------------------|--------------------|---|--------------------|
|                                     | Cost                 | Accumulated depreciation and accumulated impairment | Carrying value     | Cost               | Accumulated depreciation and accumulated impairment | Carrying value     |
| Land                                | 1 037 872            | -   | 1 037 872          | 1 037 872          | -   | 1 037 872          |
| Buildings                           | 5 157 857            | (498 418)   | 4 659 439          | 4 828 57           | (256 662)   | 226 195            |
| Infrastructure                      | 1 021 251 360        | (231 426 205)                                       | 789 825 155        | 906 185 101        | (206 164 615)                                       | 700 020 486        |
| Other property, plant and equipment | 26 144 416           | (14 921 760)  | 11 222 656         | 25 867 530         | (18 414 658)  | 7 452 872          |
| Leased assets                       | 9 911 310            | (4 214 307)   | 5 697 003          | 7 030 446          | (3 475 256)   | 3 555 190          |
| <b>Total</b>                        | <b>1 063 502 815</b> | <b>(251 060 690)</b>                                | <b>812 442 125</b> | <b>940 603 806</b> | <b>(228 311 191)</b>                                | <b>712 292 615</b> |

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

|                                     | Opening balance    | Additions        | Assets under construction | Disposals          | Assets identified at deemed costs | Depreciation        | Impairment loss | Total              |
|-------------------------------------|--------------------|------------------|---------------------------|--------------------|-----------------------------------|---------------------|-----------------|--------------------|
| Land                                | 1 037 872          | -                | -                         | -                  | -                                 | -                   | -               | 1 037 872          |
| Buildings                           | 226 195            | -                | -                         | -                  | 4 675 000                         | (241 756)           | -               | 4 659 439          |
| Infrastructure                      | 700 020 486        | 792 669          | 96 120 009                | (106 451)          | 18 489 024                        | (25 490 695)        | 112             | 789 825 154        |
| Other property, plant and equipment | 7 452 872          | 748 984          | -                         | (1 891 080)        | 8 993 649                         | (4 245 425)         | 163 658         | 11 222 658         |
| Leased assets                       | 3 555 190          | 3 804 640        | -                         | (170 868)          | 529 613                           | (2 021 573)         | -               | 5 697 002          |
|                                     | <b>712 292 615</b> | <b>5 346 293</b> | <b>96 120 009</b>         | <b>(2 168 399)</b> | <b>32 687 286</b>                 | <b>(31 999 449)</b> | <b>163 770</b>  | <b>812 442 125</b> |

Assets identified during an asset verification exercise were brought into the fixed asset register in the financial year at a deemed cost as the Municipality was unable to obtain information on when these assets identified were purchased and the cost of the assets purchased. In determining the deemed cost of the assets identified, the cost of assets similar in nature already on the register were used after assessing the condition of the asset.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013 | 2012          |
|--|------|---------------|
|  | R    | Restated<br>R |

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

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

|                                     | Opening<br>balance | Additions        | Assets under<br>construction | Disposals       | Depreciation        | Total              |
|-------------------------------------|--------------------|------------------|------------------------------|-----------------|---------------------|--------------------|
| Land                                | 1 037 872          | -                | -                            | -               | -                   | 1 037 872          |
| Buildings                           | 241 451            | -                | -                            | -               | (15 256)            | 226 195            |
| Infrastructure                      | 690 183 569        | 3 699 331        | 30 251 407                   | -               | (24 113 821)        | 700 020 486        |
| Other property, plant and equipment | 8 363 451          | 1 125 836        | -                            | (21 938)        | (2 014 477)         | 7 452 872          |
| Leased assets                       | 1 422 030          | 3 030 481        | -                            | (43 358)        | (853 963)           | 3 555 190          |
|                                     | <b>701 248 373</b> | <b>7 855 648</b> | <b>30 251 407</b>            | <b>(65 296)</b> | <b>(26 997 517)</b> | <b>712 292 615</b> |

#### Assets subject to finance lease (Net carrying amount)

|                |           |           |
|----------------|-----------|-----------|
| Motor vehicles | 5 697 002 | 3 555 190 |
|----------------|-----------|-----------|

#### Other information

#### Property, plant and equipment temporarily idle (Carrying amount)

|                               |   |           |
|-------------------------------|---|-----------|
| Property, plant and equipment | - | 3 186 841 |
|-------------------------------|---|-----------|

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.

### 4. Intangible assets

|              | 2013   |   |                | 2012   |   |                |
|--------------|--------|---|----------------|--------|---|----------------|
|              | Cost   | Accumulated amortisation and accumulated impairment | Carrying value | Cost   | Accumulated amortisation and accumulated impairment | Carrying value |
| Water rights | 55 000 | (7 791)   | 47 209         | 55 000 | (5 958)   | 49 042         |

#### Reconciliation of intangible assets - 2013

|              | Opening<br>balance | Amortisation | Total  |
|--------------|--------------------|--------------|--------|
| Water rights | 49 042             | (1 833)      | 47 209 |

#### Reconciliation of intangible assets - 2012

|              | Opening<br>balance | Amortisation | Total  |
|--------------|--------------------|--------------|--------|
| Water rights | 50 875             | (1 833)      | 49 042 |

The intangible asset relates to a once off payment made for access rights to lay water pipes that runs through private residential property.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013 | 2012          |
|--|------|---------------|
|  | R    | Restated<br>R |

### 5. Retirement benefit obligation

#### Post retirement medical aid plan

The municipality has engaged Alexander Forbes Health (Pty) Ltd to conduct the 30 June 2013 actuarial valuation of the municipality's post retirement medical aid benefit. It is the policy of the municipality to provide retirement benefits to 18 employees. The results and assumptions of the valuation is noted below.

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

|   |                  |                  |
|---|------------------|------------------|
| Present value of the defined benefit obligation-wholly unfunded | 3 859 789        | 3 458 620        |
| Non-current liabilities   | 3 692 552        | 3 310 395        |
| Current liabilities   | 167 237          | 148 225          |
|   | <b>3 859 789</b> | <b>3 458 620</b> |

Changes in the present value of the defined benefit obligation are as follows:

|  |                  |                  |
|--|------------------|------------------|
| Opening balance  | 3 458 620        | 3 721 065        |
| Net expense recognised in the statement of financial performance | 401 169          | (262 445)        |
| <b>Closing balance</b>   | <b>3 859 789</b> | <b>3 458 620</b> |

#### Net expense recognised in the statement of financial performance

|   |                |                  |
|---|----------------|------------------|
| Current service cost                            | 261 895        | 260 834          |
| Interest cost                                   | 216 359        | 320 297          |
| Actuarial (gains) / losses                      | 76 479         | (728 587)        |
| Expected employer benefit payment               | (153 564)      | (114 989)        |
| <b>Total included in employee related costs</b> | <b>401 169</b> | <b>(262 445)</b> |

#### Key assumptions used

Assumptions used at the reporting date:

|                             |        |        |
|-----------------------------|--------|--------|
| Expected retirement age     | 65     | 65     |
| Discount rates used         | 9.00 % | 7.75 % |
| Health care costs inflation | 8.20 % | 7.00 % |
| Salary inflation            | 7.20 % | 6.00 % |

Assumed a 7.2% increase in salaries and maximum subsidies with effect from 1 July 2013.

The discount rate is based on current bond yields of appropriate terms gross of tax as required by IAS 19.

The underlying future rate of customer price index (CPI inflation) is assumed to be 5.9% per annum.

Health care cost inflation, it is assumed the current contribution table(s) of the medical aid scheme(s) would continue to apply in the future and exceed the CPI inflation by an average of 2.50% per annum.

Assumed that 0% of current in-service members eligible for a retirement subsidy would discontinue medical scheme membership upon reaching retirement with uThukela District Municipality.

Assumed that 100% of current in-service members would be married at retirement, unless the member is older than the expected retirement age and marital status have been provided at the valuation date.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013                             | 2012  |
|--|----------------------------------|---|
|  | R                                | Restated<br>R   |
| <b>5. Retirement benefit obligation (continued)</b>  |                                  |   |
| Assumed mortality rates:   |                                  |   |
| During employment  | -                                | SA 85-90 (light) ultimate table   |
| Post-employment  | -                                | PA(90) ultimate table rated down two years plus 1% improvement per annum ( from a base of year 2006). |
| Assumed withdrawal are set out below:  |                                  |   |
| <b>AGE</b>   | <b>Annual rate of withdrawal</b> |   |
| 15%  | 20                               |   |
| 10%  | 30                               |   |
| 7%   | 35                               |   |
| 4%   | 40                               |   |
| 2%   | 45+                              |   |
| 0%   |                                  |   |
| There is no allowance for early retirement.  |                                  |   |
| The municipality has opted to recognise actuarial gains / losses immediately to the statement of financial performance as and when incurred. The corridor approach has not been opted for. |                                  |   |
| There has been no change in the way members benefits are valued as thus no past service cost entries are required.   |                                  |   |
| <b>6. Prepayments</b>  |                                  |   |
| Prepayment- IT maintenance assets  | -                                | 113 399   |
| Prepayments- SAGLA paid in advance   | 594 000                          | -   |
|  | <b>594 000</b>                   | <b>113 399</b>  |
| <b>7. Inventories</b>  |                                  |   |
| Plant materials ( plumbing)  | 2 611 937                        | -   |
| Promotional Items  | -                                | 3 742   |
| Chemicals  | 870 236                          | 878 695   |
| Purified water stock   | 489 322                          | 300 708   |
| Stores   | 1 881 304                        | 2 520 797   |
|  | <b>5 852 799</b>                 | <b>3 703 942</b>  |
| <b>8. Trade and other receivables from exchange transactions</b>   |                                  |   |
| Deposits- fuel, landlords and ERWS   | 1 446 206                        | 1 446 206   |
| Other debtors - unreconciled inventory   | -                                | 1 121 283   |
| Sundry debtors   | 4 735 220                        | 674 920   |
|  | <b>6 181 426</b>                 | <b>3 242 409</b>  |
| <b>9. Other receivables</b>  |                                  |   |
| Other receivables from non-exchange transactions   | 506 957                          | 9 644 789   |

The municipality expects to realise these debtors within 12 months.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013              | 2012               |
|--|-------------------|--------------------|
|  | R                 | Restated<br>R      |
| <b>10. Consumer debtors from exchange transactions</b> |                   |                    |
| <b>Gross balances</b>                                  |                   |                    |
| Water and sanitation                                   | 517 171 485       | 414 213 980        |
| <b>Less: Allowance for impairment</b>                  |                   |                    |
| Water and sanitation                                   | (481 693 052)     | (233 567 144)      |
| <b>Net balance</b>                                     |                   |                    |
| Water and sanitation                                   | 35 478 433        | 180 646 836        |
| <b>Water &amp; Sanitation</b>                          |                   |                    |
| Current (0 -30 days)                                   | 13 761 289        | 10 323 366         |
| 31 - 60 days   | 7 953 091         | 6 560 578          |
| 61 - 90 days   | 5 093 738         | 4 642 398          |
| 91 - 120 days  | 3 133 678         | 4 137 606          |
| 150+ days  | 5 536 637         | 154 982 888        |
|  | <b>35 478 433</b> | <b>180 646 836</b> |
| <b>Summary of debtors by customer classification</b>   |                   |                    |
| <b>Consumer (non commercial)</b>                       |                   |                    |
| Current (0 -30 days)                                   | 12 414 725        | 16 113 397         |
| 31 - 60 days   | 16 369 015        | 10 960 211         |
| 61 - 90 days   | 14 951 091        | 9 365 538          |
| 91 - 120 days  | 20 466 552        | 8 522 969          |
| 150+ days  | 440 579 927       | 359 251 970        |
|  | 504 781 310       | 404 214 085        |
| Less: Allowance for impairment                         | (472 876 361)     | (229 737 867)      |
|  | <b>31 904 949</b> | <b>174 476 218</b> |
| <b>Industrial/ commercial</b>                          |                   |                    |
| Current (0 -30 days)                                   | 782 227           | 501 218            |
| 31 - 60 days   | 376 806           | 185 892            |
| 61 - 90 days   | 127 739           | 145 494            |
| 91 - 120 days  | 404 180           | 117 336            |
| 150+ days  | 6 865 953         | 5 034 541          |
|  | 8 556 905         | 5 984 481          |
| Less: Allowance for impairment                         | (7 023 008)       | (2 902 781)        |
|  | <b>1 533 897</b>  | <b>3 081 700</b>   |
| <b>National and provincial government</b>              |                   |                    |
| Current (0 -30 days)                                   | 564 337           | 496 669            |
| 31 - 60 days   | 626 071           | 497 152            |
| 61 - 90 days   | 257 763           | 170 238            |
| 91 - 120 days  | 318 199           | 142 773            |
| 150+ days  | 2 066 898         | 2 202 053          |
|  | 3 833 268         | 3 508 885          |
| Less: Allowance for impairment                         | (1 793 683)       | (701 521)          |
|  | <b>2 039 585</b>  | <b>2 807 364</b>   |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013                     | 2012                      |
|--|--------------------------|---------------------------|
|  | R                        | Restated<br>R             |
| <b>10. Consumer debtors from exchange transactions (continued)</b> |                          |                           |
| <b>Total</b>   |                          |                           |
| Current (0 -30 days)   | 13 761 289               | 17 111 284                |
| 31 - 60 days   | 17 371 892               | 11 643 256                |
| 61 - 90 days   | 15 336 593               | 9 681 269                 |
| 91 - 120 days  | 21 188 932               | 8 783 078                 |
| 150+ days  | 449 512 779              | 366 995 093               |
|  | <u>517 171 485</u>       | <u>414 213 980</u>        |
| Less: Allowance for impairment                                     | (481 693 052)            | (233 567 144)             |
|  | <b><u>35 478 433</u></b> | <b><u>180 646 836</u></b> |
| <b>Less: Provision for debt impairment</b>                         |                          |                           |
| Current (0 -30 days)   | (9 418 801)              | (6 787 918)               |
| 31 - 60 days   | (10 242 855)             | (5 082 677)               |
| 61 - 90 days   | (9 750 586)              | (5 038 871)               |
| 91 - 120 days  | (8 304 668)              | (4 645 472)               |
| 121 - 365 days   | (443 976 142)            | 212 012 206               |
| > 365 days   | -                        | (424 024 412)             |
|  | <u>(481 693 052)</u>     | <u>(233 567 144)</u>      |
| <b>Reconciliation of allowance for impairment</b>                  |                          |                           |
| Balance at beginning of the year                                   | (233 342 168)            | (218 949 588)             |
| Current transfer   | (248 350 884)            | (14 617 556)              |
|  | <u>(481 693 052)</u>     | <u>(233 567 144)</u>      |
| <b>Consumer debtors at amortised cost</b>                          |                          |                           |
| Consumer debtors from exchange transactions                        | <u>35 478 433</u>        | <u>180 646 836</u>        |
| <b>11. Cash and cash equivalents</b>                               |                          |                           |
| Cash and cash equivalents consist of:                              |                          |                           |
| Cash on hand   | 7 100                    | 7 700                     |
| Bank balances  | 685 433                  | 27 952 435                |
| Short-term deposits  | 152 607 642              | 60 444 056                |
| Bank overdraft   | (4 527 234)              | -                         |
|  | <u>148 772 941</u>       | <u>88 404 191</u>         |
| Current assets   | 153 300 175              | 88 404 191                |
| Current liabilities  | (4 527 234)              | -                         |
|  | <u>148 772 941</u>       | <u>88 404 191</u>         |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013                    |                   |                    | 2012               |                   |                    |
|--|-------------------------|-------------------|--------------------|--------------------|-------------------|--------------------|
|  | R                       |                   |                    | Restated R         |                   |                    |
| <b>11. Cash and cash equivalents (continued)</b>       |                         |                   |                    |                    |                   |                    |
| 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       |
| ABSA Bank(Ladysmith) Account No- 404880058             | -                       | -                 | -                  | -                  | -                 | (456 429)          |
| ABSA Bank(Ladysmith) Account No- 4062520058            | -                       | -                 | -                  | -                  | -                 | (366 334)          |
| FNB(Ladysmith) Account No- 62252306280                 | 1 468 189               | 19 339 419        | 630 960            | 685 433            | 19 339 419        | 184 848            |
| FNB(Ladysmith) Account No- 62253072385                 | -                       | 8 154 202         | (4 792 574)        | (4 527 234)        | 8 613 016         | (7 536 997)        |
| FNB(Ladysmith) Account No- 62283176644                 | 221 426                 | 60 444 056        | 205 728            | -                  | 60 444 056        | 205 728            |
| FNB - Call Account - Account number: 62402906484       | 1 013 835               | -                 | -                  | -                  | -                 | -                  |
| FNB - Fixed deposit account Account number 74361109934 | 151 372 381             | -                 | -                  | 152 607 642        | -                 | -                  |
| <b>Total</b>   | <b>154 075 831</b>      | <b>87 937 677</b> | <b>(3 955 886)</b> | <b>148 765 841</b> | <b>88 396 491</b> | <b>(7 969 184)</b> |

## 12. Development Bank of South Africa

### At amortised cost

|  |            |            |
|--|------------|------------|
| Development Bank of South Africa   | 10 473 446 | 12 853 059 |
| Loans bear an interest rate between 7.186% and 15.25% per annum and are repayable over twenty years. The balance comprises six loans approved by the Development Bank of South Africa. |            |            |

### Non-current liabilities

|                   |           |            |
|-------------------|-----------|------------|
| At amortised cost | 7 845 838 | 10 535 808 |
|-------------------|-----------|------------|

### Current liabilities

|                   |           |           |
|-------------------|-----------|-----------|
| At amortised cost | 2 627 608 | 2 317 251 |
|-------------------|-----------|-----------|



# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013                    | 2012                    |
|--|-------------------------|-------------------------|
|  | R                       | Restated<br>R           |
| <b>13. Finance lease obligation</b>                |                         |                         |
| <b>Minimum lease payments due</b>                  |                         |                         |
| - within one year                                  | 2 832 443               | 1 780 897               |
| - in second to fifth year inclusive                | 2 334 489               | 2 053 603               |
|  | <u>5 166 932</u>        | <u>3 834 500</u>        |
| less: future finance charges                       | (926 821)               | (364 685)               |
| <b>Present value of minimum lease payments</b>     | <u><b>4 240 111</b></u> | <u><b>3 469 815</b></u> |
| <b>Present value of minimum lease payments due</b> |                         |                         |
| - within one year                                  | 2 548 206               | 1 548 035               |
| - in second to fifth year inclusive                | 1 691 905               | 1 921 780               |
|  | <u><b>4 240 111</b></u> | <u><b>3 469 815</b></u> |
| Non-current liabilities                            | 1 691 905               | 1 921 780               |
| Current liabilities                                | 2 548 206               | 1 548 035               |
|  | <u><b>4 240 111</b></u> | <u><b>3 469 815</b></u> |

It is the municipality's policy to lease motor vehicles under finance leases.

The average lease term was 3-5 years.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rentals.

### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises:

|  |                           |                           |
|--|---------------------------|---------------------------|
| Municipal Infrastructure Grants (MIG)          | 81 318 448                | 86 412 810                |
| Department of Water Affairs and Forestry Grant | 7 045 301                 | 5 355 096                 |
| KZN Projects                                   | 44 599 801                | 34 056 787                |
| Sports and recreation grant                    | 194 599                   | 194 598                   |
| Municipal Systems Improvement Grant            | 324 109                   | 331 593                   |
| Councillors training grant                     | 200 000                   | -                         |
| Data cleansing project                         | (292 364)                 | -                         |
|  | <u><b>133 389 894</b></u> | <u><b>126 350 884</b></u> |

### Movement during the year

|                                      |                           |                           |
|--------------------------------------|---------------------------|---------------------------|
| Balance at the beginning of the year | 126 350 884               | 25 679 534                |
| Additions during the year            | 249 841 109               | 214 350 964               |
| Income recognised during the year    | (242 802 099)             | (113 679 614)             |
|                                      | <u><b>133 389 894</b></u> | <u><b>126 350 884</b></u> |

See note 21 for reconciliation of grants.

### 15. VAT Payable

The Municipality is on a payment basis for VAT purposes. The Municipality's debtors have not paid for services which have been rendered which has resulted in the Municipality reporting a VAT payable at year end.

|             |                   |                   |
|-------------|-------------------|-------------------|
| VAT payable | <u>19 682 275</u> | <u>28 089 247</u> |
|-------------|-------------------|-------------------|

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|   | 2013               | 2012               |
|---|--------------------|--------------------|
|   | R                  | Restated<br>R      |
| <b>16. Trade and other payables from exchange transactions</b>                              |                    |                    |
| Trade payables  | 17 104 957         | 39 542 831         |
| Department of water affairs (DWAF) Accrual  | 27 149 624         | 22 885 602         |
| DBSA accrued interest   | 291 138            | 356 850            |
| Trust funds- late estates   | 2 969 179          | 3 019 571          |
| Retentions  | 7 428 817          | 7 428 817          |
| Other creditors   | 9 065 375          | 5 457 352          |
| Sundry creditors  | 463 390            | 6 355 743          |
|   | <b>64 472 480</b>  | <b>85 046 766</b>  |
| <b>17. Other accruals</b>   |                    |                    |
| Bonus accrual   | 3 291 872          | 2 638 447          |
| Leave pay accrual   | 13 152 717         | 10 519 833         |
|   | <b>16 444 589</b>  | <b>13 158 280</b>  |
| <b>18. Consumer deposits</b>  |                    |                    |
| Water   | 8 758 905          | 8 408 026          |
| <b>19. Revenue</b>  |                    |                    |
| Service charges   | 117 286 385        | 93 550 967         |
| Interest received   | 39 236 761         | 19 048 071         |
| Government grants & subsidies   | 495 985 099        | 341 485 743        |
|   | <b>652 508 245</b> | <b>454 084 781</b> |
| <b>The amount included in revenue arising from exchange of transactions are as follows:</b> |                    |                    |
| Service charges   | 117 286 385        | 93 550 967         |
| Interest received   | 39 236 761         | 19 048 071         |
|   | <b>156 523 146</b> | <b>112 599 038</b> |
| <b>The amount included in revenue arising from non-exchange transactions is as follows:</b> |                    |                    |
| Government grants & subsidies   | 495 985 099        | 341 485 743        |
| <b>20. Service charges</b>  |                    |                    |
| Sale of water   | 104 239 864        | 81 194 771         |
| Sewerage and sanitation charges   | 13 046 521         | 12 356 196         |
|   | <b>117 286 385</b> | <b>93 550 967</b>  |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013               | 2012               |
|--|--------------------|--------------------|
|  | R                  | Restated<br>R      |
| <b>21. Government grants and subsidies included in revenue</b> |                    |                    |
| Equitable share  | 253 183 000        | 225 680 000        |
| MIG Agency fee   | -                  | 2 126 130          |
| Municipal Infrastructure Grants (MIG)                          | 187 952 362        | 69 482 922         |
| Department of Water Affairs and Forestry Grant                 | 28 620 898         | 32 395 702         |
| KZN projects   | 22 128 992         | 11 005 237         |
| Sports and recreation grant                                    | -                  | 3 600              |
| Municipal Systems Improvement Grant                            | 1 007 483          | 792 152            |
| Data cleansing project   | 3 092 364          | -                  |
|  | <b>495 985 099</b> | <b>341 485 743</b> |

### Equitable Share

In terms of the Constitution and the Division of Revenue Act, this grant is used inter alia to subsidise the provision of free basic services and finance the administration costs of the Municipality.

### Municipal Infrastructure Grant

|   |                   |                   |
|---|-------------------|-------------------|
| Balance unspent at beginning of year    | 86 412 810        | 5 155 732         |
| Current-year receipts                   | 182 858 000       | 150 740 000       |
| Conditions met - transferred to revenue | (187 952 362)     | (69 482 922)      |
|   | <b>81 318 448</b> | <b>86 412 810</b> |

Conditions still to be met - remain liabilities (see note 14)

This grant is used for water and sewage infrastructure as part of the upgrading of informal settlement areas.

### Department of Water Affairs and Forestry Grant

|   |                  |                  |
|---|------------------|------------------|
| Balance unspent at beginning of year    | 5 355 096        | 3 817 098        |
| Current-year receipts                   | 30 311 103       | 33 933 700       |
| Conditions met - transferred to revenue | (28 620 898)     | (32 395 702)     |
|   | <b>7 045 301</b> | <b>5 355 096</b> |

Conditions still to be met - remain liabilities (see note 14)

This grant was provided to UThukela municipality for water and sanitation projects.

### KZN Projects grant

|   |                   |                   |
|---|-------------------|-------------------|
| Balance unspent at beginning of year    | 34 056 786        | 16 174 760        |
| Current-year receipts                   | 32 672 006        | 28 887 263        |
| Conditions met - transferred to revenue | (22 128 992)      | (11 005 237)      |
|   | <b>44 599 800</b> | <b>34 056 786</b> |

Conditions still to be met - remain liabilities (see note 14)

This grant has been provided to uThukela municipality mainly for water and sanitation projects, disaster management and Integrated Development Planning (IDP) support.

### Sports and recreation grant

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|   | 2013             | 2012             |
|---|------------------|------------------|
|   | R                | Restated<br>R    |
| <b>21. Government grants and subsidies included in revenue (continued)</b>  |                  |                  |
| Balance unspent at beginning of year  | 194 599          | 198 199          |
| Current-year receipts   | -                | -                |
| Conditions met - transferred to revenue   | -                | (3 600)          |
|   | <u>194 599</u>   | <u>194 599</u>   |
| Conditions still to be met - remain liabilities (see note 14)   |                  |                  |
| This grant has been provided to UThukela municipality for the building of sports fields.  |                  |                  |
| <b>Municipal systems improvement grant</b>  |                  |                  |
| Balance unspent at beginning of year  | 331 584          | 333 736          |
| Current-year receipts   | 1 000 000        | 790 000          |
| Conditions met - transferred to revenue   | (1 007 482)      | (792 152)        |
|   | <u>324 102</u>   | <u>331 584</u>   |
| Conditions still to be met - remain liabilities (see note 14)   |                  |                  |
| This grant is used for infrastructure, capacity building and restructuring. The capacity building and restructuring grants were set up to assist the municipality in developing planning, budgeting, financial management and technical skills. |                  |                  |
| <b>Data cleansing project</b>   |                  |                  |
| Current-year receipts   | 2 800 000        | -                |
| Conditions met - transferred to revenue   | (3 092 364)      | -                |
|   | <u>(292 364)</u> | <u>-</u>         |
| <b>Councillors training grant</b>   |                  |                  |
| Current-year receipts   | <u>200 000</u>   | <u>-</u>         |
| Conditions still to be met - remain liabilities (see note 14)   |                  |                  |
| The grant is to facilitate councillor training.   |                  |                  |
| <b>22. Other income</b>   |                  |                  |
| Other income  | <u>5 075 640</u> | <u>3 019 578</u> |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|                                   | 2013               | 2012               |
|-----------------------------------|--------------------|--------------------|
|                                   | R                  | Restated<br>R      |
| <b>23. General expenses</b>       |                    |                    |
| Advertising                       | 312 743            | 215 348            |
| Auditors remuneration             | 2 555 646          | 888 840            |
| Bank charges                      | 298 261            | 279 195            |
| Cleaning                          | 117 358            | 119 579            |
| Commission paid                   | 351 575            | 330 691            |
| Computer expenses                 | 1 504 911          | 2 207 273          |
| Consulting and professional fees  | 5 873 816          | 2 199 511          |
| Consumables                       | 27 836             | 20 050             |
| Entertainment                     | 282 884            | 513 075            |
| Fines and penalties               | 364 162            | 1 059 489          |
| Conferences and seminars          | 26 043             | 35 215             |
| Lease rentals on operating lease  | 3 239 351          | 2 933 871          |
| Magazines, books and periodicals  | 2 647              | 7 968              |
| Motor vehicle expenses            | 279 034            | 218 917            |
| Fuel and oil                      | 3 834 599          | 3 152 583          |
| Postage and courier               | 7 347              | 10 981             |
| Printing and stationery           | 1 060 341          | 1 063 186          |
| Protective clothing               | 24 628             | 1 369              |
| Subscriptions and membership fees | 980 382            | 601 729            |
| Telephone and fax                 | 2 186 235          | 2 383 114          |
| Training                          | 27 606             | 60 585             |
| Assets expensed                   | 120 282            | 121 277            |
| Electricity                       | 38 393 382         | 34 645 318         |
| Water                             | 6 500 270          | 6 495 806          |
| Audit committee                   | 176 711            | 37 812             |
| Government grant expenditure      | 108 715 389        | 80 207 289         |
| Other expenses                    | 3 932 717          | 18 098 340         |
|                                   | <b>181 196 156</b> | <b>157 908 411</b> |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013               | 2012               |
|--|--------------------|--------------------|
|  | R                  | Restated<br>R      |
| <b>24. Employee related costs</b>                                  |                    |                    |
| Basic  | 99 567 953         | 88 692 148         |
| Bonus  | 3 291 872          | 2 638 447          |
| Medical aid - employers contribution                               | 3 087 738          | 2 785 762          |
| UIF  | 650 319            | 636 864            |
| SDL  | 972 156            | 883 500            |
| Leave pay accrual  | 2 632 884          | (4 283 277)        |
| Post-employment benefits - Pension - Defined contribution plan     | 139 274            | (262 445)          |
| Travel, motor car, accommodation, subsistence and other allowances | 381 249            | 3 655 837          |
| Surcharge Pension Fund   | 9 158 589          | 6 676 881          |
|  | <b>119 882 034</b> | <b>101 423 717</b> |

### Remuneration of Municipal Manager

|                     |                  |                  |
|---------------------|------------------|------------------|
| Annual Remuneration | 1 623 907        | 939 341          |
| Car Allowance       | -                | 260 175          |
| Leave pay           | -                | 304 946          |
| Back pay normal     | -                | 24 280           |
|                     | <b>1 623 907</b> | <b>1 528 742</b> |

The municipality had an Acting Municipal Manager during the financial year who was employed on a contract basis.

### Remuneration of Chief Finance Officer

|                        |                |                |
|------------------------|----------------|----------------|
| Annual Remuneration    | 617 958        | 660 761        |
| Car Allowance          | 113 740        | 121 620        |
| Entertainment          | 59 378         | 63 491         |
| Housing subsidy        | 27 852         | 29 779         |
| Travel and subsistence | 7 039          | 6 907          |
| Back pay normal        | -              | 17 725         |
| Mileage                | -              | 29 992         |
|                        | <b>825 967</b> | <b>930 275</b> |

The municipality had a Chief Financial Officer for 11 months of the financial year. At year end the position is unfilled, however there has been an appointment of an acting Chief Financial officer.

### Manager: Technical services

|                        |                |                |
|------------------------|----------------|----------------|
| Annual Remuneration    | 736 428        | 306 845        |
| Car Allowance          | 108 000        | 45 000         |
| Travel and subsistence | 2 758          | 5 168          |
|                        | <b>847 186</b> | <b>357 013</b> |

### Manager: Corporate services

|                        |   |                |
|------------------------|---|----------------|
| Annual Remuneration    | - | 394 085        |
| Car Allowance          | - | 109 487        |
| Housing subsidy        | - | 4 205          |
| Travel and subsistence | - | 151 052        |
|                        | - | <b>658 829</b> |

This position was vacant during the current financial year.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|   | 2013               | 2012              |
|---|--------------------|-------------------|
|   | R                  | Restated<br>R     |
| <b>24. Employee related costs (continued)</b>   |                    |                   |
| <b>Manager: Health services, Environment services and WSA</b>   |                    |                   |
| Annual Remuneration   | 303 696            | 595 342           |
| Car Allowance   | 114 420            | 224 300           |
| Housing subsidy   | 4 098              | 8 031             |
| Travel and subsistence  | 10 104             | 1 764             |
| Back pay normal   | -                  | 16 755            |
| Mileage   | -                  | 52 370            |
|   | <b>432 318</b>     | <b>898 562</b>    |
| <b>Manager: Water services</b>  |                    |                   |
| Annual Remuneration   | -                  | 208 504           |
| Car Allowance   | -                  | 67 444            |
|   | <b>-</b>           | <b>275 948</b>    |
| The position was vacant during the current financial year.  |                    |                   |
| <b>25. Remuneration of councillors</b>  |                    |                   |
| Executive Mayor   | 668 959            | 692 784           |
| Deputy Executive Mayor  | 580 848            | 581 982           |
| Mayoral Committee Members   | 1 050 755          | 1 052 431         |
| Speaker   | 531 338            | 560 852           |
| Councillors   | 1 959 880          | 2 614 315         |
|   | <b>4 791 780</b>   | <b>5 502 364</b>  |
| <b>In-kind benefits</b>   |                    |                   |
| The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. |                    |                   |
| The Mayor has use of a Council owned vehicle for official duties.   |                    |                   |
| The Mayor has 5 full-time bodyguards.   |                    |                   |
| <b>26. Impairment of debtors</b>  |                    |                   |
| Debt impairment- Lime hill water debtors  | 1 189 847          | -                 |
| Debt impairment - Consumer debtors  | 247 350 669        | 14 842 532        |
| Debt impairment/ (impairment reversal) - Sundry debtors   | (4 540 602)        | 1 547 319         |
| Debts impairment - Other  | 1 336              | 673               |
|   | <b>244 001 250</b> | <b>16 390 524</b> |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013              | 2012              |
|--|-------------------|-------------------|
|  | R                 | Restated<br>R     |
| <b>27. Interest received</b>   |                   |                   |
| Interest on investments - short term deposits  | 9 342 502         | 2 069 734         |
| Interest charged on consumer debtors   | 29 447 330        | 16 978 337        |
| Interest other   | 446 929           | -                 |
|  | <b>39 236 761</b> | <b>19 048 071</b> |
| Interest charged on consumer debtors accounts are charged at a rate of prime plus 1% on a monthly basis. |                   |                   |
| <b>28. Depreciation and amortisation</b>   |                   |                   |
| Property, plant and equipment  | 31 999 449        | 26 997 517        |
| Intangible assets  | 1 833             | 1 833             |
|  | <b>32 001 282</b> | <b>26 999 350</b> |
| <b>29. Finance costs</b>   |                   |                   |
| Bank   | 578 030           | 45 604            |
| Development Bank of South Africa   | 1 339 223         | 356 850           |
| Finance Leases   | 514 573           | 203 299           |
| Other  | -                 | 10 281 615        |
|  | <b>2 431 826</b>  | <b>10 887 368</b> |
| <b>30. Auditors' remuneration</b>  |                   |                   |
| Fees   | 2 555 646         | 888 840           |
| <b>31. Contracted services</b>   |                   |                   |
| Water tankering  | 24 639 089        | 17 929 505        |
| Hiring   | 5 287 059         | 4 256 578         |
| Insurance  | 1 078 084         | 866 272           |
| Chemicals  | 5 176 501         | 6 489 722         |
| Security ( guarding municipal property)  | 222 044           | 361 984           |
| uThukela civil defence   | 8 887 694         | 8 519 637         |
|  | <b>45 290 471</b> | <b>38 423 698</b> |
| <b>32. Bulk purchases</b>  |                   |                   |
| Water  | 3 857 201         | 4 043 301         |



# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|   | 2013               | 2012               |
|---|--------------------|--------------------|
|   | R                  | Restated<br>R      |
| <b>33. Cash generated from operating activities</b>                         |                    |                    |
| Surplus   | 38 727 045         | 80 575 840         |
| <b>Adjustments for:</b>   |                    |                    |
| Depreciation and amortisation   | 32 001 282         | 26 999 350         |
| Loss on sale of assets  | 2 168 399          | 65 296             |
| Deemed cost adjustment  | (32 687 264)       | -                  |
| Impairment reversals  | (163 767)          | -                  |
| Debt impairment   | 244 001 250        | 16 390 524         |
| Movements in retirement benefit assets and liabilities                      | 401 169            | (262 445)          |
| Prior year adjustments  | (7 435 167)        | (9 374 956)        |
| <b>Changes in working capital:</b>  |                    |                    |
| Increased/ (decrease) in inventories  | (2 148 857)        | (183 189)          |
| Increase/ (decrease) Trade and other receivables from exchange transactions | (2 939 017)        | (1 044 629)        |
| Increase/ (decrease) other receivables from non-exchange transactions       | 9 137 832          | (3 289 911)        |
| Decrease in consumer debtors  | (98 832 875)       | (57 042 951)       |
| Increase/ (decrease) prepayments  | (480 601)          | 616 628            |
| Decrease in payables from exchange transactions                             | (20 574 286)       | (36 105 765)       |
| Increase/ (decrease) in VAT   | (8 406 972)        | 12 789 327         |
| Increase/ (decrease) in other accruals                                      | 3 286 309          | 2 638 945          |
| Increase unspent conditional grants and receipts                            | 7 039 010          | 100 671 350        |
| Increase in consumer deposits   | 350 879            | 735 668            |
|   | <b>163 444 369</b> | <b>134 179 082</b> |

### 34. Commitments

#### Authorised capital expenditure

##### Already contracted for

|                                 |             |             |
|---------------------------------|-------------|-------------|
| • Property, plant and equipment | 213 778 084 | 299 437 892 |
|---------------------------------|-------------|-------------|

##### Not yet contracted for and authorised by accounting officer

|                                 |             |   |
|---------------------------------|-------------|---|
| • Property, plant and equipment | 196 037 000 | - |
|---------------------------------|-------------|---|

This committed expenditure relates to plant and equipment and will be financed by government grants, subsidy, internal funding's.

#### Other contract commitments

##### Minimum lease payments due

|                   |         |   |
|-------------------|---------|---|
| - within one year | 405 899 | - |
|-------------------|---------|---|

The commitment represent rentals payable by the municipality for certain of its office properties and rental equipment and all the rental agreements are negotiated on a month to month with the exception of the agreement for the Weenen office that is currently a tenancy at will basis. An escalation clause is applicable for some of the agreements entered into.

No contingent rent is payable.

Equipment and office rental commitment is noted to be R 22 601.00 and R 383 298.00 respectively.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|                          | 2013             | 2012             |
|--------------------------|------------------|------------------|
|                          | R                | Restated<br>R    |
| <b>35. Contingencies</b> |                  |                  |
| D Kistad                 | 15 240           | 15 240           |
| AMJ Hlongwane            | 174 261          | 174 261          |
| Aurecon                  | 378 607          | 378 607          |
| Jeffares & Green         | 575 484          | 576 484          |
| IPTCO                    | -                | 600 000          |
| J Potgieter              | 4 534            | 5 000            |
| Telkom                   | 23 694           | 23 694           |
| Telkom                   | 49 448           | 49 448           |
| Jeffares and Green       | 576 484          | -                |
| DK & V property          | -                | 756 000          |
| Imbabazane Municipality  | 500 000          | -                |
|                          | <b>2 297 752</b> | <b>2 578 734</b> |

### A M J HLONGWANE:

ERADICATION OF BUCKET LATRINES IN EKUVUKENI CONTRACT 19/2005- CLAIM AMOUNT: R 174 261.20. The municipality's lawyers have defended this matter in the High Court and are awaiting for the Plaintiff to take the next step.

### D. KISTADU:

CLAIM AMOUNT : R 15 240,00 This matter was set down for Trial and postponed. The municipality's lawyers are of the opinion that the plaintiff's claim should have been against the Emnambithi Ladysmith Municipality and not UThukela. This matter has not been resolved.

### AURECON:

CLAIM AMOUNT- R 378 606.54. This matter has been defended and must proceed. Prospects of success are good considering our previous consultation with S. Mthethwa and B H Khoza. For now the matter is pended as the Plaintiff is negotiating settlement with the Municipality directly.

### J. POTGIETER:

CLAIM AMOUNT –R 4 534.10. This matter has been defended and we are awaiting a trial date. Plaintiff's claim is against the Municipality for damages to his wall and paving when a water pipe was repaired.

### JEFFARES & GREEN:

CLAIM AMOUNT –R 576 483.75. This matter has been defended and set down for trial in the High Court from the 16th - 18th October 2013.

### TELKOM

CLAIM 1- CLAIM AMOUNT: R 23 693.59 ; CLAIM 2 – CLAIM AMOUNT: R 49 447.93 In both these matters our employees damaged the Telkom cables whilst repairing the water pipes. Unfortunately a similar matter was heard in the High Court and the ruling was against the Municipality of Pietermaritzburg in consequence of them failing to adhere to the way-leave agreement. We have from a very early stage of these matters suggested to Council to refer these claims to Council's insurers for settlement as we have little or no prospects of succeeding at trial.

### IMBABAZANE MUNICIPALITY

The municipality is currently in dispute with Imbabazane municipality for the amount of R 500 000.00 in respect of government grants. In prior prior years Imbabazane municipality grant allocations per the division of revenue act were paid to UThukela District Municipality who in turn transferred the grants due over to Imbabazane. The municipalities are currently trying to investigate the details of the noted difference of R 500 000.00.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|   | 2013     | 2012               |
|---|----------|--------------------|
|   | R        | Restated<br>R      |
| <b>36. Prior period adjustments and errors</b>  |          |                    |
| The following amounts resulted in adjustments to accumulated surplus which has resulted in the restatement of the opening balance of net assets on 1 July 2012 and balances reported as at 30 June 2012 : |          |                    |
| The correction results in adjustments as follows:   |          |                    |
| <b>36.1 Adjustment to 2011/12 surplus</b>   |          |                    |
| Surplus for the year previously reported  | -        | 91 476 133         |
| Correction of 2011/12 finance costs for realisation of discounting of accounts payable  | -        | (9 090 987)        |
| Litigation expense  | -        | 829 142            |
| Correction of error: bonus accrued for 2011/12  | -        | (2 638 448)        |
| <b>2011/12 surplus restated</b>   | <b>-</b> | <b>80 575 840</b>  |
| <b>36.2 Adjustment to 2011/12 accumulated surplus</b>   |          |                    |
| Accumulated surplus for the year previously reported as at 30 June 2011   | -        | 641 728 469        |
| 2011/12 prior year adjustments  | -        | (5 041 784)        |
| Correction of general operating expenditure relating to prior years   | -        | (7 435 169)        |
| Restated 2011/12 surplus  | -        | 80 575 840         |
| <b>Accumulated surplus restated 1 July 2012</b>   | <b>-</b> | <b>709 827 356</b> |
| <b>36.3 Adjustment to Trade and other payables from exchange transactions</b>   |          |                    |
| Balance for the year previously reported as at 30 June 2012   | -        | 52 982 112         |
| Correction of error: Discounting on accounts payable  | -        | 9 090 987          |
| Reallocation of accrual balance: Department of water affairs  | -        | 22 885 602         |
| Reallocation: creditors with debit balances   | -        | 88 065             |
| <b>2011/12 Trade and other payables from exchange transactions restated</b>   | <b>-</b> | <b>85 046 766</b>  |
| <b>36.4 Adjustment to the statement of cashflows</b>  |          |                    |
| Cash generated from operating activities for the year previously reported as at 30 June 2012  | -        | 134 179 082        |
| Correction of error: trade and other payables from exchange transactions  | -        | (9 090 987)        |
| Correction of error: finance cost   | -        | 9 090 987          |
| Correction of error: provision for litigation   | -        | 829 142            |
| Reallocation of movement in provisions  | -        | (1 665 316)        |
| Error in cashflow calculation: consumer interest  | -        | 19 048 071         |
| Error in cashflow calculation: accumulated surplus non cash item  | -        | 2 504 768          |
| Error in cashflow calculation: additional prior year adjustments  | -        | (4 333 172)        |
| Reallocation: Increase trade and other payables from exchange transactions  | -        | 5 119 451          |
| Error in cashflow calculation (trade receivables)   | -        | (16 390 525)       |
| Error in cashflow calculation: other accrual  | -        | (4 283 277)        |
| Error in cashflow: duplicated provision litigation  | -        | (829 142)          |
| <b>2011/12 Cash generated from operating activities restated</b>  | <b>-</b> | <b>134 179 082</b> |
| <b>36.5 Adjustment to irregular expenditure</b>   |          |                    |
| Balance for the year previously reported as at 30 June 2012   | -        | 15 183 436         |
| Additional irregular expenditure recognised relating to 2011/12 financial year  | -        | 3 474 756          |
| <b>2011/12 Irregular expenditure restated</b>   | <b>-</b> | <b>18 658 192</b>  |
| <b>36.6 Adjustment to provisions</b>  |          |                    |
| Balance for the year previously reported as at 30 June 2012   | -        | 34 234 577         |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013     | 2012               |
|--|----------|--------------------|
|  | R        | Restated<br>R      |
| <b>36. Prior period adjustments and errors (continued)</b>                                   |          |                    |
| Reallocation of leave pay accrual to payables from non exchange transactions                 | -        | (10 519 833)       |
| Correction of error: provision for litigation incorrectly recognised                         | -        | (829 142)          |
| Reallocation of department of water affairs (DWA) to payables from non exchange transactions | -        | (22 885 602)       |
| <b>2011/12 Provisions restated</b>   | <b>-</b> | <b>-</b>           |
| <b>36.7 Adjustment to other accruals</b>   |          |                    |
| Balance for the year previously reported as at 30 June 2012                                  | -        | -                  |
| Reallocation of leave pay accrual from provisions  | -        | 10 519 833         |
| Correction of error: accrued bonus   | -        | 2 638 447          |
| <b>2011/12 Other accruals restated</b>   | <b>-</b> | <b>13 158 280</b>  |
| <b>36.8 Adjustment to general expenses</b>   |          |                    |
| Balance for the year previously reported as at 30 June 2012                                  | -        | 196 101 761        |
| Correction of error: provision for litigation incorrectly recognised                         | -        | (829 142)          |
| Reallocation to contracted services: Water tankering services                                | -        | (17 929 505)       |
| Reallocation to contracted services: Hire  | -        | (4 256 578)        |
| Reallocation to contracted services: Insurance   | -        | (866 272)          |
| Reallocation to contracted services: Chemicals   | -        | (6 489 721)        |
| Reallocation to contracted service: Security (Guarding of municipal property)                | -        | (361 984)          |
| Reallocation to contracted services: uThukela civil defence security                         | -        | (8 519 637)        |
| Reallocation of fines and penalties previously disclosed as finance costs                    | -        | 1 059 489          |
| <b>2011/12 General expenses restated</b>   | <b>-</b> | <b>157 908 411</b> |
| <b>36.9 Adjustment to finance costs</b>  |          |                    |
| Balance for the year previously reported as at 30 June 2012                                  | -        | 2 855 870          |
| Reallocation of fines and penalties previously disclosed as finance costs                    | -        | (1 059 489)        |
| Correction of error: Discounting on accounts payable   | -        | 9 090 987          |
| <b>2011/12 Finance costs restated</b>  | <b>-</b> | <b>10 887 368</b>  |
| <b>36.10 Adjustment to consumer debtors from exchange transactions</b>                       |          |                    |
| Balance for the year previously reported as at 30 June 2012                                  | -        | 180 646 836        |
| Correction of error: rates consumer debtors  | -        | (506 530)          |
| Correction of error: impairment of rates consumer debtors                                    | -        | 224 976            |
| Correction of error: consumer debtors water and sanitation disclosed as rates                | -        | 506 530            |
| Correction of error: impairment of consumer debtors disclosed as rates                       | -        | (224 976)          |
| <b>2011/12 Consumer debtors from exchange transaction restated</b>                           | <b>-</b> | <b>180 646 836</b> |
| <b>36.11 Adjustment to receivables from non exchange transactions</b>                        |          |                    |
| Balance for the year previously reported as at 30 June 2012                                  | -        | 9 556 724          |
| Reallocation of creditors with debit balances  | -        | 88 065             |
| <b>2011/12 Receivables from non exchange transactions restated</b>                           | <b>-</b> | <b>9 644 789</b>   |
| <b>36.12 Adjustment to contracted services</b>   |          |                    |
| Balance for the year previously reported as at 30 June 2012                                  | -        | -                  |
| Reallocation to contracted services: Water tankering services                                | -        | 17 929 505         |
| Reallocation to contracted services: Hire  | -        | 4 256 578          |
| Reallocation to contracted services: Insurance   | -        | 866 272            |
| Reallocation to contracted services: Chemicals   | -        | 6 489 722          |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013     | 2012              |
|--|----------|-------------------|
|  | R        | Restated<br>R     |
| <b>36. Prior period adjustments and errors (continued)</b>   |          |                   |
| Reallocation to contracted service: Security (Guarding of municipal property)                              | -        | 361 984           |
| Reallocation to contracted services: uThukela civil defence security                                       | -        | 8 519 637         |
| <b>2011/12 Contracted services restated</b>  | <b>-</b> | <b>38 423 698</b> |
| <b>36.13 Adjustment to additional disclosure in terms of Municipal Finance Management Act (Audit fees)</b> |          |                   |
| Balance for the year previously reported as at 30 June 2012  | -        | (1 238 702)       |
| 2011/12 audit fee not reflected in disclosure  | -        | 888 840           |
| 2010/11 incorrect disclosure of amount paid relating to current period                                     | -        | 1 374 931         |
| 2010/11 correct disclosure of amount paid relating to current period                                       | -        | (1 200 000)       |
| 2011/12 incorrect disclosure of amounts paid relating to previous years                                    | -        | 174 931           |
|  | <b>-</b> | <b>-</b>          |

### 37. Risk management

#### Liquidity risk

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| <b>Financial instruments 2013</b>                   | <b>Within 1 year</b> | <b>Between 1 - 5 years</b> | <b>More than 5 years</b> | <b>Total</b>       |
|---|----------------------|----------------------------|--------------------------|--------------------|
| Trade and other payables from exchange transactions | 64 232 768           | -                          | -                        | 64 232 768         |
| Other accruals                                      | 16 444 589           | -                          | -                        | 16 444 589         |
| Finance lease obligation                            | 2 548 206            | 1 691 905                  | -                        | 4 240 111          |
| Development Bank of South Africa                    | 2 627 608            | 7 379 524                  | 466 316                  | 10 473 448         |
|   | <b>85 853 171</b>    | <b>9 071 429</b>           | <b>466 316</b>           | <b>95 390 916</b>  |
| <b>Financial instruments 2012</b>                   | <b>Within 1 year</b> | <b>Between 1 - 5 years</b> | <b>More than 5 years</b> | <b>Total</b>       |
| Trade and other payables from exchange transactions | 84 958 701           | -                          | -                        | 84 958 701         |
| Other accruals                                      | 10 519 833           | -                          | -                        | 10 519 833         |
| Finance lease obligation                            | 1 548 035            | 1 921 781                  | -                        | 3 469 816          |
| Development Bank of South Africa                    | 2 317 251            | 8 911 308                  | 1 624 500                | 12 853 059         |
|   | <b>99 343 820</b>    | <b>10 833 089</b>          | <b>1 624 500</b>         | <b>111 801 409</b> |

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

| <b>Financial instrument</b>            |                    |                    |
|--|--------------------|--------------------|
| Bank balances and cash                 | 148 772 941        | 88 404 191         |
| Finance lease obligation               | 4 240 111          | 3 469 815          |
| Development Bank of South Africa loans | 10 473 446         | 12 853 059         |
|  | <b>163 486 498</b> | <b>104 727 065</b> |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013 | 2012          |
|--|------|---------------|
|  | R    | Restated<br>R |

### 37. Risk management (continued)

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluate credit risk relating to customers on an ongoing basis. The municipality has independently rated some of their customer. Others, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

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

| Financial instrument                         | 2013        | 2012        |
|--|-------------|-------------|
| Bank balances and cash                       | 148 772 941 | 88 404 191  |
| Consumer debtors from exchange transactions  | 35 487 433  | 180 365 282 |
| Other receivables from exchange transactions | 1 640 824   | 3 242 409   |
| Receivables from non exchange transactions   | 418 891     | 9 556 724   |

### 38. Events after the reporting date

#### Outstanding Rental: Enambithi Ladysmith Construction cc

On 26 July 2013, the Council took a resolution to settle the matter with Enambithi Constructions CC by either paying the rental in full and final settlement, or alternatively, the municipality through its attorneys negotiate with representatives of Enambithi Construction CC for the payment of outstanding rental over an extended period of time and not exceeding four months as well as issues pertaining to the interest on the capital amount and legal costs.

The settlement amount is R 3 200 728.47, which has been accrued for as at 30 June 2013.

### 39. Unauthorised expenditure

#### Reconciliation of unauthorised expenditure

|                                       |                    |                   |
|---------------------------------------|--------------------|-------------------|
| Opening balance                       | 70 587 871         | 8 440 797         |
| Unauthorised expenditure current year | 200 303 264        | 62 147 074        |
|                                       | <u>270 891 135</u> | <u>70 587 871</u> |

Unauthorised expenditure of R 200 303 264 was incurred during the financial period. The actual revenue and expenditure exceeded the approved budget by this amount.

Unauthorised expenditure has not been condoned or approved

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013               | 2012              |
|--|--------------------|-------------------|
|  | R                  | Restated<br>R     |
| <b>39. Unauthorised expenditure (continued)</b>                      |                    |                   |
| Council- employee cost   | -                  | 8 770             |
| Council - depreciation   | 300 149            | 127 053           |
| Council - fuel and oil   | -                  | 18 170            |
| Council- transport official vehicle                                  | -                  | 11 203            |
| Corporate services- subsistence travel                               | -                  | 218 024           |
| Corporate services- telephone  | 18 871             | 144 248           |
| Corporate services- provision for litigation                         | -                  | 756 000           |
| Corporate services- training direct cost                             | -                  | 9 890             |
| Corporate services- employee costs                                   | 5 897 472          | -                 |
| Corporate services - depreciation                                    | 309 278            | -                 |
| Finance - depreciation   | 391 652            | 140 003           |
| Finance - subsistence travel   | -                  | 255 458           |
| Finance - bad debt reserve   | -                  | 1 547 319         |
| Finance - employee costs   | 1 078 406          | -                 |
| Finance - interest   | 234 915            | -                 |
| Finance - stock impairment   | 1 150 327          | -                 |
| Finance - debt impairment  | 1 189 847          | -                 |
| Planning and economic services- depreciation                         | 393 026            | -                 |
| Health services- telephone   | -                  | 4 207             |
| Health - subsistence travel  | -                  | 72 636            |
| Water and sanitation- employee cost                                  | 633 034            | 263 702           |
| Water and sanitation- pumps  | 404 255            | -                 |
| Water and sanitation- bad debts written off                          | 336                | 673               |
| Water and sanitation- collection fees                                | -                  | 129 691           |
| Water and sanitation - water purchases                               | 3 038 699          | 1 043 301         |
| Water and sanitation cleansing materials                             | -                  | 13 660            |
| Water and sanitation - computer programs                             | -                  | 127 716           |
| Water and sanitation - department water accounts                     | -                  | 700 643           |
| Water and sanitation - electricity                                   | 1 733 928          | 1 324 351         |
| Water and sanitation - bill printing                                 | 22 929             | 14 417            |
| Water and sanitation - vehicle licenses                              | -                  | 8 377             |
| Water and sanitation - security                                      | 525 195            | 102 482           |
| Water and sanitation -UThukela security services                     | -                  | 119 637           |
| Water and sanitation - drought relief                                | -                  | 50 105            |
| Water and sanitation - water conservation                            | -                  | 489 715           |
| Water and sanitation- subsistence                                    | 1 016              | -                 |
| Water and sanitation - water research levy                           | 177 373            | -                 |
| Water and sanitation - water tankering                               | 2 475 626          | -                 |
| Actuarial valuation  | -                  | 262 445           |
| Water and sanitation - impairment                                    | 174 320 312        | -                 |
| Strategic planning and economic development - depreciation           | -                  | 258 963           |
| Strategic planning and economic development - subsistence and travel | -                  | 149 140           |
| Strategic planning and economic development - telephone              | -                  | 955               |
| Appendix E (1)   | -                  | 62 214 917        |
| Municipal Manager- employee cost                                     | 2 759 554          | -                 |
| Municipal manager - audit fees                                       | 27 622             | -                 |
| Planning and Economic Services- employee costs                       | 19 054             | -                 |
| Municipal manager - legal costs                                      | 3 200 388          | -                 |
|  | <b>200 303 264</b> | <b>70 587 871</b> |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|   | 2013             | 2012             |
|---|------------------|------------------|
|   | R                | Restated<br>R    |
| <b>40. Fruitless and wasteful expenditure</b>                                     |                  |                  |
| <b>Reconciliation of fruitless and wasteful expenditure</b>                       |                  |                  |
| Opening balance   | 2 296 616        | 146 757          |
| Fruitless and wasteful expenditure  | 1 522 070        | 2 149 859        |
|   | <b>3 818 686</b> | <b>2 296 616</b> |
| Fruitless and wasteful expenditure has been incurred with the following suppliers |                  |                  |
| South African Local Government Council ( SALGBC)                                  | -                | 2 500            |
| Umnotho Business Consulting   | -                | 1 205 576        |
| NS mchunu   | -                | 5 565            |
| BB Sithole  | -                | 1 855            |
| CI Narrandes  | -                | 24 131           |
| Eskom   | 86 345           | 105 077          |
| SA Post office  | -                | 7 997            |
| uMtshezi Municipality   | -                | 4 949            |
| South African Revenue Services (SARS)   | 265 418          | 20 944           |
| Emnambithi/ Lady Smith Municipality   | 9 785            | 17 679           |
| Legal fees  | -                | 288 961          |
| Halstead Paolo Trust Account  | -                | 611 382          |
| Protea consulting   | 416 624          | -                |
| Telkom  | 4 606            | -                |
| DK&V Property Invest  | 654 456          | -                |
| J.N Madondo - refund  | 43 119           | -                |
| B M Mchunu  | 2 159            | -                |
| PKX   | 39 558           | -                |
|   | <b>1 522 070</b> | <b>2 296 616</b> |



# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|   | 2013              | 2012              |
|---|-------------------|-------------------|
|   | R                 | Restated<br>R     |
| <b>41. Irregular expenditure</b>                                |                   |                   |
| Opening balance   | 18 658 192        | 577 566           |
| Irregular expenditure current year - repairs and maintenance    | -                 | 76 789            |
| Irregular expenditure current year (refer below-SCM deviations) | 22 528 852        | 18 003 837        |
|   | <b>41 187 044</b> | <b>18 658 192</b> |

### Details of irregular expenditure

Bid specifications for the following procurement were not compiled by a bid specifications committee in accordance with the SCM regulations, In the course of Implementing the SCM policy of the municipality, MFMA Sections 114, 36 and 32 deviations were recorded in the current financial year:

| Section 114 deviations  | Total value of awards | Payments in the current year |
|---|-----------------------|------------------------------|
| Amalgamated Pumping Services - Interruption of water services | 2 641 765             | 2 641 765                    |
| Amalgamated Pumping Services - Emergency repair project       | 5 345 413             | 4 350 763                    |
| Zamahlabisa trading - Material for disaster                   | 450 000               | 45 000                       |
| Fermtoserve (Pty) LTD - Material urgently required            | 2 131 652             | 773 551                      |
| Zamahlabisa Trading - Material for disaster                   | 465 000               | 465 000                      |
| GR Solution - Ezakheni upgrade                                | 2 026 139             | 1 318 864                    |
| Joat Sales and Services                                       | 166 045               | 166 045                      |
|   | <b>13 226 014</b>     | <b>9 760 988</b>             |

### Section 36 deviations

|  |         |           |
|--|---------|-----------|
| Implementation of Buffer Zone  | 150 104 | 60        |
| Catering - Royal hotel   | 4 200   | 4 200     |
| Catering - Ecstatic  | 19 000  | 19 000    |
| Repair of vehicle  | 12 776  | 12 776    |
| Hire of TLB - Blue sands trading 790cc                                   | 39 900  | 39 900    |
| Hire of TLB - Laytam investment (Pty)                                    | 39 500  | 39 500    |
| Hire of TLB - Ladysmith trading  | 40 470  | 40 470    |
| Repair pump - Hydrolic and automotive supplies                           | 49 465  | 49 465    |
| Hire of TLB - Mgazi engineering  | 76 800  | 76 800    |
| Hire of sewerjet machine - Indlovujozi Trading                           | 35 112  | 35 112    |
| Hire of TLB - Blue sands trading 790                                     | 77 520  | 77 520    |
| Hire of TLB - Ubunzima trading   | 77 784  | 77 784    |
| Pump repairs - Vivah Technologies  | 78 582  | 78 582    |
| Pump repairs - Hydrolic and automotive                                   | 120 384 | 120 384   |
| Van rental - Avis  | 182 371 | 56 219    |
| Vivah Technologies   | 107 831 | 107 831   |
| Hire of sewer jet machine - Indlovujozi Trading                          | 35 112  | 35 112    |
| Stationary - Nambithi office supplies                                    | 6 726   | 6 726     |
| Escourt Satellite office - Rashed Suliman Trust ( 3 539 per month)       | -       | 35 397    |
| UThukela District offices - Emnambithi Construction ( 224 694 per month) | -       | 3 590 467 |
| Colenso Satellite Office - Beukes JC T/A ABC Trust ( 1 224 per month)    | -       | 11 774    |
| Hire of video- Makhosonke construction                                   | 25 000  | 25 000    |
| Repair pump - Hydrolic and automotive                                    | 2 109   | 2 109     |
| Verification of assets- AB projects                                      | 125 422 | 125 422   |
| Hire of sewerjet machine - Indlovujozi Trading                           | 25 080  | 25 080    |
| Hire of sewerjet machine - Indlovujozi Trading                           | 10 032  | 10 032    |
| Hiring of water tanker - Gerry's motors                                  | 12 540  | 12 549    |
| Purchase of tools  | 28 000  | 28 000    |
| Plumbing materials - Ladysmith trading                                   | 1 403   | 1 403     |
| Camjet service   | 46 455  | 46 455    |

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|   | 2013              | 2012             |
|---|-------------------|------------------|
|   | R                 | Restated<br>R    |
| <b>41. Irregular expenditure (continued)</b>                                  |                   |                  |
| Insakavukela Trading Enterprise   | 9 120             | 9 120            |
| Hiring of tipper truck  | 24 000            | 24 000           |
| Repairs and maintenance - Femtoserve (pty) ltd                                | 498 843           | 498 843          |
| SHK Investments cc- water tanker  | -                 | 549 658          |
|   | <b>1 961 641</b>  | <b>5 872 750</b> |
| <b>Section 32 deviations</b>  |                   |                  |
| Road asset management - Moteko construction                                   | 1 670 000         | 2 734 350        |
| National transfers- Ezakheni water treatment works                            | 3 900 000         | 2 070 731        |
| Data cleansing - sonke consulting   | 2 800 000         | 1 548 264        |
| Caseware monthly management system  | 2 795 000         | 416 624          |
| Municipal governances   | 800 000           | 125 145          |
|   | <b>11 965 000</b> | <b>6 895 114</b> |
| <b>42. Additional disclosure in terms of Municipal Finance Management Act</b> |                   |                  |
| <b>Contributions to organised local government</b>                            |                   |                  |
| Current year subscription / fee   | 630 816           | 19 086           |
| Amount paid - current year  | -                 | (19 086)         |
|   | <b>630 816</b>    | <b>-</b>         |
| Balance included in current liabilities.                                      |                   |                  |
| <b>Audit fees</b>   |                   |                  |
| Opening balance   | -                 | 174 931          |
| Current year subscription / fee   | 2 775 605         | 888 840          |
| Amount paid - current year  | (2 775 605)       | (888 840)        |
| Amount paid - previous years  | -                 | (174 931)        |
|   | <b>-</b>          | <b>-</b>         |
| <b>PAYE and UIF</b>   |                   |                  |
| Current year subscription / fee   | 15 467 367        | 13 156 796       |
| Amount paid - current year  | (15 466 268)      | (13 156 796)     |
|   | <b>1 099</b>      | <b>-</b>         |
| <b>Pension and Medical Aid Deductions</b>                                     |                   |                  |
| Current year subscription / fee   | 16 395 245        | 9 527 534        |
| Amount paid - current year  | (16 397 592)      | (9 527 534)      |
|   | <b>(2 347)</b>    | <b>-</b>         |
| <b>VAT</b>  |                   |                  |
| VAT payable   | 19 682 275        | 28 089 247       |

All VAT returns have been submitted.

The Municipality is on a payment basis for VAT purposes. The Municipality's debtors have not paid for services which have been rendered which has resulted in the Municipality reporting a VAT payable at year end.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

|  | 2013 | 2012          |
|--|------|---------------|
|  | R    | Restated<br>R |

### 42. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

| 30 June 2013 | Outstanding<br>less than 90<br>days<br>R | Outstanding<br>more than 90<br>days<br>R | Total<br>R     |
|--------------|--|--|----------------|
| MG Hlubi     | 1 249                                    | 56 228                                   | 57 477         |
| DCP Mazibuko | 579                                      | 9 316                                    | 9 895          |
| NW Sibiya    | 583                                      | 9 721                                    | 10 304         |
| AS Mazibuko  | 1 236                                    | 64 452                                   | 65 688         |
| NM Hlomuka   | 1 175                                    | 63 496                                   | 64 671         |
| SD Magubane  | 347                                      | 9 036                                    | 9 383          |
|              | <b>5 169</b>                             | <b>212 249</b>                           | <b>217 418</b> |

  

| 30 June 2012             | Outstanding<br>less than 90<br>days<br>R | Outstanding<br>more than 90<br>days<br>R | Total<br>R    |
|--------------------------|--|--|---------------|
| TJMB Jeeboth<br>Magubane | 343                                      | -  | 343           |
| AS Mazibuko              | 786                                      | 7 206                                    | 7 992         |
| MA & AM Mkhize           | 2 382                                    | 56 375                                   | 58 757        |
|                          | 46                                       | -  | 46            |
|                          | <b>3 557</b>                             | <b>63 581</b>                            | <b>67 138</b> |

### 43. Commentary on Statement of comparison of Budget and Actual amounts

#### Material differences between budget and actual amounts

Explanations for variances greater than 10% noted in the Statement of Comparison of Budget and Actual as set out on pages 9 to 13 are noted as follows:

#### Commentary on Statement of Financial Performance

##### Revenue

##### Service charges

The variance is a result of customer accounts being closed in the current financial year as part of the data cleansing exercise which took place. Billings have decreased as a result.

##### Interest received

In the current year, investment bank accounts were opened for grant income received, this resulted increased interest income being realised. In addition to this, variance is attributed to in penalty fees on arrear accounts as the municipality currently has numerous customer accounts outstanding.

##### Other income

In the current year, the municipality managed to recover monies as a result of a forensic investigation. This recovery was not budgeted for.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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|  | 2013 | 2012          |
|--|------|---------------|
|  | R    | Restated<br>R |

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### Expenditure

#### Employee related costs

The municipality did not budget for accruals raised for leave pay and bonuses. These accruals have resulted in a the variance.

#### Remuneration of Councillors

The variance is attributed to Councillor positions that became vacant during the year. Three council members died during the year, as thus their positions were vacant. New appointments were only made towards the end of the financial year.

#### Debt impairment

The municipality has a current average collection rate of 40%. A prudent approach has been taken in establishing the recoverability of the current debtors which has resulted in a significant increase in the bad debt impairment provision. These considerations were done at the end of the financial year and not when the budget was prepared.

#### Depreciation and asset impairment

The municipality has a number of infrastructure projects underway for which the stage of completion of completion is behind schedule. Depreciation has been calculated for all projects for which a completion certificate has been issued.

#### Impairment reversal

The municipality did not budget for an impairment reversal. An asset condition assessment before at year end has resulted in the impairment reversal.

#### Finance costs

Finance costs were over budgeted for in the financial year. The municipality had incurred high finance costs in previous years mainly caused by interest incurred from its creditors. The prior year balance was used as a basis for preparing the budget which does not accurately portray the current finance cost trends of the municipality.

#### Repairs and maintenance

Not all planned repairs and maintenance for plant infrastructure were effected in the financial year.

#### General expenses

In the current year the municipality funded a number of sanitation projects using the municipal infrastructure grant received. These projects are not capital in nature and as thus have not been capitalised but expensed as part of government grant expenditure. This has caused the actual expenditure to exceed the budget. These sanitation projects were not taken into account during the budgeting process.

#### Deemed cost adjustment in respect of property plant and equipment

The municipality did not budget for a deemed cost adjustment. The deemed cost adjustment is a result of the municipality's service provider identifying assets during the physical verification which were not listed on the asset register. The condition of the assets were assessed and a deemed cost was determined for the assets brought into the asset register in the current year.

#### Loss on disposal of assets

The municipality did not budget for losses on sale of assets. In the current year a number of asset were written off and removed from the fixed asset register. These disposals have resulted in the loss on sale of assets.

### Commentary on Statement of Financial Position

#### Assets

##### Current assets

##### Cash and cash equivalents

The municipality's current collection rates are low caused by consumers not settling their accounts. This has resulted in the a lower than expected cash balance in comparison to the budget.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

---

|  | 2013 | 2012          |
|--|------|---------------|
|  | R    | Restated<br>R |

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### Consumer debtors from exchange transactions

Consumer debtors were over budgeted for in the current year. The budget was based on the debtors balance reported in previous years. The municipality processed impairment of R 248 million as the probability of recovering the debts were unlikely. The impairment has resulted in the significant variance reported.

### Trade and other receivables from exchange transactions

The municipality processed an impairment for the unreconciled stock balance at year end as this balance is not considered recoverable. The recoverability of receivables was not considered when the budget was prepared.

### Receivables from non-exchange transactions

Receivables for non exchange transactions were not budgeted for in the financial year. The municipality has incurred debtors as a result of cashier shortages, reconciling items in the payroll suspense accounts and water shortages offices.

### Prepayments

Prepayments were not budgeted for in the financial year. The municipality had to make a prepayment for expense relating to SALGA in the financial year.

### Non current assets

#### Property plant and equipment

The municipality has a number of infrastructure projects underway for which the stage of completion of completion is behind schedule. This has resulted in the variance reported.

### Liabilities

#### Current liabilities

##### Borrowings - current

The borrowings budget is a summation of the current portion of the finance lease liability and the Development Bank of South Africa loan. In the current year, no new loans were entered into by the municipality. The municipality entered into finance lease relating to four water tankers in the previous year. These water tankers were delivered in the current financial year and as a result the municipality is obligated to make payments towards these finance leases. This liability, was not taken into account in determining the current portion of the municipality's borrowings as when the adjustment budget was finalised. This has caused the the actual expenditure to be more than the budget.

##### Trade and other payables from exchange transactions

Unspent grants, VAT payable and creditors have been taken into consideration in finalising the budget for current financial year. The amount specifically budgeted for is R 279 million municipality which is a 77% variance between budget and actual trade and other payables from exchange transactions. The municipality has reported high creditors balance in previous years due to cash flow issues experienced by the municipality. The high payables reported have been used as a basis for budget preparation. This budgeting technique has resulted in the variance noted. The municipality is currently settling its creditors in shorter time frames as thus the creditors balances reported at year end are lower.

##### Unspent conditional grants and receipts

Unspent grants have been budgeted for as part of trade and other payables from exchange transactions. The amount specifically budgeted for is unspent conditional grants and receipts is R 126 million. The municipality thus has a variance of 10% between the budget and actual unspent grants which reasonable.

##### Vat payable

Vat payable has been budgeted for as trade and other payables from exchange transactions. The amount budgeted for is R 14.8 million which is a 32% variance between budget and actual. The municipality is currently on payment basis for VAT purposes. The municipality has been unable to pay over output VAT because it is currently experiencing low collections of debts from its customers.

##### Bank overdraft

The bank overdraft budget was finalised based on expected procurement that was to occur during the financial year. Given that the municipality has not procured in line with the expected budget, this has also resulted in the variance of the bank overdraft.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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|  | 2013 | 2012          |
|--|------|---------------|
|  | R    | Restated<br>R |

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### Non current liabilities

#### Borrowings - non current

The borrowing non current balance is a summation of the finance lease liability and the current portion Development Bank of South Africa loan. In the current year, no new loans were entered into by the municipality. The municipality entered into finance lease relating to four water tankers in the previous year. These water tankers were delivered in the current financial year and as a result the municipality is obligated to make payments towards these finance leases. This liability, was not taken into account in determining the current portion of the municipality's borrowings as when the adjustment budget was finalised. This has caused the the actual expenditure to be less than the budget.

#### Retirement benefit obligation

The retirement benefit obligation was not apportioned between the current and non current portion in the financial year. As a result the variance of 11% does not take into account the current portion of the retirement benefit obligation. The retirement benefit in total results in a variance of 7.6% which is acceptable.

### Commentary on Statement of Cashflow

#### Cash flows from operating activities

##### Receipts

##### Sale of goods and services

The municipality has low collection rates as thus cash flows from service revenue was lower than anticipated.

##### Interest income

In the current year, investment bank accounts were opened for grant income received, this resulted in increased interest income being realised. In addition to this, variance is attributed to in penalty fees on arrear accounts as the municipality currently has numerous debtors accounts outstanding.

##### Other income

The budget did not take into account cash flows from other income. In the current year, the municipality raised cash flows from sources including tender deposits, insurance claims, income recoveries as a result of fraud investigations and clearance certificates.

##### Payments

##### Suppliers and employees

Cashflows to suppliers and employees were not adequately budgeted for in the financial year. Expected cashflows were based on high creditors balance which had been experienced by the municipality in previous years.

##### Finance costs

Cash flows from finance costs were over budgeted for in the financial year. The municipality had incurred high finance costs in previous years mainly caused by interest incurred from its creditors. This prior year balance as a basis preparing the budget which not accurately portrays the current finance cost trends of the municipality.

#### Cash flows from investing activities

##### Purchase of property plant and equipment

The municipality has a number of infrastructure projects underway for which the stage of completion of completion is behind schedule. This has resulted in lower cash flows relating to the procurement of property plant and equipment.

#### Cash flows from financing activities

The municipality did not budget for cash flows from finance leases and repayment of Development Bank of South Africa loans. This has caused a variance because the municipality made payments towards these financial obligations.

# Uthukela District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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|                                       | 2013       | 2012          |
|---------------------------------------|------------|---------------|
|                                       | R          | Restated<br>R |
| <b>44. Water losses estimated</b>     |            |               |
| Water losses - quantity (Kilo liters) | 11 999 256 | 28 851 148    |
| Water losses - cost (Rand)            | 19 497 991 | 20 340 059    |

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The municipality is currently unable to accurately determine water losses for the year under review. Flow meters to record water volumes distributed are either not working or are not in use. Consequently the municipality has used estimated water production to determine the water loss value for the year.

UTHUKELA DISTRICT MUNICIPALITY  
APPENDIX A- SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

Development Bank of South Africa loans

| DESCRIPTION                            | LOAN NUMBER | INTEREST RATE | MATURITY DATE | BALANCE 30.06.2012   | RECORDED DURING THE YEAR | REDEEMED DURING THE PERIOD | BALANCE 30.06.2013   |
|--|-------------|---------------|---------------|----------------------|--------------------------|----------------------------|----------------------|
| RURAL WATER AND SANITATION             | 10346/202   | 12%           | 31/03/2018    | 2 889 339.11         | -                        | 352 690.93                 | 2 536 648.18         |
| EKUVUKENI INFRASTRUCTURE PHASE1        | 13674/101   | 10%           | 30/09/2020    | 1 482 059.92         | -                        | 174 360.00                 | 1 307 699.92         |
| OLIPHANTSKOP WATER SUPPLY BULK         | 9631/101    | 12%           | 31/03/2015    | 3 962 860.60         | -                        | 1 194 078.98               | 2 768 781.62         |
| OLIPHANTSKOP WATER SUPPLY DISTRIBUTION | 9631/201    | 15.25%        | 31/03/2017    | 3 745 500.00         | -                        | 585 141.84                 | 3 160 358.16         |
| OLIPHANTSKOP WATER SUPPLY EXTENTIONS   | 9631/401    | 9.71%         | 31/03/2019    | 657 049.24           | -                        | 57 840.70                  | 599 208.54           |
| OLIPHANTSKOP WATER SUPPLY EXTENTIONS   | 9631/502    | 9.81%         | 30/09/2019    | 116 250.00           | -                        | 15 500.00                  | 100 750.00           |
| <b>TOTAL</b>                           |             |               |               | <b>12 853 058.87</b> |                          | <b>2 379 612.45</b>        | <b>10 473 446.42</b> |

LEASES

| Lease description    | LEASE NUMBER | INTEREST RATE | DATE REPAYABLE | CAPITAL BALANCE AT 30/06/2012 | RECEIVED DURING THE YEAR | CAPITAL REDEEMED/ WRITE OFF DURING THIS PERIOD | INTEREST REDEEMED THIS PERIOD | interest rate changes | capital BALANCE AT 30/06/2013 |
|----------------------|--------------|---------------|----------------|-------------------------------|--------------------------|--|-------------------------------|-----------------------|-------------------------------|
| ABSA vehicle finance | 81598024     | 8.00%         | 01/10/2014     | 295 734.35                    |                          | 120 001.70                                     | 19 529.28                     | 1 695.82              | 175 732.65                    |
| ABSA vehicle finance | 81856856     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81856929     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81857143     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81857410     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81857593     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81858220     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81857402     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81857259     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81857879     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81857992     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81857690     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81856872     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81857089     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81857550     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81857224     | 8.00%         | 01/01/2015     | 154 851.56                    |                          | 56 170.31                                      | 10 466.43                     | 997.45                | 98 681.25                     |
| ABSA vehicle finance | 81773381     | 8.00%         | 01/12/2014     | 297 099.84                    |                          | 111 745.90                                     | 19 937.44                     | 1 843.00              | 185 353.94                    |
| ABSA vehicle finance | 82607523     | 8.50%         | 07/07/2015     |                               | 951 160.00               | 393 877.70                                     | 72 092.67                     | -                     | 557 282.30                    |
| ABSA vehicle finance | 82606616     | 8.50%         | 07/07/2015     |                               | 951 160.00               | 393 877.70                                     | 72 092.67                     | -                     | 557 282.30                    |
| ABSA vehicle finance | 82607981     | 8.50%         | 07/07/2015     |                               | 951 160.00               | 393 877.70                                     | 72 092.67                     | -                     | 557 282.30                    |
| ABSA vehicle finance | 82608317     | 8.50%         | 07/07/2015     |                               | 951 160.00               | 300 585.78                                     | 77 183.91                     | -                     | 650 574.22                    |
| ABSA vehicle finance | 77451310     | 7.50%         | 06/08/2013     | 38 651.26                     |                          | 32 919.78                                      | 1 807.60                      | 101.22                | 5 731.48                      |
| ABSA vehicle finance | 77451426     | 7.50%         | 06/08/2013     | 38 651.26                     |                          | 32 919.78                                      | 1 807.60                      | 101.22                | 5 731.48                      |
| ABSA vehicle finance | 77451604     | 7.50%         | 06/08/2013     | 38 666.38                     |                          | 32 932.64                                      | 1 808.30                      | 101.27                | 5 733.74                      |
| ABSA vehicle finance | 77452961     | 7.50%         | 06/08/2013     | 38 651.26                     |                          | 32 919.78                                      | 1 807.60                      | 101.22                | 5 731.48                      |
| ABSA vehicle finance | 77450721     | 7.50%         | 06/08/2013     | 38 651.26                     |                          | 32 919.78                                      | 1 807.60                      | 101.22                | 5 731.48                      |
| ABSA vehicle finance | 77451205     | 7.50%         | 06/08/2013     | 38 651.26                     |                          | 32 919.78                                      | 1 807.60                      | 101.22                | 5 731.48                      |
| ABSA vehicle finance | 77452481     | 7.50%         | 06/08/2013     | 38 651.26                     |                          | 32 919.78                                      | 1 807.60                      | 101.22                | 5 731.48                      |
| ABSA vehicle finance | 77453070     | 7.50%         | 06/08/2013     | 38 651.26                     |                          | 32 919.78                                      | 1 807.60                      | 101.22                | 5 731.48                      |
| ABSA vehicle finance | 77451787     | 7.50%         | 06/08/2013     | 38 651.26                     |                          | 32 919.78                                      | 1 807.60                      | 101.22                | 5 731.48                      |
| ABSA vehicle finance | 77452767     | 7.50%         | 06/08/2013     | 38 651.26                     |                          | 32 919.78                                      | 1 807.60                      | 101.22                | 5 731.48                      |
| ABSA vehicle finance | 77579341     | 7.50%         | 06/08/2013     | 91 850.81                     |                          | 72 784.09                                      | 4 459.70                      | 281.00                | 19 066.72                     |
| ABSA vehicle finance | 76759320     | 6.50%         | 06/03/2013     | 75 829.58                     |                          | 75 829.34                                      | 2 112.06                      | 123.64                | 0.24                          |
|                      |              |               |                | <b>3 834 499.55</b>           | <b>4 901 268.32</b>      | <b>3034345.22</b>                              | <b>514 573.55</b>             | <b>19 917.46</b>      | <b>4 240 110.48</b>           |



UTHUKELA DISTRICT MUNICIPALITY  
Appendix B - Analysis of Property, Plant and equipment as at 30 June 2013

|  | Cost / Valuation   |                  |                   |                     |                    | Accumulated Depreciation and Impairment |                    |                   |                    |                        |                    |                    |
|--|--------------------|------------------|-------------------|---------------------|--------------------|---|--------------------|-------------------|--------------------|------------------------|--------------------|--------------------|
|  | Opening Balance    | Additions        | Adjustments       | Disposals           | Under Construction | Closing Cost                            | Opening Balance    | Depreciation      | Disposals          | Reversal of impairment | Closing Balance    | Carrying Value     |
| Land   | 1 037 872          | -                | -                 | -                   | -                  | 1 037 872                               | -                  | -                 | -                  | -                      | -                  | 1 037 872          |
| Buildings                                      | 482 857            | -                | 4 675 000         | -                   | -                  | 5 157 857                               | 256 662            | 241 756           | -                  | -                      | 498 418            | 4 659 439          |
| <b>Land and Buildings</b>                      | <b>1 520 729</b>   | <b>-</b>         | <b>4 675 000</b>  | <b>-</b>            | <b>-</b>           | <b>6 195 729</b>                        | <b>256 662</b>     | <b>241 756</b>    | <b>-</b>           | <b>-</b>               | <b>498 418</b>     | <b>5 697 310</b>   |
| Sewerage Mains & Purification                  | 251 867 701        | -                | 523 000           | (192 067)           | -                  | 252 198 634                             | 58 052 572         | 6 749 500         | (151 262)          | (109)                  | 64 650 701         | 187 547 932        |
| Water Mains & Purification                     | 622 068 120        | 792 699          | 9 966 000         | (143 381)           | 96 120 009         | 728 803 447                             | 137 598 994        | 17 695 375        | (77 735)           | -                      | 155 216 634        | 573 586 813        |
| Reservoirs – Water                             | 25 717 311         | -                | 8 000 000         | -                   | -                  | 33 717 311                              | 4 781 559          | 920 071           | -                  | -                      | 5 701 630          | 28 015 681         |
| Water Meters                                   | 6 531 969          | -                | -                 | -                   | -                  | 6 531 969                               | 5 731 490          | 125 750           | -                  | -                      | 5 857 240          | 674 729            |
| <b>Infrastructure</b>                          | <b>906 185 101</b> | <b>792 699</b>   | <b>18 489 000</b> | <b>(335 448)</b>    | <b>96 120 009</b>  | <b>1 021 251 361</b>                    | <b>206 164 615</b> | <b>25 490 695</b> | <b>(228 997)</b>   | <b>(109)</b>           | <b>231 426 205</b> | <b>789 825 156</b> |
| Office Equipment                               | 1 536 402          | 441 450          | 138 842           | (951 023)           | -                  | 1 165 671                               | 1 186 674          | 338 653           | (871 805)          | -                      | 653 522            | 512 149            |
| Furniture & Fittings                           | 2 945 852          | 27 467           | 494 498           | (1 254 462)         | -                  | 2 213 355                               | 2 378 775          | 288 489           | (1 078 304)        | (1 557)                | 1 587 403          | 625 952            |
| Emergency & Fire Equipment                     | 4 192 343          | -                | 4 822 342         | (15 333)            | -                  | 8 999 352                               | 3 051 355          | 1 236 159         | (9 783)            | -                      | 4 277 731          | 4 721 622          |
| Motor vehicles                                 | 5 765 170          | -                | 1 623 657         | (1 881 005)         | -                  | 5 507 823                               | 4 608 834          | 1 014 428         | (1 644 329)        | -                      | 3 978 932          | 1 528 890          |
| Computer Equipment                             | 5 825 733          | 280 067          | 459 352           | (2 001 433)         | -                  | 4 563 719                               | 2 933 414          | 965 582           | (1 513 730)        | -                      | 2 385 266          | 2 178 453          |
| Computer Software (part of computer equipment) | -                  | -                | -                 | -                   | -                  | -                                       | -                  | -                 | -                  | -                      | -                  | -                  |
| Other Assets                                   | 5 602 029          | -                | 1 454 957         | (3 362 489)         | -                  | 3 694 497                               | 4 255 606          | 402 114           | (2 456 713)        | (162 101)              | 2 038 906          | 1 655 591          |
| <b>Other Assets</b>                            | <b>25 867 530</b>  | <b>748 984</b>   | <b>8 993 648</b>  | <b>(9 465 745)</b>  | <b>-</b>           | <b>26 144 416</b>                       | <b>18 414 658</b>  | <b>4 245 424</b>  | <b>(7 574 665)</b> | <b>(163 658)</b>       | <b>14 921 760</b>  | <b>11 222 656</b>  |
| Office Equipment                               | 751 020            | -                | 12 938            | (729 457)           | -                  | 34 500                                  | 675 918            | 6 210             | (656 512)          | -                      | 25 616             | 8 884              |
| Motor Vehicles                                 | 6 279 426          | -                | 516 676           | (723 932)           | -                  | 6 072 170                               | 2 799 338          | 1 387 597         | (626 010)          | -                      | 3 560 925          | 2 511 245          |
| Water Tankers                                  | -                  | 3 804 640        | -                 | -                   | -                  | 3 804 640                               | -                  | 627 766           | -                  | -                      | 627 766            | 3 176 874          |
| <b>Leased Assets</b>                           | <b>7 030 446</b>   | <b>3 804 640</b> | <b>529 613</b>    | <b>(1 453 389)</b>  | <b>-</b>           | <b>9 911 310</b>                        | <b>3 475 256</b>   | <b>2 021 573</b>  | <b>(1 282 522)</b> | <b>-</b>               | <b>4 214 307</b>   | <b>5 697 003</b>   |
| <b>TOTAL</b>                                   | <b>940 603 805</b> | <b>5 346 323</b> | <b>32 687 261</b> | <b>(11 254 582)</b> | <b>96 120 009</b>  | <b>1 063 502 815</b>                    | <b>228 311 191</b> | <b>31 999 449</b> | <b>(9 086 183)</b> | <b>(163 767)</b>       | <b>251 060 690</b> | <b>812 442 125</b> |

Uthukela District Municipality  
Appendix C  
Segmental Analysis of Property, Plant and equipment as at 30 June 2013

|  | Cost / Valuation   |                  |                     |                   | Under<br>Construction | Accumulated Depreciation and Impairment |                    |                   |                    |                           |                    |                    |
|--|--------------------|------------------|---------------------|-------------------|-----------------------|---|--------------------|-------------------|--------------------|---------------------------|--------------------|--------------------|
|  | Opening Balance    | Additions        | Disposals           | Adjustments       |                       | Closing Balance                         | Opening Balance    | Depreciation      | Disposals          | Reversal of<br>impairment | Closing Balance    | Carrying value     |
| 100 : COUNCIL                                      | 1 276 875          | -                | (161 959)           | 26 729            |                       | 1 141 645                               | 301 871            | 309 549           | (108 057)          | -                         | 503 364            | 638 282            |
| 105 : OFFICE OF THE MUNICIPAL MANAGER              | 609 678            | 3 167            | (99 037)            | 26 216            |                       | 540 025                                 | 463 905            | 93 281            | (88 071)           | -                         | 469 115            | 70 910             |
| 200 : CORPORATE SERVICES                           | 3 664 844          | 9 450            | (1 630 189)         | 1 098 419         |                       | 3 142 524                               | 3 025 349          | 520 663           | (1 328 991)        | -                         | 2 217 021          | 925 502            |
| 201 : SATELLITE OFFICES                            | 829 412            | -                | (288 276)           | 45 210            |                       | 586 347                                 | 586 191            | 39 615            | (259 271)          | -                         | 366 536            | 219 811            |
| 300 : FINANCE                                      | 2 508 796          | 736 367          | (857 853)           | 335 014           |                       | 2 722 324                               | 1 634 036          | 537 881           | (693 713)          | -                         | 1 478 204          | 1 244 120          |
| 350 : LEVY COLLECTION                              | 154 216            | -                | (71 750)            | 30 015            |                       | 112 481                                 | 131 946            | 17 771            | (64 748)           | -                         | 84 968             | 27 513             |
| 400 : TECHNICAL REGIONAL                           | 37 611             | -                | (21 854)            | -                 |                       | 15 757                                  | 20 271             | 3 208             | (19 812)           | -                         | 3 667              | 12 091             |
| 405 : TECHNICAL SERVICES AUTHORITY, PLANNING & I.T | 2 972 659          | -                | (743 341)           | 243 326           |                       | 2 472 644                               | 1 505 057          | 433 801           | (596 385)          | -                         | 1 342 472          | 1 130 172          |
| 407 : PLANNING AND ENVIRONMENTAL HEALTH            | 286                | -                | (286)               | -                 |                       | -                                       | 286                | -                 | (286)              | -                         | -                  | -                  |
| 408 : HEALTH SERVICES                              | 387 369            | -                | (73 882)            | 168 359           |                       | 481 846                                 | 340 766            | 83 996            | (66 511)           | -                         | 358 251            | 123 595            |
| 415 : TECHNICAL - PROJECT MANAGEMENT               | 702                | -                | (702)               | -                 |                       | -                                       | 632                | -                 | (632)              | -                         | -                  | -                  |
| 431 : SOCIAL ECONOMIC SERVICES                     | 149 643            | -                | (45 628)            | 45 737            |                       | 149 752                                 | 131 454            | 23 322            | (39 340)           | -                         | 115 436            | 34 316             |
| 700 :WATER SERVICES                                | 675 016 950        | 4 244 288        | (6 409 844)         | 28 649 223        | 96 120 009            | 797 620 626                             | 161 999 493        | 22 638 955        | (5 181 555)        | (163 767)                 | 179 293 126        | 618 327 500        |
| 701 :SANITATION SERVICES                           | 252 264 894        | 353 051          | (827 258)           | 2 019 012         |                       | 253 809 699                             | 58 128 131         | 7 010 705         | (618 332)          | -                         | 64 520 504         | 189 289 195        |
| 798 : PIMMS PLANNING CENTRE                        | 729 582            | -                | (22 438)            | -                 |                       | 707 145                                 | 41 516             | 286 703           | (20 194)           | -                         | 308 026            | 399 119            |
| 799 : DEVELOPMENT PLANNING PROJECTS                | 286                | -                | (286)               | -                 |                       | -                                       | 286                | -                 | (286)              | -                         | -                  | -                  |
| <b>TOTAL</b>                                       | <b>940 603 805</b> | <b>5 346 323</b> | <b>(11 254 582)</b> | <b>32 687 261</b> | <b>96 120 009</b>     | <b>1 063 502 815</b>                    | <b>228 311 190</b> | <b>31 999 449</b> | <b>(9 086 183)</b> | <b>(163 767)</b>          | <b>251 060 689</b> | <b>812 442 126</b> |

UTHUKELA DISTRICT MUNICIPALITY  
APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

| 2012<br>Actual<br>Revenue<br>R | Restated<br>2012<br>Actual<br>Expenditure<br>R | Restated<br>2012<br>Surplus/<br>(Deficit)<br>R |                            | 2013<br>Actual<br>Revenue<br>R | 2013<br>Actual<br>Expenditure<br>R | 2013<br>Surplus/<br>(Deficit)<br>R |
|--------------------------------|--|--|----------------------------|--------------------------------|------------------------------------|------------------------------------|
| 0                              | 10 412 405                                     | ( 10 412 405)                                  | Council                    | -                              | 8 701 881.43                       | ( 8 701 881)                       |
| 256 389 350                    | 80 272 584                                     | 176 116 765                                    | Income                     |                                |                                    | -                                  |
| 0                              | 3 149 141                                      | ( 3 149 141)                                   | Municipal Manager          | 164 741 033.80                 | 13 463 129.96                      | 151 277 904                        |
| 0                              | 18 862 287                                     | ( 18 862 287)                                  | Corporate Services         | -                              | 27 962 790                         | ( 27 962 790)                      |
| 0                              | 20 504 362                                     | ( 20 504 362)                                  | Finance & Treasury         |                                | 11 285 397.47                      | ( 11 285 397)                      |
| 0                              | 3 975 536                                      | ( 3 975 536)                                   | Technical & Infrastructure | 187 952 362                    | 35 652 363                         | 152 299 998                        |
| 0                              | 13 485 424                                     | ( 13 485 424)                                  | Strategic Planning         | 1 007 483                      | 13 750 399                         | ( 12 742 916)                      |
|                                | 6 070 973                                      | ( 6 070 973)                                   | Health & Environmental     | 25 221 356                     | 22 017 578                         | 3 203 778                          |
| 200 715 009                    | 216 924 179                                    | ( 16 209 169)                                  | Water Services             | 278 661 650                    | 485 659 140                        | ( 206 997 490)                     |
| 0                              | 2 689 629                                      | ( 2 689 629)                                   | Suspense Account           |                                | 364 162                            | ( 364 162)                         |
| <b>457 104 359</b>             | <b>376 346 519</b>                             | <b>80 757 840</b>                              |                            | <b>657 583 885</b>             | <b>618 856 840</b>                 | <b>38 727 045</b>                  |

The inter-departmental charges have been allocated per segment for the current and prior years.

UTHUKELA DISTRICT MUNICIPALITY  
 APPENDIX F : GRANTS AND SUBSIDIES RECEIVED - 2012/2013

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

| No | Name of Grant                                 | Name of organ of state or municipal entity | Unspent portion 2012/2013 financial statements | Quarterly Receipts   |                       |                      |                     |                       | Total Receipts    | Quarterly Expenditure |                   |                    |                    | Total Expenditure     | Unspent portion 2012/2013 financial statements | 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 |
|----|---|--|--|----------------------|-----------------------|----------------------|---------------------|-----------------------|-------------------|-----------------------|-------------------|--------------------|--------------------|-----------------------|--|---|---------------------------------------|--|---------------------------|
|    |   |  |  | July to Sept         | Oct to Dec            | Jan to Mar           | April to June       | 1                     |                   | 2                     | 3                 | 4                  |                    |                       |  |   |                                       |  |                           |
| 1  | Municipal Systems Infrastructure Grant (MSIG) | National Treasury                          | ( 331 593)                                     | ( 1 000 000)         | -                     | -                    | -                   | ( 1 000 000)          | 492 480           | -                     | 326 317           | 188 686            | 1 007 483          | ( 324 109)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 2  | Department of water affairs grant             | Department of water affairs                | ( 5 355 096)                                   | ( 8 471 838)         | ( 10 498 806)         | ( 5 144 922)         | ( 6 195 538)        | ( 30 311 103)         | 3 343 232         | 7 730 532             | 5 341 285         | 12 205 848         | 28 620 898         | ( 7 045 301)          | No   | N/A                                     | Yes                                   | N/A  |                           |
| 3  | Municipal Infrastructure Grant (MIG)          | National Treasury                          | ( 86 412 810)                                  | ( 26 975 000)        | ( 76 303 000)         | ( 79 580 000)        | -                   | ( 182 858 000)        | 19 650 415        | 26 979 359            | 48 509 058        | 92 813 529         | 187 952 362        | ( 81 318 448)         | No   | N/A                                     | Yes                                   | N/A  |                           |
| 4  | Data clearing grant                           | COGTA                                      | -  | -                    | -                     | ( 2 800 000)         | -                   | ( 2 800 000)          | -                 | -                     | -                 | 3 092 364          | 3 092 364          | 292 364               | No   | N/A                                     | Yes                                   | N/A  |                           |
| 5  | councillors training grant                    | COGTA                                      | -  | -                    | -                     | -                    | ( 200 000)          | ( 200 000)            | -                 | -                     | -                 | -                  | -                  | ( 200 000)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 6  | Department of land affairs (DLA)              | Department of Land Affairs                 | ( 1 237 080)                                   | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 1 237 080)          | No   | N/A                                     | Yes                                   | N/A  |                           |
| 7  | Department of Sports and recreation grant     | Department of Sports and recreation        | ( 194 599)                                     | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 194 599)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 8  | KZN finance management grant                  | National Treasury                          | ( 602 872)                                     | ( 1 250 000)         | -                     | -                    | -                   | ( 1 250 000)          | 86 439            | 466 988               | 569 698           | 268 439            | 1 391 563          | ( 461 309)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 9  | INCORP. Land reform plan                      |  | ( 2 600)                                       | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 2 600)              | No   | N/A                                     | Yes                                   | N/A  |                           |
| 10 | KZN ST. Chad's emergency                      |  | ( 5 891)                                       | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 5 891)              | No   | N/A                                     | Yes                                   | N/A  |                           |
| 11 | KZN secretarial MFC                           |  | ( 50 000)                                      | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | 42 341             | 42 341             | ( 7 659)              | No   | N/A                                     | Yes                                   | N/A  |                           |
| 12 | KZN intergrated transport plan                |  | ( 381 755)                                     | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 381 755)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 13 | KZN performance management grant              | COGTA                                      | ( 0)   | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 0)                  | No   | N/A                                     | Yes                                   | N/A  |                           |
| 14 | KZN IDP support 2005/2006                     | COGTA                                      | ( 1)   | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 1)                  | No   | N/A                                     | Yes                                   | N/A  |                           |
| 15 | Tugela estate fish project                    |  | ( 406 567)                                     | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 406 567)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 16 | KZN regional economic development             |  | ( 4 088)                                       | -                    | -                     | -                    | -                   | -                     | -                 | 4 088                 | -                 | -                  | 4 088              | -                     | No   | N/A                                     | Yes                                   | N/A  |                           |
| 17 | KZN back log study                            |  | ( 1 826)                                       | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | 1 200              | 1 200              | ( 626)                | No   | N/A                                     | Yes                                   | N/A  |                           |
| 18 | KZN assessment water                          | Department of water affairs                | ( 3 499)                                       | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 3 499)              | No   | N/A                                     | Yes                                   | N/A  |                           |
| 19 | KZN assessment water                          | Department of water affairs                | ( 38 927)                                      | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 38 927)             | No   | N/A                                     | Yes                                   | N/A  |                           |
| 20 | KZN IMP tech and science                      |  | ( 500 000)                                     | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | 34 419             | 34 419             | ( 465 581)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 21 | KZN water service delivery                    |  | ( 35 359)                                      | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 35 359)             | No   | N/A                                     | Yes                                   | N/A  |                           |
| 22 | KZN land reform GUJUMA                        |  | ( 14 454)                                      | -                    | -                     | -                    | -                   | -                     | -                 | 3 384                 | 7 250             | 3 000              | 13 633             | ( 821)                | No   | N/A                                     | Yes                                   | N/A  |                           |
| 23 | KZN LED GUJUMA                                |  | ( 1 849)                                       | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | 1 800              | 1 800              | ( 49)                 | No   | N/A                                     | Yes                                   | N/A  |                           |
| 24 | KZN municipal performance management          | COGTA                                      | ( 19 182)                                      | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | 9 241              | 9 241              | ( 9 940)              | No   | N/A                                     | Yes                                   | N/A  |                           |
| 25 | KZN IDP support                               | COGTA                                      | ( 160)   | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 160)                | No   | N/A                                     | Yes                                   | N/A  |                           |
| 26 | KZN capacity building staff                   |  | ( 268 587)                                     | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 268 587)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 27 | KZN WSA institutional support                 |  | ( 12 281)                                      | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 12 281)             | No   | N/A                                     | Yes                                   | N/A  |                           |
| 28 | Local government SETA grant                   | LG SETA                                    | ( 61 272)                                      | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 61 272)             | No   | N/A                                     | Yes                                   | N/A  |                           |
| 29 | KZN Local government SETA grant training      | LGSETA                                     | ( 1 246 266)                                   | ( 38 006)            | -                     | -                    | -                   | ( 38 006)             | -                 | 270 657               | 126 498           | 56 282             | 453 437            | ( 830 634)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 30 | Social pilot projects                         |  | ( 856 860)                                     | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 856 860)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 31 | KZN SOCIAL EMABHEKAZI                         | COGTA                                      | ( 69 535)                                      | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 69 535)             | No   | N/A                                     | Yes                                   | N/A  |                           |
| 32 | KZN growth and development summit             | COGTA                                      | ( 100 000)                                     | ( 400 000)           | -                     | -                    | -                   | ( 400 000)            | 883               | 4 746                 | -                 | -                  | 5 629              | ( 494 371)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 33 | KZN arts culture and tourism                  | Department of Arts & culture               | ( 378)   | -                    | -                     | -                    | -                   | -                     | -                 | 28                    | -                 | -                  | 28                 | ( 350)                | No   | N/A                                     | Yes                                   | N/A  |                           |
| 34 | Waste management plan                         | COGTA                                      | ( 41 053)                                      | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 41 053)             | No   | N/A                                     | Yes                                   | N/A  |                           |
| 35 | DMA buffer support                            | COGTA                                      | ( 150 104)                                     | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | 50 000             | 50 000             | ( 100 104)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 36 | Public works incentive grant                  | Public works                               | ( 2 618 300)                                   | ( 1 150 000)         | ( 862 000)            | ( 862 000)           | -                   | ( 2 874 000)          | -                 | 54 894                | 186 805           | 212 786            | 454 485            | ( 5 037 815)          | No   | N/A                                     | Yes                                   | N/A  |                           |
| 37 | KZN GIS                                       | COGTA                                      | ( 17 447)                                      | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | -                  | -                  | ( 17 447)             | No   | N/A                                     | Yes                                   | N/A  |                           |
| 38 | KZN DPSS                                      | COGTA                                      | ( 3 334 901)                                   | -                    | -                     | -                    | -                   | -                     | 56 133            | ( 14 573)             | 351 587           | 290 230            | 683 377            | ( 2 851 524)          | No   | N/A                                     | Yes                                   | N/A  |                           |
| 39 | DIMS grant funding                            | COGTA                                      | ( 456 827)                                     | -                    | -                     | -                    | -                   | -                     | -                 | 101 033               | 140 790           | 84 884             | 326 707            | ( 130 120)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 40 | IGR grant                                     | COGTA                                      | ( 917 000)                                     | -                    | -                     | -                    | -                   | -                     | -                 | 122 329               | 156 895           | 266 690            | 545 914            | ( 371 086)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 41 | KZN classification grant                      | Provincial treasury                        | ( 12 031 673)                                  | -                    | ( 12 934 000)         | ( 8 400 000)         | -                   | ( 21 334 000)         | 1 311 300         | 5 146 472             | 4 185 373         | 2 320 554          | 12 963 700         | ( 20 401 973)         | No   | N/A                                     | Yes                                   | N/A  |                           |
| 42 | Environment management plan                   | COGTA                                      | ( 1 469 244)                                   | -                    | -                     | -                    | -                   | -                     | ( 3 820)          | 142 591               | -                 | -                  | 388 193            | 526 964               | ( 942 280)                                     | No                                      | N/A                                   | Yes  | N/A                       |
| 43 | Rural transport services                      | Department of Transport                    | ( 1 776 000)                                   | -                    | -                     | -                    | -                   | ( 1 776 000)          | 182 989           | 843 509               | 805 271           | 1 528 757          | 3 360 526          | 1 584 526             | No   | N/A                                     | Yes                                   | N/A  |                           |
| 44 | LED strategy rework                           | COGTA                                      | ( 594 759)                                     | -                    | -                     | -                    | -                   | -                     | -                 | 76 081                | 172 840           | 335 404            | 584 025            | ( 10 734)             | No   | N/A                                     | Yes                                   | N/A  |                           |
| 45 | MASIBUBANENI CO-OP                            | COGTA                                      | ( 1 000 000)                                   | -                    | -                     | -                    | -                   | -                     | -                 | -                     | 154 850           | 4 983              | 159 834            | ( 840 166)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 46 | district distaster centre                     | COGTA                                      | ( 1 500 000)                                   | ( 5 000 000)         | -                     | -                    | -                   | ( 5 000 000)          | -                 | -                     | -                 | 4 983              | 4 983              | ( 6 495 017)          | No   | N/A                                     | Yes                                   | N/A  |                           |
| 47 | Municipal governance and administration       | COGTA                                      | ( 800 000)                                     | -                    | -                     | -                    | -                   | -                     | -                 | -                     | -                 | 125 145            | 125 145            | ( 674 855)            | No   | N/A                                     | Yes                                   | N/A  |                           |
| 48 | New pumps (CBPWP)                             | Public works                               | ( 1 618 704)                                   | -                    | -                     | -                    | -                   | -                     | 97 983            | 143 511               | -                 | 144 459            | 385 953            | ( 1 232 751)          | No   | N/A                                     | Yes                                   | N/A  |                           |
|    |   |  | <b>( 124 765 394)</b>                          | <b>( 46 060 844)</b> | <b>( 100 597 806)</b> | <b>( 96 786 922)</b> | <b>( 6 395 538)</b> | <b>( 249 841 109)</b> | <b>25 218 035</b> | <b>42 075 629</b>     | <b>61 034 517</b> | <b>114 474 218</b> | <b>242 802 099</b> | <b>( 131 804 404)</b> |  |   |                                       |  |                           |

Unspent Grants at 30 June 2012  
 liability / income is noted as- ( )

( 124 765 394)

Unspent Grants at 30 June 2013

( 131 804 404)