

# **SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**



## **ANNUAL FINANCIAL STATEMENTS**

**FOR PERIOD ENDED 30 JUNE 2013**

# Consolidated Annual Financial Statements

for

## SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

FOR THE YEAR ENDED 2013

Province: KwaZulu Natal

AFS rounding: R (i.e. only Rand)

### Contact Information:

**Name of Municipal Manager:** MS AN DLAMINI  
Contact telephone number: 039-834 8700

**Name of Chief Financial Officer:** MR M MKATU  
Contact telephone number: 039 - 834 8700

Contact e-mail address: [cfo@sisonkedm.gov.za](mailto:cfo@sisonkedm.gov.za)

**Name of contact at Provincial Treasury:** S Moodley  
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**Name of relevant Auditor:** Auditor General South Africa  
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**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**General information: Sisonke District Municipality**

	<b>Members of Council</b>
<b>Mayor</b>	M NDOBE
<b>Deputy Mayor</b>	NH DUMA
<b>Speaker</b>	CM NGCOBO
<b>Member of the Executive Committee</b>	SB BHENGU
<b>Member of the Executive Committee</b>	KS MADLALA
<b>Member of the Executive Committee</b>	AM ZONDI
<b>Member</b>	NB MNGADI
<b>Member</b>	EM NZIMANDE
<b>Member</b>	ZS NYIDE
<b>Member</b>	JL KOTTING
<b>Member</b>	VP MAJOZI
<b>Member</b>	JS MSIYA
<b>Member</b>	MW TSHIBASE
<b>Member</b>	CB KUNENE
<b>Member</b>	V MHATU
<b>Member</b>	ME MKHIZE
<b>Member</b>	M NONDABULA
<b>Member</b>	SD RADEBE
<b>Member</b>	XR TSHAZI
<b>Member</b>	SJ BHENGU
<b>Member</b>	SS MAVUMA
<b>Member</b>	B THABETHE
<b>Member</b>	AT SONDZABA
<b>Member</b>	GP NZIMANDE
<b>Member</b>	TC DLAMINI
<b>Member</b>	PB KLEINBOOI

**Grading of Local Authority**

Grade 4

<b>Bankers</b>	First National Bank
<b>Registered Office:</b>	SISONKE MAIN OFFICE
<b>Physical address:</b>	40 MAIN STREET IXOPO 3276
<b>Postal address:</b>	PRIVATE BAG X501 IXOPO 3276
<b>Telephone number:</b>	039 - 834 8700
<b>Fax number:</b>	039 - 834 2258
<b>E-mail address:</b>	<a href="mailto:cfo@sisonkedm.gov.za">cfo@sisonkedm.gov.za</a>

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**General information: Sisonke Economic Development Agency (Pty) Ltd (in its first year of operations)**

**LIST OF DIRECTORS**

<b>Chairman of the Board of Directors</b>	PJ KHOZA
<b>Director</b>	Z W NDAMASE
<b>Director</b>	N C ZUNGU
<b>Director</b>	SZF SITHOLE
<b>Director</b>	P HAYTER
<b>Director</b>	J BREDIN (resigned on 13 June 2013)
<b>Bankers</b>	First National Bank
<b>Registration number:</b>	2011/001221/07
<b>Physical address:</b>	ERF 2226, PORTION OF ELLERTON FARM IXOPO 3276
<b>Postal address:</b>	PRIVATE BAG X501 IXOPO 3276
<b>Telephone number:</b>	(039) 834-2740

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 46, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

\_\_\_\_\_  
Municipal Manager:

**DATE 30 September 2013**

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

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**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2013**

	Note	Group 2013	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
<b>ASSETS</b>				
<b>Current Assets</b>				
		<b>91 261 893</b>	<b>79 381 201</b>	<b>15 560 613</b>
Cash and cash equivalents	2	32 076 111	20 185 998	3 539 442
Trade and other receivables from exchange transactions	3	5 738 314	5 738 314	3 197 449
Other debtors	4	38 400 542	38 375 551	-
Inventories	5	264 715	264 715	115 562
Investment in Entity	6	-	100	-
VAT receivable	7	14 782 211	14 816 523	8 708 160
<b>Non-current Assets</b>				
		<b>1 134 287 406</b>	<b>1 134 100 514</b>	<b>1 014 369 197</b>
Property, plant and equipment	8	1 130 994 899	1 130 828 107	1 013 874 192
Investment property carried at fair value	9	2 500 000	2 500 000	-
Intangible assets	10	792 507	772 407	495 005
<b>TOTAL ASSETS</b>		<b><u>1 225 549 298</u></b>	<b><u>1 213 481 715</u></b>	<b><u>1 029 929 810</u></b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
		<b>141 131 519</b>	<b>129 397 956</b>	<b>89 642 461</b>
Trade and other payables from exchange transactions	11	86 044 628	85 614 047	45 444 731
Consumer deposits	12	1 009 847	1 009 847	881 336
Current provisions	13	7 039 673	6 887 107	5 660 322
Current portion of health care retirement provision	14.1	42 696	42 696	41 292
Current portion long term service provision	14.2	297 939	297 939	176 113
Current portion of unspent conditional grants and receipts	15	41 681 370	30 551 442	32 527 656
Current portion of borrowings	16	3 297 062	3 297 062	3 332 905
Current portion of finance lease liability	17	1 718 304	1 697 816	1 578 104
<b>Non-current Liabilities</b>				
		<b>37 069 230</b>	<b>37 053 469</b>	<b>39 548 973</b>
Health care retirement provision	14.1	7 138 468	7 138 468	5 299 871
Non current portion long term service provision	14.2	2 230 435	2 230 435	2 127 091
Non-current borrowings	16	25 595 948	25 595 948	28 842 322
Non-current finance lease liability	17	2 104 379	2 088 618	3 279 689
<b>TOTAL LIABILITIES</b>		<b><u>178 200 748</u></b>	<b><u>166 451 424</u></b>	<b><u>129 191 434</u></b>
<b>NET ASSETS</b>		<b><u>1 047 348 550</u></b>	<b><u>1 047 030 290</u></b>	<b><u>900 738 376</u></b>
<b>NET ASSETS</b>				
Accumulated Surplus		1 047 348 549	1 047 030 290	900 738 376
<b>TOTAL NET ASSETS</b>		<b><u>1 047 348 549</u></b>	<b><u>1 047 030 290</u></b>	<b><u>900 738 376</u></b>

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR YEAR ENDED 30 JUNE 2013**

	Note	Group 2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
<b>REVENUE</b>				
<b>Revenue from exchange transactions</b>				
Service charges	18	39 865 235	39 865 235	36 248 996
Interest earned - external investments	19	3 001 076	2 987 674	2 201 519
Other income	20	5 762 105	5 762 105	27 717 094
Rental of facilities	21	-	-	48 335
<b>Revenue from non-exchange transactions</b>				
Government grants and subsidies	22	460 611 850	455 429 350	386 029 961
<b>Total Revenue</b>		<b>509 240 266</b>	<b>504 044 364</b>	<b>452 245 904</b>
<b>EXPENDITURE</b>				
Contribution to bad debt provision	3.1	15 023 138	15 023 138	10 735 013
Employee related costs	23	81 687 100	79 227 602	71 974 823
Remuneration of councillors	24	4 622 013	4 622 013	4 413 410
Directors fees	24	346 673	-	-
Depreciation and amortisation expenses	25	23 435 600	23 409 956	17 858 703
General expenses	26.1	52 901 406	52 060 012	66 620 547
General expenses - community participation	26.2	3 648 718	3 648 718	4 625 788
General expenses - contracted services	26.3	26 730 211	23 175 395	41 282 747
Grants and subsidies paid	27	-	7 489 943	-
Provision leave reserve	28	2 578 094	2 425 527	1 671 577
Bulk water purchases	29	9 709 726	9 709 726	8 217 546
Operating grant expenditure	30	76 134 304	71 588 251	41 843 288
Collection cost	31	3 354 454	3 354 454	3 293 352
Finance costs	32	3 793 245	3 791 790	3 972 107
Repairs and maintenance	33	34 465 546	34 026 060	32 903 448
<b>Total Expenses</b>		<b>338 430 230</b>	<b>333 552 587</b>	<b>309 412 348</b>
Loss on disposal of assets	34.1	137 537	137 537	33 465 357
Loss on Fair Value Adjustment	34.2	23 933 041	23 933 041	-
Impairment costs	34.3	129 284	129 284	4 772 600
<b>SURPLUS FOR THE YEAR</b>		<b>146 610 173</b>	<b>146 291 915</b>	<b>104 595 599</b>



**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**FOR YEAR ENDED 30 JUNE 2013**

	Note	Group Accumulated surplus and total Surplus/Deficit  R	Sisonke District Municipality  Accumulated surplus and total  R
<b>Balance at 30 June 2011</b>		<b>761 138 259</b>	<b>761 138 259</b>
Surplus for the period		104 595 599	104 595 599
<b><u>Prior year adjustments:</u></b>			
WIP prior to 2011/2012 adjustment - assets	8.1	1 813 515	1 813 515
Assets previously expensed	8.1	873 248	873 248
VAT claim prior 2011/2012 disallowed		(1 207 361)	(1 207 361)
Assets prior year - Local Municipalities and other not transferred		33 525 117	33 525 117
<b>Restated balance at 30 June 2012</b>		<b>900 738 376</b>	<b>900 738 376</b>
Surplus/(Deficit) for the period		146 610 173	146 291 915
<b>Balance at 30 June 2013</b>		<b>1 047 348 549</b>	<b>1 047 030 291</b>

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR YEAR ENDED 30 JUNE 2013**

	Note	Group 2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts		467 675 535	451 349 704	403 637 418
Sales of goods and services		31 216 008	31 216 008	21 660 650
Grants	22	430 753 567	415 077 585	370 917 926
Interest received	19	3 001 076	2 987 674	2 201 519
Other receipts		2 704 884	2 068 437	8 857 321
Payments		270 160 995	265 901 563	283 965 841
Employee costs	23	81 687 101	79 227 602	70 173 583
Suppliers		178 595 323	169 525 901	203 800 391
Interest paid	32	3 793 245	3 791 790	3 972 107
Other payments		6 085 326	13 356 270	6 019 759
<b>Net Cash Flows from Operating Activities</b>	35	<b>197 514 540</b>	<b>185 448 141</b>	<b>119 671 577</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	8/9/10	(163 912 132)	(163 741 614)	(149 132 251)
Proceeds from Sale of Investments		-	-	6 712 010
<b>Net Cash Flows from Investing Activities</b>		<b>(163 912 132)</b>	<b>(163 741 614)</b>	<b>(142 420 241)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from Borrowings		-	-	30 000 000
Proceeds from sale of vehicle		-	-	240 000
Repayment of Borrowings	16	(3 282 218)	(3 282 218)	(3 141 578)
Proceeds from Finance Lease Liabilities		-	-	209 306
Repayment of Finance Lease liability	17	(1 783 523)	(1 777 754)	(1 365 734)
<b>Net Cash Flows from Financing Activities</b>		<b>(5 065 741)</b>	<b>(5 059 972)</b>	<b>25 941 993</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>	2	<b>28 536 667</b>	<b>16 646 555</b>	<b>3 193 329</b>
<b>Net cash and cash equivalents at beginning of period</b>	2	<b>3 539 443</b>	<b>3 539 443</b>	<b>346 112</b>
<b>Net cash and cash equivalents at end of period</b>	36	<b>32 076 110</b>	<b>20 185 998</b>	<b>3 539 442</b>

SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual outcome	Unauthorised expenditure	Variance (1) between Original and Final Budget	% Var	Note on variances (1)	Variance (2) between Final Budget and Actual	% Var	Note on variances (2)
<b>Financial Performance</b>												
Service charges	R 35 780 014	R 39 581 724	R -	R 39 581 727	R 39 865 235		R 3 801 713	11%	Upward adjustment of billing due to higher than forecasted billing.	R 283 508	1%	The positive variance resulted from over than budgeted billing
Interest earned - external investments	R 3 344 887	R 1 999 887	R -	R 2 000 000	R 2 987 674		R (1 344 887)	-40%	Downward adjustment of Interest Income due to low investment balances and lower interest rates.	R 987 674	49%	The positive variance resulted from the conservative approach used in budgeting for the interest earned.
Transfers recognised - operating	R 217 600 000	R 217 600 000	R -	R 217 600 000	R 218 445 017		R -	0%		R 845 017	0%	The positive variance resulted from the conservative approach used in budgeting for the interest earned.
Other income	R 28 910 590	R 37 739 902	R 13 555 394	R 37 739 786	R 18 190 868		R 8 829 196	31%	The decrease in other other income resulted from the lower than expected roll over funding.	R (19 548 918)	-52%	The decrease in other other income resulted from the lower than expected roll over funding and the differences in accounting for roll overfunding and the recognition of revenue on unspent conditional grants.
Total Revenue (excluding capital transfers and contributions)	<b>R 285 635 491</b>	<b>R 296 921 513</b>	<b>R 13 555 394</b>	<b>R 296 921 513</b>	<b>R 279 488 794</b>	<b>-</b>	<b>R 11 286 022</b>			<b>R (17 432 719)</b>		

SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual outcome	Unauthorised expenditure	Variance (1) between Original and Final Budget	% Var	Note on variances (1)	Variance (2) between Final Budget and Actual	% Var	Note on variances (2)
<b>Financial Performance</b>												
Employee Related Costs	R 81 083 074	R 82 415 023	R 1 331 949	R 82 415 023	R 81 687 101	R -	R 1 331 949		Immaterial	R 727 922	1%	Immaterial
Remuneration of Councillors/Directors emoluments	R 5 540 975	R 5 836 743	R 295 768	R 5 836 743	R 4 922 486	R -	R 295 768	5%	Immaterial	R 914 257	16%	Positive variance resulted from the overbudgeting in Councillor allowances
Dept impairment	R 7 156 003	R 11 874 518	R (4 508 243)	R 7 366 275	R -	R 7 366 275	R 210 272	3%	Immaterial	R 7 366 275	100%	100% Under expenditure on Debt Impairment as no debtors were written off during the current CFO
Depreciation and asset impairment	R 23 000 000	R 20 000 000	R (1 248 681)	R 18 751 319	R 23 559 831	R (4 808 512)	R (4 248 681)	-18%	CFO	R (4 808 512)	-26%	
Finance charges	R 3 042 480	R 3 042 480	R -	R 3 042 480	R 3 793 245	R (750 765)	R -	0%	Immaterial	R (750 765)	-25%	Negative variance due to underbudgeting for the interest costs on Borrowing
Bulk Purchases	R 7 500 000	R 9 240 000	R -	R 9 240 000	R 9 709 726	R (469 726)	R 1 740 000	23%	Upward adjustment due to higher than expected bulk water purchases in the first six months of the year.	R (469 726)	-5%	Immaterial
Other Expenditure	R 111 756 880	R 196 596 801	R 17 681 601	R 202 350 726	R 246 049 401	R (43 698 675)	R 90 593 845	81%	The major increase in general expenditure was mainly due to the re-allocation of Capital Projects to the operational budget due to their nature.	R (43 698 675)	-22%	Overexpenditure resulted mainly from the excessive costs incurred in the water & sanitation infrastructure Operations and Maintenance costs. Included in this over expenditure is also R23m resulting from the accounting loss on fair value adjustment of the Investment Property.
<b>Total Expenditure</b>	<b>R 239 079 412</b>	<b>R 329 005 565</b>	<b>R 13 552 395</b>	<b>R 329 002 566</b>	<b>R 369 721 790</b>	<b>R (42 361 404)</b>	<b>R 89 923 154</b>			<b>(40 719 224.39)</b>		
<b>Surplus</b>	<b>R 46 556 079</b>	<b>R (32 084 052)</b>	<b>R -</b>	<b>R (32 081 052)</b>	<b>R (90 232 996)</b>	<b>R 42 361 404</b>	<b>R (78 637 132)</b>			<b>R -</b>		

SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13												
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual outcome	Unauthorised expenditure	Variance (1) between Original and Final Budget	% Var	Note on variances (1)	Variance (2) between Final Budget and Actual	% Var	Note on variances (2)	
Transfers recognised - capital	R 183 745 000	R 206 111 000	R -	R 206 111 000	R 231 918 967		R 22 366 000	12%	The increase in transfers recognised resulted mainly from the rollover funding. R18m of this amount being attributable to the roll over funding of COGTA Umzimkhulu funding.	R (25 807 967)	-13%	The over recognition of the transfers capital was mainly attributable to the Regional Bulk Infrastructure grant expenditure which was not budgeted as was it was not in the DORA.	
Contributions recognised - capital and contributed assets													
<b>Surplus after capital transfers &amp; contributions</b>	<b>R 230 301 079</b>	<b>R 174 026 948</b>	<b>R -</b>	<b>R 174 029 948</b>	<b>R 141 685 971</b>	<b>R 42 361 404</b>	<b>R (56 271 132)</b>			<b>R (25 807 967)</b>	<b>-15%</b>		
Share of surplus of associate													
<b>Surplus for the year</b>	<b>R 230 301 079</b>	<b>R 174 026 948</b>	<b>R -</b>	<b>R 174 029 948</b>	<b>R 141 685 971</b>	<b>R 42 361 404</b>	<b>R (56 271 132)</b>			<b>R (25 807 967)</b>	<b>-15%</b>		
<b>Capital Expenditure &amp; funds sources</b>													
Capital Expenditure	R 209 374 553	R 186 531 817	R -	R 186 531 817	R 179 173 305		R (22 842 736)	-11%	The decrease in capital expenditure resulted from some capital projects being moved to the operational budget	R 7 358 512	4%	Immaterial	
Transfers recognised - capital	R 192 736 317	R 144 385 595	R -	R 144 385 595	R 144 385 595		R (48 350 722)			R -			
Public Contributions and Donations	R 16 638 236	R 22 585 120	R -	R 22 585 120	R 15 056 090		R 5 946 884			R 7 529 030			
Borrowing	R -	R -	R -	R -	R -		R -			R -			
Internally generated funds	R -	R 19 561 102	R -	R 19 561 102	R 19 561 102		R 19 561 102			R -			
<b>Total Sources of capital funds</b>	<b>R 209 374 553</b>	<b>R 186 531 817</b>	<b>R -</b>	<b>R 186 531 817</b>	<b>R 179 002 787</b>	<b>-</b>	<b>R (22 842 736)</b>			<b>R 7 529 030</b>			

SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual outcome	Unauthorised expenditure	Variance (1) between Original and Final Budget	% Var	Note on variances (1)	Variance (2) between Final Budget and Actual	% Var	Note on variances (2)
<b>Cash Flows</b>												
Net cash from (used) operating	R 247 695 075	R 250 072 029	R -	R 250 072 029	R 159 943 805	-	R 2 376 953	1%	Immaterial	R 90 128 224	36%	The lesser net cash from operating activities resulted from the higher than expected cash outflows paid to suppliers.
Net cash from (used) investing	R (214 374 553)	R (236 740 553)	R -	R (236 740 553)	R (138 761 896)	-	R (22 366 000)	10%	Immaterial	R (97 978 657)	41%	The lesser than planned cash outflows results mainly from lesser than expected cash outflows.
Net cash from (used) financing	R (3 765 133)	R (3 765 133)	R -	R (3 765 133)	R (4 535 353)	-	R -	0%	Immaterial	R 770 220	-20%	The overexpenditure in the financing activities was mainly due to the underbudgeting in the lease repayments.
Cash/cash equivalents at the year end	R 33 094 831	R 13 105 785	R -	R 13 105 785	R 20 185 998	-	R (19 989 047)	-60%	Decrease in closing cash budget due to higher cash outflows.	R (7 080 213)	-54%	Higher than expected closing cash balances citing improvement in Cash Management.

Refer to Accounting policy 1.6.2. Sisonke Economic Development Agency (Pty) Ltd commenced operation on the 1 July 2012 with no approved budget. This was rectified with the approval of the adjustment budget in January 2013.

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013**

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**1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") in March 2009 and May 2010, respectively, as amended.

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

**1.1 Critical judgments, estimations and assumptions**

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

**1.1.1 Revenue Recognition**

Accounting Policy 7.2 on *Revenue from Exchange Transactions* and Accounting Policy 7.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the 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*. In particular when services are rendered, and whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.1.2 Financial assets and liabilities**

The classification of financial assets and liabilities into categories is based on judgment by management.

**1.1.3 Impairment of Financial Assets**

Accounting Policy 4.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

**1.1.4 Useful lives of Property, Plant and Equipment ("PPE")**

As described in Accounting Policies 2.1 and 2.3, 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 are available for use. The useful lives and residual values of the assets are based on industry knowledge.

#### **1.1.5 Impairment: Write down of PPE**

Significant estimates and judgments are made relating to PPE impairment tests.

#### **1.1.6 Defined Benefit Plan Liabilities**

As described in Accounting Policy 10.3, 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 and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19: *Employee Benefits*. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 9 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in note 9.

#### **1.2 Presentation currency**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

#### **1.3 Going concern assumption**

The Annual Financial Statements have been prepared on a going concern basis.

#### **1.4 Offsetting**

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

#### **1.5 Standards and interpretations issued but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

##### **GRAP 25: Employee Benefits**

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
- all short-term employee benefits;
- short-term compensated absences;
- bonus, incentive and performance related payments;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

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

The municipality expects to adopt the standard for the first time in the 2014 financial statements.



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It is unlikely that the standard will have a material impact on the municipality's financial statements.

**GRAP 27: Agriculture**

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the IPSASB that has issued an IPSAS on Agriculture (IPSAS 27).

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

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

**GRAP 31: Intangible Assets**

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

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

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

**GRAP 105: Transfers of Functions Between Entities Under Common Control**

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**GRAP 106: Transfers of Functions Between Entities not Under Common Control**

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

## **SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013**

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A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition-date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

### **GRAP 107: Mergers**

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

### **GRAP 20: Related Party Disclosures**

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

## **SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013**

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This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

### **Improvements to Standards of GRAP**

The following Standards of GRAP have been amended as part of the ASB's Improvements Project for 2011:

- GRAP 1;
- GRAP 3;
- GRAP 7;
- GRAP 9;
- GRAP 12;
- GRAP 13;
- GRAP 16; and
- GRAP 17.

The changes made will have no significant impact, except for the following:

A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates.

Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

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

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

## **1.6 New standards and interpretations**

### **1.6.1 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:

#### **GRAP 23: Revenue from Non-exchange Transactions**

Revenue from non-exchange transactions arises when a municipality receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As a municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

#### **GRAP 24: Presentation of Budget Information in the Financial Statements**

Subject to the requirements of paragraph .19, a municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where a municipality prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements, but results in more disclosure in the financial statements.

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**GRAP 21: Impairment of Non-cash-generating Assets**

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

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

A 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, a municipality estimates the recoverable service amount of the asset.

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

- depreciated replacement cost approach;
- restoration cost approach; or
- service units approach.

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

**GRAP 26: Impairment of Cash-generating Assets**

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

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

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

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

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

## **SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013**

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

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

### **GRAP 103: Heritage Assets**

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset should be recognised as an asset only if:

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

The Standard of GRAP requires judgment in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the Standard of GRAP, a municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

## **SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013**

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The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The Standard of GRAP also states that a restriction on the disposal of a heritage asset does not preclude the municipality from determining the fair value.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but a municipality should assess at each reporting date whether there is an indication that it may be impaired.

The carrying amount of a heritage asset should be 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 of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have material impact on the municipality's financial statements.

The municipality further adopted the transitional provisions as set out in Directive 3 in respect of Heritage assets, regarding measurement and related presentation and disclosure.

### **GRAP 104: Financial Instruments**

The Standard of GRAP prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

## **SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013**

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Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

A municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

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### **1.6.2 Standards applicable and effective**

#### **GRAP 6: Consolidated and separate financial statements**

Sisonke District Municipality registered an entity in 2011 for the purpose of promoting local economic development. The entity is a registered entity described as Sisonke Economic Development Agency (Pty) Ltd Registration number: 2011/001221/07. Although registered in 2011, the entity only commenced operations during the 2012/2013 financial year. Hence comparative information in the consolidated financial statements reflect those of Sisonke District Municipality only; for the financial year 2012.

The standard prescribes the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.

Separate annual financial statements for both the parent municipality and entity have been compiled.

### **1.7 Standards and interpretations not yet effective or relevant**

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

#### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

## **2. PROPERTY, PLANT AND EQUIPMENT**

### **2.1 Property, plant and equipment**

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
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The useful lives of items of property, plant and equipment have been assessed as follows:

<b><u>Details</u></b>	<b><u>Years</u></b>
<b><u>Sewerage</u></b>	
Sewers	20 years
Outfall sewers	20 years
Purification works	20 years
Sewerage pumps	15 years
Sludge machines	15 years
<b><u>Water</u></b>	
Meters	15 years
Mains	20 years
Rights	20 years
Supply/reticulation	20 years
Reservoirs & Tanks	20 years
<b><u>OTHER ASSETS</u></b>	
<b><u>Buildings</u></b>	
Office buildings	30 years
Workshops/depots	30 years
<b><u>Office equipment</u></b>	
Computer hardware	5 years
Computer software	3-5 years
Office machines	3-5 years
Air conditioners	5-7 years
<b><u>Furniture And Fittings</u></b>	
Chairs	7-10 years
Tables/desks	7-10 years
Cabinets/cupboards	7-10 years
Miscellaneous	7-10 years

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**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
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**Motor Vehicles**

Trucks/LDV's 5-7 years

**Plant and Equipment**

Tractors 10-15 years

Lawnmowers 2 years

Compressors 5 years

Laboratory equipment 5 years

General 5 years

**Treasury Guidelines**

Asset Description	Equivalent Expected Useful Life	GAMAP Classification	Ave Residual Value (%)
Water treatment works (Total Ml/day)	28	supply/reticulation	40%
Water treatment plants (filtering & dosing)	15	supply/reticulation	0%
Dams	100	Reservoirs & Tanks	60%
Reservoirs	38	Reservoirs & Tanks	30%
Pump stations	22	supply/reticulation	30%
Boreholes	30	supply/reticulation	30%
Bulk pipeline (km)	60	mains	20%
Reticulation (km)	60	meters, supply / reticulation	20%
Sewage treatment works (Total Ml/day)	28	purification works / sludge machines	40%
Pump Stations	22	sewerage pumps	30%
Bulk pipelines (km)	60	sewers / outfall sewers	20%
Reticulation (km)	60	sewers / outfall sewers	20%

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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.

Items of municipality 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 derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of

property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue.

All cash flows on these assets are included in cash flows from operating activities in the municipality.

## **2.2 Site restoration and dismantling cost**

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment.

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

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in  
surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

## **2.3 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.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

### **3. INVESTMENT PROPERTY**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### **Fair value**

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

#### **4. FINANCIAL INSTRUMENTS**

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

##### **4.1 Financial Assets - Classification**

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Unlisted investments
- Consumer Debtors
- Certain Other Debtors (see note 2.3)
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the *Financial Assets* of the municipality are classified as follows into the categories allowed by this standard:

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

*Financial assets at amortised cost* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

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

##### **4.2 Financial Liabilities - Classification**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and other payables
- Bank Overdraft

- Short-term loans

*Financial Liabilities* of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

### **4.3 Initial and Subsequent Measurement**

#### **4.3.1 Financial Assets:**

*Financial assets* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less, any impairment, with interest recognised on an effective yield basis in surplus /deficit.

Financial assets are recognised on the trade date at which the municipality becomes party to the contractual provisions of the instrument.

#### **4.3.2 Financial Liabilities**

*Financial Liabilities at amortised cost* are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis..

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

### **4.4 Impairment of Financial Assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104

An allowance for impairment based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable and are recognized in surplus or deficit for the year.

An allowance for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. Changes in the carrying amount of the allowance for impairment are recognized in surplus or deficit for the year.

### **4.5 Derecognition of Financial Assets**

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



#### **4.6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

### **5. INVENTORIES**

#### **5.1 Initial recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

#### **5.2 Subsequent measurement**

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

### **6. NON-CURRENT ASSETS HELD-FOR-SALE**

#### **6.1 Initial Recognition**

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

#### **6.2 Subsequent Measurement**

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

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

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

### **7. REVENUE RECOGNITION**

#### **7.1 General**

Revenue comprises the fair value of the consideration received or receivable from exchange or non-exchange transactions in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

**7.2 Revenue from Exchange Transactions**

**7.2.1 Service Charges**

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

**7.2.2 Finance income**

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

**7.2.3 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

**7.2.4 Rentals**

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

**7.3 Revenue from Non-exchange Transactions**

**7.3.1 Property rates**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue

With effect 1 July 2011 property rates are no longer assessed as this only applied to District Municipal Areas.

**7.3.2 Public contributions**

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 of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

**7.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

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

## **8. GOVERNMENT GRANTS AND RECEIPTS**

Income 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 in the Statement of Financial Performance 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 creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

## **9. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

## **10. EMPLOYEE BENEFITS**

### **10.1 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 treats its provision for leave pay as an accrual.

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. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

### **10.2 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 plans. 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.

### **10.3 Post retirement benefits**

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

#### **10.3.1 Pension obligations**

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KSN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Provident, Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **10.3.2 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 liability is the aggregate of the present value of the defined obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

#### **10.3.3 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, as well as additional once-off leave calculated in terms of the rules of the scheme, after 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 has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

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## **11. LEASES**

### **11.1 The Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

## **12. BORROWING COSTS**

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are recognised as an expense in surplus or deficit for the year.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

## **13. VALUE ADDED TAX**

The Municipality accounts for Value Added Tax on the payments basis.

## **14. CASH AND CASH EQUIVALENTS**

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**15. UNAUTHORISED EXPENDITURE**

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

**16. 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 Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**17. FRUITLESS AND WASTEFUL EXPENDITURE**

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

**18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

**19. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**20. 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 have been disclosed in the notes to the Annual Financial Statements.

**21. COMPARATIVE INFORMATION**

**21.1 Prior year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

**22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Group	2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
Cash on hand	36 585	36 585	300
Cash at bank FNB Primary Account - 62022648169	860 563	860 563	1 145 901
FNB Call Account - 62032587331	47 136	47 136	2 182 829
FNB Call Account - 62095523281	280 575	280 575	209 328
FNB Call Account - 62138538692	2 174	2 174	1 084
FNB Call Account - 62398395204	8 497 374	8 497 374	-
Investec Call Account - 50006688425	10 461 590	10 461 590	-
Sisonke Economic Development Agency (Pty) Ltd:			
FNB Primary Account - 62313233504	734 238	-	-
Standard Bank Grants bank account	11 128 459	-	-
FNB Call Account - 62372506306	27 416	-	-
<b>Cash Book Balance at end of year</b>	<b>32 076 111</b>	<b>20 185 998</b>	<b>3 539 442</b>

The Municipality has the following bank accounts:

**Current Account (Primary Bank Account)**

FNB Ixopo branch Account Number 63022648169

Group	2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
Cash book balance at beginning of year	1 145 901	1 145 901	130 407
<b>Cash Book Balance as at 30 June 2013</b>	<b>860 563</b>	<b>860 563</b>	<b>1 145 901</b>

FNB Ixopo

Bank Statement Balance at beginning of year

Group	2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
Bank Statement Balance at beginning of year	1 145 901	1 145 901	142 338
<b>Bank Statement Balance as at 30 June 2013</b>	<b>860 563</b>	<b>860 563</b>	<b>1 145 901</b>

Sisonke Economic Development Agency (Pty) Ltd:

FNB Primary Account - 62313233504

Bank Statement Balance at beginning of year

Group	2013 R
Bank Statement Balance at beginning of year	-
<b>Bank Statement Balance as at 30 June 2013</b>	<b>734 238</b>

**3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**Trade receivables**

**For the Period ended 30 June 2013**

Group	Net Balance	Sisonke District Municipality Gross Balance R	Sisonke District Municipality Provision for Doubtful Debts R	Sisonke District Municipality Net Balance R
Service debtors				
Rates	-	270 941	270 941	-
Water	3 889 152	47 687 349	43 798 198	3 889 152
Sewerage	1 114 744	22 284 835	21 170 091	1 114 744
Value added taxation	734 418	9 809 181	9 074 764	734 418
<b>Total Trade Receivables</b>	<b>5 738 314</b>	<b>80 052 307</b>	<b>74 313 993</b>	<b>5 738 314</b>

**For the Period ended 30 June 2012**

Service debtors				
Rates		270 941	270 941	-
Water		35 533 744	33 640 360	1 893 384
Sewerage		17 150 851	16 304 791	846 060
Value added taxation		7 437 155	6 979 150	458 005
<b>Total Trade Receivables</b>		<b>60 392 691</b>	<b>57 195 242</b>	<b>3 197 449</b>

**Rates: Ageing**

Current (0 – 30 days)

Current (0 – 30 days)		-	-	-
-----------------------	--	---	---	---

31 - 60 Days		-	-	-
--------------	--	---	---	---

61 - 90 Days		-	-	-
--------------	--	---	---	---

91 - 120 Days		-	-	-
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<b>Total Rates</b>		<b>270 941</b>	<b>270 941</b>	<b>270 941</b>
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**Water & Sanitation : Ageing**

Current (0 – 30 days)

Current (0 – 30 days)		4 399 362	4 042 215	4 042 215
-----------------------	--	-----------	-----------	-----------

31 - 60 Days		2 733 952	2 588 636	2 588 636
--------------	--	-----------	-----------	-----------

61 - 90 Days		9 495 690	2 225 514	2 225 514
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91 - 120 Days Plus		63 152 362	51 265 385	51 265 385
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<b>Total Water &amp; Sanitation</b>		<b>79 781 366</b>	<b>60 121 750</b>	<b>60 121 750</b>
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The comparatives of 2011/2012 have been restated, refer (Note 46.5)

The entity had no trade and other receivables from exchange transactions for the year ended 30 June 2013



**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	Group 2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
<b>3.1 Reconciliation of the doubtful debt provision</b>			
Balance at beginning of the year	57 195 241	57 195 241	
Contributions to provision	15 023 138	15 023 138	10 735 013
Contributions to vat portion	2 095 614	2 095 614	6 979 150
Additional contribution from surplus/deficit	-	-	-
Doubtful debts written off against provision	-	-	(1 012 974)
<b>Balance at 30 June 2013</b>	<b>74 313 993</b>	<b>74 313 993</b>	<b>57 195 241</b>
The impairment is based on the percentage collection ratio per local district area for 2012/2013			
<b>Trade and other receivables past due and partially impaired</b>			
Impairment is calculated at year end.			
<b>Trade and other receivables impaired</b>			
The amount of the total provision was R 74 313 993 as at 30 June 2013			
The fair value of trade and other receivables approximates their carrying amounts.			
<b>4. OTHER DEBTORS</b>			
SARS	181 259	181 259	-
Municipal Infrastructure Grant	13 239 131	13 239 131	-
Regional Bulk Infrastructure Grant	23 426 355	23 426 355	-
ACIP Grant - DWA	1 395 839	1 395 839	-
ACB Control / Directors Fees	63 914	38 922	-
Laptops	94 045	94 045	-
<b>Total Other Debtors</b>	<b>38 400 543</b>	<b>38 375 551</b>	<b>-</b>
<b>5. INVENTORIES</b>			
<b>Opening balance of inventories</b>	<b>115 562</b>	<b>115 562</b>	<b>54 295</b>
Water			
Additions:	149 153	149 153	61 267
Water	<b>264 715</b>	<b>264 715</b>	<b>61 267</b>
<b>Closing Balance of Inventories</b>	<b>264 715</b>	<b>264 715</b>	<b>115 562</b>
<b>6. INVESTMENTS</b>			
<b>Financial Instruments</b>			
100 Ordinary shares @ R1 per share in Sisonke Economic Development Agency (PTY) LTD	-	100	100
<b>Total Investments</b>	<b>-</b>	<b>100</b>	<b>100</b>
Investment in Sisonke District Municipality's Entity			
<b>7. VAT RECEIVABLE</b>			
Vat reconciliation	8 702 806	8 737 118	6 084 510
Year end sundry creditors vat reclaimable	6 343 424	6 343 424	2 643 402
VAT on capital leases	280 423	280 423	438 254
Vat consumer debtors	(9 619 206)	(9 619 206)	(7 437 155)
Vat provision for bad debt	9 074 764	9 074 764	6 979 150
<b>Total VAT Receivable</b>	<b>14 782 211</b>	<b>14 816 523</b>	<b>8 708 160</b>
VAT receivable closing balance as at 30 June 2013	8 737 118	8 737 118	6 084 510
<b>Ageing</b>			
Current	4 049 500	4 083 812	-
30 Days	4 653 307	4 653 307	6 084 510
<b>Total</b>	<b>8 702 806</b>	<b>8 737 118</b>	<b>6 084 510</b>
VAT is payable on payment and receipts basis. VAT is paid over to SARS only once payment is received from debtors and creditors payments authorized in the bank control.			
The comparatives of 2011/2012 have been restated, refer (Note 46.2)			

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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**8 PROPERTY, PLANT AND EQUIPMENT**

**8.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Other Assets	Vehicles	Furniture & fittings	Plant & equipment	Finance lease assets	Under construction	Total
	R	R	R	R	R	R	R	R	R	R	R
<b>Carrying Values at 30 June 2012</b>	<b>5 146 800</b>	<b>11 634 743</b>	<b>541 142 750</b>	<b>357 712</b>	<b>979 274</b>	<b>1 475 869</b>	<b>1 183 197</b>	<b>1 193 238</b>	<b>4 667 271</b>	<b>446 093 339</b>	<b>1 013 874 192</b>
Cost	5 146 800	13 885 673	712 561 649	427 523	3 882 392	6 951 297	4 529 306	1 743 988	6 498 153	446 093 339	1 201 720 120
Accumulated depreciation and impairment losses	-	(2 250 930)	(171 418 899)	(69 811)	(2 903 118)	(5 475 428)	(3 346 110)	(550 750)	(1 830 882)	-	(187 845 928)
Acquisitions	-	351 268	-	-	548 925	-	111 301	694 600	385 204	161 316 672	163 407 970
Assets previously not recognized	-	-	3 552 500	-	47 023	-	-	-	-	-	3 599 523
Depreciation	-	(463 541)	(20 392 033)	(14 022)	(396 225)	(350 302)	(281 747)	(335 269)	(953 783)	-	(23 186 922)
Assets under construction brought into use	-	-	54 792 943	26 172 318	-	-	-	-	-	(80 965 260)	-
Asset transferred to Investment property	-	-	-	(2 500 000)	-	-	-	-	-	-	(2 500 000)
Loss on fair value prior to transfer to investment property	-	-	-	(23 933 042)	-	-	-	-	-	-	(23 933 042)
Impairments	-	-	(129 284)	-	-	-	-	-	-	-	(129 284)
Disposals:	-	-	-	-	-	-	-	-	<b>-137 537</b>	-	<b>-137 537</b>
Cost	-	-	-	-	-	-	-	-	-211 074	-	-211 074
Depreciation	-	-	-	-	-	-	-	-	73 537	-	73 537
											-
<b>Financial year ended 30 June 2013</b>	<b>5 146 800</b>	<b>11 522 470</b>	<b>578 966 876</b>	<b>82 965</b>	<b>1 178 996</b>	<b>1 125 567</b>	<b>1 012 751</b>	<b>1 552 569</b>	<b>3 961 154</b>	<b>526 444 751</b>	<b>1 130 994 899</b>
Cost	5 146 800	14 236 941	770 907 092	166 799	4 478 340	6 951 297	4 640 607	2 438 588	6 672 282	526 444 751	1 342 083 496
Accumulated depreciation and impairment losses	-	(2 714 471)	(191 940 216)	(83 833)	(3 299 343)	(5 825 730)	(3 627 857)	(886 019)	(2 711 128)	-	(211 088 597)

The comparatives of 2011/2012 have been restated, refer (Note 46.1)

Included in the PPE opening balance of R1 013 874 192 is an amount of R33 525 117 in work under construction, which are assets pending transfer to the Local Municipalities and other entities in 2013/2014.

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**8. PROPERTY, PLANT AND EQUIPMENT**

**8.2 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Other Assets	Vehicles	Furniture & fittings	Plant & equipment	Finance lease assets	Under construction	Total
	R	R	R	R	R	R	R	R	R	R	R
<b>Carrying Values at 30 June 2011</b>	<b>5 146 800</b>	<b>11 850 720</b>	<b>544 259 021</b>	<b>27 162 544</b>	<b>1 507 672</b>	<b>1 534 347</b>	<b>952 057</b>	<b>3 699 643</b>	<b>5 333 539</b>	<b>262 701 424</b>	<b>864 147 767</b>
Cost	5 146 800	13 649 832	697 793 328	32 133 315	4 118 228	6 734 229	3 889 301	7 290 988	6 288 847	262 701 424	1 039 746 292
Accumulated depreciation and impairment losses	-	(1 799 112)	(153 534 307)	(4 970 771)	(2 610 556)	(5 199 882)	(2 937 244)	(3 591 345)	(955 308)	-	(175 598 525)
Acquisitions	-	263 587	-	-	130 346	663 472	628 005	-	209 306	149 866 798	151 761 514
Assets previously not recognized	-	-	20 468 321	-	-	-	12 000	-	-	-	20 480 321
Depreciation	-	(455 518)	(14 707 992)	(22 641)	(404 234)	(440 290)	(408 866)	(247 455)	(875 574)	-	(17 562 570)
Impairments	-	-	(4 772 600)	-	-	-	-	-	-	-	(4 772 600)
Disposals:	-	<b>-24 046</b>	<b>-4 104 000</b>	<b>-26 782 191</b>	<b>-254 510</b>	<b>-281 660</b>	-	<b>-2 258 950</b>	-	-	<b>-33 705 357</b>
Cost	-	-27 746	-5 700 000	-31 705 792	-366 182	-446 404	-	-5 547 000	-	-	-43 793 124
Depreciation	-	3 700	1 596 000	4 923 601	111 672	164 744	-	3 288 050	-	-	10 087 767
Adjustment / Transfer In of Local Municipalities	-	-	-	-	-	-	-	-	-	33 525 117	33 525 117
<b>Financial year ended 30 June 2012</b>	<b>5 146 800</b>	<b>11 634 743</b>	<b>541 142 750</b>	<b>357 712</b>	<b>979 274</b>	<b>1 475 869</b>	<b>1 183 197</b>	<b>1 193 238</b>	<b>4 667 271</b>	<b>446 093 339</b>	<b>1 013 874 192</b>
Cost	5 146 800	13 885 673	712 561 649	427 523	3 882 392	6 951 297	4 529 306	1 743 988	6 498 153	446 093 339	1 201 720 120
Accumulated depreciation and impairment losses	-	(2 250 930)	(171 418 899)	(69 811)	(2 903 118)	(5 475 428)	(3 346 110)	(550 750)	(1 830 882)	-	(187 845 928)

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
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9.1 Reconciliation of fair value as at 30 June 2013	Investment property R	Total R
<b>Carrying Values at 30 June 2012</b>	-	-
Acquisitions	-	-
Fair value adjustment	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	2 500 000	2 500 000
Other movements	-	-
<b>Financial year ended 30 June 2013</b>	<b>2 500 000</b>	<b>2 500 000</b>

9.2 Reconciliation of fair value as at 30 June 2012	Investment property R	Total R
<b>Carrying Values at 30 June 2011</b>	-	-
Acquisitions	-	-
Fair value adjustment	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
<b>Financial year ended 30 June 2012</b>	<b>-</b>	<b>-</b>

9.3 Details of property	2013 R	2012 R
<b>Investment property</b>		
Farm Ellerton, No 2226, Ixopo		
Purchase price:	-	-
Additions since purchase	-	-
Capitalised expenditure	-	-
	-	-

9.4 Rental income from investment property	-	-
Direct operating expenses from rental generating property	-	-
Direct operating expenses from non-rental generating property	-	-

**9.5 Details of valuation**

The effective date of the revaluation of Proposed subdivision of the farm Ellerton, No 2226, Ixopo was 25th July 2013. Revaluations were performed by an independent valuer, Mr Rembold, of Spectrum Valuation Services. Spectrum Valuation Services are not connected to the entity and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

9.6 Amounts recognised in surplus or deficit for the year.	-	-
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**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
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**10.1 INTANGIBLE ASSETS**

	<b>Software</b>	<b>Finance lease assets</b>	<b>Total</b>
	R	R	R
<b>Reconciliation of Carrying Value 2013</b>			
<b>Carrying Values at 30 June 2012</b>	<b>495 005</b>	-	<b>495 005</b>
Cost	1 960 402	-	1 960 402
Accumulated depreciation and impairment losses	(1 465 397)	-	(1 465 397)
Assets Revaluation Adjustment			-
Depreciation Revaluation Adjustment			-
Acquisitions	182 972	363 208	546 180
Work in progress LM and Other			-
Amortisation Charges	(238 589)	(10 089)	(248 678)
Impairment loss			-
Transfers			-
Other movements			-
<b>For the period ended 30 June 2013</b>	<b>439 388</b>	<b>353 119</b>	<b>792 507</b>
Cost	2 143 374	363 208	2 506 582
Accumulated depreciation and impairment losses	(1 703 986)	(10 089)	(1 714 075)

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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**10.2 INTANGIBLE ASSETS**

	<b>Software</b>	<b>Finance lease assets</b>	<b>Total</b>
	R	R	R
<b>Reconciliation of Carrying Value 2012</b>			
<b>Carrying Values at 30 June 2011</b>	<b>733 637</b>	-	<b>733 637</b>
Cost	1 902 902	-	1 902 902
Accumulated depreciation and impairment losses	(1 169 265)	-	(1 169 265)
Assets Revaluation Adjustment			-
Depreciation Revaluation Adjustment			-
Acquisitions	57 500		57 500
Work in progress LM and Other			-
Amortisation Charges	(296 132)		(296 132)
Impairment loss			-
Transfers			-
Other movements			-
<b>For the period ended 30 June 2012</b>	<b>495 005</b>	-	<b>495 005</b>
Cost	1 960 402	-	1 960 402
Accumulated depreciation and impairment losses	(1 465 397)	-	(1 465 397)

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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**FOR THE YEAR ENDED 30 JUNE 2013**

	<b>Group</b>	<b>Sisonke District Municipality</b>	<b>Sisonke District Municipality</b>
	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>11. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Accounts Payable	68 952 368	68 521 787	30 844 011
Retentions	15 476 581	15 476 581	13 228 877
Rental Accruals	36 997	36 997	40 113
Unknown deposits	1 578 681	1 578 681	1 331 730
<b>Total Trade and Other from Exchange Transactions</b>	<b><u>86 044 628</u></b>	<b><u>85 614 047</u></b>	<b><u>45 444 731</u></b>
<b>Ageing</b>			
Current (0 - 30 Days)	31 363 090	31 363 090	21 535 667
31 - 60 Days	24 178 711	24 178 711	5 657 753
61 - Days & older	12 979 986	12 979 986	3 650 590
<b>Total</b>	<b><u>68 521 787</u></b>	<b><u>68 521 787</u></b>	<b><u>30 844 011</u></b>
The fair value of trade and other payables approximates their carrying amounts.			
The comparatives of 2011/2012 have been restated, refer (Note 46.6)			
<b>12. CONSUMER DEPOSITS</b>			
Water deposits	1 009 847	1 009 847	881 336
<b>Total Consumer Deposits</b>	<b><u>1 009 847</u></b>	<b><u>1 009 847</u></b>	<b><u>881 336</u></b>
No Interest is payable on consumer deposits.			
No guarantees held in lieu of water deposits.			
<b>13. PROVISIONS</b>			
Provision for leave pay	7 039 673	6 887 106	5 660 322
<b>Total Provisions</b>	<b><u>7 039 673</u></b>	<b><u>6 887 106</u></b>	<b><u>5 660 322</u></b>
The movement in current provisions are reconciled as follows: -			
<b>Balance 30 June 2012</b>	5 660 322	5 660 322	
Contributions to provision	2 578 094	2 425 527	
Expenditure incurred	(1 198 742)	(1 198 742)	
<b>Year ended 30 June 2013</b>	<b><u>7 039 673</u></b>	<b><u>6 887 106</u></b>	
<b>Year ended 30 June 2011</b>			4 676 546
Contributions to provision			1 671 577
Expenditure incurred Adjustment			(687 800)
<b>Year ended 30 June 2012</b>			<b><u>5 660 322</u></b>

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	Group 2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
<b>14 RETIREMENT BENEFIT LIABILITY</b>			
<b>14.1 Post-retirement Health Care Benefit Liability</b>			
Balance at beginning of year	5 341 162	5 341 162	3 956 553
Contributions to Provision	1 881 294	1 881 294	1 421 713
Benefits paid	(41 292)	(41 292)	(37 104)
Balance at end of year	<u>7 181 164</u>	<u>7 181 164</u>	<u>5 341 162</u>
Less current portion	42 696	42 696	41 292
Non-current portion	<u><b>7 138 468</b></u>	<u><b>7 138 468</b></u>	<u><b>5 299 870</b></u>
<i><u>The following information regarding Health Care benefits pertains to the 2013 financial year:</u></i>			
<b>Post-retirement Health Care Benefit Liability - Continued</b>			
The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality.			
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.			
The members of the post-employment Medical Aid Benefit Plan are made up as follows:			
In-service Members (Employees)	174	174	153
Continuation Members (Retirees, widowers and orphans)	1	1	1
<b>Total Members</b>	<u><b>175</b></u>	<u><b>175</b></u>	<u><b>154</b></u>
The liability in respect of past service has been estimated as follows:			
In-service Members	6 645 505	6 645 505	4 788 965
Continuation Members	535 659	535 659	552 197
<b>Total Liability</b>	<u><b>7 181 164</b></u>	<u><b>7 181 164</b></u>	<u><b>5 341 162</b></u>
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:			
Bonita's			
Hosmed			
Keyhealth			
LA Health			
Samwumed			
The principal assumptions used for the purposes of the actuarial valuations were as follows:			
Discount rate	9.69%	9.69%	8.48%
Health Care Cost inflation Rate	8.1%	8.1%	7.2%
Net Effective Discount Rate	1.5%	1.5%	1.2%
Expected Retirement Age - Females	55	55	55
Expected Retirement Age - Males	60	60	60
Movements in the present value of the Defined Benefit Obligations were as follows			
Balance at the beginning of the year:	5 341 162	5 341 162	3 956 553
Current service costs	706 214	706 214	556 359
Interest cost	451 444	451 444	351 843
Benefits paid	(41 292)	(41 292)	(37 104)
Actuarial losses	723 636	723 636	513 511
<b>Present Value of Fund Obligation at the end of the year</b>	<u><b>7 181 164</b></u>	<u><b>7 181 164</b></u>	<u><b>5 341 162</b></u>
The amounts recognised in the Statement of Financial Performance are as follows			
Current service cost		706 214	556 359
Interest cost		410 152	314 739
Actuarial losses		723 636	513 511
<b>Total Post-retirement Benefit included in Employee Related cost</b>		<u><b>1 840 002</b></u>	<u><b>1 384 609</b></u>



**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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: SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from the results will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iii) A one-year decrease in the assumed average retirement age; and
- (iv) A 50% reduction in the assumed withdrawal rates

The following Table summarises the results of the sensitivity analysis.

**Post-retirement Health Care Benefit Liability - Continued**

: Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption
Central assumptions
General salary inflation
Average retirement age
Withdrawal rates

Change	Liability	% change
	2.528	
+1%	2.713	7%
-1%	2.362	-7%
-2 yrs	2.263	-11%
+2 yrs	2.838	12%
-50%	3.307	31%

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 20% higher than that shown.

: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2013

Assumption
Central assumptions
General salary inflation
Average retirement age
Withdrawal rates

Change	Current-service Cost	Interest Cost
	345 100	176 300
1%	377 400	190 000
-1%	316 300	164 000
-2 yrs	310 000	156 700
+2 yrs	379 000	199 200
-50%	501 200	234 000

Assumption (continued)
Central assumptions
General salary inflation
Average retirement age
Withdrawal rates

Total	% change
521 400	
567 400	9%
480 300	-8%
466 700	-10%
578 200	11%
735 200	41%

: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2014

Assumption
Central assumptions
General salary inflation
Average retirement age
Withdrawal rates

Change	Current-service Cost	Interest Cost
	442 000	149 800
1%	479 600	161 600
-1%	408 800	139 200
-2 yrs	402 200	133 800
+2 yrs	475 900	169 000
-50%	628 400	199 700

Assumption (Continued)
Central assumptions
General salary inflation
Average retirement age
Withdrawal rates

Total	% change
591 800	
641 200	8%
548 000	-7%
536 000	-9%
644 900	9%
828 100	40%

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**14.2 Long Services Awards Provision**

	<b>Group</b>	<b>Sisonke District Municipality</b>	<b>Sisonke District Municipality</b>
	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Provision for Long-term Service	2 528 374	2 528 374	2 303 202
<b>Total Provision</b>	<b>2 528 374</b>	<b>2 528 374</b>	<b>2 303 202</b>

The movement in the provision are reconciled as follows:

**Long-term Service**

<b>Balance at beginning of year</b>	2 303 202	2 303 202	1 886 572
Contribution to provision	401 284	401 284	681 456
Benefits paid	(176 112)	(176 112)	(264 826)
<b>Balance at end of year</b>	<b>2 528 374</b>	<b>2 528 374</b>	<b>2 303 202</b>
Less Current Portion	297 939	297 939	176 112
<b>Non-current Portion</b>	<b>2 230 435</b>	<b>2 230 435</b>	<b>2 127 090</b>

**Long-service Awards**

The municipality operate an unfunded defined benefit plan for all its employees. Under the plan a Long-service Award is payable after 10 years thereafter to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

Discount rate	7.40%	7.40%	6.76%
Salary Cost inflation rate	6.81%	6.81%	5.95%
Nett Effective Discount Rate	56.00%	56.00%	0.76%
Expected Retirement Age - Females	55	55	55
Expected retirement Age - Males	60	60	60

**Long Services Awards Provision - Continued**

*The following information regarding Long Service provision pertains to the 2012 financial year:*

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	2 303 202	2 303 202	1 886 572
Current service cost	442 045	442 045	353 790
Interest cost	149 801	149 801	140 784
Benefits paid	(176 112)	(176 112)	(264 826)
Actuarial losses/(gains)	(190 562)	(190 562)	186 882
<b>Fund obligation at the end of the year</b>	<b>2 528 374</b>	<b>2 528 374</b>	<b>2 303 202</b>

**SENSITIVITY ANALYSIS**

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- (1) The discount rate relative to the salary inflation assumptions;
- (2) The average retirement age of employees; and
- (3) Assumed rates of withdrawal of employees from service.

**SENSITIVITY RESULTS**

The liability at the Valuation Date was recalculated to show the effect of:

- (1) A 1% increase and decrease in the assumed general salary inflation rate;
- (2) A two-year decrease and increase in the assumed average retirement age of employees; and
- (3) A 50% decrease in the assumed withdrawal rates from service.

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**Sensitivity Analysis on the Unfunded accrued liability (in R Millions)**

Assumption
Central Assumptions
Health care inflation
Post-retirement mortality
Average retirement age
Withdrawal rate

Change	In-service	Continuation
	6.646	0.536
1.0%	7.835	0.566
-1.0%	5.578	0.509
- 1 yr	6.877	0.557
- 1 yr	7.470	0.536
-50%	8.152	0.536

Assumption (Continued)
Central Assumptions
Health care inflation
Post-retirement mortality
Average retirement age
Withdrawal rate

Total	% change
7.181	
8.401	17%
6.087	-15%
7.435	4%
8.006	11%
8.687	21%

**Sensitivity Analysis on the Current-service and Interest Cost for the year ending 30 June 2013**

Assumption
Central Assumptions
Health care inflation
Post-retirement mortality
Average retirement age
Withdrawal rate

Change	Current Service Cost	Interest Cost
	817 400	693 900
1.0%	982 700	812 200
-1.0%	669 500	587 900
- 1 yr	845 500	718 500
- 1 yr	917 200	773 900
-50%	1 094 600	839 900

Assumption (Continued)
Central Assumptions
Health care inflation
Post-retirement mortality
Average retirement age
Withdrawal rate

Total	% change
1 511 300	
1 794 900	19%
1 257 400	-17%
1 564 000	3%
1 691 100	12%
1 934 500	28%

**Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2014**

Assumption
Central Assumptions
Health care inflation
Post-retirement mortality
Average retirement age
Withdrawal rate

Change	Current Service Cost	Interest Cost
	706 200	451 400
1.0%	847 700	530 900
-1.0%	592 400	386 600
- 1 yr	731 600	468 000
- 1 yr	704 700	513 600
-50%	900 300	531 900

Assumption (Continued)
Central Assumptions
Health care inflation
Post-retirement mortality
Average retirement age
Withdrawal rate

Total	% change
1 157 600	
1 378 600	19%
979 000	-15%
1 199 600	4%
1 218 300	5%
1 432 200	24%

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	<b>Group</b>	<b>Sisonke District Municipality</b>	<b>Sisonke District Municipality</b>
	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>			
<b>Capital Grants</b>			
COGTA Grant	689 194	689 194	19 276 082
Massification (CoGTA)	18 165 746	18 165 746	-
<b>Total Unspent Capital Grants</b>	<b>18 854 940</b>	<b>18 854 940</b>	<b>19 561 103</b>
<b>Operating Grants</b>			
Learnership Grant	782 000	782 000	782 000
Gijima Grant	235 810	235 810	235 810
IDP Grant	185 141	185 141	185 141
Development Bank of SA	406 480	406 480	406 480
Development Planning Shared Services Grant	3 168 063	3 168 063	3 616 847
Neighbourhood Development Grant	2 499 235	2 499 235	2 499 235
Change and Management Committee Grant	51 685	51 685	51 685
Support Staff Grant	24 462	24 462	24 462
Transformation Managers Grant	518 040	518 040	518 040
Drought relief	9 054	9 054	9 054
Sport and Recreation Grant	550 497	550 497	550 497
Public Transport Grant	66 587	66 587	66 587
Municipal Monitoring Systems Grant	300 000	300 000	300 000
Management Assistance Program Grant	10 436	10 436	10 436
GIS Support Grant	141 087	141 087	141 087
PMS Grant	325 054	325 054	325 054
Local Economic Development Grant	518 008	518 008	518 008
Sihelza Maize production project - (CoGTA)	242 413	242 413	482 458
Government Experts - (CoGTA)	725 000	725 000	725 000
Signage Grant - CoGTA	420 712	420 712	1 472 000
Disaster Management Grant	285 020	285 020	285 020
Rural Transport Infrastructure Grant	416	416	-
District Growth Development Summit	31 301	31 301	-
Accredited Councillors Training	200 000	200 000	-
Departmental of Higher Education and Training	11 129 929	-	-
<b>Total Unspent Operating Grants</b>	<b>22 826 430</b>	<b>11 696 501</b>	<b>12 966 554</b>
<b>Total Conditional Grants and Receipts</b>	<b>41 681 370</b>	<b>30 551 441</b>	<b>32 527 656</b>
Refer note 22 for reconciliation of grants from other Government spheres.			
<b>16. BORROWINGS</b>			
Annuity Loans	28 893 009	28 893 009	32 175 227
<b>Total Loans</b>	<b>28 893 009</b>	<b>28 893 009</b>	<b>32 175 227</b>
Less : Current portion transferred to current liabilities	(3 297 062)	(3 297 062)	(3 332 905)
<b>Total Borrowings</b>	<b>25 595 948</b>	<b>25 595 948</b>	<b>28 842 322</b>
Annuity Loans			
Bear interest at a rates of 10.72% per annum until 2021. Instalments are being redeemed bi-annually, including interest.			
Other annuity loans are redeemed bi-annually, including interest until 2013 and 2015			
Refer to Appendix A for more detail on borrowings.			

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	<b>Group</b>	<b>Sisonke District Municipality</b>	<b>Sisonke District Municipality</b>
	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>17. FINANCE LEASE LIABILITY</b>			
<b>2013</b>			
<b>Amounts payable under finance leases</b>	<b>Minimum lease payment</b>	<b>Present value of minimum lease payments</b>	
	<b>R</b>	<b>R</b>	
Within twelve months	2 097 771	1 718 304	
Within two to five years	2 069 556	2 104 379	
<b>Total Finance Lease Liability</b>	<b>4 167 327</b>	<b>3 822 683</b>	
Less: Amount due for settlement within 12 months (current portion)		1 718 304	
		<b>2 104 379</b>	
<b>2012</b>		<b>Sisonke District Municipality</b>	<b>Sisonke District Municipality</b>
<b>Amounts payable under finance leases</b>		<b>Minimum lease payment</b>	<b>Present value of minimum lease payments</b>
		<b>R</b>	<b>R</b>
Within twelve months		2 074 036	1 697 816
Within two to five years		2 053 016	2 088 618
<b>Total Finance Lease Liability</b>		<b>4 127 052</b>	<b>3 786 434</b>
Less: Amount due for settlement within 12 months (current portion)			1 697 816
			<b>2 088 618</b>
<b>2012</b>			
<b>Amounts payable under finance leases</b>			
Within one year		1 931 166	1 578 104
Within two to five years		4 042 804	3 279 689
<b>Total Finance Lease Liability</b>		<b>5 973 970</b>	<b>4 857 793</b>
Less amount due for settlement within 12 months (current portion)			1 578 104
			<b>3 279 689</b>
<b>18. SERVICE CHARGES</b>			
Sale of water	27 832 652	27 832 652	25 011 581
Sewerage and sanitation charges	12 032 582	12 032 582	11 237 414
<b>Total Service Charges</b>	<b>39 865 235</b>	<b>39 865 235</b>	<b>36 248 996</b>

The disclosed amounts for revenue for Service Charges are in respect of services rendered which are billed on a monthly basis to consumers according to the approved Council tariffs.

The comparatives of 2011/2012 have been restated, refer (Note 46.3)

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	Group 2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
<b>19. INTEREST EARNED - EXTERNAL INVESTMENTS</b>			
Interest on investments	2 510 917	2 502 338	1 775 831
Interest on current account	490 159	485 336	425 688
<b>Total Interest on External Investments</b>	<b>3 001 076</b>	<b>2 987 674</b>	<b>2 201 519</b>
<b>20. OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>			
Sundry income	562 543	562 543	6 581 891
Vacuum Tank	412 118	412 118	-
Tender Documents	54 600	54 600	-
Conservancy Tanks	67 178	67 178	-
Retention - contract terminated	716 611	716 611	-
Salary deductions	202 201	202 201	-
Water connection fee	53 548	53 548	-
Sewerage Connection - new connections	21 963	21 963	-
On site disposal - sanitation	22 811	22 811	-
Water sales - tankers	78 243	78 243	-
Endowment fees	17 789	17 789	-
Unknown deposits	-	-	654 882
Property, plant and equipment not previously recognized (Refer to Note 8)	3 552 500	3 552 500	20 480 321
<b>Total Other Income</b>	<b>5 762 105</b>	<b>5 762 105</b>	<b>27 717 094</b>
<b>21. RENTAL OF FACILITIES AND EQUIPMENT</b>			
Other rentals	-	-	48 335
<b>Total Rentals</b>	<b>-</b>	<b>-</b>	<b>48 335</b>
There are no rental agreements between Council and any other third parties for 2012/2013			
<b>22. GOVERNMENT GRANTS AND SUBSIDIES</b>			
Equitable share	203 556 000	203 556 000	182 472 000
Government Grants and Subsidies	257 055 850	251 873 350	203 557 961
<b>Total Government Grant and Subsidies</b>	<b>460 611 850</b>	<b>455 429 350</b>	<b>386 029 961</b>
<b>Reconciliation of Government Grants Transferred to Revenue</b>			
<b>Conditions met - transferred to revenue</b>	(257 055 850)	(251 873 350)	(203 557 961)
Government Grants and Subsidies	257 055 850	251 873 350	203 557 961
	-	-	-
<b>22.1 Equitable Share</b>	<b>203 556 000</b>	<b>203 556 000</b>	<b>182 472 000</b>
<b>Total Equitable Share as per Dora</b>	<b>203 556 000</b>	<b>203 556 000</b>	<b>182 472 000</b>
<b>22.2 MIG Grant</b>			
<b>Balance unspent at beginning of year</b>	-	-	-
Current year receipts	165 717 000	165 717 000	136 610 000
Conditions met - transferred to revenue	(178 956 131)	(178 956 131)	(136 610 000)
Conditions met - transferred to debtor	13 239 131	13 239 131	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Construction of infrastructure of water and sanitation in the greater Sisonke District.			
<b>22.3 Accredited Councillors Training</b>			
<b>Balance unspent at beginning of year</b>	-	-	-
Current year receipts	200 000	200 000	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>200 000</b>	<b>200 000</b>	<b>-</b>
This grant is utilized for accredited Councillors training.			
<b>22.4 Umzimkhulu CoGTA Grant</b>			
<b>Balance unspent at beginning of year</b>	19 276 082	19 276 082	28 392 579
Current year receipts	-	-	25 320 000
Conditions met - transferred to revenue	(18 586 887)	(18 586 887)	(34 436 497)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>689 195</b>	<b>689 195</b>	<b>19 276 082</b>
Infrastructure and upgrading of water and sanitation projects in the Umzimkhulu Local Municipal District.			

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	Group 2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
<b>22.5 Fresh Produce Market Grant CoGTA</b>			
<b>Balance unspent at beginning of year</b>	-	-	-
Current year receipts	3 200 000	3 200 000	-
Conditions met - transferred to revenue	<u>(3 200 000)</u>	<u>(3 200 000)</u>	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>-</u>	<u>-</u>	<u>-</u>
Infrastructure of Fresh Produce Market in the Sisonke Municipal District.			
<b>22.6 Disaster Management</b>			
<b>Balance unspent at beginning of year</b>	285 020	285 020	2 171 014
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	(1 885 994)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>285 020</u>	<u>285 020</u>	<u>285 020</u>
Infrastructure of Disaster Management Offices in the Sisonke Municipal District.			
<b>22.7 Municipal Systems Improvement Grant</b>			
<b>Balance unspent at beginning of year</b>	-	-	5 588
Current year receipts	1 000 000	1 000 000	790 000
Conditions met - transferred to revenue	<u>(1 000 000)</u>	<u>(1 000 000)</u>	<u>(795 588)</u>
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>-</u>	<u>-</u>	<u>-</u>
To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.			
<b>22.8 Financial Management Grant</b>			
<b>Balance unspent at beginning of year</b>	-	-	2 083
Current year receipts	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	<u>(1 250 000)</u>	<u>(1 250 000)</u>	<u>(1 252 083)</u>
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>-</u>	<u>-</u>	<u>-</u>
This grant was utilized for implementation of the MFMA and intern's salaries.			
<b>22.9 Learnership Grant</b>			
<b>Balance unspent at beginning of year</b>	782 000	782 000	782 000
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>782 000</u>	<u>782 000</u>	<u>782 000</u>
To promote and support reforms in financial management by building capacity in the Municipality in order to compile with Local Government Legislation			
<b>22.10 Water Services Subsidy Grant</b>			
<b>Balance unspent at beginning of year</b>	-	-	213
Current year receipts	-	-	323 061
Conditions met - transferred to revenue	-	-	(323 274)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>-</u>	<u>-</u>	<u>-</u>
Operating grant from DWA for employee rates cost and other operating expenses. This grant is no longer received by the Municipality.			

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	Group 2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
<b>22.11 LG Seta</b>			
<b>Balance unspent at beginning of year</b>	-	-	1 609
Current year receipts	381 276	381 276	262 483
Conditions met - transferred to revenue	(381 276)	(381 276)	(264 091)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>-</u>	<u>-</u>	<u>-</u>
Discretionary and mandatory grant from LG Seta for capacity building.			
<b>22.12 Inter Governmental Grant</b>			
<b>Balance unspent at beginning of year</b>	46 673	46 673	188 273
Current year receipts	-	-	-
Conditions met - transferred to revenue	(46 673)	(46 673)	(141 600)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>-</u>	<u>-</u>	<u>46 673</u>
Operational grant for strategic support.			
<b>22.13 Gijima Grant</b>			
<b>Balance unspent at beginning of year</b>	235 810	235 810	235 810
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>235 810</u>	<u>235 810</u>	<u>235 810</u>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.14 IDP Grant</b>			
<b>Balance unspent at beginning of year</b>	185 141	185 141	185 141
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>185 141</u>	<u>185 141</u>	<u>185 141</u>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.15 Development Bank of SA</b>			
<b>Balance unspent at beginning of year</b>	-	406 480	406 480
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>-</u>	<u>406 480</u>	<u>406 480</u>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.16 Development Planning Shared Services</b>			
<b>Balance unspent at beginning of year</b>	3 616 847	3 616 847	4 820 289
Current year receipts	-	-	-
Conditions met - transferred to revenue	(448 784)	(448 784)	(1 203 442)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>3 168 063</u>	<u>3 168 063</u>	<u>3 616 847</u>
Participating Municipalities to deliver development planning services to the public and to share resources in accordance with the provisions of the agreement.			



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	<b>Group</b>	<b>Sisonke District Municipality</b>	<b>Sisonke District Municipality</b>
	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>22.17 Neighbourhood Development Grant</b>			
<b>Balance unspent at beginning of year</b>	2 499 235	2 499 235	2 499 235
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b><u>2 499 235</u></b>	<b><u>2 499 235</u></b>	<b><u>2 499 235</u></b>
To improve quality of life of residents in township areas through the creation of economically viable and sustainable neighbourhoods.			
<b>22.18 Change Management Committee Grant</b>			
<b>Balance unspent at beginning of year</b>	51 685	51 685	51 685
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b><u>51 685</u></b>	<b><u>51 685</u></b>	<b><u>51 685</u></b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.19 Support Staff Grant</b>			
<b>Balance unspent at beginning of year</b>	24 462	24 462	24 462
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b><u>24 462</u></b>	<b><u>24 462</u></b>	<b><u>24 462</u></b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.20 Transformation Managers Grant</b>			
<b>Balance unspent at beginning of year</b>	518 040	518 040	518 040
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b><u>518 040</u></b>	<b><u>518 040</u></b>	<b><u>518 040</u></b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.21 Drought Relief Grant</b>			
<b>Balance unspent at beginning of year</b>	9 054	9 054	9 054
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b><u>9 054</u></b>	<b><u>9 054</u></b>	<b><u>9 054</u></b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.22 Sports and Recreation Programme Grant</b>			
<b>Balance unspent at beginning of year</b>	550 497	550 497	550 497
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b><u>550 497</u></b>	<b><u>550 497</u></b>	<b><u>550 497</u></b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			

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	<b>Group</b>	<b>Sisonke District Municipality</b>	<b>Sisonke District Municipality</b>
	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>22.23 Public Transport Grant</b>			
<b>Balance unspent at beginning of year</b>	66 587	66 587	66 587
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>66 587</b>	<b>66 587</b>	<b>66 587</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.24 Municipal Monitoring System Grant</b>			
<b>Balance unspent at beginning of year</b>	300 000	300 000	300 000
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>300 000</b>	<b>300 000</b>	<b>300 000</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.25 MAP Grant</b>			
<b>Balance unspent at beginning of year</b>	10 436	10 436	10 436
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>10 436</b>	<b>10 436</b>	<b>10 436</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.26 GIS Support Grant</b>			
<b>Balance unspent at beginning of year</b>	141 087	141 087	141 087
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>141 087</b>	<b>141 087</b>	<b>141 087</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.27 PMS Grant</b>			
<b>Balance unspent at beginning of year</b>	325 054	325 054	325 054
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>325 054</b>	<b>325 054</b>	<b>325 054</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.28 LED Grant</b>			
<b>Balance unspent at beginning of year</b>	518 008	518 008	518 008
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>518 008</b>	<b>518 008</b>	<b>518 008</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			

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<b>22.29 District Growth Summit CoGTA</b>			
<b>Balance unspent at beginning of year</b>	-	-	-
Current year receipts	400 000	400 000	-
Conditions met - transferred to revenue	(368 699)	(368 699)	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>31 301</b>	<b>31 301</b>	-
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2013/2014 on approval from relevant donors.			
<b>22.30 Corridor Development Grant (Hawker Stalls)</b>			
<b>Balance unspent at beginning of year</b>	-	-	704 799
Current year receipts	-	-	-
Conditions met - transferred to revenue	-	-	(704 798)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Infrastructure of Hawker Stalls in the Sisonke Municipal District.			
<b>22.31 SIHLEZA Maize Production Project (COGTA)</b>			
Balance unspent at beginning of year	482 457	482 457	1 433 710
Current year receipts	-	-	-
<b>Adjustment</b>	<b>105 456</b>	<b>105 456</b>	<b>-</b>
Conditions met -transferred to revenue	(345 500)	(345 500)	(951 252)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>242 413</b>	<b>242 413</b>	<b>482 458</b>
Grant for LED projects within the Sisonke Municipal District.			
<b>22.32 EPWP Grant</b>			
Balance unspent at beginning of year	-	-	2 250
Current year receipts	4 594 000	4 594 000	5 135 000
Conditions met transferred to revenue	(4 594 000)	(4 594 000)	(5 137 250)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>22.33 Government Experts</b>			
Balance unspent at beginning of year	725 000	725 000	725 000
Current year receipt	-	-	-
Conditions met transferred to revenue	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>725 000</b>	<b>725 000</b>	<b>725 000</b>
<b>22.34 National Treasury - Provision for Refurbishments /DWA</b>			
Balance unspent at beginning of year	-	-	-
Current year receipts	9 618 000	9 618 000	-
Conditions met transferred to revenue	(9 618 000)	(9 618 000)	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>
This grant is utilized for the refurbishment of water and sanitation infrastructure.			
<b>22.35 Massification (COGTA)</b>			
Balance unspent at beginning of year	-	-	2 568 709
Current year receipts	20 800 000	20 800 000	1 494 000
Conditions met transferred to revenue	(2 634 255)	(2 634 255)	(4 062 709)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>18 165 745</b>	<b>18 165 745</b>	<b>-</b>
This grant is utilized for the upgrade of water and sanitation infrastructure.			

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<b>22.36 Rural Transport Service &amp; Infrastructure Grant</b>			
Balancing unspent at beginning of year	-	-	-
Current year receipts	1 776 000	1 776 000	1 688 000
Conditions met transferred to revenue	(1 775 585)	(1 775 585)	(1 688 000)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>415</b>	<b>415</b>	-
This grant is utilized for rural transport services within the Sisonke Municipal District.			
<b>22.37 Signage Grant -CoGTA</b>			
Balancing unspent at beginning of year	1 472 000	1 472 000	-
Current year receipts	-	-	1 722 000
Conditions met transferred to revenue	(1 051 288)	(1 051 288)	(250 000)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>420 712</b>	<b>420 712</b>	<b>1 472 000</b>
Grant for LED projects within the Sisonke Municipal District.			
<b>22.38 Rural Bulk Infrastructure Grant</b>			
Balancing unspent at beginning of year	-	-	-
Current year receipts	301 747	301 747	13 851 383
Adjustment	396 264	396 264	-
Conditions met transferred to revenue	(24 124 365)	(24 124 365)	(13 851 383)
Conditions met transferred to debtor	23 426 355	23 426 355	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>
This grant is utilized for infrastructure of bulk water - Bulwer emergency intervention and the greater Bulwer Dam			
<b>22.39 Community Based Planning - CoGTA</b>			
Balancing unspent at beginning of year	-	-	-
Current year receipts	100 000	100 000	-
Conditions met transferred to revenue	(100 000)	(100 000)	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>
This grant is utilized for community based planning.			
<b>22.40 CoGTA - Ubuhlebezwe Grant</b>			
Balancing unspent at beginning of year	-	-	-
Current year receipts	1 376 140	1 376 140	-
Conditions met transferred to revenue	(1 376 140)	(1 376 140)	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>
This grant was utilized for repairs and maintenance of water and sanitation infrastructure.			
<b>22.41 ACIP - DWA</b>			
Balancing unspent at beginning of year	-	-	-
Current year receipts	619 926	619 926	-
Conditions met transferred to revenue	(2 015 765)	(2 015 765)	-
Conditions met transferred to debtor	1 395 839	1 395 839	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>
This grant was utilized for the refurbishment of water and sanitation infrastructure.			
<b>22.41 DEPARTMENT OF HIGHER EDUCATION AND TRAINING</b>			
Balancing unspent at beginning of year	-	-	-
Current year receipts	16 312 429	-	-
Conditions met transferred to revenue	(5 182 500)	-	-
Conditions met transferred to debtor	-	-	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>11 129 929</b>	<b>-</b>	<b>-</b>

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	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>23. EMPLOYEE RELATED COSTS</b>			
Employee related costs - Salaries and Wages	56 386 367	54 184 747	51 013 551
Travel, motor car, accommodation, subsistence and other allowances	11 003 009	10 779 946	6 193 866
Housing benefits and allowances	138 906	138 906	143 550
Overtime payments	2 527 662	2 509 385	3 702 545
Health care retirement benefit	1 840 002	1 840 002	1 384 609
Long-service awards	225 172	225 172	609 567
Social contributions - SALGBC	18 899	18 899	14 875
Social contributions - Medical Aid	2 770 733	2 770 733	2 574 703
Social contributions - Pension Fund	6 379 882	6 379 882	5 965 949
Social contributions - UIF	396 469	379 931	371 598
<b>Total Employee Related Costs</b>	<b>81 687 100</b>	<b>79 227 602</b>	<b>71 974 823</b>
<b>Remuneration of the Municipal Manager</b>			
Annual Remuneration		431 571	558 880
Travel, motor car, accommodation, subsistence and other allowances		192 719	325 169
Cellphone Allowance		10 300	18 000
Social contributions - UIF		945	1 497
Social contributions - Medical Aid		3 247	-
Social contributions - SALGBC		38	49
<b>Total Remuneration of the Municipal Manager</b>		<b>638 820</b>	<b>903 595</b>
The previous Municipal Manager contract ended on the 31 December 2012. The post was vacant for a period of five months and was subsequently filled on the 1 June 2013. The present incumbent is employed on fixed term contractual basis.			
<b>Remuneration of the Chief Finance Officer</b>			
Annual Remuneration		448 589	516 680
Travel, motor car, accommodation, subsistence and other allowances		243 908	330 195
Cellphone Allowance		11 700	11 700
Social contributions - UIF		1 315	1 123
Social contributions - Medical Aid		17 995	24 900
Social contributions - SALGBC		-	37
<b>Total Remuneration of the Chief Financial Officer</b>		<b>723 507</b>	<b>884 635</b>
The previous Chief Finance Officer contract ended on the 30 April 2012. The post was vacant for a period of five months and was subsequently filled on the 1 October 2012. The present incumbent is employed on fixed term contractual basis.			
<b>Remuneration of Executive Directors</b>			
<b>Infrastructure Services</b>			
Annual Remuneration		557 727	535 188
Travel, motor car, accommodation, subsistence and other allowances		208 595	206 213
Cellphone Allowance		15 600	15 600
Social contributions - UIF		1 689	1 497
Social contributions - SALGBC		65	49
<b>Total Remuneration of Infrastructure Services</b>		<b>783 676</b>	<b>758 548</b>
<b>Corporate Services</b>			
Annual Remuneration		355 291	411 567
Travel, motor car, accommodation, subsistence and other allowances		181 385	205 095
Cellphone Allowance		10 800	11 700
Social contributions - UIF		1 315	1 123
Social contributions - Medical Aid		13 356	-
Social contributions - SALGBC		-	37
<b>Total Remuneration of Corporate Services</b>		<b>562 146</b>	<b>629 522</b>
The previous Executive Directors Corporate Services contract ended. The post was vacant and was subsequently filled on the 1 October 2012. The present incumbent is employed on fixed term contractual basis.			

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	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
<b>Economic Services</b>		
Annual Remuneration	421 465	543 313
Travel, motor car, accommodation, subsistence and other allowances	249 330	271 997
Cellphone Allowance	14 900	15 600
Social contributions - UIF	1 540	1 497
Social contributions - Medical Aid	35 428	34 210
Social contributions - SALGBC	67	49
<b>Total Remuneration of Economic Services</b>	<b>722 730</b>	<b>866 665</b>

The previous Executive Directors Economic Services was appointed by Council as the Municipal Manager on the 1 June 2013. The post of Executive Directors Economic Services was vacant for a period of one month and is presently still vacant.

<b>Water Services</b>		
Annual Remuneration	354 993	394 476
Travel, motor car, accommodation, subsistence and other allowances	256 000	264 841
Cellphone Allowance	10 400	15 600
Social contributions - UIF	1 190	1 497
Social contributions - Pension Fund	-	59 171
Social contributions - Medical Aid	-	24 523
Social contributions - SALGBC	-	49
<b>Total Remuneration of Water Services</b>	<b>622 583</b>	<b>760 158</b>

The previous Executive Directors Water Services contract ended on the 30 June 2012. The post was vacant for a period of four months and was subsequently filled on the 1 November 2012. The present incumbent is employed on fixed term contractual basis.

<b>Operations</b>		
Annual Remuneration	-	469 476
Travel, motor car, accommodation, subsistence and other allowances	-	274 420
Cellphone Allowance	-	15 600
Social contributions - UIF	-	1 497
Social contributions - SALGBC	-	49
<b>Total Remuneration of Operations</b>	<b>-</b>	<b>761 042</b>

Included in the employee related costs are the following:

<i>Remuneration of the Chief Executive Officer - Sisonke Economic Development Agency</i>		
Annual Remuneration	747 000	
Car Allowance	-	
Other	-	
Total	<b>747 000</b>	

<i>Remuneration of the Chief Finance Officer - Sisonke Economic Development Agency</i>		
Annual Remuneration	365 867	
Car Allowance	61 054	
Other	6 000	
Contributions to UIF, Medical and Pension Funds	446	
Total	<b>433 366</b>	

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<b>24. REMUNERATION OF COUNCILLORS AND DIRECTORS FEES</b>			
Council Allowances	4 622 013	4 622 013	4 413 410
<b>Total Councillors' Remuneration</b>	<b><u>4 622 013</u></b>	<b><u>4 622 013</u></b>	<b><u>4 413 410</u></b>
<b>In-kind Benefits</b>			
The Mayor, Deputy Mayor, Speaker and Executive 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.			
<b>Annual remuneration - Mayor</b>	<b>581 088</b>	<b>581 088</b>	<b>564 899</b>
Social contributions - Pension Fund	84 160	84 160	123 158
Social contributions - Medical Aid	28 118	28 118	52 305
Social contributions - UIF	-	-	1 996
<b>Total Councillors' Remuneration</b>	<b><u>693 366</u></b>	<b><u>693 366</u></b>	<b><u>742 358</u></b>
<b>Annual remuneration - Deputy Mayor</b>	<b>495 851</b>	<b>495 851</b>	<b>474 861</b>
Social contributions - Pension Fund	53 040	53 040	89 644
Social contributions - Medical Aid	9 733	9 733	16 890
Social contributions - UIF	-	-	1 996
<b>Total Councillors' Remuneration</b>	<b><u>558 624</u></b>	<b><u>558 624</u></b>	<b><u>583 392</u></b>
<b>Annual remuneration - Speaker</b>	<b>504 248</b>	<b>504 248</b>	<b>466 695</b>
Social contributions - Pension Fund	54 299	54 299	91 785
Social contributions - Medical Aid	-	-	-
Social contributions - UIF	-	-	1 996
<b>Total Councillors' Remuneration</b>	<b><u>558 547</u></b>	<b><u>558 547</u></b>	<b><u>560 476</u></b>
<b>Annual remuneration - Executive Committee</b>	<b>1 389 278</b>	<b>1 389 278</b>	<b>1 326 032</b>
Social contributions - Pension Fund	165 008	165 008	308 796
Social contributions - Medical Aid	20 504	20 504	32 814
Social contributions - UIF	-	-	5 989
<b>Total Councillors' Remuneration</b>	<b><u>1 574 789</u></b>	<b><u>1 574 789</u></b>	<b><u>1 673 631</u></b>
<b>Annual remuneration - Councillors</b>	<b>1 236 687</b>	<b>1 236 687</b>	<b>853 552</b>
<b>Total Councillors' Remuneration</b>	<b><u>1 236 687</u></b>	<b><u>1 236 687</u></b>	<b><u>853 552</u></b>
<b>REMUNERATION OF BOARD MEMBERS</b>			
Attendance fees at meetings:			
JP KHOZA - Chairman	97 917		
Z W NDAMASE	60 840		
N C ZUNGU	40 010		
SZF SITHOLE	33 918		
P HAYTER	76 608		
J BREDIN (resigned on 13 June 2013)	37 380		
<b>TOTAL REMUNERATION OF BOARD MEMBERS</b>	<b><u>346 673</u></b>		
<b>25. DEPRECIATION AND AMORTISATION EXPENSE</b>			
Property, plant and equipment	23 186 922	23 165 631	17 666 947
Amortisation charges	248 678	244 325	191 756
<b>Total Depreciation and Amortisation</b>	<b><u>23 435 600</u></b>	<b><u>23 409 956</u></b>	<b><u>17 858 703</u></b>

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	<b>R</b>	<b>R</b>	<b>R</b>
<b>26.1 GENERAL EXPENSES</b>			
<b><u>Included in general expenses are the following:-</u></b>			
Advertising	1 110 561	1 005 700	750 336
Annual Report	244 342	244 342	224 269
Audit Fees	1 803 931	1 793 030	1 572 644
Assessment of Status Quo and Training	150 000	150 000	-
By Laws	-	-	362 526
Bursaries - Staff	106 812	106 812	-
Book and Publications	86 171	86 171	-
Bank Charges	81 347	75 114	-
Communication and Public Relations	24 468	24 468	324 592
Computer Licences Financial Systems	326 248	326 248	288 970
Conferences and Seminars	914 251	883 986	1 600 064
Career Exhibitions and Guidance	44 800	44 800	-
Cultural Games	193 600	193 600	500 483
Corporate Materials	141 807	141 807	-
Cuba Bursaries	180 000	180 000	-
Departmental Electricity Consumption	364 200	364 200	338 003
Disability Awareness	100 000	100 000	368 008
Disaster Management	1 120 037	1 120 037	1 803 560
District Information Management System	96 480	96 480	-
District Name Change	80 013	80 013	-
Experiential Learning	187 000	187 000	306 960
Emergency Sewer Intervention	1 813 319	1 813 319	-
Emergency Water Intervention	2 238 496	2 238 496	-
Employee PMS	128 408	128 408	-
Fuel and Oil	3 877 225	3 877 225	3 789 576
Functions	458 970	458 970	1 063 877
Indigenous Game	79 745	79 745	470 218
Insurance	681 776	681 776	808 201
Kwanalogo Games	4 687 103	4 687 103	4 105 940
Marketing and Branding	107 269	107 269	854 634
Marketing of SDM Products	169 213	169 213	-
Office Refreshment	98 142	98 142	-
Printing and Stationery	1 510 198	1 435 911	2 799 149
Promotional Material	116 039	116 039	378 786
Penalties	462 322	462 322	-
Protective Clothing and Uniforms	135 539	135 539	651 237
Publication of Newsletter	390 114	390 114	-
Planning and Property Conference	130 320	130 320	-
Project Plan - Doonybrook	231 531	231 531	-
Project Plan - Creighton	231 531	231 531	-
Refreshments Meetings	124 306	118 915	288 270
Rental Offices	1 165 245	1 165 245	736 367
Rental Plant	203 007	203 007	2 770 525
Rental Vehicles	1 451 578	1 451 578	1 390 198
Rural Horse Riding	569 401	569 401	481 105
Review and Implement the Framework	99 543	99 543	-
Skills Development Levy	762 194	762 194	656 810
Sports Development in Local Municipalities	141 011	141 011	767 777
Strategic Planning/Team Building	38 495	38 495	497 856
Subsistence and Travelling	1 308 079	1 116 704	2 025 637
Salga Fees	645 976	645 976	-
Staff Replacement and Reallocation Costs	141 979	141 979	-
LED Sisonke District Development Agency	-	-	16 205 956
Telephone and Faxes	3 243 334	3 229 090	3 102 083
Tracker	67 763	67 763	-
Mayoral Imbizo	-	-	692 269
Mayoral Cup	149 960	149 960	-
Training	368 104	368 104	968 731
Travelling and Accommodation	143 392	38 375	504 119
Water Monitors	6 046 913	6 046 913	3 582 317
Website Management	83 658	83 658	-
Water Schemes Electricity	6 365 492	6 365 492	5 258 015
Water Schemes Fuel	529 939	529 939	568 601
Winter Games	-	-	393 772
Water Conservation and Demand Management	2 208 304	2 208 304	-
Woman's Day Celebration	309 619	309 619	-
Water Resource Strategy - Sunsfild	235 195	235 195	-
Workshop and Sessions	132 891	132 891	-
Other	1 462 701	1 163 881	2 368 103
<b>Total General Expenses</b>	<b>52 901 406</b>	<b>52 060 012</b>	<b>66 620 547</b>

The comparatives of 2011/2012 have been restated, refer (Note 46.7)



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	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>26.2 GENERAL EXPENSES - COMMUNITY PARTICIAPATION</b>			
Awareness Campaigns	119 326	119 326	-
Bursaries - Community	278 320	278 320	484 431
Ceremonial Activities	-	-	307 078
Cleaning Campaign	143 331	143 331	-
IDP Review	820 495	820 495	-
Mayoral Izimbizo	1 061 002	1 061 002	1 663 710
Mayoral Slots	268 732	268 732	551 439
Nyusi Volume	707 200	707 200	570 175
Other	250 311	250 311	1 048 955
	<b>3 648 718</b>	<b>3 648 718</b>	<b>4 625 788</b>
<b>26.3 GENERAL EXPENSES - CONTRACTED SERVICES</b>			
Contracted services for:			
AG's Report: Implement of recommendation	-	-	2 794 639
Annual financial statements	1 237 034	1 237 034	1 148 225
Assessment of asset register	568 609	568 609	2 064 465
Budget Preparation	-	-	955 380
Bulwer Detailed Plan	316 850	316 850	-
Credit Control Strategy	-	-	316 399
Employee Wellness Programme	80 218	80 218	-
IGR	258 151	258 151	-
Stokfela Access Road	-	-	1 192 297
Access Roads to Voting Stations	-	-	999 562
Gateway Project	-	-	432 899
GIS Upgrade	115 844	115 844	317 577
Implementation of HIV/AIDS programmes	527 366	527 366	1 444 562
Kokstad Detailed Plan	-	-	424 748
Legal Fees	702 816	702 816	986 041
Management and Technical Support	-	-	1 654 950
MFMA Capacity Building Programme	871 284	871 284	716 316
MFMA Reporting Compliance	-	-	1 843 652
Policies and Reviews	-	-	350 221
Project Plan Detailed Design	1 073 984	1 073 984	1 443 166
Project Plan Design and Contract - Water	-	-	1 359 249
PMS/SDBIP Review	99 568	99 568	-
PMU Technical Support	1 463 513	1 463 513	-
Quantify the percentage of Water Losses	336 054	336 054	750 151
SCM Monitoring	148 632	148 632	-
Office Cleaning	271 962	271 962	-
Rental of Office Equipment	1 197 083	1 197 083	1 209 363
Revenue Enhancement Strategy Review	-	-	817 815
Risk Management and Strategy Audit Assignment	279 828	279 828	932 980
Security services	6 382 738	6 382 738	5 003 999
Shared Services	-	-	441 701
Strategic Environment Assessment	196 326	196 326	-
Support to Emerging Farmers	121 394	121 394	1 365 538
VAT Consultant	2 462 765	2 462 765	4 137 145
Water Quality Monitoring	1 173 824	1 173 824	1 184 988
Systems and Admin Support	2 712 988	2 712 988	-
Umngeni Farm Detailed Plan	188 455	188 455	-
LED Summit	228 300	-	-
Land Summit	242 750	-	-
Trade & Investment Strategy	196 990	-	-
Business Plan for Vuk'uyibambe Work Readiness	66 320	-	-
SDA Strategy Plan	103 010	-	-
Data Gathering	12 000	-	-
Amanguni cattle storage	45 900	-	-
Design for Irrigation System, Equipment & Labour	76 664	-	-
Corporate Identity and development of SDA website	192 009	-	-
Silo Evaluation	17 898	-	-
High Pressure Cleaning of Block A	139 915	-	-
Registration of Co-Operatives	190 000	-	-
Sisonke Agri-Park Concept Design and Development	159 875	-	-
Development of a comprehensive Agri-business Plan	197 991	-	-
Facilitation and Registration of ten Co-Operatives	181 000	-	-
Fencing-Koki Project	17 721	-	-
Business attraction,retention and expansion(B.A.R.E) Strategy	196 875	-	-
Soil test for Tunnels	1 682	-	-
Investment Facilitation	50 000	-	-
Tourism Indaba	34 200	-	-
Land Summit keynote speaker	36 098	-	-
Fencing	177 213	-	-
Programme Co-ordination and Project Management	94 164	-	-
Verification of Co-operatives	150 000	-	-
Tourism PMB Royal Show	23 643	-	-
Other Expenditure	1 110 708	388 110	4 994 721
<b>Total Contracted Services</b>	<b>26 730 211</b>	<b>23 175 395</b>	<b>41 282 747</b>

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	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>27 GRANTS AND SUBSIDIES PAID</b>			
Grant/subsidy to Sisonke Economic Development Agency (PTY) LTD	-	7 489 943	-
Total Grant/subsidy to Sisonke Economic Development Agency (PTY) LTD	<u>-</u>	<u>7 489 943</u>	<u>-</u>
Grants and subsidies paid to the entity of Sisonke District Municipality			
<b>28. CONTRIBUTION TO LEAVE PAY PROVISION</b>			
Contribution to Leave	2 578 094	2 425 527	1 671 577
Total Contribution to Leave	<u>2 578 094</u>	<u>2 425 527</u>	<u>1 671 577</u>
<b>29. BULK PURCHASES</b>			
Water	9 709 726	9 709 726	8 217 546
<b>Total Bulk Purchases</b>	<u>9 709 726</u>	<u>9 709 726</u>	<u>8 217 546</u>
The comparatives of 2011/2012 have been restated, refer (Note 46.4)			
<b>30. OPERATING GRANT EXPENDITURE</b>			
Financial Management Grant	1 250 000	1 250 000	261 411
Municipal System Improvement Grant	927 505	927 505	795 588
LG Seta	381 276	381 276	264 091
EPWP Grant	-	-	254 219
Inter Governmental Grant	46 673	46 673	141 600
Rural Transport Infrastructure Grant	1 557 924	1 557 924	1 481 007
Hawker Stalls Corridor Development Grant - CoGTA	-	-	669 067
Sihleza Maize Production - CoGTA	345 500	345 500	951 253
Municipal Infrastructure Grant	58 945 273	58 945 273	25 799 578
CoGTA Umzimkhulu Grant	4 789 188	4 789 188	11 108 881
Water Service Subsidy	-	-	116 592
Planning and Shared Service Grant - CoGTA	448 784	448 784	-
District Growth Development Summit Grant - CoGTA	368 699	368 699	-
Signage Grant - CoGTA	1 051 289	1 051 289	-
Ubuhlebezwe - CoGTA	1 376 140	1 376 140	-
Community Based Planning CoGTA	100 000	100 000	-
Departmental of Higher Education and Training	4 546 053	-	-
<b>Total Operating Grant Expenditure</b>	<u>76 134 304</u>	<u>71 588 251</u>	<u>41 843 288</u>
<b>31. COLLECTION COST</b>			
Commission on collection	3 354 454	3 354 454	3 293 352
<b>Total Collection cost</b>	<u>3 354 454</u>	<u>3 354 454</u>	<u>3 293 352</u>
<b>32. FINANCE COSTS</b>			
Interest on external borrowings	3 793 245	3 791 790	3 972 107
<b>Total Interest</b>	<u>3 793 245</u>	<u>3 791 790</u>	<u>3 972 107</u>
<b>33. REPAIRS AND MAINTENANCE</b>			
<b><u>Included in repairs and maintenance are the following:-</u></b>			
Maintenance Sanitation Infrastructure	5 601 276	5 601 276	9 339 943
Maintenance Water Infrastructure	8 760 645	8 760 645	9 539 535
Office Building Repairs and Maintenance	1 192 252	756 066	2 182 639
Operations Water and Sanitation Plants Infrastructure	15 151 829	15 151 829	10 479 501
Pump and Equipment Repairs and Maintenance	3 562 093	3 562 093	-
Other	197 452	194 152	1 361 830
<b>Total Repairs and Maintenance</b>	<u>34 465 546</u>	<u>34 026 060</u>	<u>32 903 448</u>
<b>34.1 LOSS ON DISPOSAL OF ASSETS</b>			
Property, plant and equipment	137 537	137 537	33 465 357
<b>Total Loss on Disposal of Assets</b>	<u>137 537</u>	<u>137 537</u>	<u>33 465 357</u>

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	Group 2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
<b>34.2 LOSS ON FAIR VALUE ADJUSTMENT</b>			
Fair value adjustment - Refer note 8.1	23 933 041	23 933 041	-
<b>Total of Fair Value Adjustment</b>	<b>23 933 041</b>	<b>23 933 041</b>	<b>-</b>
<b>34.3 Impairment Costs</b>			
Impairment of assets - Refer note 8.1	129 284	129 284	4 772 600
<b>Total Impairment Costs</b>	<b>129 284</b>	<b>129 284</b>	<b>4 772 600</b>
<b>35. CASH GENERATED BY OPERATIONS</b>			
Surplus for the year	146 610 173	146 291 915	104 595 599
<b>Adjustment for:-</b>			
Depreciation and amortization	23 435 600	23 409 956	17 858 703
Depreciation on disposals	-	-	-
(Gain) Loss on sale of assets	24 070 579	24 070 579	33 465 357
Other changes	-	-	-
Increase in provisions	2 578 093	2 425 526	983 777
Assets not previously recognized	(3 693 568)	(3 693 568)	(20 480 321)
Impairment costs	129 284	129 284	4 772 600
Provision to non-current provisions - Health care retirement	1 840 002	1 840 002	1 384 610
Provision to non-current provisions - long service awards	225 172	225 172	416 633
Provision for bad debts - Capital portion	15 023 138	15 023 138	10 735 013
Provision for bad debts - Vat portion	2 095 614	2 095 614	6 979 150
Other non-cash transactions	(398 306)	(398 306)	(1 012 974)
<b>Operating surplus before working capital changes</b>	<b>211 915 781</b>	<b>211 419 312</b>	<b>159 698 147</b>
(Increase) in inventories	(149 153)	(149 153)	(61 267)
(Increase) in receivables	(19 659 616)	(19 659 616)	(14 588 346)
Increase/(decrease) in conditional grants and receipts	9 153 715	(1 976 214)	(15 112 036)
Increase/(decrease) in trade payables	40 599 897	40 169 316	(4 986 875)
Increase in consumer deposits	128 510	128 510	94 425
(Increase) in vat	(6 074 051)	(6 108 363)	(5 372 470)
(Increase) in investments	-	(100)	-
(Increase)/Decrease in other debtors	(38 400 543)	(38 375 551)	-
<b>Cash generated by operations</b>	<b>197 514 540</b>	<b>185 448 141</b>	<b>119 671 578</b>
<b>36. CASH AND CASH EQUIVALENTS</b>			
<b>Cash and cash equivalents included in the cash flow statement comprise the following:</b>			
Bank balances and cash	1 631 386	897 148	1 146 201
Call investments	30 444 724	19 288 850	2 393 241
<b>Net cash and cash equivalents</b>	<b>32 076 111</b>	<b>20 185 998</b>	<b>3 539 442</b>
<b>37. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>			
<b>37.1 Contributions to organised local government</b>			
Opening balance	-	-	-
Council subscriptions	22 773	22 773	14 932
Amount paid - current	(22 773)	(22 773)	(14 932)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>37.2 Audit fees</b>			
Opening balance	-	-	-
Current year audit fee	1 803 931	1 793 030	1 572 644
Amount paid - current year	(1 793 030)	(1 793 030)	(1 572 644)
<b>Balance unpaid (included in payables)</b>	<b>10 901</b>	<b>-</b>	<b>-</b>
<b>37.3 VAT</b>			
VAT input receivables and VAT output payables are shown in note 8. All VAT returns have been submitted by the due date throughout the year.			
<b>37.4 PAYE and UIF</b>			
Opening balance	-	-	-
Current year payroll deductions	12 183 936	11 905 115	11 252 126
Amount paid - current year	(11 905 115)	(11 905 115)	(11 252 126)
<b>Balance unpaid (included in payables)</b>	<b>278 821</b>	<b>-</b>	<b>-</b>
<b>37.5 Pension and Medical Aid Deductions</b>			
Opening balance	-	-	-
Current year payroll deductions and Council Contributions	16 070 502	16 070 502	12 935 630
Amount paid - current year	(16 070 502)	(16 070 502)	(12 935 630)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>37.6 Supply Chain Management Deviations</b>			
Supply Chain Management Deviations	956 419	956 419	-
<b>Total Supply Chain Management Deviations</b>	<b>956 419</b>	<b>956 419</b>	<b>-</b>
Refer to deviation register 2012/2013 for more detail.			
Section 36 deviations transferred to Irregular Expenditure			
<b>37.7 Material Losses Incurred</b>			
Water Losses	1 794 593	1 794 593	1 531 489
<b>Total Water distribution losses</b>	<b>1 794 593</b>	<b>1 794 593</b>	<b>1 531 489</b>
The water loss estimation of 40.05% is an estimation of the water loss based on previous experiences and status quo of the water systems within the district.			
<b>38. CAPITAL COMMITMENTS</b>			
<b>38.1 Commitments in respect of capital expenditure</b>			
<b>- Approved and contracted for</b>	<b>302 814 879</b>	<b>302 814 879</b>	<b>48 012 775</b>
Infrastructure	302 814 879	302 814 879	48 012 775
Community	-	-	-
Other	-	-	-
<b>- Approved but not yet contracted for</b>	<b>76 441 685</b>	<b>76 441 685</b>	<b>132 037 330</b>
Infrastructure	44 289 122	44 289 122	121 536 738
Community	21 132 057	21 132 057	800 000
Other	11 020 506	11 020 506	9 700 592
<b>Total</b>	<b>379 256 564</b>	<b>379 256 564</b>	<b>180 050 105</b>
This expenditure will be financed from:			
- External Loans	-	-	-
- Government Grants	379 256 564	379 256 564	180 050 105
- Own resources	-	-	-
	<b>379 256 564</b>	<b>379 256 564</b>	<b>180 050 105</b>
<b>38.2 Operating leases</b>			
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:			
<b>Operating leases - lessee</b>			
Within one year	286 696	286 696	563 994
In the second to fifth year inclusive	232 320	232 320	197 468
<b>Total Operating Leases</b>	<b>519 016</b>	<b>519 016</b>	<b>761 462</b>
Operating Leases consists of the following:			
Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.			

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**39. RETIREMENT BENEFITS**

**Pension benefits**

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

**Superannuation**

The interim valuation carried out on the Superannuation Fund as at 31 March 2011 reflected:

The memorandum account in respect of pensioners was fully funded. The required contribution rate for active members exceeded the contribution rate payable by 3.36% of pensionable salaries thus necessitating a contribution increase from 18% to 21.63% of pensionable salaries to fund the shortfall in contributions. The deficit in the fund, as at 31 March 2011, in respect of active members, amounted to R549.5m (discounted cashflow method). This deficit has increased since the last valuation date and has thus necessitated an increase in the surcharge from 7% to 9.5% for a period of 8 years from July 2012.

The interim valuation carried out on the Superannuation Fund as at 31 March 2012 reflected:

The memorandum account in respect of pensioners was fully funded. The required contribution rate for active members exceeded the contribution rate payable by 0.22% of pensionable salaries. It is recommended that local authorities continue to pay the current contribution rate of 21.63% of pensionable salaries. The deficit in the fund, as at 31 March 2012, in respect of active members, amounted to R270.0m (discounted cashflow method). This deficit has decreased since the last valuation date. In terms of the scheme, a surcharge of 9.5% of pensionable salaries is payable for a period of 8 years with effect from 1 July 2012.

**Provident Fund**

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2009 and the interim valuation as at 31 March 2010 revealed that the fund was in a sound financial position.

**Retirement Fund**

The interim valuation carried out on the Retirement Fund as at 31 March 2010 reflected:

The memorandum account in respect of pensioners was fully funded on the discounted cash flow method. The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17% of pensionable emoluments by 2015.

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2012 reflected:

The memorandum account in respect of pensioners was fully funded on the discounted cash flow method. The Funds assets for the contributory members exceeded the value of the liabilities and reserves. The fund was in a sound financial condition as at 31 March 2012

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	Group 2013 R	Sisonke District Municipality 2013 R	Sisonke District Municipality 2012 R
<b>40. CONTINGENT LIABILITY</b>			
<b>40.1 Eskom</b>			
Eskom Guarantee	200 000	200 000	200 000
<b>Total Contingent Liability</b>	<b>200 000</b>	<b>200 000</b>	<b>200 000</b>
<b>40.2 Other Contingent Liability</b>			
Council is awaiting the outcome of the following Civil Claim and Employee Disciplinary actions.:			
<b>The natures of claims as defendant are as follows:</b>			
Advertising costs	32 134	32 134	32 134
Damages to private vehicle	163 089	163 089	-
Personnel costs	100 000	100 000	100 000
Personnel costs	259 684	259 684	259 684
<b>Total Other Contingent Liability as Defendant</b>	<b>554 907</b>	<b>554 907</b>	<b>391 818</b>
<b>The natures of claims as plaintiff are as follows:</b>			
Civil Claims - Infrastructure	2 000 000	2 000 000	2 000 000
<b>Total Other Contingent Liability as Plaintiff</b>	<b>2 000 000</b>	<b>2 000 000</b>	<b>2 000 000</b>
<b>40.3 Trade and other payables from exchange transactions</b>			
Bhungane Built Environment	1 667 686	1 667 686	-
Norton Rose South Africa	60 820	60 820	-
Matatiele Local Municipality	2 941 249	2 941 249	-
J Leslie Smith & Company Inc.	113 197	113 197	-
<b>Total Contingent Liability from Trade and other payables from exchange transactions</b>	<b>4 782 952</b>	<b>4 782 952</b>	<b>-</b>
<b>40.4 Other Contingent Liability</b>			
Application has been made to the MEC for approval of the Remuneration of the Public Office Bearers, Act No. 20 of 1998 for the financial period 2011/2012. This is in accordance with the terms of grading system prescribed in the Annual Gazette on the determination of the upper limits of salaries, allowances and benefits of different members of the Municipal Council.		-	437 591
Should approval be granted the effect date of implementation of the said application will be 1 July 2011 resulting in a liability of R437 591 in respect of Councillors Allowances. Upon approval from the MEC council will adjust the 2012/2013 Medium-Term Revenue and Expenditure Framework accordingly, via a section 28 adjustment budget of the Municipal Finance Management Act No. 56 of 2003.	-	-	<b>437 591</b>
<b>41. COMPARISON WITH THE BUDGET</b>			
The comparison of the Municipality's actual financial performance with the budget is set out in the Budget Statement.			

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**42. FINANCIAL INSTRUMENTS**

**Financial Risk Management Objectives**

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk

faced by business entities. The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk.

The use of financial derivatives is governed by municipalities policies approved by the Council, which provides written principles on interest rate risks, credit risks, the use of financial derivatives and non-derivatives financial instruments, and the investments of excess liquidity. The municipalities does not enter into or trade financial instruments, including derivatives financial instruments, for speculative purposes.

**42.1 Maximum credit risk exposure**

Credit rate risk consist 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

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevent financial instruments is as follows (domestic exposure only)

	2013 R	Sisonke District Municipality	Sisonke District Municipality
		2013 R	2012 R
Investments	-	-	-
Cash and Cash Equivalents	32 076 111	20 185 998	3 539 442
interest rate swaps	-	-	-
Financial guarantees	-	-	-
Trade and other receivables	44 138 857	44 113 865	3 197 449
<b>Maximum Credit Exposure</b>	<b>76 214 967</b>	<b>64 299 862</b>	<b>6 736 891</b>

**42.2 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 on-going review of future commitments and credit facilities

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

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 undiscovered cash flows.

	2013	Group			
		1 month or less	> 12 months	1 month or less	> 12 months
Gross finance lease obligations		1 721 551	2 105 158	1 697 816	2 088 618
Long Term Borrowings		3 297 062	25 595 948	3 297 062	25 595 948
Trade and other payables		-	-	97 208 869	-
		<b>Sisonke District Municipality</b>			
	2013	1 month or less	> 12 months	1 month or less	> 12 months
Gross finance lease obligations		1 697 816	2 088 618	1 697 816	2 088 618
Long Term Borrowings		3 297 062	25 595 948	3 297 062	25 595 948
Trade and other payables		-	-	85 614 047	-
	2012			1 month or less	> 12 months
Gross finance lease obligations				1 578 104	3 279 689
Long Term Borrowings				68 521 787	-
Trade and other payables				3 332 905	28 842 322

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	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>

**43.3 Interest rate risk**

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

At year end, financial instruments exposed to interest rate risk were as follows:

	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Call deposits	19 288 850	19 288 850	2 393 241
Investment deposits	-	-	-
Bank balances and cash	897 148	897 148	1 146 201
DBSA loan	2 883 928	2 883 928	4 190 101
ABSA loan	<u>26 009 082</u>	<u>26 009 082</u>	<u>27 985 126</u>
<b>Maximum Interest exposure</b>	<b><u>49 079 008</u></b>	<b><u>49 079 008</u></b>	<b><u>35 714 669</u></b>

**43.4 Other price risk**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments



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	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>			
<b>44.1 Unauthorised expenditure</b>			
Reconciliation of unauthorised expenditure			
Opening balance	35 272 034	35 272 034	74 542 794
Unauthorised expenditure current year	55 897 011	55 882 899	35 272 034
Approved by Council or condoned	(35 272 034)	(35 272 034)	(74 542 794)
Transfer to receivables for recovery	-	-	-
Unauthorised expenditure awaiting condonement	<u>55 897 011</u>	<u>55 882 899</u>	<u>35 272 034</u>
The Unauthorised expenditure amounting to R35 272 034 for 2011/2012 was investigated and has been authorised.			
<b>44.2 Fruitless and wasteful expenditure</b>			
Reconciliation of fruitless and wasteful expenditure			
Opening balance	23 322	23 322	3 237 581
Fruitless and wasteful expenditure current year	479 787	479 787	23 322
Condoned or written off by Council	(23 322)	(23 322)	(3 237 581)
To be recovered – contingent asset	-	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>479 787</u>	<u>479 787</u>	<u>23 322</u>
The Fruitless and wasteful expenditure amounting to R23 322 for 2011/2012 was investigated and has been condoned.			
The Fruitless and wasteful expenditure amounting to R462 322 for 2012/2013 is being investigated and awaiting condonement.			
<b>44.3 Irregular expenditure</b>			
Reconciliation of irregular expenditure			
Opening balance	360 569 073	360 569 073	321 703 154
Irregular expenditure current year	247 304 698	247 304 698	200 216 353
Condoned or written off by Council	(360 569 073)	(360 569 073)	(321 703 154)
Restated after investigation	-	-	160 352 720
Irregular expenditure awaiting condonement	<u>247 304 698</u>	<u>247 304 698</u>	<u>360 569 073</u>
The remaining Irregular expenditure amounting to R200 216 353 315 for 2011/2012 has being investigated and has been condoned.			
The comparatives of 2011/2012 have been restated, with an amount of R 160 352 720			
<b>45. SUBSEQUENT EVENTS</b>			
There are no subsequent events to report on after the reporting date.			

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

Sisonke District  
Municipality  
2013  
R

**46. CORRECTION OF ERROR**

Correction of errors pertain to Sisonke District Municipality only as it is the entity's 1st year of trading.

The comparatives of 2011/2012 have been restated in respect of the following errors:

**46.1 Property, Plant and Equipment**

**2013**

Property, Plant and Equipment as previously reported

**977 662 312**

Infrastructure assets previously not recognised as Property, Plant and Equipment -

Farm A - Umzimkhulu borehole

307 461

Infrastructure assets previously not recognised as Property, Plant and Equipment -

Farm A - Umzimkhulu borehole

112 132

Infrastructure assets previously not recognised as Property, Plant and Equipment -

Farm A - Umzimkhulu borehole

19 100

Infrastructure assets previously not recognised as Property, Plant and Equipment -

Mziki Agri - Highflats borehole

44 851

Infrastructure assets previously not recognised as Property, Plant and Equipment -

Mziki Agri - Highflats borehole

314 165

Infrastructure assets previously not recognised as Property, Plant and Equipment -

Riverside - Borehole

75 539

Infrastructure assets previously not recognised as Property, Plant and Equipment -

Umzimkhulu emerg intervention

375 802

Infrastructure assets previously not recognised as Property, Plant and Equipment -

Mambulwini Access Road

971 157

Infrastructure assets previously not recognised as Property, Plant and Equipment -

Water packaging plants

466 557

Infrastructure assets previously not recognised as Property, Plant and Equipment -

LM & other not trans in 2012/2013

33 525 117

Property, Plant and Equipment restated 30 June 2012

**1 013 874 192**

**46.2 VAT receivable**

VAT receivable as previously reported

**9 949 988**

Vat Review 2010/2011 Disallowed by SARS

(1 207 361)

Vat Review 2011/2012 Disallowed by SARS

(34 466)

VAT receivable restated 30 June 2012

**8 708 160**

**46.3 Service charges**

Service charges as previously reported

**36 570 497**

Adjustments on billing 2011/2012

(321 501)

Service charges restated 30 June 2012

**36 248 996**

**46.4 Bulk purchases**

Bulk purchases as previously reported

**7 712 971**

Bulk purchases not accrued in 2011/2012

504 575

Bulk purchases restated 30 June 2012

**8 217 546**

**46.5 Trade and other receivables from exchange transactions**

Trade and other receivables from exchange transactions as previously reported

**3 518 950**

Adjustments on billing 2011/2012

(321 501)

Trade and other receivables from exchange transactions restated 30 June 2012

**3 197 449**

**46.6 Trade and other payables from exchange transactions**

Trade and other payables from exchange transactions as previously reported

**30 532 910**

Orders not for filled in 2011/2012

(193 473)

Bulk purchases not accrued in 2011/2012

(504 575)

Trade and other payables from exchange transactions restated 30 June 2012

**29 834 862**

**46.7 General expenses**

General expenses as previously reported

**66 779 554**

Orders not for filled in 2011/2012

(193 473)

Vat Review 2011/2012 Disallowed by SARS

34 466

General expenses restated 30 June 2012

**66 620 547**

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**47. GOING CONCERN**

*The Sisonke District Municipality has been experiencing working capital management challenges largely posed by its inability to maximize debt collection which would result in healthier cash flows. The liquidity position of the Municipality though still unsatisfactory reflects improvement over the past three years with the reporting period included at 0.57:1 ratio.*

The Municipality each year; in terms of Division of Revenue Act; receives considerable funding through equitable share for largely operating budget and Municipal Infrastructure grant for providing water and sanitation infrastructure development so as to provide basic services. In a effort to reduce the current liabilities the municipality has; in its 2013/2014 budget; provided for the projects the conditional grants of which were used on other programmes unrelated to the grant. Systems of internal controls have been established in order to appropriately manage the employment of conditional grants.

As a consequence, the Council believes that the Municipality is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Council have a reasonable expectation that the municipality has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

**48. RELATED PARTIES**

Controlled Entities

The municipality controls the following reporting entity:

Sisonke Development Agency:

Sisonke District Municipality has 100% shareholding in Sisonke Development Agency. Sisonke Development Agency is a registered (PTY) Ltd company in terms of the Company Act.

**Related Party Transactions**

During the reporting period Sisonke District Municipality has transferred R 7,489,942 to Sisonke Economic Development Agency (Pty) Ltd. The transfer has been off-set as per note 49.

**49. CONSOLIDATION AND COMPARATIVES**

The financial statements of Sisonke District Municipality and Sisonke Economic Development Agency (Pty) Ltd have been prepared separately and the 2013 figures have been aggregated in this consolidation. Inter entity balances have been eliminated.

Sisonke Economic Development Agency (Pty) Ltd commenced operations in July 2012. The comparative information is thus that of Sisonke District Municipality only.

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**APPENDIX B**  
**CONSOLIDATED SCHEDULE OF EXTERNAL LOANS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

EXTERNAL LOANS	Interest rate	Loan number	Redeemable Date	Balance at 1 July 12	Received during the year	Interest capitalized during the period	Interest paid during the period	Payment made during the period	Balance 30 June 2013	Carrying Value of Property, Plant & Equipment
				R			R	R	R	R
LONG-TERM LOANS										
<b>ANNUITY LOAN</b>										
Development Bank of SA	10.88%	5	2013/12/31	682 702	-	-	100 004	542 688	240 018	240 018
Development Bank of SA	17.10%	2	2015/09/30	3 507 399	-	-	349 311	1 212 801	2 643 909	2 643 909
Absa Bank	10.72%	1	2021/06/30	27 985 126	-	-	2 949 481	4 925 525	26 009 082	26 009 082
<b>TOTAL EXTERNAL LOANS</b>				<b>32 175 227</b>	<b>-</b>	<b>-</b>	<b>3 398 796</b>	<b>6 681 014</b>	<b>28 893 009</b>	<b>28 893 009</b>

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**

**APPENDIX C**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

FOR THE ENDED 30 JUNE 2013

	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value	
	Opening Balance	Change in Accounting Policy Revaluation adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Change in Accounting Policy Revaluation adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R	R	R				R
Land	5 146 800	-	-	-	-	5 146 800	-	-	-	-	-	-	-	-	-	5 146 800
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Land</b>	<b>5 146 800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 146 800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 146 800</b>
Buildings	13 885 673	-	351 268	-	-	14 236 941	(2 250 930)	-	(463 541)	-	-	(2 714 471)	-	-	-	11 522 470
<b>Infrastructure</b>																
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Services	20 932 220	-	3 552 500	-	-	24 484 720	(3 418 899)	-	(1 392 033)	-	-	(4 810 932)	-	-	-	19 673 788
Sanitation Services	692 055 357	-	46 960 760	-	-	739 016 117	(164 041 434)	-	(17 910 299)	-	-	(181 951 733)	-	-	-	557 064 384
Technical Services	15 241 003	-	4 709 419	-	-	19 950 422	(3 958 566)	-	(1 089 701)	-	-	(5 048 267)	-	-	-	14 902 155
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress SDM	409 881 459	-	83 038 176	-	-	492 919 634	-	-	-	-	-	-	-	-	-	492 919 634
Work in progress LM and Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>1 138 110 038</b>	<b>-</b>	<b>138 260 854</b>	<b>-</b>	<b>-</b>	<b>1 276 370 892</b>	<b>(171 418 899)</b>	<b>-</b>	<b>(20 392 033)</b>	<b>-</b>	<b>-</b>	<b>(191 810 932)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 084 559 960</b>
<b>Community Assets</b>																
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	427 523	-	26 384 854	(26 433 042)	-	379 335	(69 811)	-	(39 666)	-	-	(109 477)	-	-	-	269 858
Work in progress SDM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress LM and Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>427 523</b>	<b>-</b>	<b>26 384 854</b>	<b>(26 433 042)</b>	<b>-</b>	<b>379 335</b>	<b>(69 811)</b>	<b>-</b>	<b>(39 666)</b>	<b>-</b>	<b>-</b>	<b>(109 477)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>269 858</b>
<b>Heritage Assets</b>																
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total carried forward</b>	<b>1 157 570 034</b>	<b>-</b>	<b>164 996 977</b>	<b>(26 433 042)</b>	<b>-</b>	<b>1 296 133 968</b>	<b>(173 739 640)</b>	<b>-</b>	<b>(20 895 240)</b>	<b>-</b>	<b>-</b>	<b>(194 634 880)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 101 499 088</b>

**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**

**APPENDIX C**

**UNAUDITED**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

**FOR THE ENDED 30 JUNE 2013**

	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Revaluation adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Revaluation adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R			
<b>Total brought forward</b>	<b>1 157 570 034</b>	<b>-</b>	<b>164 996 977</b>	<b>(26 433 042)</b>	<b>-</b>	<b>1 296 133 968</b>	<b>(173 739 640)</b>	<b>-</b>	<b>(20 895 240)</b>	<b>-</b>	<b>-</b>	<b>(194 634 880)</b>	<b>-</b>	<b>-</b>	<b>1 101 499 088</b>
<b>Other Assets</b>															
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	4 529 306	-	111 301	-	-	4 640 607	(3 346 110)	-	(281 747)	-	-	(3 627 857)	-	-	1 012 750
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	6 951 297	-	-	-	-	6 951 297	(5 475 428)	-	(350 302)	-	-	(5 825 730)	-	-	1 125 567
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1 743 988	-	812 322	-	-	2 556 310	(550 750)	-	(349 786)	-	-	(900 536)	-	-	1 655 775
Computer software	1 960 402	-	546 180	-	-	2 506 582	(1 465 397)	-	(248 678)	-	-	(1 714 075)	-	-	792 507
Other Assets	3 882 392	-	520 244	-	-	4 402 636	(2 903 118)	-	(385 432)	-	-	(3 288 550)	-	-	1 114 086
Work in progress LM and Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>19 067 385</b>	<b>-</b>	<b>1 990 047</b>	<b>-</b>	<b>-</b>	<b>21 057 432</b>	<b>(13 740 803)</b>	<b>-</b>	<b>(1 615 945)</b>	<b>-</b>	<b>-</b>	<b>(15 356 748)</b>	<b>-</b>	<b>-</b>	<b>5 700 684</b>
<b>Finance Lease Assets</b>															
Leased assets	6 498 153	-	343 186	(211 074)	-	6 630 265	(1 830 882)	-	(950 059)	73 537	-	(2 707 404)	-	-	3 922 861
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>6 498 153</b>	<b>-</b>	<b>343 186</b>	<b>(211 074)</b>	<b>-</b>	<b>6 630 265</b>	<b>(1 830 882)</b>	<b>-</b>	<b>(950 059)</b>	<b>73 537</b>	<b>-</b>	<b>(2 707 404)</b>	<b>-</b>	<b>-</b>	<b>3 922 861</b>
<b>Total</b>	<b>1 183 135 572</b>	<b>-</b>	<b>167 330 210</b>	<b>(26 644 116)</b>	<b>-</b>	<b>1 323 821 666</b>	<b>(189 311 325)</b>	<b>-</b>	<b>(23 461 244)</b>	<b>73 537</b>	<b>-</b>	<b>(212 699 032)</b>	<b>-</b>	<b>-</b>	<b>1 111 122 634</b>

**SISONKE DISTRICT MUNICIPALITY**  
**APPENDIX C**  
**UNAUDITED**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
**FOR THE ENDED 30 JUNE 2012**

	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value	
	Opening Balance	Change in accounting policy Revaluation adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Change in accounting policy Revaluation adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance				
	R		R	R	R	R	R		R	R	R	R				R
Land	-	-	5 146 800	-	-	5 146 800	-	-	-	-	-	-	-	-	-	5 146 800
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Land</b>	-	-	<b>5 146 800</b>	-	-	<b>5 146 800</b>	-	-	-	-	-	-	-	-	-	<b>5 146 800</b>
Buildings	13 171 373	-	714 300	-	-	13 885 673	(1 569 093)	-	(681 837)	-	-	(2 250 930)	-	-	-	11 634 743
<b>Infrastructure</b>																
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Services	140 223	-	-	-	-	20 932 220	(2 424 773)	-	(994 126)	-	-	(3 418 899)	-	-	-	17 513 321
Sanitation Services	687 686 387	-	4 368 970	-	-	692 055 357	(142 983 538)	-	(21 057 896)	-	-	(164 041 434)	-	-	-	528 013 923
Technical Services	-	-	-	-	-	15 241 003	(3 958 566)	-	-	-	-	(3 958 566)	-	-	-	11 282 437
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress SDM	327 880 003	-	82 001 456	-	-	409 881 459	-	-	-	-	-	-	-	-	-	409 881 459
Work in progress LM and Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 015 706 613	-	86 370 426	-	-	1 138 110 038	(149 366 877)	-	(22 052 022)	-	-	(171 418 899)	-	-	-	966 691 139
<b>Community Assets</b>																
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	815 781 885
Other	210 911	-	216 612	-	-	427 523	(57 800)	-	(12 011)	-	-	(69 811)	-	-	-	357 712
Work in progress SDM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress LM and Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	210 911	-	216 612	-	-	427 523	(57 800)	-	(12 011)	-	-	(69 811)	-	-	-	816 139 597
<b>Heritage Assets</b>																
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total carried forward</b>	<b>1 029 088 897</b>	<b>-</b>	<b>92 448 138</b>	<b>-</b>	<b>-</b>	<b>1 157 570 034</b>	<b>(150 993 770)</b>	<b>-</b>	<b>(22 745 870)</b>	<b>-</b>	<b>-</b>	<b>(173 739 640)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 799 612 279</b>

**SISONKE DISTRICT MUNICIPALITY**  
**APPENDIX C**  
**UNAUDITED**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
**FOR THE ENDED 30 JUNE 2012**

	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Revaluation adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Revaluation adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R		R	R	R	R	R		R	R	R	R			
<b>Total brought forward</b>	<b>1 029 088 897</b>	<b>-</b>	<b>92 448 138</b>	<b>-</b>	<b>-</b>	<b>1 157 570 034</b>	<b>(150 993 770)</b>	<b>-</b>	<b>(22 745 870)</b>	<b>-</b>	<b>-</b>	<b>(173 739 640)</b>	<b>-</b>	<b>-</b>	<b>1 799 612 279</b>
<b>Other Assets</b>															
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2 618 261	-	357 430	-	-	4 529 306	(3 035 356)	-	(310 754)	-	-	(3 346 110)	-	-	1 183 196
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	6 951 297	-	-	-	-	6 951 297	(4 488 099)	-	(987 329)	-	-	(5 475 428)	-	-	1 475 869
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1 069 604	-	674 384	-	-	1 743 988	125 925	-	(676 675)	-	-	(550 750)	-	-	1 193 238
Computer Software	1 902 902	-	57 500	-	-	1 960 402	(1 249 475)	-	(215 922)	-	-	(1 465 397)	-	-	495 005
Other Assets	3 042 841	-	839 551	-	-	3 882 392	(2 616 273)	-	(286 845)	-	-	(2 903 118)	-	-	979 274
Work in progress LM and other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>15 584 905</b>	<b>-</b>	<b>1 928 865</b>	<b>-</b>	<b>-</b>	<b>19 067 385</b>	<b>(11 263 278)</b>	<b>-</b>	<b>(2 477 525)</b>	<b>-</b>	<b>-</b>	<b>(13 740 803)</b>	<b>-</b>	<b>-</b>	<b>5 326 582</b>
<b>Finance Lease Assets</b>															
Office Equipment	3 180 110	-	3 318 043	-	-	6 498 153	(1 761 162)	-	(69 720)	-	-	(1 830 882)	-	-	149 325
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5 117 262
	<b>3 280 570</b>	<b>-</b>	<b>3 318 043</b>	<b>-</b>	<b>-</b>	<b>6 498 153</b>	<b>(260 693)</b>	<b>-</b>	<b>(1 071 333)</b>	<b>-</b>	<b>-</b>	<b>(1 830 882)</b>	<b>-</b>	<b>-</b>	<b>5 266 587</b>
<b>Total</b>	<b>1 047 954 372</b>	<b>-</b>	<b>97 695 046</b>	<b>-</b>	<b>-</b>	<b>1 183 135 572</b>	<b>(162 517 741)</b>	<b>-</b>	<b>(26 294 728)</b>	<b>-</b>	<b>-</b>	<b>(189 311 325)</b>	<b>-</b>	<b>-</b>	<b>1 810 205 448</b>



**SISONKE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**APPENDIX D**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
**FOR THE YEAR ENDED 30 JUNE 2013**

	Cost				Accumulated Depreciation					
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Revaluation adjustments	Disposals	Closing Balance	Carrying value
	R	R	R	R	R	R	R	R	R	R
Executive & Council	1 539 864	-	-	1 539 864	711 596	40 940	-	-	752 536	787 328
Finance & Admin	7 938 904	72 495	-	8 011 399	1 885 957	1 398 999	-	-	3 284 956	4 726 443
Planning & Development	745 082 625	55 826 446	(211 074)	800 697 997	171 418 899	20 521 317	-	(73 537)	191 866 679	608 831 318
Economic and Community	3 025 789	3 315 264	-	6 341 053	2 903 118	545 888	-	-	3 449 006	2 892 047
<b>Total</b>	<b>757 587 182</b>	<b>59 214 206</b>	<b>(211 074)</b>	<b>816 590 313</b>	<b>176 919 570</b>	<b>22 507 144</b>	<b>-</b>	<b>(73 537)</b>	<b>199 353 177</b>	<b>617 237 136</b>