



---

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

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## General Information

---

### Mayoral committee

Executive Mayor

Cllr. J.M. Mthethwa

**Mayor**

Cllr. N.J. Mbatha

**Deputy Mayor**

Cllr. B.S. Chambule

**Speaker**

Cllr. L.D. Ngubane

Member of the Executive Committee

Cllr. M.I. Sithole

Member of the Executive Committee

Cllr. M.S. Yengwa

Member of the Executive Committee

Councillors

Cllr. N.N. Khanyile

Member

Cllr. I. Bedassi

Member

Cllr. N.P. Zulu

Member

Cllr. X.S. Xaba

Member

Cllr. P.M. Ngobese

Member

Cllr. T.M. Mahaye

Member

Cllr. J. Mfeka

Member

Cllr. Z.G. Ngcobo

Member

Cllr. A.M. Shaik

Member

Cllr. V.B. Ntombela

Member

Cllr. N.F.V. Machaba

Member

Cllr. F.J. Sikhakhane

Member

Cllr. B.P. Ngcobo

Member

Cllr. E.N. Molefe

Member

Cllr. M. Mnguni

Member

Cllr. M. Mkhwanazi

Member

Cllr. B.N. Zondi

Member

Cllr. L.G. Mabaso

Member

Cllr. R.N. Ngubane

Member

**Grading of local authority**

Grade 4

**Chief Finance Officer (CFO)**

Bongani B Mdletshe

**Accounting Officer**

Mr W.J.M. Mngomezulu

**Registered office**

39 Victoria Street  
Princess Magogo Building  
Dundee  
3000

**Business address**

39 Victoria Street  
Princess Magogo Building  
Dundee  
3000

**Postal address**

P O Box 1965  
Dundee  
3000

**Bankers**

First National Bank

**Auditors**

Auditor General

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Index

---

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

<b>Index</b>	<b>Page</b>
Accounting Officers's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8
Accounting Policies	9 - 23
Notes to the Annual Financial Statements	24 - 47
Appendixes:	
Appendix A: Schedule of External loans	48
Appendix B: Analysis of Property, Plant and Equipment	51
Appendix C: Segmental analysis of Property, Plant and Equipment	57
Appendix D: Segmental Statement of Financial Performance	59

# **Umzinyathi District Municipality**

Annual Financial Statements for the year ended 30 June 2013

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

---

I am responsible for the preparation of these financial statements, which are set out on pages 4 to 48, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 18 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

---

**Mr W.J.M. Mngomezulu**  
**Municipal Manager**  
**30 August 2013**

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
<b>ASSETS</b>			
<b>Current Assets</b>			
Debtors	2	8,364,016	18,377,149
VAT receivable	3	13,366,142	4,971,134
Consumer debtors	4	74,568,790	-
Cash and cash equivalents	5	25,437,979	9,527,937
		<b>121,736,927</b>	<b>32,876,220</b>
<b>Non-Current Assets</b>			
Investment property	6	1,040,000	864,155
Property, plant and equipment	7	25,635,641	24,306,388
Intangible assets	8	2,138,152	6,479
Interest in joint ventures	9	1,074,653,899	1,030,786,020
Investments	10	15,068,348	-
		<b>1,118,536,040</b>	<b>1,055,963,042</b>
Non-Current Assets		1,118,536,040	1,055,963,042
Current Assets		121,736,927	32,876,220
Non-current assets held for sale (and) (assets of disposal groups)		-	-
<b>Total Assets</b>		<b>1,240,272,967</b>	<b>1,088,839,262</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors	11	54,063,691	54,707,003
Unspent conditional grants and receipts	12	18,979,711	24,748,808
Current portion of long term liabilities	13	18,957,246	1,044,617
Consumer deposits		575,657	-
		<b>92,576,305</b>	<b>80,500,428</b>
<b>Non-Current Liabilities</b>			
Retirement benefit obligation	14	9,004,176	7,769,169
Long term liabilities	13	61,070,427	-
		<b>70,074,603</b>	<b>7,769,169</b>
Non-Current Liabilities		70,074,603	7,769,169
Current Liabilities		92,576,305	80,500,428
Liabilities of disposal groups		-	-
<b>Total Liabilities</b>		<b>162,650,908</b>	<b>88,269,597</b>
Assets		1,240,272,967	1,088,839,262
Liabilities		(162,650,908)	(88,269,597)
<b>Net Assets</b>		<b>1,077,622,059</b>	<b>1,000,569,665</b>
<b>NET ASSETS</b>			
Reserves			
Other Reserves	15	684,646,012	947,897,868
Accumulated surplus		392,976,047	52,671,797
<b>Total Net Assets</b>		<b>1,077,622,059</b>	<b>1,000,569,665</b>

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
<b>Revenue</b>			
Service charges	16	40,838,544	-
Rental of facilities and equipment		321,358	237,517
Interest received - investment	17	13,639,489	3,433,593
Government grants & subsidies	18	492,830,274	394,054,153
Other income		5,442,377	640,665
<b>Total revenue</b>		<b>553,072,042</b>	<b>398,365,928</b>
<b>Expenditure</b>			
Personnel	19	(43,833,193)	(32,024,065)
Remuneration of councillors	20	(3,376,560)	(3,274,132)
Agency Fees	21	(105,139,782)	(64,405,032)
Depreciation and amortisation	22	(5,343,858)	(3,832,508)
Finance costs	23	-	(795)
Post retirement benefits		(1,252,455)	-
Repairs and maintenance		(5,946,930)	(5,800,255)
Grants and subsidies paid	24	(150,597,729)	(112,056,485)
General Expenses	25	(81,092,202)	(74,184,325)
<b>Total expenditure</b>		<b>(396,582,709)</b>	<b>(295,577,597)</b>
		-	-
Total revenue		553,072,042	398,365,928
Total expenditure		(396,582,709)	(295,577,597)
<b>Operating surplus</b>		<b>156,489,333</b>	<b>102,788,331</b>
Loss on disposal of assets and liabilities		(135,530)	(194,362)
Investment in joint venture		43,867,879	(21,646,829)
		<b>43,732,349</b>	<b>(21,841,191)</b>
Surplus before taxation		200,221,682	80,947,140
Taxation		-	-
<b>Surplus for the year</b>		<b>200,221,682</b>	<b>80,947,140</b>

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

Figures in Rand	Other Reserves	Accumulated surplus	Total net assets
<b>Balance at 01 July 2011</b>	<b>969,544,697</b>	<b>(42,665,921)</b>	<b>926,878,776</b>
Changes in net assets			
Uthukela water joint venture investment	(21,646,829)	-	(21,646,829)
Net income (losses) recognised directly in net assets	(21,646,829)	-	(21,646,829)
Surplus for the year	-	102,593,969	102,593,969
Total recognised income and expenses for the year	(21,646,829)	102,593,969	80,947,140
Prior year adjustment	-	323,907	323,907
Prior year accruals	-	(12,362,807)	(12,362,807)
Adjustment to post retirement benefits	-	4,782,649	4,782,649
Total changes	(21,646,829)	95,337,718	73,690,889
<b>Balance at 01 July 2012</b>	<b>947,897,868</b>	<b>52,671,784</b>	<b>1,000,569,652</b>
Changes in net assets			
Transfer in/Transfer out	(32,175,551)	140,082,581	107,907,030
Net income (losses) recognised directly in net assets	(32,175,551)	140,082,581	107,907,030
Surplus for the year	-	200,221,682	200,221,682
Total recognised income and expenses for the year	(32,175,551)	340,304,263	308,128,712
Change in investment	(231,076,305)	-	(231,076,305)
Total changes	(263,251,856)	340,304,263	77,052,407
<b>Balance at 30 June 2013</b>	<b>684,646,012</b>	<b>392,976,047</b>	<b>1,077,622,059</b>

15

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		40,516,590	237,518
Grants		570,291,935	390,620,558
Interest income		13,639,489	3,433,593
Other receipts		12,156,772	2,337,166
		<u>636,604,786</u>	<u>396,628,835</u>
<b>Payments</b>			
Employee costs		(47,122,738)	(35,007,657)
Suppliers		(689,591,864)	(322,306,240)
Interest expense		-	(795)
Other cash item		59,533,458	(39,905,692)
		<u>(677,181,144)</u>	<u>(397,220,384)</u>
Total receipts		636,604,786	396,628,835
Total payments		(677,181,144)	(397,220,384)
<b>Net cash flows from operating activities</b>	27	<b>(40,576,358)</b>	<b>(591,549)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(4,424,366)	(3,856,415)
Proceeds from sale of property, plant and equipment	7	233,482	1,489,924
Purchase of investment property	6	(175,845)	-
Purchase of other intangible assets	8	(3,637,236)	-
Proceeds from sale of financial assets		(15,068,348)	-
<b>Net cash flows from investing activities</b>		<b>(23,072,313)</b>	<b>(2,366,491)</b>
<b>Cash flows from financing activities</b>			
Movement in long term liabilities		78,983,056	1,044,617
Movement in consumer deposits		575,657	-
<b>Net cash flows from financing activities</b>		<b>79,558,713</b>	<b>1,044,617</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>15,910,042</b>	<b>(1,913,423)</b>
Cash and cash equivalents at the beginning of the year		9,527,937	11,441,361
<b>Cash and cash equivalents at the end of the year</b>	5	<b>25,437,979</b>	<b>9,527,938</b>



# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	38,096,070	6,905,737	<b>45,001,807</b>	40,838,544	(4,163,263)	
Other revenue	11,382,060	28,269,882	<b>39,651,942</b>	30,016,905	(9,635,037)	
Interest received - investment	3,800,000	(2,300,000)	<b>1,500,000</b>	13,639,489	12,139,489	
<b>Total revenue from exchange transactions</b>	<b>53,278,130</b>	<b>32,875,619</b>	<b>86,153,749</b>	<b>84,494,938</b>	<b>(1,658,811)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Government grants & subsidies	400,311,000	117,561,395	<b>517,872,395</b>	468,577,104	(49,295,291)	
'Total revenue from exchange transactions'	53,278,130	32,875,619	<b>86,153,749</b>	84,494,938	<b>(1,658,811)</b>	
'Total revenue from non-exchange transactions'	400,311,000	117,561,395	<b>517,872,395</b>	468,577,104	<b>(49,295,291)</b>	
<b>Total revenue</b>	<b>453,589,130</b>	<b>150,437,014</b>	<b>604,026,144</b>	<b>553,072,042</b>	<b>(50,954,102)</b>	
<b>Expenditure</b>						
Personnel	77,825,646	(33,047,384)	<b>44,778,262</b>	43,833,193	(945,069)	
Remuneration of councillors	3,234,697	88,264	<b>3,322,961</b>	3,376,560	53,599	
Finance costs	7,926,347	(7,926,347)	-	-	-	
General Expenses	364,602,441	191,784,955	<b>556,387,396</b>	349,508,488	(206,878,908)	
<b>Total expenditure</b>	<b>453,589,131</b>	<b>150,899,488</b>	<b>604,488,619</b>	<b>396,718,241</b>	<b>(207,770,378)</b>	

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### Going Concern Assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### Comparative Information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

- GRAP 105 - Transfers of Functions Between Entities Under Common Control
- GRAP 106 - Transfers of Functions Between Entities Not Under Common Control
- GRAP 107 - Mergers
- GRAP 18 - Segment Reporting
- GRAP 20 - Related Party Disclosures

### 1.1 Investment property

#### Initial Recognition

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.

#### Initial Measurement

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.

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.1 Investment property (continued)

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.

#### Subsequent Measurement

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.2 Property, plant and equipment

#### Initial Recognition

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

#### Initial Measurement

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.

#### Subsequent Expenditure

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

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

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.

#### Subsequent Measurement

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.

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

<b>Infrastructure</b>	<b>Years</b>	<b>Other</b>	<b>Years</b>
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-80	Other vehicles	5
Water	15-100	Office equipment	3-7
Sewerage	15-60	Furniture and fittings	7-10
		Watercraft	15
		Bins and containers	5
<b>Community</b>		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

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.

#### Derecognition

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.

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.3 Intangible assets

#### Initial Recognition

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:

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

#### Initial Measurement

Intangible assets are initially recognised at cost.

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

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

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

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

#### Subsequent Measurement

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

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

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

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

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

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

Item	Useful life
Computer Software	3 years

#### Derecognition

Intangible assets are derecognised:

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

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.4 Interest in joint ventures

An interest in a joint venture is carried at cost less any accumulated impairment.

Surpluses and deficits resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The municipality's share of surpluses or deficits, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

In respect of its interests in jointly controlled operations, the municipality recognises in its annual financial statements:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the revenue that it earns from the sale or provision of goods or services by the joint venture.

### Subsequent Measurement

Upon loss of joint control, the Entity measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in surplus or deficit. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

### 1.5 Financial instruments

#### Initial recognition and measurement

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

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets. For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

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

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

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

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.5 Financial instruments (continued)

#### Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### Derecognition

##### Financial assets

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

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

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### Financial liabilities

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

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.5 Financial instruments (continued)

#### Impairment of financial assets

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

Assets are carried at amortised cost.

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

### 1.6 Leases

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

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

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

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

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

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

#### Operating leases - lessor

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

#### Operating leases - lessee

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

### 1.7 Inventories

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

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



# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.7 Inventories (continued)

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

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

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

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

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

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

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

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

### 1.8 Non-current assets held for sale and disposal groups

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. Management 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.

Non-current assets held for sale (or disposal group) are measured at the lower of its 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.

### 1.9 Impairment of cash-generating assets

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.9 Impairment of cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

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

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

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### 1.11 Employee benefits

#### Short-term employee benefits

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

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.11 Employee benefits (continued)

#### Defined contribution plans

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

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

#### Defined benefit plans

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

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

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

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

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

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

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

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

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

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.12 Provisions and contingencies (continued)

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.13 Revenue from exchange transactions

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

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

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.13 Revenue from exchange transactions (continued)

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

#### Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

#### Measurement

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

#### Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

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

### 1.14 Revenue from non-exchange transactions

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

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

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

#### Measurement

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

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

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

#### Government grants

Government grants are recognised as revenue when:

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

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

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.15 Borrowing costs

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

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

### 1.16 Comparative figures

#### Current Year Comparatives

Budgeted amount have been included in these financial statements for the current financial year.

#### Prior Year Comparatives

When presentation or classification of items in the annual financial statements is amended, prior period comparatives amounts are restated. The nature and reason for the reclassification is disclosed. When there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparative is restated accordingly.

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.18 Fruitless and wasteful expenditure

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

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

### 1.19 Irregular expenditure

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

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

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

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

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

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

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

### 1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.21 Budget information

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

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

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

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

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts and this can be found on page 8 of the annual financial statements.

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.22 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.

### 1.23 Change in accounting policy

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2013.

- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments

A "Budget Statement" and Annexures E(1) to E(5) are included in these financial statements to comply with GRAP 24.

The disclosure of Financial Instruments in Note was changed in accordance with GRAP 104.

None of these GRAP standards had an effect on the financial position of the municipality.



# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>2. Debtors</b>		
Debtor - Interest accrued	-	131,934
SALGA Games	354,923	488,379
Sundry Debtors Deposits	7,000	40,000
MIG Grant Control	-	17,495,444
Debtor - Grader	221,392	221,392
Accrued interest	78,711	-
Uthukela Receipting	3,002,176	-
Agreement/Arrangement Control	258,933	-
MIG Debtor	1,279,580	-
Greytown Bulk Water	3,160,096	-
Consumer Debtor	1,205	-
	<b>8,364,016</b>	<b>18,377,149</b>
<b>3. VAT receivable</b>		
VAT	13,366,142	4,971,134
<b>4. Consumer debtors</b>		
<b>Gross balances</b>		
Water	100,527,817	-
Sewerage	35,864,229	-
VAT	17,058,680	-
Interest	21,584,661	-
	<b>175,035,387</b>	-
<b>Less: Allowance for impairment</b>		
Water	(57,700,834)	-
Sewerage	(20,585,306)	-
VAT	(9,791,320)	-
Interest	(12,389,137)	-
	<b>(100,466,597)</b>	-
<b>Net balance</b>		
Water	42,826,983	-
Sewerage	15,278,923	-
VAT	7,267,360	-
Interest	9,195,524	-
	<b>74,568,790</b>	-
<b>Water</b>		
Current (0 -30 days)	5,161,964	-
31 - 60 days	1,712,755	-
61 - 90 days	1,557,595	-
91 - 120 days	1,710,781	-
121 - 365 days	90,384,722	-
Impairment	(57,700,834)	-
	<b>42,826,983</b>	-

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>4. Consumer debtors (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	1,822,092	-
31 - 60 days	638,870	-
61 - 90 days	591,283	-
91 - 120 days	565,994	-
121 - 365 days	32,245,990	-
Impairment	(20,585,306)	-
	<b>15,278,923</b>	<b>-</b>
<b>VAT</b>		
Current (0 -30 days)	978,440	-
31 - 60 days	327,608	-
61 - 90 days	302,873	-
91 - 120 days	316,093	-
121 - 365 days	15,133,666	-
Impairment	(9,791,320)	-
	<b>7,267,360</b>	<b>-</b>
<b>Interest</b>		
Current (0 -30 days)	1,107,383	-
31 - 60 days	1,154,722	-
61 - 90 days	1,132,631	-
91 - 120 days	1,114,962	-
121 - 365 days	17,074,963	-
Impairment	(12,389,137)	-
	<b>9,195,524</b>	<b>-</b>

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>4. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	5,342,296	-
31 - 60 days	2,744,914	-
61 - 90 days	2,525,935	-
91 - 120 days	2,660,703	-
121 - 365 days	114,841,266	-
	<b>128,115,114</b>	<b>-</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	467,094	-
31 - 60 days	250,981	-
61 - 90 days	177,147	-
91 - 120 days	195,441	-
121 - 365 days	20,691,454	-
	<b>21,782,117</b>	<b>-</b>
<b>Business</b>		
Current (0 -30 days)	2,742,333	-
31 - 60 days	643,127	-
61 - 90 days	672,274	-
91 - 120 days	702,398	-
121 - 365 days	16,769,715	-
	<b>21,529,847</b>	<b>-</b>
<b>Total</b>		
Net debtors after impairment :	74,568,790	-
<b>Less: Provision for debt impairment</b>		
Impairment	(100,466,597)	-
<b>Reconciliation of allowance for impairment</b>		
Contributions to allowance	(100,466,597)	-
<b>5. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	4,100	4,100
Bank balances	2,878,783	9,087,943
Short-term deposits	22,555,096	435,894
	<b>25,437,979</b>	<b>9,527,937</b>

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand 2013 2012

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

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
FNB Current Cheque Account (Main) 62358106279	2,569,141	1,000	2,565,065	-
ABSA Current Account 4050280759	3,866	9,086,943	36,807	9,086,943
FNB Water Account 62358438044	10,000	-	20,995	-
ABSA Bank Investment Account 9253667878	104,390	99,268	104,391	104,850
FNB Investment Account 74412978014	21,325,373	148,272	21,325,374	167,063
Rand Merchant Call Investment Account 021900664	10,586	21,555	10,586	38,107
Investec Investment Account 1100461826501	673,377	44,098	669,454	63,646
Nedbank Investment Account 7337000049	354,949	122,702	354,950	131,682
<b>Total</b>	<b>25,051,682</b>	<b>9,523,838</b>	<b>25,087,622</b>	<b>9,592,291</b>

### 6. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,160,845	(120,845)	1,040,000	985,000	(120,845)	864,155

#### Reconciliation of investment property - 2013

	Opening balance	Additions	Total
Investment property	864,155	175,845	1,040,000

#### Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	864,155	864,155

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 7. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	22,929,726	(4,318,663)	18,611,063	20,426,910	(3,418,574)	17,008,336
Plant and machinery	5,997,376	(3,183,747)	2,813,629	4,574,193	(2,462,291)	2,111,902
Furniture and fixtures	6,712,734	(5,219,865)	1,492,869	7,081,745	(5,004,158)	2,077,587
Motor vehicles	8,814,068	(6,095,988)	2,718,080	8,315,700	(5,207,137)	3,108,563
<b>Total</b>	<b>44,453,904</b>	<b>(18,818,263)</b>	<b>25,635,641</b>	<b>40,398,548</b>	<b>(16,092,160)</b>	<b>24,306,388</b>

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	17,008,336	2,502,816	-	(900,089)	18,611,063
Plant and machinery	2,111,902	1,423,183	-	(721,456)	2,813,629
Furniture and fixtures	2,077,587	-	(369,012)	(215,706)	1,492,869
Motor vehicles	3,108,563	498,367	-	(888,850)	2,718,080
	<b>24,306,388</b>	<b>4,424,366</b>	<b>(369,012)</b>	<b>(2,726,101)</b>	<b>25,635,641</b>

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

	Opening balance	Additions	Disposals	Depreciation on disposals	Work in progress	Depreciation	Impairment loss	Total
Buildings	14,344,327	1,196,082	-	-	2,237,149	(769,220)	(2)	17,008,336
Plant and machinery	2,824,621	54,550	(137,462)	119,940	-	(746,515)	(3,232)	2,111,902
Furniture and fixtures	2,605,217	702,809	(1,139,305)	1,006,434	-	(1,089,946)	(7,622)	2,077,587
Motor vehicles	2,434,925	1,902,974	(407,519)	363,551	-	(1,185,368)	-	3,108,563
	<b>22,209,090</b>	<b>3,856,415</b>	<b>(1,684,286)</b>	<b>1,489,925</b>	<b>2,237,149</b>	<b>(3,791,049)</b>	<b>(10,856)</b>	<b>24,306,388</b>

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

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand 2013 2012

### 8. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3,954,230	(1,816,078)	2,138,152	316,994	(310,515)	6,479

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	6,479	3,637,236	(1,505,563)	2,138,152

#### Reconciliation of intangible assets - 2012

	Opening balance	Total
Computer software	6,479	6,479

### 9. Interest in joint ventures

Name of company	Listed / Unlisted	Carrying amount 2013	Carrying amount 2012
uThukela Water Pty Ltd	Unlisted	1,074,653,899	1,030,786,020

The carrying amounts of Joint ventures are shown net of impairment losses.

### 10. Investments

#### Residual interest at cost

Unlisted shares: Long term deposits	15,068,348	-
	-	-
	15,068,348	-
	-	-
<b>Non-current assets</b>		
Unlisted shares: Long term deposits	15,068,348	-
Non-current assets	15,068,348	-
Current assets	-	-

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
First National Bank 74321014438	7,569,238	-
Investec 1100461826450	7,585,530	-
	<b>15,154,768</b>	<b>-</b>

Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.

### Institution

First National Bank	15,068,348	-
---------------------	------------	---

### Receivables from Exchange Transactions

Other Receivables	74,568,790	-
-------------------	------------	---

### Receivables from Non-exchange Transactions

Other Receivables	8,364,016	18,377,138
	15,068,348	-
	74,568,790	-
	8,364,016	18,377,138
	<b>98,001,154</b>	<b>18,377,138</b>

### Cash and Cash Equivalents

Call Deposits	2,255,096	435,894
Bank Balances	2,878,783	9,087,943
Cash Floats and Advances	4,100	4,100
	<b>5,137,979</b>	<b>9,527,937</b>

## SUMMARY OF FINANCIAL ASSETS

### Financial Assets at Amortised Cost

Receivables from Exchange Transactions - Other Debtors	74,568,790	-
Receivables from Non-exchange Transactions	8,364,016	18,377,138
	<b>82,932,806</b>	<b>18,377,138</b>

### Financial Assets at Fair Value

Cash and Cash Equivalents	5,137,979	9,527,937
---------------------------	-----------	-----------

## 11. Creditors

Trade payables	-	(1)
Retentions Held Suspense	9,604,706	12,148,406
Creditors Control	17,263,831	1,140,985
Leave Pay	3,188,683	2,505,577
Accruals Suspense Account	22,573,365	34,179,173
Municipal Funded Projects	-	4,732,863
Consumer Creditors	1,433,106	-
	<b>54,063,691</b>	<b>54,707,003</b>

### Consumer Deposits

There were no guarantees in lieu of deposits.

	-	-
--	---	---



# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>12. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
DWAF: M & E Grant	-	600,000
DWAF: Water Loss Grant	-	989,934
General Grants	-	64,825
Municipal Support Grant	-	13,620
NLDTF: Dundee Arts and Crafts	-	289,167
GIS System Grant	64,337	469,991
Rural Transport and Infrastructure Grant	269,339	1,352,224
LED Msinga Agric Packhouse	-	135,298
LED Msinga Stone Crush Plan	-	75,960
LED Msinga Bee and Mushroom farm	-	20,048
Disaster Management	-	7,909
DTLGA	-	655,381
Greytown Bulk Water Project	-	5,765,593
Asisukume Maize Mill	1,390,377	1,390,377
Massifikation of Bulk Water	12,318,326	7,806,947
EPWP Incentives	870,528	(130,271)
KZN ACIP WWTW	1,423,588	4,998,831
KZN COGTA	73,417	242,974
LGSETA Training Grant	200,000	-
Cogta Rural Development	569,799	-
Mntshongweni Veg Project	1,800,000	-
	<b>18,979,711</b>	<b>24,748,808</b>

See note 18 for reconciliation of grants from National/Provincial Government.

### 13. Long term liabilities

<b>uThukela Water Pty Ltd</b>		
Non-current portion	61,070,427	-
Current portion	18,957,246	1,044,617
	<b>80,027,673</b>	<b>1,044,617</b>

### 14. Employee benefit obligations

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

<b>Carrying value</b>		
Post-Employment Medical Benefits	(9,004,176)	(7,769,169)

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

Opening balance	7,769,169	12,565,797
Actuarial (Gains) Losses	1,242,759	(4,788,904)
Benefits paid	(7,752)	(7,724)
	<b>9,004,176</b>	<b>7,769,169</b>

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

---

Figures in Rand	2013	2012
-----------------	------	------

---

### 14. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.80 %	8.00 %
General increase in contributions	12.00 %	8.00 %
Salary inflation	8.00 %	8.00 %
Expected retirement age (NRA)	63.00 %	63.00 %
Proportion continuing membership at retirement	74.00 %	100.00 %
Proportion of retiring members who are married	90.00 %	90.00 %

% of Salary contributing to medical aid 20%

Future Pensioners Medical Inflation 12%

Mortality of in-service members - In accordance with the SA 85 - 90 (Light) is 2%

Mortality of pensioners - In accordance with the PA (90) ultimate male and female is 12%

Percentage of in-service members withdrawing before retirement :

Age category: Ages	% of withdrawals	No. of employees	
		before retirement	left till retirement
<25	66%	8	
25-30	50%	27	
31-35	20%	25	
36-40	6%	23	
41-45	1%	17	
46-50	1%	3	
55+	0%	14	

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

---

Figures in Rand	2013	2012
-----------------	------	------

---

### 14. Employee benefit obligations (continued)

All Councillors and Employees belong to the following funds within the Natal Joint Municipal Pension fund which provides retirement benefits to such employees.

The retirement plan is subject to the Pension Funds Act, 1956

In accordance with the regulations governing the Fund and in compliance with Section 16 of the Pension Funds Act, 1956 (Act No. 24 of 196) the financial position of the Fund is examined and reported upon but the Valuator at intervals not exceeding three years.

In practice the Valuator conducts a statutory valuation on a triennial basis and an interim on an annual basis.

Interim Valuations of the Fund as at 31 March 2006 and Report on the Operations of the Memorandum Account for the Year Ended 31 March 2006.

In respect of Service to 31 March 2006 the actuarial value of the total assets was R121,7 million more than the actuarial value of the liabilities for the service of members to that date and for pensioners, made up as follows:

- surplus of R210,0 million in respect of pensioners (funding level 119,4%)
- deficit of R88,3 million in respect of members (funding level 95,0%) of which deficit
- about R49,0 million was attributable to salary increases being higher than expected (the average salary increased by 9,7% over the three years which is substantially in excess of inflation).

The Fund was thus 104,3% funded. The Fund did not hold an investment reserve.

### 15. Other NDR

uThukela Capitalisation Reserve	684,646,012	947,897,868
---------------------------------	-------------	-------------

---

### 16. Service charges

Sale of water	30,512,789	-
Sewerage and sanitation charges	9,801,205	-
Water connection fee	45,102	-
Sewerage new connection fee	479,448	-
	<b>40,838,544</b>	<b>-</b>

---

### 17. Interest income

Bank	1,708,047	3,433,593
Consumer interest	11,931,442	-
	<b>13,639,489</b>	<b>3,433,593</b>
	-	-
	13,639,489	3,433,593

---

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>18. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	177,373,000	160,451,000
Water services	62,998,747	38,658,515
Disaster management grant	7,909	151,820
Training grant	199,222	-
Municipal support grant	13,620	361,000
Greytown bulk water	18,615,031	10,238,269
Lottery health care grant	10,244,728	-
District growth summit	400,000	-
KZN ACIP WWTW	7,566,239	3,330,069
Rural settlement grant	5,542,106	2,379,568
LED grants	231,306	-
NLDTF : Dundee Arts & Craft	289,167	15,886
Shared services	950,000	1,603,133
EPWP Incentives	764,201	719,878
DTLGA S78	655,381	44,619
DWAF grant	1,589,934	315,072
COGTA grants	(400,241)	892,802
Massifikation of bulk water	9,342,924	12,950,522
<b>Capital grants</b>		
MIG grant	196,447,000	161,942,000
	-	-
	<b>492,830,274</b>	<b>394,054,153</b>
<b>DWAF M&amp;E Grant</b>		
Balance unspent at beginning of year	600,000	600,000
Conditions met - transferred to revenue	(600,000)	-
	-	<b>600,000</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>DWAF Water Loss Management</b>		
Balance unspent at beginning of year	989,934	989,934
Conditions met - transferred to revenue	(989,934)	-
	-	<b>989,934</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>FMG &amp; LED Grants</b>		
Balance unspent at beginning of year	64,825	64,825
Conditions met - transferred to revenue	(64,825)	-
	-	<b>64,825</b>
Conditions still to be met - remain liabilities (see note 12).		

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>18. Government grants and subsidies (continued)</b>		
<b>Municipal Support Grant</b>		
Balance unspent at beginning of year	13,620	13,620
Conditions met - transferred to revenue	(13,620)	-
	<b>-</b>	<b>13,620</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>NLDTF - Dundee Arts and Crafts</b>		
Balance unspent at beginning of year	289,167	289,167
Conditions met - transferred to revenue	(289,167)	-
	<b>-</b>	<b>289,167</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>GIS Systems Grant</b>		
Balance unspent at beginning of year	469,991	469,991
Conditions met - transferred to revenue	(405,654)	-
	<b>64,337</b>	<b>469,991</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Rural Settlement Grant</b>		
Balance unspent at beginning of year	1,352,224	1,352,224
Conditions met - transferred to revenue	(1,082,885)	-
	<b>269,339</b>	<b>1,352,224</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>LED Msinga Packhouse Grant</b>		
Balance unspent at beginning of year	135,298	135,298
Conditions met - transferred to revenue	(135,298)	-
	<b>-</b>	<b>135,298</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>LED Msinga Stone Crush Grant</b>		
Balance unspent at beginning of year	75,960	75,960
Conditions met - transferred to revenue	(75,960)	-
	<b>-</b>	<b>75,960</b>
Conditions still to be met - remain liabilities (see note 12).		

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>18. Government grants and subsidies (continued)</b>		
<b>LED Msinga Mushroom Farm</b>		
Balance unspent at beginning of year	20,048	20,048
Conditions met - transferred to revenue	(20,048)	-
	<b>-</b>	<b>20,048</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Disaster Management Grant</b>		
Balance unspent at beginning of year	7,909	7,909
Conditions met - transferred to revenue	(7,909)	-
	<b>-</b>	<b>7,909</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>S78 DTLGA Grant</b>		
Balance unspent at beginning of year	655,381	655,381
Conditions met - transferred to revenue	(655,381)	-
	<b>-</b>	<b>655,381</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Greytown Bulk Water</b>		
Balance unspent at beginning of year	5,765,593	5,765,593
Conditions met - transferred to revenue	(5,765,593)	-
	<b>-</b>	<b>5,765,593</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Asisukume Maize Mill</b>		
Balance unspent at beginning of year	1,390,377	1,390,377
Conditions still to be met - remain liabilities (see note 12).		
<b>Massification of Bulk Water</b>		
Balance unspent at beginning of year	7,806,947	7,806,947
Current-year receipts	4,511,379	-
	<b>12,318,326</b>	<b>7,806,947</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>EPWP Incentives</b>		
Balance unspent at beginning of year	(130,271)	(130,271)
Current-year receipts	1,000,799	-
	<b>870,528</b>	<b>(130,271)</b>
Conditions still to be met - remain liabilities (see note 12).		

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>18. Government grants and subsidies (continued)</b>		
<b>KZN ACIP WWTW</b>		
Balance unspent at beginning of year	4,998,831	4,998,831
Conditions met - transferred to revenue	(3,575,243)	-
	<b>1,423,588</b>	<b>4,998,831</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>KZN COGTA</b>		
Balance unspent at beginning of year	242,974	242,974
Conditions met - transferred to revenue	(169,557)	-
	<b>73,417</b>	<b>242,974</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>LGSETA Training Grant</b>		
Current-year receipts	200,000	-
Conditions still to be met - remain liabilities (see note 12).		
<b>COGTA Rural Development Grant</b>		
Current-year receipts	569,799	-
Conditions still to be met - remain liabilities (see note 12).		
<b>Mntshongweni Vegetable Project</b>		
Current-year receipts	1,800,000	-
Conditions still to be met - remain liabilities (see note 12).		

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>19. Employee related costs</b>		
Salaries and Wages	31,805,781	23,288,953
Bonuses	1,846,530	2,005,367
SDL	361,487	263,469
Overtime payments	86,527	226,023
Housing benefits and allowances	741,190	849,855
Contribution for UIF, Pension and Medical Aid	6,212,959	3,899,238
Travel and Other allowances	2,778,719	1,491,160
	<b>43,833,193</b>	<b>32,024,065</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	1,021,399	1,070,894
	<b>1,021,399</b>	<b>1,070,894</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	1,366,944	1,198,870
<b>Director Mayor's Office</b>		
Annual Remuneration	874,576	389,607
Acting Allowance	-	12,536
	<b>874,576</b>	<b>402,143</b>
<b>Technical Services Director</b>		
Annual Remuneration	1,181,384	691,929
Acting Allowance	82,065	108,902
	<b>1,263,449</b>	<b>800,831</b>
<b>Corporate Services Director</b>		
Annual Remuneration	919,561	835,885
Acting Allowance	31,559	-
	<b>951,120</b>	<b>835,885</b>
<b>Planning and Social Development Director</b>		
Annual Remuneration	558,810	710,658
<b>Managements' Performance Bonuses</b>		
Municipal Manager	-	160,835
Corporate Services Director	-	171,391
Communications Director	-	50,000
IDP PMS Director	-	50,000
Development Planning Director	-	114,879
Technical Services Director	-	114,879
Legal Services Director	-	50,000
	-	<b>711,984</b>



# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>20. Remuneration of councillors</b>		
Mayor's allowance	582,606	545,517
Deputy Mayor's allowance	426,935	363,634
Executive Committee allowances	541,891	516,120
Speaker's allowance	248,347	287,345
Councillors' allowances	1,273,329	1,273,939
Local Authority attendance fees	60,989	39,698
Medical Aid contributions	41,249	45,070
Pension Fund contributions	172,618	175,738
Skills Development levy	28,596	27,071
	<b>3,376,560</b>	<b>3,274,132</b>
<b>In-kind benefits</b>		
The Mayor and Deputy Mayor are full-time, Speaker part-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties.		
The Mayor has two full-time bodyguards and a driver. The Deputy Mayor has two full-time bodyguards and a driver.		
The Speaker has one full-time bodyguard and the Accounting Officer has one full-time bodyguard.		
<b>21. Agency fees</b>		
Water services operational cost	105,139,782	64,405,032
<b>22. Depreciation and amortisation</b>		
Property, plant and equipment	5,343,858	3,832,508
<b>23. Interest expense</b>		
Interest paid	-	795
<b>24. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Grants and subsidies paid	150,597,729	112,056,485
Grants paid to ME's	-	-
Other subsidies	150,597,729	112,056,485

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>25. General expenses</b>		
Accommodation	1,181,650	1,870,259
Advertisement	303,846	185,864
Agricultural Incubator	850,000	1,506,698
Asset Verification	90,738	95,904
Auditors remuneration	2,117,911	1,785,452
Bank charges	65,282	52,316
Books and Publications	960	4,288
Bursaries	25,450	-
CCC Operator Costs	-	8,748
Catering; Meetings and Seminars	210,447	239,032
Cleaning Materials	35,704	49,831
Cleaning services	60,797	51,549
Computer Programs	491,436	31,125
Conferences & Seminars	77,699	106,487
Construction Incubator	-	1,425,000
Coporate Material	1,064	183,096
Cost of Free Basic Services	3,714,126	-
Customer Satisfaction Survey	168,838	28,000
Disaster Management	195,000	582,406
Disaster Relief	1,752,898	768,433
Drought Relief	25,199,937	16,433,129
Elderly and Widow Programs	363,605	441,122
Emergency Service Provision	12,500	-
Entertainment	43,391	167,973
Fire services	2,604,387	2,445,635
Fuel & oil	1,424,332	1,078,000
HIV/AIDS Programmes	527,322	854,349
IDP Sector Plan	865,533	671,574
ISWIP	8,820	10,855
Indigent Support	33,550	264,809
Insurance	459,075	409,006
Inventory- Log	686,496	1,215,028
Leave Expenses	1,359,681	1,277,707
Legal Costs	987,634	653,018
License fees	234,915	142,846
Local council	499,490	496,072
Management Audit	2,816,299	1,117,940
Mayoral Imbizo	279,237	952,829
Mayors Discretionary Fund	(19,500)	148,045
Membership fees	430,808	240,426
Meter Reading	1,541,750	435,530
Municipal Events	561,768	1,164,083
Municipal Support	5,700	290,372
Overgrown Stands	11,343	7,343
Pauper Burials	106,959	259,684
Penalties	4,907	166,027
Plan- People WIT	82,622	428,905
Postage	444,228	7,180
Printing and stationery	146,381	227,748
Project Launch	278,975	1,326,348
Projects	6,485,808	13,940,600
Promotions	10,161,623	5,986,360
Public Consultation	-	107,360
Recruitment of Staff	27,921	105,941
Rental Offices and Machinery	969,619	807,319
Sample of Food and Milk	87,862	17,538
Security	1,786,535	1,575,335
Shows, Exhibits	-	36,421
Signage KZN Tourism	-	20,914

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>25. General expenses (continued)</b>		
Sport And Culture	2,640,257	3,102,734
Subscriptions	-	1,681
Subsistence and Travelling	2,067,689	2,838,881
Telephone	787,318	851,222
Translation/ Interpretation	-	128,950
Transport Official Vehicle	26,775	181,902
Ward Sport Development	223,751	240,343
Water Charge - Indigent	1,384,228	-
Water and Electricity	767,114	577,254
Woman and Gender	129,611	738,693
Youth and Gender	200,100	616,806
	<b>81,092,202</b>	<b>74,184,325</b>
<b>26. Auditors' remuneration</b>		
Audit Fees	1,978,715	1,676,268
Audit Committee Costs	139,196	109,184
	<b>2,117,911</b>	<b>1,785,452</b>
<b>27. Cash used in operations</b>		
Surplus	200,221,682	102,593,969
<b>Adjustments for:</b>		
Depreciation and amortisation	5,343,858	3,832,508
Gain on sale of assets and liabilities	135,530	1,684,287
Gain on joint venture investment	(43,867,879)	-
Interest income	-	(3,433,593)
Finance costs	-	795
Movements in retirement benefit assets and liabilities	1,235,007	-
Movements in provisions	-	1,277,707
Other non-cash items	140,082,581	10,854
Petty cash and cash float	-	5,100
Outstanding cheques	-	(3,741)
<b>Changes in working capital:</b>		
Debtors	10,013,123	(17,117,026)
Consumer debtors	(74,568,790)	-
Creditors	(643,312)	(49,536,717)
VAT	(8,395,008)	-
Unspent conditional grants and receipts	(5,769,097)	-
Other non-cash movements	(1,112,197)	-
Movement in reserves	(263,251,856)	(39,905,692)
	<b>(40,576,358)</b>	<b>(591,549)</b>

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>28. MIG Expenditure</b>		
Endumeni / Nquthu bulk/Mgungundlovu	861,898	1,507,377
uMvoti Area Sanitation	9,903,527	-
Eshane Water Supply	2,453,390	6,817,896
Hlazakazi Water Supply	1,042,724	489,943
Hlimbithwathi Sanitation	-	5,363,792
Keates Drift Water Scheme	2,348,381	7,615,437
Ntinini Regional Water	587,934	1,685,246
Makhabeleni Communtiy Water Supply Scheme Phase 4 and Phase 5	2,381,173	-
Kwakopi Mhlangana VIP sanitation	8,922,904	24,999,562
Makhabeleni Phase 6	13,597,403	15,597,106
Makhabeni Sanitation: Implementation	-	2,791,491
Mbono Water	17,712,086	10,768,449
Douglas Water	-	9,633,522
Mthembu Water Supply	317,855	953,309
Pomeroy Douglas Sanitation project	12,131,602	21,924,585
Mbulwane - Hlimbithwa	4,395,691	-
Muden Sanitation	7,545,560	10,819,562
Vantis Drift Water	2,434,945	604,321
Ngubukazi Water Supply	3,149,512	1,847,591
Ngubukazi Water Supply Phase 3	5,544,122	-
Nquthu Sanitation	49,286,647	7,700,882
Ophathe - Water	-	829,587
Othame Sanitation	139,194	1,953,836
Pomeroy Bulk Water Supply Phase 2	-	1,508,850
Sithembile Housing Bulk	4,738,300	7,396,279
Rugtefontein Settlement Area	41,267	-
Umzinyathi Rudimentary	-	1,806,894
Umsinga Bulk water	22,858,373	5,951,498
Muden Regional Bulk Scheme	25,067,250	20,835,712
Dundee bulk	(1,014,734)	3,789,728
Mthembu water Extension	-	431,142
Rehabilitation and installation of boreholes	-	3,813,836
Prior year adjustment as per circular 58	-	12,698,519
	<b>196,447,004</b>	<b>192,135,952</b>
<b>29. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for and approved</b>		
• Property, plant and equipment	18,979,709	1,123,971,861
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	783,987	286,114
- in second to fifth year inclusive	1,411,420	470,984
	<b>2,195,407</b>	<b>757,098</b>

The Municipality is leasing 10 copiers from Xerox and monthly rental expense has been accounted for in the statement of financial performance. The average lease term is 5 years and the average escalation rate is 10%. The escalation is fixed for the duration of the contract. No arrangements have been entered into for contingent net obligation under operating lease are secured by the lessor's title to the leased asset.

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 30. Contingencies

#### Claim for damage - Endumeni Municipality

The municipality received correspondence dated 25 October 2010 copied to the Auditor-General, MEC for Local Government Provincial and National Treasury from Endumeni Municipality serving a notice in terms of section 41 (2) of the Intergovernmental relations framework Act 13 of 2005 relating to the failure of Umzinyathi to facilitate the transfer of assets and liabilities to the value of R 6 626 612 and final demand for payment of an outstanding amount of R17 068 623.59 for operational expenditure incurred by Endumeni Municipality on behalf of Umzinyathi DM for water services function. Endumeni Municipality intend to take legal actions should this matter remain unresolved.

Umzinyathi District Municipality has always been willing to resolve this matter but was waiting for the supporting documents from Endumeni Municipality for their claim which was submitted on the 22 October 2010. Umzinyathi District Municipality resolved to investigate and verify the claim by Endumeni Municipality and present final findings to EXCO for approval. R11 769 407.51 has been paid to Endumeni Municipality and R4 227 407.51 still in dispute. The matter was resolved Endumeni Municipality whom to date has failed to submit a written confirmation of account.

### 31. Fruitless and wasteful expenditure

Opening balance	430,430	-
Penalties and early withdrawals	4,196	27,397
Abuse of fuel cards	-	403,033
Expenditure written-off/condoned	(31,593)	-
	<b>403,033</b>	<b>430,430</b>

An amount of R27 397 was for interest charged on late payments for prior year and R4 196 for the current year totalling to R31 593 written off during the year. The amount of R403 033 for abuse of fuel cards is still being investigated and is awaiting the outcome of the investigation and conclusion hearing.

### 32. Irregular expenditure

Opening balance	2,282,457	264,060
Add: Irregular Expenditure - current year	-	2,018,397
Less: Amounts condoned	(2,018,397)	-
	<b>264,060</b>	<b>2,282,457</b>

### 33. Revenue

Service charges	40,838,544	-
Rental of facilities and equipment	321,358	237,517
Interest received - investment	13,639,489	3,433,593
Government grants & subsidies	492,830,274	394,054,153
Sundry Income	5,442,377	640,665
	<b>553,072,042</b>	<b>398,365,928</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	40,838,544	-
Rental of facilities and equipment	321,358	237,517
Interest received - investment	13,639,489	3,433,593
	<b>54,799,391</b>	<b>3,671,110</b>

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand 2013 2012

### 33. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

**Taxation revenue**

**Transfer revenue**

Government grants & subsidies	492,830,274	394,054,153
Sundry Income	5,442,377	640,665
	<b>498,272,651</b>	<b>394,694,818</b>

### 34. Supply chain deviations

Expenditure written-off	(12,000)	-
Expenditure incurred	12,000	-
	<b>-</b>	<b>-</b>

The above appointments were done in accordance with Section 32 and were approved by the Accounting Officer and lately ratified by the Council.

Expenditure written-off	(592,402)	-
Expenditure incurred	592,402	-
	<b>-</b>	<b>-</b>

The above appointments were done in accordance with Section 36 and were approved by the Accounting Officer and lately ratified by the Council.

Expenditure written-off	(10,244,728)	-
Expenditure incurred - Expectra 868 NPC	10,244,728	-
	<b>-</b>	<b>-</b>

Appointment of Expectra 868 NPC was through a presentation made to EXCO and Council and they were appointed to be the implementing agents for Primary Health Insurance for the District Municipality of internal and external funded programmes. Solar Charge Pty Ltd was appointed on same bases as above to implement solar power project at no costs to the Municipality. Both appointments were ratified by Council as Section 37 Procurements.

### 35. Risk management

#### Liquidity risk

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

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits regularly monitored. Sales to retail customers are settled in cash.

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

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 36. Going concern

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

### 37. Events after the reporting date

Uncertainty with regard to uThukela Water Pty Ltd

- A Section 78 assessment regarding the preferred mechanism for the provision of water services for Umzinyathi District Municipality and Uthukela Water Pty Ltd conducted by the MEC for Co-operative Governance and Traditional Affairs has been completed with the preliminary findings which are still subject to discussion and final resolution by all the parties concerned. The preliminary findings indicate that the existing water services provider function currently being performed by uThukela Water Pty Ltd will change in the future. The details of the changes, and the date of the change, is awaiting final approval by the MEC for Co-operative Governance and Traditional Affairs and it became impractical to finalise the transfer of assets by 1 July 2012 hence 1 July 2013 is being proposed to the MEC.
- The Council of Umzinyathi resolved that:
  1. The dissolution of uThukela Water Pty Ltd be approved.
  2. The withdrawal by Umzinyathi District Municipality's interest from uThukela Water Pty Ltd be effective from 1 July 2013 be approved.
  3. The decentralisation of retail and bulk function to align with the jurisdiction of Umzinyathi District Municipality be approved from 1 July 2012.
  4. The negotiation for decentralisation of billing for water services (one customer one municipal account) to the local Municipality be approved and Municipal Manager be authorised to sign service level agreement with local municipalities.
  5. Where bulk water sources is outside boundaries of the municipality of Umzinyathi District Municipality sign a bulk water service supply agreement with the supplying Water Services Authorities vice-versa be approved.
  6. The implementation plan for the takeover of water service function listed above be approved.
  7. The technical task team proposed listed above has been approved.
  8. The Provincial Strategy of establishing a Regional Bulk Utility that is being discussed with the Minister of Water and Environmental Affairs, National Treasury, DBSA and uThukela Water Pty Ltd be given an extract of this resolution and will implement a plan.
  9. The MEC for Co-operative Governance and Traditional Affairs, Department of Water Affairs, National Treasury, DBSA and uThukela Water Pty Ltd be given an extract of this resolution and will implement a plan.
  10. The appointment of the Technical Expert to assist the municipality with the implementation of Section 78 be approved.

# Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand 2013 2012

### 38. Additional disclosure in terms of Municipal Finance Management Act

#### Councillors' arrear consumer accounts

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

#### Councillors 30 June 2013

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mahaye T M & M L	1,028	21,135	22,163
Mthombeni N B & C G	176	13,031	13,207
Kumalo P	442	8,501	8,943
Yengwa Mbangiseni Shad	218	2,310	2,528
Mfeka J A	284	1,469	1,753
Khanyile Nothisiwe	289	14,954	15,243
	<b>2,437</b>	<b>61,400</b>	<b>63,837</b>

#### Municipal Staff 30 June 2013

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Buthelezi Siphesihle Mpil	136	4,747	4,883
Ndlovu STN	163	19,133	19,296
Nzimakwe N	773	37,735	38,508
Sihlongonyane Precious	-	3,044	3,044
Ndlovu Nkululeko	-	1,168	1,168
Zulu Sabelo Khumbula	71	1,866	1,937
Zulu VD	102	3,407	3,509
Dearlove P D	1,935	117,878	119,813
Madonsela T C	114	1,437	1,551
Mvelase Sthembile	-	1,291	1,291
	<b>3,294</b>	<b>191,706</b>	<b>195,000</b>

### 39. Municipal entities

During the 2004/05 financial year the water and sanitation services assets were transferred to uThukela Water (Pty) Ltd in terms of a thirty year WSP agreement entered into by uThukela Water (Pty) Ltd and the three WSA's being uMzinyathi District Municipality, Amajuba District Municipality and Newcastle Local Municipality.

From the 01 July 2012 Umzinyathi District Municipality took over the billing services and with effect from 01 July 2013 the assets and liabilities of Uthukela water will be transferred to Umzinyathi District Municipality in line with MEC of Co-operative governance and Traditional affairs. uMzinyathi District Municipality holds 33% shares in uThukela Water (Pty) Ltd.



## Appendix A

### Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Loan Stock</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Structured loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Funding facility</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Development Bank of South Africa</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Bonds</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Other loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Lease liability</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Annuity loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-



## Appendix B

### Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-



## Appendix B

### Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

**Total property plant and equipment**

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Agricultural/Biological assets**

Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Intangible assets**

Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Investment properties**

Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Total**

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

<b>Heritage assets</b>													
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Specialised vehicles</b>													
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>													
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-



## Appendix B

### Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

**Total property plant and equipment**

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Agricultural/Biological assets**

Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Intangible assets**

Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Investment properties**

Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Total**

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-



## Appendix C

### Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-



Appendix D

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-	Rand	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	<b>Total</b>	-	-	-