





Planning by	Reviewed	Performed by	Final review

Client details

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Year end: 30 June 2013

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	Controlling entity	
	2013	2012
 Statement of financial position balances		
 Cash flow statement balances		
 Net Surplus per the Statement of Financial Performance does not agree with the NETINC account	Diff 3	-
 Opening Accumulated Surplus (deficit) equals prior year's closing balance	-	-

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Date printed



UMKHANYAKUDE DISTRICT MUNICIPALITY

**Annual Financial Statements
for the year ended 30 June 2013**

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

General Information

Executive Council	Vilane SJ
Mayor	
Deputy Mayor	Swartz CG
Speaker	Mavimbela HGS
	Nxumalo SH
Members of the Executive Committee	
	Moodley GP
	Zungu MC
Councillors	Gumbi DL
	Hlabisa VF
	Khumalo LV
	Khumalo SR
	Langa ML Cllr
	Mabuyakhulu PJ
	Mabika MS
	Mathenjwa M
	Mathonsi ZW
	Mdaka SF
	Mkwanazi LX
	Mngomezulu BZ
	Mthethwa B
	Mthethwa SP
	Mthethwa TP
	Msane S
	Msweli MCF
	Ngema TN
	Nxumalo MW
	Nyawo ZE
	Sangweni MB
	Tembe BT
	Zikhali AT
Grading of local authority	Grade 4
Chief Financial Officer (CFO)	Dlamini M S
Accounting Officer	Dubazana S N ; Gwacela P.S
Bankers	ABSA
	First National Bank
	Nedbank
	Ithala Bank
Auditors	Auditor-General South Africa

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

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The reports and statements set out below comprise the Annual Financial Statements presented to the Council and the Provincial Legislature:

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the government grant allocations through Division of Revenue Act (DORA) for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Umkhanyakude District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The set out on pages 4 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by the accounting officer.

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 24 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.

S.N Dubazana
Acting Municipal Manager

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

	Note(s)	2013	Restated 2012
ASSETS			
Current Assets			
Inventories	2	33 311 403	61 814
Receivables from exchange transactions	3	14 037 124	24 805 856
Other receivables from exchange transactions	4	108 295 689	139 349 832
Receivables from non-exchange transactions	5&49	-	3 108 740
VAT receivable		10 668 699	18 026 689
Cash and cash equivalents	8	141 756 771	175 660 851
		308 069 686	361 013 782
Non-Current Assets			
Property, plant and equipment	9	1 536 355 358	1 146 140 137
Intangible assets	10	37 434	111 237
		1 536 392 792	1 146 251 374
Total Assets		1 844 462 478	1 507 265 156
LIABILITIES			
Current Liabilities			
Other current financial liabilities	11	11 771 932	11 976 004
Trade And Other Payables From Exchange Transactions	12	34 305 195	38 179 034
Consumer deposits	13	4 825 329	3 222 394
Current portion of unspent conditional grants and receipts	14	77 201 965	98 099 871
Current provisions	15	11 038 148	9 240 366
Current portion of borrowings	16	821 476	1 592 234
Current portion of finance lease liability	17&51	220 230	274 932
		140 184 275	162 584 835
Non-Current Liabilities			
Non - current borrowings	16	9 732 083	9 805 298
Non-current finance lease liability	17&51	172 771	393 002
		9 904 854	10 198 300
Total Liabilities		150 089 129	172 783 135
NET ASSETS		1 694 373 349	1 334 482 021
NET ASSETS			
Items Under Investigation	40	3 804 788	3 804 788
Accumulated surplus	50	1 690 568 561	1 330 677 233
Total Net Assets		1 694 373 349	1 334 482 021

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Detailed Income statement

	Note(s)	2013	Restated 2012
Revenue			
Revenue from exchange transactions			
Service charges	18	41 921 356	45 792 525
Rental of facilities and equipment	2153	103 940	120 592
Interest received - investment & current bank accounts	22	12 524 641	11 144 388
Interest received - outstanding receivables	23	1 538 146	4 897 670
Other income	24	679 842	430 696
Revenue from non-exchange transactions			
Property rates	53	-	909 042
Government grants & subsidies	19	450 554 429	430 831 130
Public contributions and donations	2054	-	11 500
Total revenue		507 322 354	494 137 543
Expenditure			
Employee Related Costs	25	(68 802 351)	(60 267 504)
Remuneration of councillors	26	(6 556 917)	(6 463 614)
Depreciation and amortisation	27	(256 071)	(47 604 949)
Impairment loss/ Reversal of impairments	56	(28 460 492)	(38 231 905)
Finance costs	28	(1 065 933)	(1 244 107)
Repairs and maintenance		(14 303 871)	(7 183 169)
Bulk purchases	29	(57 933 017)	(55 919 935)
Contracted services	30	(6 569 004)	(16 682 976)
General Expenses	31	(87 074 505)	(21 633 343)
Total expenditure		(271 022 161)	(255 231 502)
Operating surplus		236 300 193	238 906 041
Surplus for the year		236 300 193	238 906 041

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

	Items Under Investigation	Accumulated surplus	Total net assets
Opening balance as previously reported		- 1 091 771 192	1 091 771 192
Adjustments			
Items under investigation	3 804 788	-	3 804 788
Balance at 01 July 2011 as restated	3 804 788	1 091 771 192	1 095 575 980
Changes in net assets			
Surplus for the 12 months		- 238 906 041	238 906 041
Total changes		- 238 906 041	238 906 041
Balance at 01 July 2012	3 804 788	1 454 268 368	1 458 073 156
Changes in net assets			
Surplus for the year		- 236 300 193	236 300 193
Total changes		- 236 300 193	236 300 193
Balance at 30 June 2013	3 804 788	1 690 568 561	1 694 373 349

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Cash Flow Statement

	Note(s)	2013	Restated 2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		40 747 142	45 792 525
Grants		430 790 043	430 831 130
Interest income		12 524 641	11 144 388
Other receipts		103 940	562 789
		<u>484 165 766</u>	<u>488 330 832</u>
Payments			
Employee costs		(55 093 133)	(65 351 531)
Suppliers		(197 083 739)	205 114 262
Finance Cost		(1 065 933)	(1 244 107)
Interest paid		-	-
		<u>140 924 673</u>	<u>(271 709 900)</u>
Net cash flows from operating activities	32	<u>625 090 439</u>	<u>216 620 932</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(660 780 281)	(71 475 315)
Purchase of investments		-	26 049 520
Net cash flows from investing activities		<u>(660 780 281)</u>	<u>(45 425 795)</u>
Cash flows from financing activities			
Repayment of other current financial liabilities		(204 072)	-
Movement in non - current borrowings		(843 973)	-
Movement in non-current finance lease liability		(274 933)	751 246
Movement in receivables from non-exchange transactions		3 108 740	(1 057 026)
Repayment of borrowings		-	(1 583 406)
Net cash flows from financing activities		<u>1 785 762</u>	<u>(832 160)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(33 904 080)</u>	<u>170 362 977</u>
Cash and cash equivalents at the beginning of the year		175 660 851	5 297 874
Cash and cash equivalents at the end of the year	8	<u>141 756 771</u>	<u>175 660 851</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	48 226 000	(28 608 000)	19 618 000	41 921 356	22 303 356	
Rental of facilities and equipment	42 000	105 000	147 000	103 940	(43 060)	
Interest received (trading)	-	-	-	1 538 146	1 538 146	
Other income	1 619 000	60 599 000	62 218 000	679 842	(61 538 158)	
Government grants & subsidies	410 850 000	94 048 000	504 898 000	450 554 429	(54 343 571)	
Interest received - investment	2 300 000	2 843 000	5 143 000	12 524 641	7 381 641	
Interest received - Outstanding Receivables	3 765 000	(3 765 000)	-	1 539 123	1 539 123	
Total revenue from exchange transactions	466 802 000	125 222 000	592 024 000	508 861 477	(83 162 523)	
Expenditure						
Employee Related Costs	(72 427 000)	(15 229 000)	(87 656 000)	(68 802 351)	18 853 649	
Remuneration of councillors	(4 966 000)	(273 000)	(5 239 000)	(6 556 917)	(1 317 917)	
Depreciation and amortisation	(2 408 000)	(27 592 000)	(30 000 000)	(256 071)	29 743 929	
Impairment loss/ Reversal of impairments	-	-	-	(28 460 492)	(28 460 492)	
Finance costs	(1 771 000)	928 000	(843 000)	(1 065 933)	(222 933)	
Debt impairment	(23 254 000)	-	(23 254 000)	-	23 254 000	
Repairs and maintenance	(9 684 000)	(7 388 000)	(17 072 000)	(14 303 871)	2 768 129	
Bulk purchases	(53 637 000)	27 883 000	(25 754 000)	(57 933 017)	(32 179 017)	
Contracted Services	(2 800 000)	(3 355 000)	(6 155 000)	(6 569 004)	(414 004)	
Grants and subsidies paid	-	(9 740 000)	(9 740 000)	-	9 740 000	
General Expenses	(80 365 000)	(6 146 000)	(86 511 000)	(87 074 505)	(563 505)	
Total expenditure	(251 312 000)	(40 912 000)	(292 224 000)	(271 022 161)	21 201 839	
(Surplus)/Deficit	(251 312 000)	(40 912 000)	(292 224 000)	236 300 193	528 524 193	

UMKHANYAKUDE 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 on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) including interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

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

Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Investments in associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after reporting date
GRAP 16	Investment Property
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, contingent liabilities and contingent assets
GRAP 100	Non- current assets held for sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 36 (AC 128)	Impairment of Assets
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
IPSAS 120	Related Party Disclosure
IPSAS 121	Impairment of Non cash Generating Assets
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 14	The Limit of a Defined Benefit Asset, Minimum Funding requirement and their interaction. Applying the Probability Test on Initial Recognition of Exchange
IGRAP 1	Revenue

The accounting policies applied are consistent with those used to present the previous year's annual financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Significant judgements and sources of estimation uncertainty

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Average useful life
Infrastructure	
• Electricity	20 – 30
• Water	15 – 20
• Sewerage	15 – 20
Community	
• Buildings	30
• Airport	20
• Security measures	5
Average useful life	
• Bins and containers	5
• Computer equipment	5
• Computer software	3 – 5
• Emergency equipment	15
• Furniture and fittings	7 – 10
• Motor vehicles	5
• Office equipment	5
• Office machines	3 – 5
• Plant and equipment	2 – 10
• Telecommunication	5

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

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

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

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.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Intangible assets (continued)

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

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, internally generated	3 years

Intangible assets are derecognised:

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

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

1.4 Investments

Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.5 Financial instruments

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment'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 investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

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.

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. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

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.

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

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.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

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.

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 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 Impairment of 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.

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.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Impairment of assets (continued)

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.10 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.

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.

Pension Obligations

Umkhanyakude District Council and its employees contribute to the Natal Joint Municipal Pension Fund, Kwazulu-Natal Joint Municipal Provident Fund and GEPF which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No.24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956 Current contributions are charged against operating income on the basis of current service costs.

1.11 Provisions and contingencies

Contingent liabilities are disclosed unless the possibility of occurrence is remote. 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 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.

Provisions are not recognised for future operating deficits.

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Accounting Policies

1.11 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

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.

1.12 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.

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 rebate.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Rendering of services

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

- the amount of revenue can be measured reliably;
- 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.

1.13 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.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised 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
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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.

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, which-ever is earlier.

1.14 Investment income

Interest and rentals are recognised on a time-proportion basis .

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

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

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

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.

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 year 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.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.21 Going concern assumption

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

1.22 Presentation of currency

These annual financial statements are presented in South African Rand.

1.23 Offsetting

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

1.24 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.25 Budget information

Municipalities 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 municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

	2013	2012
2. Inventories		
Materials	33 248 889	-
Water	62 514	61 814
	33 311 403	61 814
3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Gross balances		
Electricity	2 716 271	3 391 265
Water	139 030 669	133 476 763
Sewerage	8 281 834	7 468 610
	150 028 774	144 336 638
Less: Allowance for impairment		
Electricity	(1 787 468)	-
Water	(126 682 140)	(124 907 693)
Sewerage	(7 522 042)	-
	(135 991 650)	(124 907 693)
Net balance		
Electricity	928 804	3 391 264
Water	12 348 529	8 569 070
Sewerage	759 791	7 468 610
Debtors Prepayments	-	5 376 912
	14 037 124	24 805 856

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Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	1 300 180	8 332 810
31 - 60 days	1 842 675	1 688 613
61 - 90 days	1 716 600	1 641 446
91 - 120 days	1 786 310	1 224 234
121+ days	110 804 062	89 215 449
	<u>117 449 827</u>	<u>102 102 552</u>
Less: Allowance for impairment	(116 068 393)	(101 002 819)
	1 381 434	1 099 733

Industrial/ commercial

Current (0 -30 days)	457 739	2 679 790
31 - 60 days	676 797	949 097
61 - 90 days	418 154	844 398
91 - 120 days	488 454	787 765
121+ days	19 931 298	22 960 465
	<u>21 972 442</u>	<u>28 221 515</u>
Less: Allowance for impairment	(19 916 637)	(23 907 730)
	2 055 805	4 313 785

National and provincial government

Current (0 -30 days)	301 266	335 416
31 - 60 days	417 194	738 017
61 - 90 days	490 430	547 546
91 - 120 days	835 491	518 526
121+ days	8 562 124	14 981 806
	<u>10 606 505</u>	<u>17 121 311</u>

Total Debtors

Current (0 -30 days)	2 059 185	11 348 016
31 - 60 days	2 936 666	3 375 727
61 - 90 days	2 625 184	3 033 390
91 - 120 days	3 110 255	2 530 525
121+ days	139 297 484	127 157 720
	<u>150 028 774</u>	<u>147 445 378</u>

Less: Provision for debt impairment

31 - 60 days	(2 291 979)	(12 473 153)
61 - 90 days	(2 478 146)	(2 569 723)
91 - 120 days	(2 172 550)	(2 143 723)
121+ days	(129 048 975)	(107 721 094)
	<u>(135 991 650)</u>	<u>(124 907 693)</u>

Total

Current (0 -30 days)	3 857 242	8 374 379
31 - 60 days	10 179 882	19 540 217
	<u>14 037 124</u>	<u>27 914 596</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	124 907 693	86 675 789
Contributions to allowance	28 422 206	20 893 655
Debt impairment written off against allowance	(17 338 249)	17 338 249
	135 991 650	124 907 693

Consumer debtors past due but not impaired

Consumer debtors which are less than 2 months past due are not considered to be impaired. At 30 June 2013, R 10 179 882 (2012: R 27 914 596) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3 857 242	8 374 379
2 months past due	10 179 882	19 540 217

Consumer debtors impaired

As of 30 June 2013, consumer debtors of R 150 028 774 (2012: R 147 445 378) were impaired and provided for.

The amount of the provision was R 135 991 650 as of 30 June 2013 (2012: R 124 907 693).

4. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Housing loans	-	1
Vehicle loans	69 939	69 939
Avis loan - Mthombeni LM	242 792	242 792
Loan to Umhlabuyalingana	108 762	108 762
Public contributions and subsidies	1 166 289	1 166 289
Debtor Fraud	3 805 917	3 805 918
Debtor Shemula	2 730	2 730
Sundry Debtors - Water Mtuba	4 022 951	4 022 951
Sundry Debtors - Umhlathuze Water	345 633	345 633
Pre - Paid Expense	101 643 436	134 892 326
Ocilwane Water	1 553 317	1 553 317
Other Debtors	2 731 983	537 234
Provision for Bad Debts	(7 398 060)	(7 398 060)
	108 295 689	139 349 832

5. Receivables from non exchange transactions

6. VAT RECEIVABLE

VAT	10 668 699	18 026 689
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

7. INVESTMENTS

8. Cash and cash equivalents

Cash and cash equivalents consist of:

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
8. Cash and cash equivalents (continued)		
Cash on hand	13 526	13 026
Bank balances	11 600 969	51 333 112
Call Account Deposits	130 142 276	124 314 713
	141 756 771	175 660 851

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		
ABSA BANK - Mkuze Branch Account Number : 4053107423	154 281	23 100 171	-	154 281	23 100 171	-
First National Bank - Mkuze Branch Account Number : 62026865321	11 509 215	27 402 772	-	10 419 051	27 402 772	-
First National Bank - Mkuze Branch Account Number : 62092993809	520 440	505 714	-	520 440	505 714	-
First National Bank - Mkuze Branch Account Number : 62027696478	82 207	81 043	-	82 207	81 043	-
Nedbank Fixed Deposit - Branch Account Number 7881085762	96 627 046	98 156 880	-	96 627 046	98 156 880	-
Ithala Bank - Mkuze Branch Account Number - 23247671	411 844	324 453	-	411 844	324 453	-
ABSA BANK - Call Account Number : 91-1531-5268	346 989	16 313 542	-	346 989	16 313 542	-
First National Bank - Call Account Number : 62309788498	2 879 352	9 735 978	-	2 879 352	9 735 978	-
FNB Business Fixed Maturity - 74298425031	30 261 370	-	-	30 261 370	-	-
FNB Money Market Transactor - 62263733258	27 542	27 270	-	27 519	27 270	-
Total	142 820 286	175 647 823	-	141 730 099	175 647 823	-

9. PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 157 250	-	1 157 250	1 889 000	-	1 889 000
Buildings	34 863 338	(6 391 833)	28 471 505	22 152 800	(3 244 358)	18 908 442
Plant and machinery	3 163 388	-	3 163 388	-	-	-
Motor vehicles	10 702 175	-	10 702 175	-	-	-
Infrastructure	1 488 506 699	(15 071 642)	1 473 435 057	1 363 981 571	(246 701 609)	1 117 279 962
Community	16 579 129	-	16 579 129	3 836 944	(1 217 106)	2 619 838
Other property, plant and equipment	7 572 811	(5 063 115)	2 509 696	25 308 188	(20 753 007)	4 555 181
Leased Assets	887 714	(550 556)	337 158	887 714	-	887 714
Total	1 563 432 504	(27 077 146)	1 536 355 358	1 418 056 217	(271 916 080)	1 146 140 137

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

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10. INTANGIBLE ASSETS

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	37 434	-	37 434	725 269	(614 032)	111 237

Reconciliation of intangible assets - 2013

	Opening balance	Transfers	Total
Computer software	111 237	(73 803)	37 434

Reconciliation of intangible assets - 2012

	Opening balance	Depreciation	Total
Computer software	725 269	(614 032)	111 237

11. OTHER FINANCIAL LIABILITIES

At amortised cost

Retention creditors	5 958 385	7 002 990
Other	5 813 547	2 232 715
Cogta - Rural Metro	-	2 740 299
	11 771 932	11 976 004

Total other financial liabilities

11 771 932 11 976 004

Current liabilities

Other Financial Liabilities	11 771 932	11 976 004
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12. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	(34 119 605)	(32 802 122)
Debtors Prepayments	-	(5 376 912)
Accrued expenses	(185 590)	-
Total creditors	(34 305 195)	(38 179 034)

The fair value of trade and other payables approximate their carrying amounts.

13. CONSUMER DEPOSITS

Electricity and Water	(1 350 634)	(895 731)
Unallocated Deposits	(3 474 695)	(2 326 663)
Total consumer deposits	(4 825 329)	(3 222 394)

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Notes to the Annual Financial Statements

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14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

Bazaneni River Water Purification Grant	(756 400)	(756 400)
Capacity Building: Asset Management	(153 814)	(438 028)
Corridor Development	(269 717)	(702 917)
Debt Collection Grant	(420 907)	(420 907)
Disaster Management	(4 790 878)	(463 038)
Environmental Management Grant	(800 268)	(1 500 000)
Expanded Public Works Programme (EPWP)	(1 164 094)	(82 094)
FMG	-	(560 451)
Growth and Development Summit	(458 944)	(100 000)
Intergovernmental Relations Implementation Grant (IRIG)	(77 520)	(917 000)
KwaJobe-Cezwana Water Purification Grant	(787 880)	(787 880)
KwaJobe-Nongowoza Water Purification Grant	(915 000)	(915 000)
Kwadapha	(578 891)	(578 891)
Kwazibi National Lottery	(122 667)	(166 667)
Kwazibi Water Purification Grant	(915 000)	(915 000)
Lake Tete	(267 001)	(267 001)
MSIG Grant	-	(189 771)
Mabibi National Lottery	(166 667)	(166 667)
Massification Grant	(18 043 888)	(17 748 000)
Mig Reserves	(17 917 362)	(27 448 165)
Mqobela National Lottery	(166 666)	(166 666)
Mtuba Water Conservation and Demand Management	(524 310)	(524 310)
Municipal Government Administration	(800 000)	(800 000)
Ndumo Learners Shelter	(19 473 262)	(35 000 000)
Nyezi Community HIV Centre	(303 570)	(303 570)
Other	(911 670)	(911 670)
PIMMS/ NDT Operational	(300)	(300)
Rural Transport Infrastructure and System Grant	-	(1 687 000)
Shared Services Grant	-	(308 232)
Umkhombe Tours	(908 690)	(908 690)
Umnqobokazi Sportfield	(258 244)	(258 244)
Ndumo Groundnuts	(2 000 000)	-
Corridor Development 2	(1 948 550)	(1 948 550)
Ingwavuma	(941 043)	-
Councillors Training	(200 000)	-
Mtuba Bulk Water Supply	(13 197)	(13 197)
Waste Management	(145 565)	(145 565)
	(77 201 965)	(98 099 871)

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15. PROVISIONS

Reconciliation of current provisions - 2013

	Opening Balance	Additions	Reversed during the year	Total
Provision for Back Pay	780 955	-	(780 955)	-
Provision for leave	6 735 411	832 737	-	7 568 148
Provision for long service awards	1 724 000	1 746 000	-	3 470 000
	9 240 366	2 578 737	(780 955)	11 038 148

Reconciliation of current provisions - 2012

	Opening Balance	Additions	Total
Provision for Back Pay	780 955	-	780 955
Provision for leave	3 310 649	3 424 762	6 735 411
Provision for long service awards	1 724 000	-	1 724 000
	5 815 604	3 424 762	9 240 366

The movement in current provisions are reconciled as follows: -

Long Service Awards

Independent valuers, carried out a statutory valuation on an annual basis. The principal actuarial assumptions used were as follows:

16. BORROWINGS

DBSA Loans	(9 770 273)	(11 397 632)
Less : Current portion transferred to current liabilities	821 476	1 592 234
	(8 948 797)	(9 805 398)

The loans from Development Bank South Africa are subject to interest at the average rate of 6.75% and are repayable over an average period of 13 years.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
17. FINANCE LEASE LIABILITY		
2013		
	Minimum lease payments	Future Finance Charges
		Present value of minimum lease payments
Within one year	263 052	(42 822)
Within two to five years	183 748	(10 977)
	446 800	(53 799)
		393 001
2012		
	Minimum lease payments	Future Finance Charges
		Present value of minimum lease payments
Repayable within one year	353 529	(79 119)
Payable within two to five years	447 322	(53 799)
	800 851	(132 918)
		667 933
<p>The average lease term is 5 years and the average effective borrowing rate is 3.3%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.</p>		
18. SERVICE CHARGES		
Sale of electricity	4 379 880	4 553 641
Sale of water	36 454 062	39 621 262
Sewerage and sanitation charges	1 087 414	1 617 622
Total Services Charges	41 921 356	45 792 525
19. GOVERNMENT GRANTS AND SUBSIDIES		
Operating grants		
Equitable share	174 928 000	188 916 098
	174 928 000	188 916 098
Capital grants		
MIG	236 303 803	233 333 429
Other Grant	39 322 626	8 581 603
	275 626 429	241 915 032
	450 554 429	430 831 130
PIMMS / NDT Operational		
Balance unspent at beginning of year	(300)	(300)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(300)	(300)
FMG		
Balance unspent at beginning of year	(560 452)	(483 130)
Current-year receipts	(1 250 000)	(1 250 000)
Conditions met - transferred to revenue	1 327 322	895 491
Unspent portion forfeited by National Treasury	483 130	277 187
	-	(560 452)

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

	2013	2012
19. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Capacity Building: Asset Management		
Balance unspent at beginning of year	(438 028)	(784 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	284 215	345 972
	(153 813)	(438 028)
Massification Grant		
Balance unspent at beginning of year	(17 748 000)	(1 792 000)
Current-year receipts	(17 127 000)	(15 956 000)
Conditions met - transferred to revenue	16 831 112	-
	(18 043 888)	(17 748 000)
Shared Service Grant		
Balance unspent at beginning of year	(308 232)	(1 982 004)
Current-year receipts	-	-
Conditions met - transferred to revenue	308 232	2 134 540
Adjustment	-	(460 768)
	-	(308 232)
Debt Management Grant		
Balance unspent at beginning of year	(420 908)	(560 520)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	139 612
Adjustment prior year	-	-
	(420 908)	(420 908)
Umnqobokazi		
Balance unspent at beginning of year	(258 244)	(258 244)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(258 244)	(258 244)
Kwazibi National Lottery		
Balance unspent at beginning of year	(166 667)	(166 667)
Conditions met - transferred to revenue	44 000	-
	(122 667)	(166 667)
Mqobela National Lottery		
Balance unspent at beginning of year	(166 666)	(166 666)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(166 666)	(166 666)
Mabibi National Lottery		

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

	2013	2012
19. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Balance unspent at beginning of year	(166 667)	(166 667)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(166 667)	(166 667)
Mtuba Water Conservation and Demand Management		
Balance unspent at beginning of year	(524 309)	(524 309)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(524 309)	(524 309)
Kwazibi Water Purification		
Balance unspent at beginning of year	(915 000)	(915 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(915 000)	(915 000)
Kwajobe Cezwane Water Purification		
Balance unspent at beginning of year	(787 880)	(787 880)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(787 880)	(787 880)
Kwajobe Nongowoza Water Purification		
Balance unspent at beginning of year	(915 000)	(915 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(915 000)	(915 000)
Bazaneni River Water Purification		
Balance unspent at beginning of year	(756 400)	(756 400)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(756 400)	(756 400)

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

	2013	2012
19. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Disaster Management		
Balance unspent at beginning of year	(463 039)	(2 491 709)
Current-year receipts	(5 000 000)	-
Expenditure claimed in accordance with grant conditions	672 161	2 028 670
	(4 790 878)	(463 039)
Growth and Development Summit Grant		
Balance unspent at beginning of year	(100 000)	(100 000)
Current-year receipts	(400 000)	-
Conditions met - transferred to revenue	41 056	-
	458 944	100 000
Corridor Development		
Balance unspent at beginning of year	(702 917)	(704 800)
Current-year receipts	-	-
Conditions met - transferred to revenue	433 200	1 883
	269 717	702 917
MSIG		
Balance unspent at beginning of year	(189 771)	(566 784)
Current-year receipts	(1 000 000)	(790 000)
Conditions met - transferred to revenue	622 987	1 167 013
Unspent portion forfeited by National Treasury	566 784	-
	-	(189 771)
Intergovernmental Relations Implementation Grant		
Balance unspent at beginning of year	(917 000)	(917 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	839 480	-
	77 520	917 000
Mseleni Groundnuts		
Balance unspent at beginning of year	-	-
Current-year receipts	(2 000 000)	-
Conditions met - transferred to revenue	-	-
	(2 000 000)	-
Expanded Public Works Programme (EPWP)		
Balance unspent at beginning of year	(82 094)	(82 094)
Current-year receipts	(1 082 000)	-
Conditions met - transferred to revenue	-	-
	1 164 094	82 094

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

	2013	2012
19. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Lake Tete		
Balance unspent at beginning of year	(267 001)	(267 001)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	267 001	267 001
Kwadapha		
Balance unspent at beginning of year	(578 891)	(578 891)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	578 891	578 891
Nyezi Community Hiv Centre		
Balance unspent at beginning of year	(303 570)	(303 570)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	303 570	303 570
Umkhombe Tours		
Balance unspent at beginning of year	(908 690)	(908 690)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(908 690)	(908 690)
Waste Management Grant		
Balance unspent at beginning of year	(145 565)	(145 565)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(145 565)	(145 565)
Environmental Management Grant		
Balance unspent at beginning of year	(1 308 991)	(1 500 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	508 723	191 009
	(800 268)	(1 308 991)
Rural Transport Infrastructure and System Grant		
Balance unspent at beginning of year	(1 687 000)	-
Current-year receipts	(1 776 000)	(1 687 000)
Conditions met - transferred to revenue	1 776 000	-
Unspent portion forfeited by National Treasury	1 687 000	-
	-	(1 687 000)
Municipal Government Administration		

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Notes to the Annual Financial Statements

	2013	2012
19. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Balance unspent at beginning of year	800 000	-
Current-year receipts	-	(800 000)
Conditions met - transferred to revenue	-	-
	(800 000)	(800 000)
Ndumo Learners Shelter		
Balance unspent at beginning of year	(35 000 000)	-
Current-year receipts	-	(35 000 000)
Conditions met - transferred to revenue	15 526 729	-
	(19 473 271)	(35 000 000)
MIG Grant		
Balance unspent at beginning of year	(27 448 175)	110 557 287
Current-year receipts	(226 773 000)	(153 137 422)
Conditions met - transferred to revenue	236 303 803	235 342 200
Other	-	904 334
	(17 917 372)	(27 448 175)
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of water services to community members and also municipal operations.		
Councillors Training		
Current-year receipts	(200 000)	-
Ingwavuma Prison Electrical Upgrade		
Balance unspent at beginning of year	941 043	-
Other Grants		
Balance unspent at beginning of year	(924 867)	(924 867)
Total Conditional And Other Grants		
Balance Unspent at beginning of year	(97 908 864)	(128 764 583)
Current Year Receipts	(257 549 043)	(209 524 756)
Conditions met - transferred to revenue	275 519 018	242 437 400
Other Adjustment	2 736 913	(2 056 925)
	(77 201 976)	(97 908 864)
20. PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations	-	(11 500)
21. RENTAL OF FACILITIES		
Rental of Buildings	103 940	120 592

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
21. RENTAL OF FACILITIES (continued)		
	103 940	120 592
22. INTEREST EARNED		
Investments	(9 149 939)	(9 415 567)
Other	(2 882 305)	(1 728 821)
Total interest	(12 032 244)	(11 144 388)
23. INTEREST EARNED -OUTSTANDING RECEIVABLES		
Interest received - outstanding receivables	1 538 146	4 897 670
24. OTHER INCOME		
Tender Sales	113 445	18 621
Connection Fees	99 623	-
Other income	466 774	412 075
Total Other Income	679 842	430 696

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
25. EMPLOYEE RELATED COSTS		
Employee related costs- Salaries and Wages	48 726 984	40 869 918
Contributions for UIF, pensions and medical aids	8 591 210	7 571 257
Travel, motor car, accommodation, subsistence and other allowances	6 534 667	5 586 370
Housing benefits and allowances	641 056	467 572
Overtime payments	2 671 157	1 959 512
Other employee related costs	1 637 277	3 812 875
Employee Related Costs	68 802 351	60 267 504

Remuneration of Municipal Manager

Annual Remuneration	917 343	632 491
Performance - and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	77 309	140 178
Contributions to UIF, Medical and Pension Funds	11 926	160 617
Other	-	49 600
Leave Payout	75 899	-
	1 082 477	982 886

The former Municipal Manager Mr KM Moodley received a leave payout of R 75 898.92 in November 2012, Mr PS Gwacela (Acting Municipal Manager) earned an amount of R 908 236.75 for the ten months period until his contract expired. Mr S.N Dubazana was appointed Acting Municipal Manager in June 2013.

Remuneration of the Chief Finance Officer

Annual Remuneration	440 580	203 917
Performance - and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	548 813	1 043 091
Contributions to UIF, Medical and Pension Funds	10 612	66 535
	1 000 005	1 313 543

Remuneration of executive directors

	Corporate Services	Community Services	Corporate Services	Community Services
	2013	2013	2012	2012
Annual Remuneration	490 376	360 979	672 366	569 933
Performance- and other bonuses	-	-	90 872	90 872
Travel, motor car, accommodation, subsistence and other allowances	84 227	97 083	99 411	282 102
Contributions to UIF, Medical and Pension Funds	85 485	8 296	-	-
Leave Payout	150 577	-	-	-
Acting Allowance	136 121	-	-	-
Total	946 786	466 358	862 649	942 907
	SED	Technical	SED	Technical
	2013	2013	2012	2012
Annual Remuneration	247 881	300 181	562 009	579 552
Acting Allowance	93 620	39 625	-	-
Travel, motor car, accommodation, subsistence and other allowances	40 463	59 102	167 200	187 739

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013		2012	
25. EMPLOYEE RELATED COSTS (continued)				
Contributions to UIF, Medical and Pension Funds	8 455	42 323	151 109	158 812
Other Earnings	-	-	205 804	90 872
Leave payment	9 195	106 615	-	-
	399 614	547 846	1 086 122	1 016 975

The contract for Executive Director : SED expired in September 2012 and an Acting Director was appointed and served in the capacity up to May 2013. A substantive Executive Director : SED was appointed in May 2013.

The contract for Executive Director : Technical Services expired in September 2012 and an Acting Director was appointed and served in the capacity for the months April and May 2013. A substantive Executive Director : Technical Services was appointed in May 2013.

26. REMUNERATION OF COUNCILLORS

Mayor	655 561	447 431
Deputy Mayor	714 257	370 617
Speaker	764 192	370 617
Executive Committee Members	1 581 374	998 108
Councillors	969 353	4 252 187
Allowances	1 872 180	24 654
	6 556 917	6 463 614

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor and the Speaker are provided with offices and secretarial support at the cost of the Council.

All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.

The Deputy Mayor and other Executive Committee Members each have an office and share secretarial support at the cost of the Council.

Only the Mayor has the use of Council owned vehicle for official duties.

The Mayor has 2 full-time bodyguards and 1 relief bodyguard.

27. DEPRECIATION AND AMORTISATION

Property, plant and equipment	256 071	47 604 949
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28. FINANCE COST

Current borrowings	1 065 933	1 244 107
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29. BULK PURCHASES

Electricity	21 917 044	17 209 160
Water	36 015 973	38 710 775
Total Bulk Purchases	57 933 017	55 919 935

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

	2013	2012
30. CONTRACTED SERVICES		
Operating Leases	-	3 631 447
Other Contractors	-	1 593 188
Specialist Services	6 569 004	2 459 664
Fleet Services	-	8 876 354
Information Technology Services	-	122 323
	6 569 004	16 682 976
31. General expenses		
Audit Committee fees	105 097	205 629
Advertising	379 199	406 500
Bank charges	464 313	342 968
Cleaning	136 742	121 891
Audit Fees	2 704 138	2 438 481
Consulting and professional fees	6 710 713	-
Entertainment	461 153	297 941
Legal Fees	2 243 058	566 202
Insurance	137 608	2 844 977
Community development and training	1 027 067	485 010
Conferences and seminars	-	3 860
Licences	211 665	176 135
Lease rentals on operating lease	1 719 365	-
Fleet	-	444 941
Other Expenses	42 671 761	5 733 309
Hire of Plant & Equipment	13 604 760	248 932
Levies	1 245	10 500
Mayoral Descretionary Fund	-	48 182
Medical expenses	9 904	-
Fuel and oil	1 314 647	44 209
Publicity	-	156 450
Postage and courier	2 593	7 763
Printing and stationery	181 328	293 648
Internal Audit Fees	1 927 761	956 539
Purchase of Books	-	6 383
Sports DC27	2 948 034	1 025 256
Small Tools	109 267	10 766
System Support	1 352 283	254 401
Telephone and fax	808 876	818 810
Training	623 597	205 845
Team Building	5 000	16 000
Water Analysis	-	246 300
Youth Celebration	-	10 000
Old Age Pensioners	-	121 367
Uniforms	54 000	186 750
Burial Aid	-	5 500
Arts & Culture	752 285	214 970
Nordale Extensions	1 484 375	-
Civic Receptions	78	67 053
Disability	448 729	26 700
Led Fund	-	139 297
Business Plans	3 869	15 869
Operation Turn Around	125	881 706
Events Organisations	-	6 900
Accomodation	2 469 870	1 133 570
HIV & AIDS Prevention	-	405 833
	87 074 505	21 633 343

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
32. CASH GENERATED FROM OPERATIONS		
Surplus	236 300 193	238 906 041
Adjustments for:		
Depreciation and amortisation	256 071	47 604 949
Impairment deficit	28 460 492	38 231 905
Movements in provisions	1 797 782	-
Other non-cash items	-	71 425 699
Changes in working capital:		
Inventories	(33 249 589)	-
Receivables from non exchange transactions	(28 460 492)	(5 849 343)
Other receivables from non-exchange transactions	31 054 143	(141 952 398)
Consumer debtors	10 768 742	(24 805 856)
Investments	-	(1 604 454)
VAT Receivable	11 182 690	18 461 338
Current provisions	-	3 109 920
Trade And Other Payables From Exchange Transactions	(3 873 843)	5 719 888
VAT Payable	-	(1 743 545)
Current portion of unspent conditional grants and receipts	(20 897 906)	(33 284 592)
Consumer deposits	1 602 935	107 399
Other current financial liabilities	-	2 293 981
	234 941 218	216 620 932

33. CORRECTION OF ERRORS

Correction of back pay provision amounting to R 780 955.17 posted into remuneration of councillors.

Reclassification of remuneration of councillors amounting to R3 907 461.57 posted into employee costs.

Correction of input VAT amounting to R575 posted into remuneration of councillors.

Reclassification of general expenses amounting to R1 129 461.01 posted to employee related expenses.

Expensing of unspent conditional grant amounting to R 2 777 678.79 with a debit balances.

Correction of prepayment amounting R134 793 561 reported under purchase of fixed assets in the cash flow.

Provision for bad debts amounting to R38 231 905 reclassified from general expenses.

Correction of borrowings for R100 that was not mapped

Reclassification of interest paid amounting to R1 223 853 not included on the cashflow.

Revision of irregular expenditure disclosed.

Revision of fruitless and wasteful expenditure disclosed.

Reversal of debtors write-off that was processed.

The correction of the error(s) results in adjustments as follows:

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

33. CORRECTION OF ERRORS (continued)

Statement of financial position		2011/12 As previously reported	2011/12 Re- Classification	2011/12 Correction of error	2011/12 Restated
Trade and other receivables from exchange transactions	3	24 805 857	-	3 108 739	27 914 596
Other receivables from non-exchange transactions	4	138 813 724	(1 126)	-	138 812 598
VAT receivable		18 461 338	-	435 223	18 896 561
Property, plant and equipment	9	1 145 362 630	(110 208)	-	1 145 252 422
Intangible Assets	10	-	111 237	-	111 237
Consumer deposits	13	(895 731)	-	(2 326 663)	(3 222 394)
Current provisions	15	(8 956 628)	-	(780 956)	(9 737 584)
Current portion of unspent conditional grants and receipts	14	(95 322 194)	-	(2 777 678)	(98 099 872)
Current portion of finance lease liability	17	(650 874)	-	402 942	(247 932)
Other current financial liabilities	11	(11 524 854)	-	2 307 295	(9 217 559)
Non-current borrowings	16	(9 805 398)	100	-	(9 805 298)
Non-current finance lease liability	17	(31 294)	-	(361 702)	(392 996)
Opening Accumulated Surplus or Deficit	50	(1 322 655 188)	-	(1 873 769)	(1 324 528 957)
		(122 398 612)	3	(1 866 569)	(124 265 178)

Statement of Financial Performance

Land Rates		-	-	909 042	909 042
Employee Related Costs		(62 795 378)	4 269 746	17 872	(58 507 760)
Remuneration of councillors		(2 556 152)	(3 140 285)	767 177	(4 929 260)
Debt Impairment		-	(38 231 905)	-	(38 231 905)
General Expenses		(53 139 376)	38 231 905	(1 144 160)	(16 051 631)
		(118 490 906)	1 129 461	549 931	(116 811 514)

Cash flow statement

Cash flow from operating activities

Interest paid		-	-	(1 223 853)	(1 223 853)
Movement in Receivables		(10 687 743)	-	(134 793 561)	(145 481 304)
Suppliers		(139 865 738)	-	1 223 853	(138 641 885)
		(150 553 481)	-	(134 793 561)	(285 347 042)

Cash flow from investing activities

Purchase of fixed assets		(206 380 112)	-	134 793 561	(71 586 551)
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Disclosures/Notes

Fruitless & Wasteful Expenditure		1 256 407	-	766 741	2 023 148
Irregular Expenditure		31 148 414	-	312 790 095	343 938 509
Unauthorised Expenditure		30 226 255	-	(11 428 987)	18 797 268
		62 631 076	-	302 127 849	364 758 925

34. UNAUTHORISED EXPENDITURE

Reconciliation of unauthorised expenditure				-	-
Opening balance				18 797 268	-
Unauthorised expenditure current year				47 627 840	18 797 268
Approved by Council or condoned				(66 425 108)	-
Transfer to receivables for recovery				-	-
Unauthorised expenditure awaiting authorisation				-	-
				-	18 797 268

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

34. UNAUTHORISED EXPENDITURE (continued)

Unauthorised expenditure was incurred as a result of over expenditure on the approved budget and will be taken into account in the 2013/14 adjustment budget per Council Resolution.

35. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure	-	-
Opening balance	1 983 573	1 086 000
Fruitless and wasteful expenditure current year	25 225	-
Condoned or written off by Council	(2 008 798)	766 741
To be recovered - contingent assets (see note 55)	-	170 407
Fruitless and wasteful expenditure awaiting condonement	-	-
	-	2 023 148

36. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure	-	-
Opening balance	343 938 509	3 236 000
Irregular Expenditure - current year	176 746 359	338 517 255
Condoned or written off by Council	(520 684 868)	-
Transfer to receivables for recovery (not condoned)	-	2 185 254
Irregular expenditure awaiting condonment	-	-
	-	343 938 509

The forensic investigation per Council Resolution should continue even though the condonation was approved.

37. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Audit fees

Opening balance	46 578	-
Current year audit fee	3 211 504	2 444 205
Amount paid - current year	(3 128 802)	(2 397 627)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	129 280	46 578

Pension

Opening balance	-	-
Current year pension fees	4 810 950	4 281 261
Amount paid - current year	(3 987 104)	(4 281 261)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	823 846	-

Medical Aid

Opening balance	-	-
Current year medical aid fees	2 214 032	1 897 731
Amount paid - current year	(1 857 930)	(1 897 731)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	356 102	-

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

37. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

PAYE

Opening balance	-	-
Current year PAYE	8 053 047	7 762 132
Amount paid - current year	(7 216 475)	(7 762 132)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	836 572	-

UIF

Opening balance	-	-
Current year UIF	369 784	295 012
Amount paid - current year	(280 857)	(295 012)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	88 927	-

VAT

VAT input receivables and VAT output payables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality is in the process of developing a supply chain management policy

Councillors' arrear consumer accounts

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

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Gumbi DL	1 415	6 997	8 412
Councillor Nyawo Z	-	17	17
Councillor Zungu MC	-	20 859	20 859
	1 415	27 873	29 288

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
38. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for		
• Infrastructure	199 852 661	191 206 923
• Other Assets	16 018 939	-
	215 871 600	191 206 923
Approved but not yet contracted for		
• Infrastructure	629 098 382	-
	629 098 382	-
Total	844 969 982	191 206 923
This expenditure will be financed from:		
Government Grants (MIG)	838 123 244	191 206 923
Equitable Share	6 846 738	-
	844 969 982	191 206 923

These commitments include commitments for outer years.

39. RETIREMENT BENEFIT INFORMATION

Defined contribution plan

The municipality contributes to the Municipal Joint Pension Fund.

40. ITEMS UNDER INVESTIGATION

On 29 February 2012 the wing of finance department in the main offices of uMkhanyakude District Municipality was attacked by incidence of fire. Such incidence was reported to the South African Police Service (SAPS) at Mkhuze Police Station per case number 03/02/2012. No arrest has taken place to date of which the case is currently under investigation. The fire incidence destroyed some of the financial records of the municipality which made difficult to support all transactions occurred during 2011/2012 financial year for audit purposes. In addition to the fire incidence Auditor-General has been unable to obtain sufficient and appropriate audit evidence to support some of the items disclosed in the Annual Financial Statements of the municipality in the previous years which resulted in the negative audit outcomes.

Therefore an account called " ITEMS UNDER INVESTIGATIONS" has been created to ring fence these items in the Financial Systems through Council Resolution and disclosed as such in the Annual Financial Statements to account for all those items that could not be supported in the previous years. The National Treasury shall be engaged to solicit advice through Provincial Treasury for the purpose of condonation.

The items under investigation are as follows:

Prior years expenditure vouchers	2 792 150	2 792 150
2011/12 financial year expenditure vouchers	231 682	231 619
Journals and payment vouchers destroyed by fire	6 724 168	6 724 168
Unsupported creditors balances	(13 552 788)	(13 552 788)
	(3 804 788)	(3 804 851)

41. CONTINGENT ASSETS

Claim on Insurance Excess

The municipality an excess amount of R154 672 on the municipal building that was destroyed during the fire accident was paid during the financial year.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

42. RELATED PARTIES

Relationships

Umhlosinga Development Agency (100% Ownership)

Umhlosinga Development agency is a subsidiary wholly owned by Umkhanyakude District Municipality to spearhead the economic development within the district.

Transfers paid to Umhlosinga Development Agency	2 618 724	-
Expenses paid on behalf of Umhlosinga Development Agency:		
Telephone Costs paid on behalf of Umhlosinga Development Agency	-	101 701
Salaries - staff seconded to Umhlosinga Development Agency by Umkhanyakude District Municipality	-	443 660
	<hr/>	<hr/>
	-	545 361

43. EVENTS AFTER THE REPORTING DATE

There were no adjusting and non adjusting events that occurred after the reporting date.

44. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment

Recoverable amounts of property, plant and equipment.

Provision for doubtful debts

Impairment of assets

Water Losses

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

Provisions

Other

45. RISK MANAGEMENT

Liquidity risk

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

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings from DBSA.

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

- Call deposits
- Notice deposits
- Loan from Development Bank of South Africa

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
--	------	------

45. RISK MANAGEMENT (continued)

Maximum credit risk exposure

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The investments are diversified among the reputable commercial banks.

The consumer debtors are settled on a monthly basis. Upon the new connections the consumers paid deposit in advance.

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

46. COMPARISON WITH THE BUDGET

47. EXCEPTIONAL ITEMS

Water Losses

The municipality incurred 64.9% water losses for the 2012/13 financial year 88.16% (2012). The value of the losses incurred amounted to R25 119 747.85 (2013) R3 919 254.58 (2012)

48. FINANCIAL INSTRUMENTS DISCLOSURE

49. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Loans to directors, managers and employees

At beginning of the year

Undefined Difference

3 108 740	-
(3 108 740)	3 108 740
-	3 108 740

The loans to directors, managers and employees bear interest at -% p.a, secured by [.....] and are repayable over - years or by .

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
50. ACCUMULATED SURPLUS		
51. NON-CURRENT FINANCE LEASE LIABILITY		
52. REVENUE		
Service charges	41 921 356	45 792 525
Rental of facilities and equipment	103 940	120 592
Interest received (trading)	1 538 146	4 897 670
Other income - (rollup)	679 842	430 696
Interest received - investment	12 524 641	11 144 388
Property rates	-	909 042
Government grants & subsidies	450 554 429	430 831 130
Public contributions and donations	-	11 500
	507 322 354	494 137 543
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	41 921 356	45 792 525
Rental of facilities and equipment	103 940	120 592
Interest received (trading)	1 538 146	4 897 670
Other income - (rollup)	679 842	430 696
Interest received - investment	12 524 641	11 144 388
	56 767 925	62 385 871
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation Revenue		
Property rates	-	909 042
Grants Revenue		
Government grants & subsidies	450 554 429	430 831 130
Public contributions and donations	-	11 500
	450 554 429	431 751 672
53. PROPERTY RATES		
54. PUBLIC CONTRIBUTIONS AND DONATIONS		
Public contributions and donations 1	-	11 500
Reconciliation of conditional contributions		
Undefined Difference	200 000	-
Conditions still to be met - remain liabilities (see note 14)		
Provide explanations of conditions still to be met and other relevant information		
55. INVESTMENT REVENUE		
Interest revenue		
Bank	12 524 641	11 144 388

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
56. IMPAIRMENT OF ASSETS		
Impairments		
Trade and other receivables	28 460 492	38 231 905
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		

Appendix A

June 2013

Schedule of external loans as at 30 June 2013

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		
Development Bank of South Africa							
DBSA -D6100191 @ 6,76%	61 000 191	31/03/2025	9 927 720	684 329	1 458 738	9 153 311	-
DBSA -D6100800 @6,75%	61 000 800	30/09/2025	1 469 810	98 956	168 522	1 400 244	-
DBSA- D61002406	61 002 406	30/06/2009	-	-	-	-	-
			11 397 530	783 285	1 627 260	10 553 555	-
Finance Lease liability							
GESTETNER SERVER & SOFTWARE		31/08/2013	118 726	-	100 769	17 957	-
Photocopier (W421KC00604)	MP2851	28/02/2015	43 129	-	13 682	29 447	-
Photocopier (W421KC00720)	MP2851	28/02/2015	43 129	-	13 682	29 447	-
Photocopier (W421KC00797)	MP2851	28/02/2015	43 129	-	13 682	29 447	-
Photocopier (W421KC00838)	MP2851	28/02/2015	50 906	-	16 149	34 757	-
Photocopier (V5110800035)	PRO1170EX	28/02/2015	193 188	-	61 287	131 901	-
Photocopier (S7214300276)	MPC300	28/02/2015	56 500	-	17 924	38 576	-
Photocopier (S7214400158)	MPC300	28/02/2015	56 500	-	17 924	38 576	-
Photocopier (W3119500069)	MP201F	28/02/2015	31 344	-	9 944	21 400	-
Photocopier (W3018711449)	MP201SPF	28/02/2015	31 479	-	9 986	21 493	-
			668 030	-	275 029	393 001	-
Total external loans			12 065 560	783 285	1 902 289	10 946 556	-

Appendix B

June 2013

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	-	-	-	-	-	-	-	-	-	-	-	-	-
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

June 2013

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
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
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

June 2013

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	-	-	-	-	-	-	-	-	-	-	-	-	-
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

June 2013

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
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
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

June 2013

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

June 2013

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
Municipality														
Executive & Council/Mayor and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin/Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Development/Economic Development/Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Appendix C
June 2013

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

June 2013

Segmental Statement of Financial Performance for the year ended 2012 2013

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
189 201 196	22 942 225	166 258 971	Executive & Council/Mayor and Council	-	-	-
18 952 489	62 843 372	(43 890 883)	Finance & Admin/Finance	-	-	-
1 863 935	14 880 251	(13 016 316)	Corporate services	-	-	-
2 136 423	6 809 550	(4 673 127)	Community & Social Services	-	-	-
239 319 264	10 349 502	228 969 762	Planning & Development	-	-	-
2 074 244	16 337 862	(14 263 618)	Community & Social Services/Other Community	-	-	-
39 659 423	118 117 374	(78 457 951)	Water/Water Distribution	-	-	-
21 527	542 081	(520 554)	Other/Air Transport	-	-	-
493 228 501	252 822 217	240 406 284		-	-	-
Municipal Owned Entities Other charges						
493 228 501	252 822 217	240 406 284	Municipality	-	-	-
493 228 501	252 822 217	240 406 284	Total	-	-	-

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Forecast # 3 2013 Act. Bal.	Forecast # 3 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	41 921 355	19 618 000	22 303 355	113.7	The municipality under budgeted based on the actual service charges that was received during the the adjustment period. It also improved on the collection of revenue.
Rental of facilities and equipment	103 940	147 000	(43 060)	(29.3)	The municipality over budgeted for the rentals.
Interest received - outstanding receivables	1 538 146	-	1 538 146	-	The municipality did not budget for the interest on outstanding debtors.
Other income	679 842	62 218 000	(61 538 158)	(98.9)	The municipality included the VAT refund budget on other income.
Government grants & subsidies	450 554 429	540 898 000	(90 343 571)	(16.7)	The budget figure is the Equitable Share plus other operational grant that was gazetted. The municipality have unspent grants, that will be used in the 2013-2014. The MIG received had unspent opening balance was used up to 93%, but during the adjustment the municipality redeemed from the saving R84 million which lead to R299 million capital budget.
Interest received - investment & bank	12 524 641	5 143 000	7 381 641	143.5	The interest on investment depends on the actual amount invested during the year, this means we invested more that what we budgeted.
	<u>507 322 353</u>	<u>628 024 000</u>	<u>(120 701 647)</u>	<u>(19.2)</u>	
Expenses					
Employee Related Costs	(68 802 351)	(87 656 000)	18 853 649	(21.5)	The municipality over budgeted on employee related, there are vacant post that were not filled but budgeted for.
Remuneration of councillors	(6 556 917)	(5 239 000)	(1 317 917)	25.2	The over expenditure on the council remuneration is based on the S & T claims for the councillors
Depreciation	(256 071)	(30 000 000)	29 743 929	(99.1)	
Impairments	-	-	-	-	
Finance costs	(1 065 933)	(843 000)	(222 933)	26.4	The finance cost was on the interest paid for the loan with DBSA and on outstanding creditors.
Debt impairment	(28 460 492)	(23 254 000)	(5 206 492)	22.4	Increase was due to high risk debtors that were identified from the debtors data cleansing exercise that was done.
Repairs and maintenance - General	(27 021 035)	(17 072 000)	(9 949 035)	58.3	The repairs and maintenance is very high due to regular maintenance of old infrastructure on the water schemes. A replacement and repairs and maintenance plan is going to be developed to ensure that repairs are done when the water scheme.
Bulk purchases	(57 933 017)	(25 754 000)	(32 179 017)	124.9	The municipality engaged WSSA for bulk water treatment of which on average per month R3,5m is paid. The performance of WSSA be monitored by the relevant department to ensure that the value is yielded in this contract. The municipality under budgeted for bulk water purchases and bulk electricity.
Contracted Services	(6 569 004)	(6 155 000)	(414 004)	6.7	The municipality engaged too many contracts. The expenditure for petrol cards, 3G cards, Nashua (i.e. office automation, telephone, PABX etc). All contracts engaged by the municipality be reviewed to determine any value for money received by the municipality on them.
General Expenses	(90 420 819)	(96 250 000)	5 829 181	(6.1)	Over budgeted for general expenditure.
	<u>(287 085 639)</u>	<u>(292 223 000)</u>	<u>5 137 361</u>	<u>(1.8)</u>	
Net surplus/ (deficit) for the year	220 236 714	335 801 000	(115 564 286)	(34.4)	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2013

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure				
		Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun	
Equitable Share		73 493 000	55 652 000	44 096 000	-	-	-	-	-	-	-
MIG		93 887 000	84 231 000	48 655 000	-	-	19 042 859	55 746 084	50 416 074	111 098 787	-
FMG		1 250 000	-	-	-	-	312 500	312 500	312 500	312 500	-
MSIG		1 000 000	-	-	-	-	250 000	250 000	250 000	250 000	-
Rural Roads and Transport Management		17 760 000	-	-	-	-	444 000	444 000	444 000	444 000	-
		187 390 000	139 883 000	92 751 000	-	-	20 049 359	56 752 584	51 422 574	112 105 287	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.