



**VHEMBE DISTRICT MUNICIPALITY**  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## General Information

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<b>Registered office</b>	Old Parliament Building Thohoyandou
<b>Postal address</b>	Private Bag x5006 Thohoyandou 0950
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor-General
<b>Contact details</b>	015 960 2000 mamsym@vhembe.gov.za www.vhembe.gov.za

# Vhembe 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 Auditor General:

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## **Vhembe District Municipality**

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

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I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 57 , in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 23 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.

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# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Position

	Note(s)	2013	2012
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	7	18,794,064	21,536,196
VAT Receivable	9	87,768,960	60,420,663
Trade receivables from exchange transactions	20	22,731,219	148,119,917
Trade receivables from non exchange transactions		135,326,497	14,044,568
Cash and cash equivalents	10	105,412,029	5,101,017
		<b>370,032,769</b>	<b>249,222,361</b>
<b>Non-Current Assets</b>			
Investment Property at Cost	3	14,151,866	8,620,049
Property, Plant and Equipment	2	2,939,828,215	1,829,409,682
Intangible assets	4	2,585,559	2,207,244
		<b>2,956,565,640</b>	<b>1,840,236,975</b>
<b>Total Assets</b>		<b>3,326,598,409</b>	<b>2,089,459,336</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	12	325,919,679	161,681,388
Consumer deposits	40	4,340,191	3,625,045
Unspent Grants	11	16,095,070	5,753,769
Provisions	6	36,205,292	21,120,244
Current portion of lease liability	5	1,830,089	3,532,775
		<b>384,390,321</b>	<b>195,713,221</b>
<b>Non-Current Liabilities</b>			
Non Current Finance Lease Liability	5	433,520	3,677,242
<b>Total Liabilities</b>		<b>384,823,841</b>	<b>199,390,463</b>
<b>Net Assets</b>		<b>2,941,774,568</b>	<b>1,890,068,873</b>
<b>Net Assets</b>			
Accumulated surplus		2,941,774,568	1,890,068,873

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Detailed Income statement

	Note(s)	2013	2012
<b>Revenue from exchange transactions</b>			
Sale of goods		84,535,111	72,431,446
Rendering of services		389,822	9,792
Rental of facilities and equipment		871,611	67,239
Certificate of acceptance		182,050	53,547
Fire Services		190,811	190,018
Sale of tender documents		779,842	748,489
<b>Revenue from non exchange transactions</b>			
Other income	21	-	19,971,458
Interest received - investment		8,695,809	8,281,849
Government grants & subsidies	14	1,009,649,732	930,060,253
Sundry Income		1,380,329	1,272,277
Gains on creditors write off		90,503,629	-
<b>Total revenue</b>		<b>1,197,178,746</b>	<b>1,033,086,368</b>
<b>Expenditure</b>			
Personnel	16	(362,778,967)	(318,851,675)
Remuneration of councillors	23	(6,846,209)	(8,593,417)
Administration	24	(188,933)	(141,899)
Transfer payments		-	(154,338)
Depreciation and amortisation	25	(72,901,864)	(64,645,965)
Finance costs	27	(606,569)	(775,624)
Debt impairment	17	(220,671,135)	(304,181,160)
Collection costs		(1,784,561)	(545,011)
Repairs and maintenance		(52,740,023)	(58,501,006)
General Expenses	15	(258,036,177)	(295,586,487)
<b>Total expenditure</b>		<b>(976,554,438)</b>	<b>(1,051,976,582)</b>
<b>Operating surplus (deficit)</b>		<b>220,624,308</b>	<b>(18,890,214)</b>
<b>Surplus (deficit) for the year</b>		<b>220,624,308</b>	<b>(18,890,214)</b>

## Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	2,021,508,021	2,021,508,021
Adjustments		
Change in accounting policy	19,567,791	19,567,791
<b>Balance at 01 July 2011 as restated</b>	<b>2,041,095,234</b>	<b>2,041,095,234</b>
Changes in net assets		
Fair value gains, net of tax: Land and buildings	(132,136,147)	(132,136,147)
Net income (losses) recognised directly in net assets	(132,136,147)	(132,136,147)
Surplus for the year	(18,890,214)	(18,890,214)
Prior year adjustments	(151,026,361)	(151,026,361)
Total changes	(151,026,361)	(151,026,361)
<b>Balance at 01 July 2012</b>	<b>1,648,684,074</b>	<b>1,648,684,074</b>
Changes in net assets		
Fair value gains, net of tax: Land and buildings	1	1
Financial assets	1,072,466,185	1,072,466,185
Net income (losses) recognised directly in net assets	1,072,466,186	1,072,466,186
Surplus for the year	220,624,308	220,624,308
Total recognised income and expenses for the year	1,293,090,494	1,293,090,494
Total changes	1,293,090,494	1,293,090,494
<b>Balance at 30 June 2013</b>	<b>2,941,774,568</b>	<b>2,941,774,568</b>
Note(s)		

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

	Note(s)	2013	2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		84,535,111	23,287,902
Grants		1,009,649,732	930,060,253
Interest income		8,695,809	8,264,698
Other receipts		2,119,781	2,274,123
		<u>1,105,000,433</u>	<u>963,886,976</u>
<b>Payments</b>			
Employee costs		(355,740,885)	(326,675,365)
Suppliers		(313,091,236)	(283,637,618)
Finance costs		(606,569)	-
Other payments		(22,497,668)	(70,460,475)
Other cash item	32	-	(63,549,442)
		<u>(691,936,358)</u>	<u>(744,322,900)</u>
<b>Net cash flows from operating activities</b>	19	<b><u>413,064,075</u></b>	<b><u>219,564,076</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(185,352,544)	(274,620,088)
Purchase of other intangible assets	4	(749,875)	(1,259,470)
Purchase of other asset 3		(121,281,929)	-
Non-cash adjustments on asset opening balances	32	(48,471)	(10,480,175)
<b>Net cash flows from investing activities</b>		<b><u>(307,432,819)</u></b>	<b><u>(286,359,733)</u></b>
<b>Cash flows from financing activities</b>			
Movement in short term portion of lease liability		(1,702,686)	(268,675)
Finance lease payments		(3,617,558)	(4,405,580)
<b>Net cash flows from financing activities</b>		<b><u>(5,320,244)</u></b>	<b><u>(4,674,255)</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b>100,311,012</b>	<b>(71,469,912)</b>
Cash and cash equivalents at the beginning of the year		5,101,017	76,570,929
<b>Cash and cash equivalents at the end of the year</b>	10	<b><u>105,412,029</u></b>	<b><u>5,101,017</u></b>



# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1. Basis of presentation of Annual Financial Statements

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

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

#### 1.1 Presentation of currency

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

#### 1.2 Going Concern Assumption

These Financial Statements have been prepared on the assumptions that municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Comparative information

Budget information in accordance with GRAP 1 and 24, has been provided as a note to the statements and forms part of the annual financial statements.

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

#### 1.4 Property, Plant and Equipment

##### INITIAL RECOGNITION.

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Items of PPE includes capital projects that are under constructions (WIP) and are not depreciated.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The fair value will be determined using the valuation model and the valuation amount shall be the deemed costs on initial recognition.

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, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

##### SUBSEQUENT MEASUREMENT - COST MODEL.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.4 Property, Plant and Equipment (continued)

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

#### DEPRECIATION AND IMPAIRMENT.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. 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 useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life in Years
Buildings	
• Buildings	30
Furniture and fixtures	
• Furniture and Fittings	7-10
Motor vehicles	
• Other Vehicles	5
Office equipment	
• Office Equipment	3-7
IT equipment	
• Computer Equipment	3
Infrastructure	
• Roads and Paving	30
• Water	15-20
• Sewerage	15-20
Community	
• Buildings	30
• Recreational Facilities	20-30
Other property, plant and equipment	
• Other items of property, plant and equipment	2-5
• Specialised plant and equipment	10-15
Specialised vehicles	
• Specialised vehicles	10

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

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

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

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

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

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

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.4 Property, Plant and Equipment (continued)

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

### 1.5 Intangible assets

#### INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset 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.

#### SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### AMORTISATION AND IMPAIRMENT.

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance .

#### DERECOGNITION

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

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.5 Intangible assets (continued)

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

Computer software	3 years
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### 1.6 Investment property

#### INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

#### SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Buildings	30-65 Years
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### 1.7 Inventories

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

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

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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.7 Inventories (continued)

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

### 1.8 Financial instruments

#### Initial recognition

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

#### Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

The Entity classifies its financial assets into the following categories

- loans and receivables;
- held to maturity

The classification depends on the purpose for which the financial asset is acquired, and is as follows

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

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

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Impairment of financial assets

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

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

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

Impairment losses are recognised in surplus or deficit.

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

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

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

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

#### Receivables from exchange transactions

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. 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. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

#### Payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### Cash and cash equivalents

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

#### Impairment of financial assets

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.8 Financial instruments (continued)

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

Assets are carried at amortised cost.

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

### 1.9 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.

### 1.10 Irregular expenditure

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

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

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

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

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

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

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.10 Irregular expenditure (continued)

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

### 1.11 Fruitless and wasteful expenditure

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

### 1.12 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - 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.

### 1.13 Leases

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

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

#### Finance leases – lessee



# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.13 Leases (continued)

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.

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

#### Operating leases - lessor

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

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

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

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/liability. This liability is not discounted.

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

### 1.14 Revenue from exchange transactions

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

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of water prepaid meter cards is recognised at the point of sale.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the selling of tender documents.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

#### Sale of goods

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.14 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.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.15 Conditional Grants and receipts

Conditional grants and donations 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.

### 1.16 Finance costs

Finance cost are recognised as an expense in the period in which they are incurred

### 1.17 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.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.17 Impairment of assets (continued)

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

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

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

Useful life is either:

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

### 1.18 Revenue from non-exchange transactions

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

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

#### Government grants

Government grants are recognised as revenue when:

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

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

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

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

#### Other grants and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.19 Significant judgements and sources of estimation uncertainty

#### Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current estimate. Provisions were raised and management determined an estimate based on the information available.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year - end. Bad debts are written off with the approval of Council during the year in which they are identified.

### 1.20 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### Post employment medical care benefits

The municipality does not provide post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

#### Termination benefits

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.20 Employee benefits (continued)

#### Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

### 1.21 Budget information

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

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

The 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 annual financial statements.

### 1.22 Related parties

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

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

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

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

## Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

#### 2. Property, Plant and Equipment

	2013			2012		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	166,160,266	(22,998,938)	143,161,328	166,160,266	(16,198,573)	149,961,693
Plant and machinery	6,656,050	(1,177,771)	5,478,279	6,656,050	(454,286)	6,201,764
Furniture and fixtures	8,157,841	(3,364,406)	4,793,435	8,551,521	(2,526,692)	6,024,829
Motor vehicles	25,101,247	(9,287,040)	15,814,207	25,101,247	(6,756,281)	18,344,966
Office equipment	1,202,029	(536,591)	665,438	1,202,029	(427,261)	774,768
IT equipment	2,115,595	(1,536,027)	579,568	2,035,412	(1,320,416)	714,996
Infrastructure	2,275,751,047	(298,427,265)	1,977,323,782	1,368,965,096	(186,951,035)	1,182,014,061
Community	100,569,965	(130,109)	100,439,856	91,921,470	(74,086)	91,847,384
Other property, plant and equipment	23,432,571	(9,842,023)	13,590,548	15,660,718	(7,181,862)	8,478,856
Work in progress	675,886,446	-	675,886,446	360,029,510	-	360,029,510
Leased Assets	13,708,230	(11,612,902)	2,095,328	13,708,230	(8,691,375)	5,016,855
Sewer and sanitation	-	-	-	-	-	-
<b>Total</b>	<b>3,298,741,287</b>	<b>(358,913,072)</b>	<b>2,939,828,215</b>	<b>2,059,991,549</b>	<b>(230,581,867)</b>	<b>1,829,409,682</b>

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

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 2. Property, Plant and Equipment (continued)

	Buildings	Plant and Machinery	Furniture and Fixtures	Motor vehicles	Office Equipment	IT Equipment	Other PPE	Infrastructure	Leased assets	Community assets	Total
Carrying amount at beginning of the year	149,961,693	6,303,332	4,556,024	19,407,230	-	6,914	8,464,586	1,923,168,997	5,142,757	91,847,385	2,208,691,589
Cost	166,818,250	7,979,033	8,871,629	31,633,689	1,309,492	3,578,618	30,518,075	2,089,632,800	17,270,193	91,921,470	2,449,533,249
Accumulated depreciation	(16,856,556)	(1,675,701)	(4,618,933)	(12,226,459)	(1,173,494)	(3,571,704)	(22,053,493)	(166,463,802)	(12,127,436)	(74,085)	(240,841,663)
<b>Correction of prior year errors</b>											
<b>Assessment of useful lives</b>											
Cost	-	-	615,685	6,467	521,750	256,382	862,104	20,487,233	72,380	-	22,822,001
Accumulated depreciation	-	-	(47,360)	(497)	(40,135)	42,730	(66,316)	-	-	-	(111,578)
<b>Removal of redundant assets</b>											
Cost	-	(1,352,734)	(248,663)	(4,687,909)	(1,870)	(9,035)	(301,077)	-	(3,508,441)	-	(10,109,729)
Accumulated Depreciation	-	1,228,450	113,633	2,132,090	1,479	6,024	197,839	-	3,508,441	-	7,187,956
<b>Adjustment to opening balances to agree to Fixed asset register</b>											
Cost	(657,984)	29,751	(687,131)	(1,851,000)	(627,344)	(1,790,552)	(15,418,384)	(360,638,194)	(53,522)	-	(381,694,360)
Accumulated depreciation	657,984	(7,045)	2,025,969	3,338,585	784,888	2,287,994	14,740,108	-	(72,380)	-	23,756,103
<b>Restated opening balances</b>											
Cost	166,160,266	6,656,050	8,551,521	25,101,247	1,202,029	2,035,412	15,660,718	1,728,994,606	13,708,230	91,921,470	2,059,991,549
Total restated accumulated dep	(16,198,573)	(454,286)	(2,526,692)	(6,756,281)	(427,261)	(1,320,416)	(7,181,862)	(186,951,035)	(8,691,375)	(74,085)	(230,581,866)

## Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand

#### 2. Property, Plant and Equipment (continued)

Acquisitions during the year	-	-	231,260	861,415	53,772	245,289	5,729,701	546,756,970	-	8,648,496	562,526,903
Capital under construction	-	-	-	-	-	-	-	675,886,446	-	-	675,886,446
Depreciation	(6,800,365)	(723,485)	(837,714)	(2,530,759)	(109,330)	(215,610)	(2,660,161)	(65,300,881)	(2,921,527)	(56,023)	(82,155,855)
Impairment	-	-	-	-	-	-	-	(46,175,249)	(130,109)	-	(46,305,358)
<b>Carrying value at year end</b>											
Carrying value at year end	143,161,328	5,478,279	4,793,435	15,814,207	665,438	579,568	13,590,548	2,653,210,228	2,095,328	100,439,856	2,939,828,215
Cost	166,160,266	6,656,050	8,157,841	25,101,247	1,202,029	2,115,595	23,432,571	2,951,637,493	13,708,230	100,569,965	3,298,741,287
Accumulated depreciation	(22,998,938)	(1,177,771)	(3,364,406)	(9,287,040)	(536,591)	(1,536,027)	(9,842,023)	(298,427,265)	(11,612,902)	(130,109)	(358,913,072)



## Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand

#### 2. Property, Plant and Equipment (continued)

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

Carrying amount at beginning of the year	<b>191,994,203</b>	<b>4,950,382</b>	<b>4,556,024</b>	<b>17,743,202</b>	<b>192,615</b>	<b>60,107</b>	<b>1,389,523,161</b>	<b>21,694,213</b>	<b>9,085,674</b>	<b>1,662,624</b>	<b>1,641,462,205</b>
Cost	202,560,615	6,094,891	8,611,742	27,672,544	1,307,634	3,506,199	1,507,217,509	42,363,973	17,216,677	-	1,818,232,470
Correction of error (note 37)	(65,301,800)	(2,381,158)	(11,345)	474,360	1,858	6,066	178,886,986	(12,401,644)	53,516	1,680,686	99,326,839
Plant and machinery	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment	(10,566,412)	(1,144,509)	(4,055,718)	(9,929,342)	(1,115,019)	(3,446,092)	(117,694,348)	(20,669,760)	(8,131,003)	(18,082)	(176,770,265)
Acquisitions	5,512,831	4,265,300	271,232	3,486,785	-	66,353	43,498,755	555,751	-	-	57,657,007
Capital Under Construction	24,046,604	-	-	-	-	-	360,029,510	-	-	90,240,784	474,316,938
Depreciation	(6,290,144)	(531,192)	(563,215)	(2,297,117)	(58,475)	(125,612)	(48,769,454)	(1,383,733)	(3,996,433)	(56,023)	(64,071,399)
Carrying amount at end of the year	<b>149,961,693</b>	<b>6,303,332</b>	<b>4,252,696</b>	<b>19,407,230</b>	<b>135,998</b>	<b>6,914</b>	<b>1,923,168,997</b>	<b>8,464,586</b>	<b>5,142,757</b>	<b>91,847,385</b>	<b>2,208,691,589</b>
Cost/Revaluation	166,818,250	7,979,033	8,871,629	31,633,689	1,309,492	3,578,618	2,089,632,800	30,518,075	17,270,193	91,921,470	2,449,533,253
Accumulated depreciation and impairment losses	(16,856,556)	(1,675,701)	(4,618,933)	(12,226,459)	(1,173,494)	(3,571,704)	(166,463,802)	(22,053,493)	(12,127,436)	(74,085)	(240,841,664)

Municipality does not own any land, the land on which the municipality buildings are constructed belong to tribal authority

#### 3. Investment Property at Cost

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

2013

2012

### 3. Investment Property at Cost (continued)

#### Reconciliation of investment property at cost - 2013

	Opening balance	Total
Carrying amount at beginning of year	8,620,049	8,620,049
	<b>Investment Property</b>	<b>Total</b>
Carrying amount at the beginning of the year	<b>14,800,000</b>	<b>14,800,000</b>
Cost	8,620,049	8,620,049
Additions Error	6,179,951	6,179,951
Accumulated depreciation and impairment	(225,951)	(225,951)
Accumulated Depreciation Error	(190,933)	(190,933)
Depreciation	(231,250)	(231,250)
Carrying amount at the end of the year	<b>14,151,866</b>	<b>14,151,866</b>
Cost/Revaluation	14,800,000	(14,800,000)
Accumulated Depreciation and Impairment loss	(648,134)	(648,134)

#### Reconciliation of investment property at cost - 2012

	Opening balance	Total
Carrying amount at beginning of year	9,512,821	9,512,821
	<b>Investment Property</b>	<b>Total</b>
Carrying amount at the beginning of the year	<b>8,935,858</b>	<b>8,935,858</b>
Cost	8,846,000	8,846,000
accumulated depreciation	(89,858)	(89,858)
Depreciation	(136,092)	(136,092)
Carrying amount at the end of the year	<b>8,620,050</b>	<b>8,620,050</b>
Cost	8,846,000	8,846,000
accumulated depreciation and impairment losses	225,950	225,950

#### Rental income from investment Property

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

2013

2012

### 4. Intangible assets

#### Reconciliation of intangible assets - 2013

	<b>Intangible Assets</b>	<b>Total</b>
Carrying amount at beginning of the year	<b>3,013,509</b>	<b>3,013,509</b>
Cost	4,542,581	4,542,581
Redundent	(1,529,073)	(1,529,073)
Accumulated amortisation and impairment losses	(2,173,444)	(2,173,444)
Redudent	1,529,073	1,529,073
Acquisitions	749,875	749,875
Amortisation	(533,454)	(533,454)
Carrying amount at end of the year	<b>2,585,558</b>	<b>2,585,558</b>
Cost	3,763,384	3,763,384
Accumulated amortisation and impairment losses	(1,177,825)	(1,177,825)

#### Reconciliation of intangible assets - 2012

	<b>Intangible Assets</b>	<b>Total</b>
Carrying amount at beginning of the year	<b>1,386,245</b>	<b>1,886,245</b>
Cost	3,283,111	3,283,111
Accumulated amortisation and impairment losses	(1,896,866)	(1,896,866)
Acquisitions	1,259,470	1,259,470
Amortisation	(438,473)	(438,473)
Carrying amount at end of the year	<b>2,207,241</b>	<b>2,207,241</b>
Cost	4,542,581	4,542,581
Accumulated amortisation and Impairment losses	(2,335,340)	(2,335,340)

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012	
<b>5. Non Current Finance Lease Liability</b>			
<b>2013</b>			
<b>Amounts payable under finance leases</b>	<b>Minimum lease payment</b>	<b>Future finance charges</b>	<b>Present value of minimum lease payments</b>
Within one year	1,969,984	139,896	1,830,089
Within two to five years	433,520	-	433,520
	<u><b>2,403,504</b></u>	<u><b>139,896</b></u>	<u><b>2,263,609</b></u>
Less: Amount due for settlement within 12 months (current portion)			(1,830,089)
			<u><b>433,520</b></u>

The average lease term is 3 years and the average effective borrowing rate is 4.5%. Interest rate are fixed at the contract date. All leases have fixed repayment terms and there are no escalations. No arrangements have been entered into for contingent rent. Obligations under finance leases are not secured by the lessor's title to the leased asset.

<b>2012</b>			
<b>Amounts payable under finance leases</b>	<b>Minimum lease payment</b>	<b>Future finance charges</b>	<b>Present value of minimum lease payments</b>
Within one year	4,479,826	947,051	3,532,775
Within two to five years	4,011,056	333,814	3,677,242
	<u><b>8,490,882</b></u>	<u><b>1,280,865</b></u>	<u><b>7,210,017</b></u>
Less: Amount due for settlement within 12 months (current portion)			3,532,775
			<u><b>3,677,242</b></u>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

2013

2012

### 6. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Movement	Total
Leave provision	14,993,344	12,592,837	27,586,181
Performance Bonus	741,412	142,770	884,182
Long service award	5,385,488	2,349,441	7,734,929
	<b>21,120,244</b>	<b>15,085,048</b>	<b>36,205,292</b>

#### Reconciliation of provisions - 2012

	Opening Balance	Movement	Reversed during the year	Total
Leave provision	28,485,560	(13,492,216)	-	14,993,344
Performance Bonus	1,246,858	-	(505,446)	741,412
Long service award	5,012,884	372,604	-	5,385,488
	<b>34,745,302</b>	<b>(13,119,612)</b>	<b>(505,446)</b>	<b>21,120,244</b>

Provision	-	-
Provisions	36,205,292	21,120,244
Provisions Musina	(841,196)	(841,198)
Water Mutale Leave Provision	(285,769)	-
Water Makhado Leave Provision	(77,810)	(651,444)
Leave Provision	(35,000,517)	(19,627,602)
	<b>-</b>	<b>-</b>

#### Performance Bonus provision

Performance bonuses accrue to senior managers on an annual basis ,subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

#### Leave provisions

Staff leave accrue to the staff of the municipality on an annual basis, to certain consitions. The provision is an estimate of the amount due at the reporting date.

#### Long Service Award provisions

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan , a long service award is payable after 10 years of continuous service and every 5 years thereafter, until 45 years of service (inclusive), to employees Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 1 November 2012 by Mr C Weiss, Fellow of the Actuarial society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

At year end, 1930 employees were eligible for long service awards. The current service cost for the year ending 30 June 2013 is estimated to be 789 849 (2012: 778,730).

#### The principle assumptions were as follows

Discount rate	6.79%	7.33%.
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# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>6. Provisions (continued)</b>		
Cost Inflation rate	6.71%	6%
Net Effective Discont rate	0.08%	1.26%
Expected Retirement Age -Females.	60	65
Expected Retirement Age-Males	62	65
Balance at the beggining of the year	5,385,448	5,012,884
Curent service costs	789,849	778,730
Interest costs	333,005	338,704
Benefits paid	(381,741)	(796,421)
Acturial losses / (gain)	1,608,367	51,551
	<b>7,734,928</b>	<b>5,385,448</b>
<b>Local Municipalities Leave Provision</b>		
Water Mutale Leave Provision	285,769	-
Water Thulamela Leave Provision	869,604	-
Water Makhado Leave Provision	77,810	651,444
Water Musina Leave provision	841,196	841,198
	<b>2,074,379</b>	<b>1,492,642</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>7. Inventories</b>		
Water	341,542	766,293
Consumable stores	2,233,317	3,387,017
Maintenance Material	16,219,205	17,382,886
	<b>18,794,064</b>	<b>21,536,196</b>
<b>Opening balance of inventory</b>	21,535,754	103,008,888
Water	766,293	88,432,567
Consumable stores	3,387,017	3,297,937
Maintenance material	17,382,438	10,388,452
Spares	-	889,542
<b>Additions</b>	24,288,286	38,369,872
Water	341,542	766,293
Consumable stores	2,355,554	10,684,675
Maintenance materials	21,591,190	26,918,904
<b>Issued (expensed)</b>	26,876,910	119,862,841
Water	766,293	88,432,567
Consumable stores	3,509,193	10,590,178
Maintenance material	22,601,424	19,950,554
Spare Parts	-	889,542
	-	-
<b>Closing balance of inventories</b>	18,794,064	21,536,196
Water	341,542	766,293
Consumable stores	2,233,317	3,387,017
Maintenance materials	16,219,273	17,382,886
<b>8. Other receivables</b>		
Water debtors comprise of cash receipts received by local municipalities which was not paid over to the district		
Staff debtors comprises of the over payments made to councillors		
<b>9. VAT receivable/ (payable)</b>		
VAT receivable	98,374,655	92,263,436
Less: Provision	(10,520,183)	(10,520,183)
	87,854,472	81,743,253
VAT payable	(85,512)	(13,703,570)
	<b>87,768,960</b>	<b>68,039,683</b>
VAT is payable on the receipts only once payment is received from debtors it will be paid to SARS.		
<b>10. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>10. Cash and cash equivalents (continued)</b>		
Cash on hand	6,050	3,638
Bank balances	62,524,315	2,075,485
Short-term deposits	42,881,664	3,021,894
	<u>105,412,029</u>	<u>5,101,017</u>

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

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
First National Bank -Current Account - 6202 1931 458	35,582,970	16,018,747	47,933,901	31,128,913	2,075,485	17,517,671
Absa Bank - Call Account - 2061 8386 68	-	-	30,734,830	-	-	30,734,830
First National Bank - Call Account - 6203 6334 803	42,879,317	42,882,284	2,368,831	42,881,664	3,021,894	2,368,831
Nedbank - Account Type - 7468 013306	-	-	-	-	-	25,045,216
First National Bank - Thulamela	14,751,162	12,945,599	-	24,229,115	-	-
First National Bank - Makhado	2,025,949	866,756	-	7,164,986	-	-
First National Bank- Mutale	61,299	-	-	7,351	-	-
<b>Total</b>	<u>95,300,697</u>	<u>72,713,386</u>	<u>81,037,562</u>	<u>105,412,029</u>	<u>5,097,379</u>	<u>75,666,548</u>

### 11. Unspent Grants

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Unspent Grant-DWA	15,268,504	4,065,769
Unspent Grant-Department of Transport	519,559	-
Department of Transport Grant	307,007	1,688,000
	<u>16,095,070</u>	<u>5,753,769</u>



# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>12. Trade and Other Payables</b>		
Trade payables	7,374,019	3,579,955
Other payables 2	-	1
Other accrued expenses	58,923,938	18,202,938
Retention	131,312,484	106,284,560
Bonus provision	8,257,839	8,297,986
Water :Creditors- Makhado	16,573,274	57,240,162
Water :Creditors- Musina	52,092,390	(24,586,197)
Water: Creditors- Mutale	47,042,821	41,415,708
Water: Creditors- Thulamela	-	(49,121,126)
Sundry Deposits	4,342,914	367,401
	<b>325,919,679</b>	<b>161,681,388</b>
<b>13. Revenue from exchange transactions</b>		
Service Charges:Water	84,535,111	72,431,446
Sale of manure	9,152	9,792
Rendering of services in agricultural activities	380,670	-
Rental of facilities & equipment	871,611	67,239
Certificate of acceptability	182,050	53,547
Fire Services	190,811	190,018
Sale of tender documents	779,842	748,489
	<b>86,949,247</b>	<b>73,500,531</b>
<b>The amount included in revenue arises from the sale of water.</b>		
Sale of water	84,535,111	72,431,446
Rendering of services	9,152	9,792
Rendering of services in agricultural activities	380,670	-
Rental of facilities & equipment	871,611	67,239
Certificate of acceptability	182,050	53,547
Fire Service	190,811	190,018
Miscellaneous other revenue	779,842	748,489
	<b>86,949,247</b>	<b>73,500,531</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	1,009,649,732	930,060,253
<b>Reconciliation of sale of water</b>		
Musina	29,271,851	21,445,350
Thulamela	30,660,334	26,513,595
Makhado	20,219,129	21,051,139
Mutale	4,383,796	3,421,362
	<b>84,535,110</b>	<b>72,431,446</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>14. Government grants and subsidies</b>		
	-	-
Municipal System Improvement Grant	1,000,000	790,000
Municipal Infrastructure grant	359,404,000	296,276,000
Municipal Health Service grant	3,554,500	7,109,000
DWAE Personel grant	99,968,265	140,844,652
Financial Management grant	1,250,000	1,250,000
ACIP-sanitation grant	9,658,081	4,000,000
Equitable Share	476,439,000	431,170,999
Municipal Disaster Grant	41,501,200	-
Regional Bulk Infrastructure Grant	9,375,252	46,326,602
Transport Grant	3,156,993	-
EPWP Grant	4,342,441	2,293,000
	<b>1,009,649,732</b>	<b>930,060,253</b>
<b>Equitable shares</b>		
Current-year receipts	476,439,000	431,170,999
Conditions met - transferred to revenue	(476,439,000)	(431,170,999)
	-	-
<b>Financial Management grant(FMG)</b>		
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
	-	-
<b>Municipal Infrastructure Grant (MIG)</b>		
Current-year receipts	359,404,000	296,276,000
Conditions met - transferred to revenue	(359,404,000)	(296,276,000)
	-	-
<b>Municipal System Improvement Grant</b>		
Current-year receipts	1,000,000	790,000
Conditions met - transferred to revenue	(1,000,000)	(790,000)
	-	-
<b>DWA Grant</b>		
Balance unspent at beginning of year	4,065,769	-
Current-year receipts	111,171,000	11,940,421
	-	132,970,000
Conditions met - transferred to revenue	(99,968,265)	(140,844,652)
Conditions not met disclosed as a liability	(15,268,504)	(4,065,769)
	-	-
<b>Municipal Health Service Grant</b>		

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>14. Government grants and subsidies (continued)</b>		
Current-year receipts	3,554,500	7,109,000
Conditions met - transferred to revenue	(3,554,500)	(7,109,000)
	<u>-</u>	<u>-</u>
<b>Bulk Infrastructure Grant</b>		
Current-year receipts	9,375,252	46,326,602
Conditions met - transferred to revenue	(9,375,252)	(46,326,602)
	<u>-</u>	<u>-</u>
<b>Public Works Programme Incentive Grant</b>		
Current-year receipts	4,862,000	2,293,000
Conditions met - transferred to revenue	(4,342,441)	(2,293,000)
Conditions not met	(519,559)	-
	<u>-</u>	<u>-</u>
<b>Department of Transport</b>		
Balance unspent at beginning of year	1,688,000	-
Current-year receipts	1,776,000	1,688,000
Conditions met - transferred to revenue	(3,156,993)	-
Conditions not met	(307,007)	(1,688,000)
	<u>-</u>	<u>-</u>
<b>ACIP Grant</b>		
Current-year receipts	9,658,081	4,000,000
Conditions met - transferred to revenue	(9,658,081)	(4,000,000)
	<u>-</u>	<u>-</u>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>15. General expenses</b>		
Advertising	805,842	2,063,347
Assessment rates & municipal charges	1,093,507	453,099
Auditors remuneration	2,437,258	2,832,162
Bank charges	192,811	142,506
Cleaning	66,786	-
Commission paid	8,318,113	-
Computer expenses	-	91,909
Consulting and professional fees	13,913,279	26,056,655
Consumables	15,499	44,344
Debt collection	120,000	-
Impairment of PPE	17,065,000	-
Sanitation	-	86,833,290
Entertainment	141,584	369,585
Insurance	4,216,199	3,180,321
Community development and training	-	116,700
Conferences and seminars	424,364	749,270
IT expenses	3,212,806	82,945
Lease rentals on operating lease	17,005,065	11,907,778
Marketing	967,352	-
Meter reading	49,923,649	-
Levies	138,776	272,301
Magazines, books and periodicals	95,383	118,679
Medical expenses	368,751	554,925
Licences	224,265	287,173
Bulk purchases	191,866	-
Fuel and oil	4,557,365	3,786,196
Placement fees	-	84,664
Postage and courier	3,154	4,807
Printing and stationery	4,040,831	11,293,167
Promotions	-	15,444
Protective clothing	2,508,194	1,466,858
Security (Guarding of municipal property)	7,978,033	13,764,273
Software expenses	2,452,575	862,550
Staff welfare	1,204,995	1,507,571
Subscriptions and membership fees	1,044,009	1,531,822
Telephone and fax	3,211,346	4,714,300
Transport and freight	-	454,008
Training	2,954,615	5,889,478
Travel - local	4,335,094	3,427,086
Travel - overseas	-	208,594
Rations	2,518,353	4,328,830
Assets expensed	29,110,349	-
Electricity	49,237,328	20,367,625
Water	-	435,510
Water services expenditure	-	66,393,045
Uniforms	700,000	37,600
Accommodation	2,689,925	3,913,853
Community programmes	14,532,472	6,277,568
Mayor's Bursary Fund	673,144	4,024,979
Exhibition	745,863	1,224,534
Summit	745,102	897,022
Bereavement costs	26,316	137,902
Events	1,195,711	1,516,628
Billing charges	96,852	112,475

## Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

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	2013	2012
<hr/>		
<b>15. Other income (continued)</b>		
Chemicals	-	175,510
IDP Review Costs	432,543	575,599
Hostel charges	103,853	-
	<hr/>	<hr/>
	<b>258,036,177</b>	<b>295,586,487</b>

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# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>16. Employee related costs</b>		
Basic	236,205,921	232,844,698
Bonus	17,190,196	14,574,274
Medical aid - company contributions	7,779,406	6,693,884
UIF	461,847	376,617
WCA	1,114,988	-
SDL	2,795,899	2,326,547
Leave pay (Adjustment of Leave Provision)	13,687,048	(7,778,587)
Other short term costs	20,752	12,603
Post-employment benefits - Pension - Defined contribution plan	33,356,275	27,250,151
Travel, motor car, accommodation, subsistence and other allowances	17,635,901	15,691,685
Overtime payments	12,531,303	11,413,510
Long-service awards	2,372,936	1,956,576
Housing benefits and allowances	17,626,495	13,481,429
Bargaining Council	-	8,288
	<b>362,778,967</b>	<b>318,851,675</b>
<b>Remuneration of municipal manager</b>		
Annual remuneration	774,715	604,182
Car Allowance	211,521	169,047
Bonus	66,244	-
Contributions to UIF, Medical and Pension Funds	41,052	47,186
Reimbursive Allowance	33,638	25,805
Back pay	29,115	35,942
Other	40,460	7,139
<b>Total</b>	<b>1,196,745</b>	<b>889,301</b>
<b>Remuneration of chief financial officer</b>		
Annual Remuneration	394,044	505,810
Car Allowance	136,922	195,142
Acting Allowance	28,827	-
Contributions to UIF, Medical and Pension Funds	61,053	126,387
Reimbursive Allowance	19,618	31,391
Backpay	-	29,160
Other	38,885	8,675
<b>Total</b>	<b>679,349</b>	<b>896,565</b>
<b>Remuneration of Technical Manager</b>		
Annual Remuneration	185,773	439,412
Car Allowance	55,887	148,083
Backpay	-	28,335
Contributions to UIF, Medical and Pension Funds	46,569	111,551
Bonus	-	39,947
Reimbursive Allowance	6,828	20,934
Acting Allowance	29,150	-
Other	2,240	20,445
<b>Total</b>	<b>326,447</b>	<b>808,707</b>
<b>Remuneration of general manager: Community Services</b>		

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>16. Employee related costs (continued)</b>		
Annual Remuneration	519,186	483,495
Car Allowance	223,992	200,205
Contributions to UIF, Medical and Pension Funds	114,221	107,866
Backpay	22,579	27,874
Reimbursive Allowance	-	24,505
Other	-	6,402
<b>Total</b>	<b>879,978</b>	<b>850,347</b>
<b>Remuneration of general manager: Planning</b>		
Annual Remuneration	480,666	78,592
Car Allowance	95,060	28,208
Contributions to UIF, Medical and Pension Funds	105,746	6,144
Reimbursive Allowance	-	4,318
Bonus	41,685	-
Acting Allowance	32,342	-
Other	148,067	153,807
<b>Total</b>	<b>903,566</b>	<b>271,069</b>
<b>Remuneration general manager: Office of the Mayor</b>		
Annual Remuneration	519,186	483,495
Car Allowance	189,608	173,533
Contributions to UIF, Medical and Pension Funds	137,185	145,204
Reimbursive Allowance	-	6,345
Backpay	22,579	27,874
Other	-	6,306
<b>Total</b>	<b>868,558</b>	<b>842,757</b>
<b>Remuneration general manager: Corporate Services</b>		
Annual Remuneration	-	483,495
Car Allowance	-	173,928
Bonus	-	39,296
Contributions to UIF, Medical and Pension Funds	-	115,174
Backpay	-	27,874
Reimbursive Allowance	-	-
Acting Allowance	83,654	-
Other	-	8,590
<b>Total</b>	<b>83,654</b>	<b>848,357</b>
<b>17. Bad debts</b>		
Bad debts	160,301,752	-
Contribution to debt impairment provision	60,369,383	304,181,160
	<b>220,671,135</b>	<b>304,181,160</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>18. Auditors' remuneration</b>		
Fees	2,437,258	2,832,162
<b>19. Cash generated from operations</b>		
Surplus (deficit)	220,624,308	(18,890,214)
<b>Adjustments for:</b>		
Depreciation and amortisation	72,901,864	64,645,965
Finance costs - Finance leases	373,836	775,624
Debt impairment	220,671,135	304,181,160
Movements in provisions	15,085,048	(13,625,058)
Other non-cash items	(171,998,253)	(139,031,854)
<b>Changes in working capital:</b>		
Inventories	2,742,132	81,477,797
Other receivables	-	259,285,857
Other receivables from non-exchange transactions	(27,348,297)	1,606,506
Consumer debtors	(95,282,437)	(321,584,291)
Trade and Other Payables	164,238,292	6,502,537
Unspent Grants	10,341,301	(6,186,652)
Consumer deposits	715,146	406,699
	<b>413,064,075</b>	<b>219,564,076</b>



# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>20. Consumer debtors</b>		
Consumer debtors- Thulamela	79,474,528	120,233,694
Consumer debtors- Makhado	41,954,026	28,085,659
Consumer debtors- Musina	12,051,892	11,719,542
Consumer debtors- Mutale	11,805,178	10,170,180
Rental debtors	3,172,992	258,049
Debtors control account	(125,727,398)	(22,337,207)
	<b>22,731,218</b>	<b>148,129,917</b>
<b>Gross balances</b>		
Water	148,164,262	170,199,075
Rental debtors	294,355	258,049
	<b>148,458,617</b>	<b>170,457,124</b>
<b>Net balance</b>		
Water	22,436,864	147,861,868
Rental debtors	294,355	258,049
	<b>22,731,219</b>	<b>148,119,917</b>
<b>Included in above is receivables from exchange transactions</b>		
Water	145,285,624	170,199,075
Provision for doubtful debts	(125,727,398)	(22,337,207)
Rental debtors	294,355	258,049
	<b>19,852,581</b>	<b>148,119,917</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Staff debtors	5,655,970	5,632,886
Prepayments	261,377	238,762
Inter municipal debtors	130,071,001	9,638,844
Other debtors	274,255	-
Provision for doubtful debts	(1,465,923)	(1,465,923)
	<b>134,796,680</b>	<b>14,044,569</b>
<b>Net balance</b>	<b>154,649,261</b>	<b>162,164,486</b>
<b>Water</b>		
Current (0 -30 days)	6,991,501	5,454,836
31 - 60 days	5,404,219	6,072,253
61 - 90 days	4,652,832	6,105,046
91 - 120 days	4,199,597	4,410,817
121 - 365 days	126,916,113	150,620,397
Provision	(125,727,398)	(24,801,481)
	<b>22,436,864</b>	<b>147,861,868</b>
<b>Housing rental</b>		
121 - 365 days	294,355	258,049

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

2013

2012

### 20. Consumer debtors (continued)

#### Distribution Losses

The nature of the municipality on recording of water inventory is such that only the closing balance at year end is calculated. The water volumes at the reservoirs at year end are measured to determine the stock values at year end. That is the amount of water at year end in the AFS represents the stock at hand . The distributio losses are therefore not recorded but disclosed as a note to the AFS .

Detailed workings are done at year end to detemine these losses. The total production for the year less the billings for the year and the free basic portion as per the equitable shares allocation is then deemed to be the losses for the year. 75% of water Production can be regarded as distribution loss as per our calculations.

#### Reconialiton of Water Losses

Water Production for the year	361,429,608	303,433,811
Billing	(85,519,696)	(72,588,824)
Less Free Basic Portion of Equitable Share	(3,242,483)	(2,265,028)
	<b>272,667,429</b>	<b>228,579,959</b>

#### Reconciliation of allowance for impairment of consumer debtors

### 21. Other income

Bad debts recovered	-	19,971,458
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### 22. Investment revenue

#### Interest revenue

Bank	8,695,809	8,264,698
Interest income on outstanding debtors	-	17,151
	<b>8,695,809</b>	<b>8,281,849</b>

### 23. Remuneration of councillors

Executive Mayor	405,456	571,360
Speaker	399,883	650,578
Chief Whip	397,152	72,003
Mayoral Committee Members	2,153,783	1,759,593
Councillors	1,704,299	1,212,440
Councillors' pension contributions and other	388,854	698,372
Sitting allowance	-	208,185
Telephone Allowance	-	338,268
Subsistance andTravel Allowance	2,597,539	1,676,858
<b>Total</b>	<b>8,046,966</b>	<b>7,187,657</b>

#### In-kind benefits

The Executive Mayor, Speaker ,Chief whip and all portfolio heads for the following departments (Finance, Technical services, Community services,Corporate services and Planning they are full time.The Executive Mayor has provided with Municipal vehicle duties.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>24. Administrative expenditure</b>		
Administration and management fees - third party	188,933	141,899
<b>25. Depreciation and amortisation</b>		
Property, Plant and Equipment	72,901,864	64,071,400
Investment property	-	136,092
Intangible assets	-	438,473
	<b>72,901,864</b>	<b>64,645,965</b>
<b>26. Fair value adjustments</b>		
<b>27. Finance costs</b>		
Finance leases	373,836	775,624
Interest on late payments	232,733	-
	<b>606,569</b>	<b>775,624</b>
Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit .		
<b>28. Operating lease</b>		
Within one year	6,861,978	5,011,453
In the second to fifth year inclusive	621,368	5,612,827
	<b>7,483,346</b>	<b>10,624,280</b>
<b>29. Capital Commitments</b>		
<b>The Council has committed itself to the following capital projects</b>		
<b>Approved and contracted</b>		
• Infrastructure	92,106,671	283,407,654
• Community	-	12,000,000
	<b>92,106,671</b>	<b>295,407,654</b>
<b>Approved but not contracted</b>		
• Infrastructure	-	195,144,466
<b>This expenditure will be financed</b>		
Government grants	92,106,671	399,466,000
Own revenue	-	91,086,120
	<b>92,106,671</b>	<b>490,552,120</b>

This committed expenditure will be financed from grants and subsidies received from treasury.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>30. Contingencies</b>		
<b>Contingent Liabilities</b>		
NW Civils	10,207,079	5,868,748
Van Der Weshuizen	1,824,443	1,824,443
Mamcom & Taupele Developers CC	650,000	650,000
AFROX	-	56,556
Styewarts and Lloyds	698,885	698,885
MICS Empowerment	1,508,531	-
Sibadela NN	260,000	-
Taola Developers	294,424	-
All Connections	12,036,120	-
	<b>27,479,482</b>	<b>9,098,632</b>

### NW Civils

- Litigation is in the process against the municipality relating to a dispute with a contractor who alleges that the municipality has breached the contract with NW Civil Contractors and is seeking damages of R 10,207,078.82. The municipality's legal advisors consider the likelihood of the action against the municipality being successful as unlikely, and the case is on appeal in High Court.

### MICCS

- Non Payment of service rendered and the Case is still in the litigation.

### Van Der Westhuizen

- The municipality has received a claim from the attorneys of Van Der Westhuizen. The claim is for the damage on the crops that was as a result of construction of a road alongside a tomato farm. The municipality will only have an obligation to settle the claim when the claimant submits proof and basis of claim. The amount of damages is R 1,824,443 and the payment to be made to the applicant.

### STEWARDS n LLOYDS

- Litigation is in process to the amount of R698 885 and the case is on Appeal - Appellate Division.

### MAMCOM & Taula Developement (Pty) Ltd

- The municipality has received a claim from Mamcom & Taula Developement (Pty) Ltd. The claim is for the payment of work done and not paid by the municipality. The amount of the claim is R 650 000.00.

### SIBADELA NN

- Claiming water damage of the residence and still in the litigation process

### ALL COLLECTIONS

- Unintentional damage to tomatoes and R450 00 paid as settlement.

### TAOLA DEVELOPERS

- Non Payment of the work done and its on Appeal High Court

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

2013

2012

### 31. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Section 57 managers	Refer to note 16
Councillors	Refer to note 24
Local municipalities	Thulamela local municipality Makhado local municipality Musina local municipality Mutale local municipality
Members of key management	Mr M Makumule:Municipal Manager Ms M Shivambu CFO Mrs Todani A :Acting GM Corporate Services Mr R Madimutsa:Acting GM Technical Services Mr M A NemaKonde:GM Community Services Mr PM Mudau:GM Planning Mr S S Razwiedani:GM Office of the Mayor.

Municipality did not enter into business with the above members of the key management and their close family members.

#### Relationships

Section 57 managers (Refer to Note 16)	4,561,701	5,306,960
Councillors (Refer to note 25)	8,046,966	7,672,737
	<b>12,608,667</b>	<b>12,979,697</b>

#### Related party balances

##### Amounts included in Trade receivable regarding Local municipalities

Thulamela Local municipality	-	49,121,126
Makhado Local municipality	55,840	-
Musina local municipality	83,069,459	-
Mutale local municipality	47,475,521	-

##### Amounts included in Trade Payable regarding local municipalities

Makhado Local municipality	(16,573,275)	(57,240,162)
Musina local municipality	(52,092,390)	-
Mutale local municipality	(47,042,821)	(41,415,703)

##### Bad debts written in favour of local municipalities / (in favour of VDM)

Makhado local municipality	65,315,753	-
Thulamela Local municipality	(50,398,246)	-
Makhado local municipality	(52,775,742)	-

### 32. Unauthorised Expenditure

During the current year and the prior year the municipality incurred unauthorised expenditures. In terms of section 32 of the MFMA the council appoint a committee to investigate these. The investigations are still underway and no condonment, write off or recovery has been made of these expenses.

Opening balances	5,753,769	-
Incurred in the current year	-	5,753,769
	<b>5,753,769</b>	<b>5,753,769</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>33. Fruitless and wasteful expenditure</b>		
Opening Balance	1,856,781	1,432,633
Fruitless and Wasteful Expenditure incurred in the current year	233,733	424,148
	<b>2,090,514</b>	<b>1,856,781</b>
<p>During the current year and the prior year the municipality incurred unauthorised, irregular and fruitless expenditures. In terms of section 32 of the MFMA the council appoint a committee to investigate these. The investigations are still underway and no condonment, write off or recovery has been made of these expenses.</p>		
<b>34. Irregular expenditure</b>		
<b>Reconciliation of Irregular expenditure</b>		
Opening balance	726,244,497	604,043,169
Fruitless and Wasteful Expenditure	-	122,201,328
<b>Irregular expenditure awaiting condonement</b>	<b>726,244,497</b>	<b>726,244,497</b>
<b>Details of irregular expenditure – current year</b>		
<p>During the current year and the prior year the municipality incurred irregular expenditures. In terms of section 32 of the MFMA the council appoint a committee to investigate these. The investigations are still underway and no condonment, write off or recovery has been made of these expenses.</p>		
<b>35. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	751,489	-
Budgeted Subscription Fee	1,800,000	3,300,000
Actual Expenditure on Subscription Fee	(963,146)	(2,548,511)
	<b>1,588,343</b>	<b>751,489</b>
<b>Audit fees</b>		
Current year fee	1,732,430	2,824,909
Amount paid - current year	(1,732,430)	(2,824,909)
	-	-
<b>PAYE and UIF</b>		
Current year subscription / fee	31,443,531	28,629,958
Amount paid - current year	(31,443,531)	(28,629,958)
	-	-
<b>Pension and Medical Aid Deductions</b>		

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>35. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Current year subscription / fee	41,124,961	18,414,751
Amount paid - current year	(41,124,961)	(18,414,751)
	<u>-</u>	<u>-</u>

### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

Supply of Emergency tent	-	1,379,950
	-	340,360
Accommodation and venue for 75 people attending training of water services employees (Porche vill hotel and centre).	-	80,750
Accommodation and venue for 130 people attending District young SAWID workshop (Nwanedi resort)	-	125,460
Supply of stage video sound and screen for the Mayoral Inauguration (Blue Rain Drops Advertisement)	-	68,500
Supply of sound stage, big screen & lights for Vhembe Carnival (Advertisement)	-	150,000
Supply of 500 chairs , tent and 100 round tables for the Mayoral Inauguration (Mosalase Trading and projects)	-	78,250
Supply of Mayoral chain (De Beer Jewers)	-	169,280
Supply of Tent, VIP Toilets and mass Toilets for Vhembe carnival (Manalo)	-	39,950
Witch and Wizard Creative PTY LTD	75,993	-
Tractor Field Services	32,710	-
SBS Events and Marketing Solutions	37,164	-
Spar Thohoyandou	287,504	-
Spar Thohoyandou	130,340	-
Scan Display Solutions (PTY) LTD	153,579	-
	<u>717,290</u>	<u>2,432,500</u>

### 36. Comparative figures

2011/12 comparative figures have been presented in this annual financial statements:

When the presentation or classification of item in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification are disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly and the changes below where cause by the unbundle of assets and implementing water issues as the district is water authority.

Current Assets	Balance	Adjustments	New balance
Inventories	21,516,774	19,422	21,536,196
Other receivables from non exchange transactions	14,302,618	(258,050)	14,044,568
VAT	68,044,683	(7,624,021)	60,420,662
Trade receivables from exchange transactions	172,921,399	(2,464,274)	170,457,125
Provision for doubtful debts	(109,296,663)	86,959,456	(22,337,207)
Cash and cash equivalents	5,101,017	-	5,101,017
	<u>172,589,828</u>	<u>76,632,533</u>	<u>249,222,361</u>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012	
<b>36. Comparative figures (continued)</b>			
<b>Non-current Assets</b>	<b>Balance</b>	<b>Adjustments</b>	<b>New balance</b>
Buildings	166,818,250	(657,984)	166,160,266
Plant and machinery	7,979,033	(1,322,983)	6,656,050
Furniture and fittings	8,871,629	(320,108)	8,551,521
Motor vehicles	31,633,689	(6,532,442)	25,101,247
Office equipment	1,309,492	(107,463)	1,202,029
IT Equipment	3,578,618	(1,543,206)	2,035,412
Other PPE	30,518,075	(14,857,357)	15,660,718
Leased Assets	17,270,193	(3,561,963)	13,708,230
Community Assets	91,921,470	-	91,921,470
Infrastructure	2,089,632,800	(360,638,194)	1,728,994,606
Accumulated depreciation	(240,841,663)	10,259,797	(230,581,866)
Investment property	8,620,049	6,179,951	14,800,000
Intangible assets	2,207,244	-	2,207,244
	<b>2,219,518,879</b>	<b>(373,101,952)</b>	<b>1,846,416,927</b>
<b>Current Liabilities</b>	<b>Balance</b>	<b>Adjustments</b>	<b>New balance</b>
Trade and other payables from exchange transactions	477,738,018	(316,056,631)	161,681,387
Consumer deposits	3,625,045	-	3,625,045
Unspent grants	5,753,769	-	5,753,769
Short term portion of lease liability	3,532,775	-	3,532,775
Provisions	21,120,244	-	21,120,244
	<b>511,769,851</b>	<b>(316,056,631)</b>	<b>195,713,220</b>
<b>Non-current Liabilities</b>	<b>Balance</b>	<b>Adjustments</b>	<b>New balance</b>
Non current portion of finance lease	3,677,242	-	3,677,242
	<b>1,876,661,614</b>	<b>19,587,212</b>	<b>1,896,248,826</b>
<b>Net Assets</b>	<b>Balance</b>	<b>Adjustments</b>	<b>New balance</b>
Accumulated surplus	1,870,481,661	19,587,212	1,890,068,873
Sale of water	72,431,446	-	72,431,446
Rental of facilities and equipment	67,239	-	67,239
Government grants and subsidies	930,060,253	-	930,060,253
Other income	1,485,122	-	1,485,122
Interest received - investment	8,281,849	-	8,281,849
Sundry income	20,760,459	-	20,760,459
	<b>1,033,086,368</b>	<b>-</b>	<b>1,033,086,368</b>



# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

2013

2012

### 36. Comparative figures (continued)

Expenditure	New balance	Adjustments	New balance
Personnel	(182,987,224)	-	(182,987,224)
Remuneration of councillors	(6,242,394)	-	(6,242,394)
Administration	(1,178,821)	-	(1,178,821)
Transfer payments to local municipalities	(48,322,913)	-	(48,322,913)
Depreciation and amortisation	(16,356,829)	-	(16,356,829)
Finance costs	(1,445,615)	-	(1,445,615)
Bad debts	(114,882,293)	-	(114,882,293)
Collection costs	(118,389)	-	(118,389)
Repairs and maintenance	(30,724,924)	-	(30,724,924)
General expenses	(159,192,622)	-	(159,192,622)
	<b>(561,452,024)</b>	<b>-</b>	<b>(561,452,024)</b>

### 37. Correction of prior period errors

During the year under review comparative figures were adjusted and the following is the effect on prior balance. The effects of the restatement is that the respective balance sheet components have been restated as well as the retained earnings.

#### 1.Retention

During the 2010 up to the 2012 year end retention was held without the related VAT. An adjustment was made to correctly reflect the liability at a VAT inclusive amount. The opening balance as at 30 June 2012 was adjusted to R 106 284 563.51. There were further errors identified in accruals in the prior year which were amended and thus the trade payables were

#### 2.Inventory

During the year ended 30 June 2012 Inventory balance for Elim Satellite was incorrectly recorded in the valuation report as R262 417,61 instead of R287 662,61. Inventory has been understated as a result. Inventory head office stores was also recorded as 3 392 840 instead of 387 017.29.

#### 3.Property Plant and Equipment

During the year ended 30 June 2012 assets as disclosed in the AFS were mistated as a result of omissions in the fixed assets register in prior years. Assets not found in the fixed assets register were brought in retrospectively. The comparative amount has been reinstated by increasing PPE cost balance. Furthermore infrastructure assets were restated due to errors identified by auditors in the valuation of assets.

#### 4. Property Plant and Equipment

During the year ended 30 June 2012 Property Plant and Equipment balance as disclosed in the AFS was mistated as a result of errors in assessing the useful lives of assets in prior years. Assets whose useful lives were found erroneous were corrected retrospectively. The comparative balance has been restated retrospectively. The comparative balance has been restated as by increasing the accumulated surplus balance

#### 5.Investment Property

During the year ended 30 June 2012 the balance of investment property as disclosed in the Annual Financial statements was mistated as a result of errors in the valuation of Mtiti MPCC and the understatement of Makuya MPCC. The comparative amounts have been restated by increasing the Accumulated surplus balance.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>37. Correction of prior period errors (continued)</b>		
<b>Statement of financial position</b>		
Retention	-	(16,238,310)
VAT Input	-	16,238,310
Inventory Elim Satellite was understated (increase) B/S	-	25,245
Inventory H/O balance was overstated (decrease) B/S	-	(5,823)
Accounts payable was U/S due to Non recognition of accrual (Increase) B/S	-	25,245
Furniture & Fittings understated ( decreased)	-	(945,047)
Buildings(decreased)	-	(657,984)
Plant and Machinery (decreased)	-	(1,322,983)
Motor vehicle (decreased)	-	(7,393,857)
Office equipment (decreased)	-	(161,235)
IT Equipment (Decreased)	-	(1,708,313)
Other PPE (decreased)	-	(12,815,836)
Leased Assets(decreased)	-	(3,561,963)
Infrastructure( decreased)	-	(360,638,194)
Total Net change in Accumulated depreciation	-	(10,259,797)
Net effect on opening retained income	-	19,587,212
	<u>-</u>	<u>(379,833,330)</u>
<b>Statement of Financial Performance</b>		
Stationery Expenditure was understated I/S	-	5,823

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 38. Statement of comparative and actual information

2013

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Adjusted Budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>							
Property rates	51,000	51,000	51,000	-	51,000	- %	- %
Service charges	41,392,000	41,392,000	41,392,000	-	41,392,000	- %	- %
Investment revenue	3,764,000	6,200,000	6,200,000	8,695,809	(2,495,809)	140 %	231 %
Transfers recognised - operational	408,793,000	467,239,000	467,239,000	-	467,239,000	- %	- %
Other own revenue	99,167,000	46,082,000	46,082,000	86,949,247	(40,867,247)	189 %	88 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>553,167,000</b>	<b>560,964,000</b>	<b>560,964,000</b>	<b>95,645,056</b>	<b>465,318,944</b>	<b>17 %</b>	<b>17 %</b>
Employee costs	(330,556,000)	(330,893,000)	(330,893,000)	(362,778,967)	31,885,967	110 %	110 %
Remuneration of councillors	(8,528,000)	(9,335,000)	(9,335,000)	(6,846,209)	(2,488,791)	73 %	80 %
Bad debts (VAT irrecoverable)	-	-	-	(220,671,135)	220,671,135	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(383,515,000)	(65,067,000)	(65,067,000)	(72,901,864)	7,834,864	112 %	19 %
Finance charges	(1,800,000)	(1,000,000)	(1,000,000)	(606,569)	(393,431)	61 %	34 %
Materials and bulk purchases	(13,635,000)	(1,000,000)	(1,000,000)	-	(1,000,000)	- %	- %
Other expenditure	(256,405,000)	(202,345,000)	(202,345,000)	(312,749,694)	110,404,694	155 %	122 %
<b>Total expenditure</b>	<b>(994,439,000)</b>	<b>(609,640,000)</b>	<b>(609,640,000)</b>	<b>(976,554,438)</b>	<b>366,914,438</b>	<b>160 %</b>	<b>98 %</b>
<b>Surplus/(Deficit)</b>	<b>(441,272,000)</b>	<b>(48,676,000)</b>	<b>(48,676,000)</b>	<b>(880,909,382)</b>	<b>832,233,382</b>	<b>1,810 %</b>	<b>200 %</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 38. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	820,040,000	522,076,000	522,076,000	-	522,076,000	- %	- %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>378,768,000</b>	<b>473,400,000</b>	<b>473,400,000</b>	<b>(880,909,382)</b>	<b>1,354,309,382</b>	<b>(186)%</b>	<b>(233)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>378,768,000</b>	<b>473,400,000</b>	<b>473,400,000</b>	<b>(880,909,382)</b>	<b>1,354,309,382</b>	<b>(186)%</b>	<b>(233)%</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 38. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>							
Total capital expenditure	(550,302,000)	(529,643,000)	(529,643,000)	2,657,902,570	(3,187,545,570)	(502)%	(483)%
<b>Sources of capital funds</b>							
Transfers recognised - capital	538,602,000	513,176,000	513,176,000	-	513,176,000	- %	- %
Internally generated funds	11,700,000	16,467,000	16,467,000	-	16,467,000	- %	- %
<b>Total sources of capital funds</b>	<b>550,302,000</b>	<b>529,643,000</b>	<b>529,643,000</b>	<b>-</b>	<b>529,643,000</b>	<b>- %</b>	<b>- %</b>
<b>Cash flows</b>							
Net cash from (used) operating	-	-	-	413,064,075	(413,064,075)	DIV/0 %	DIV/0 %
Net cash from (used) investing	550,302,000	513,176,000	513,176,000	(307,432,819)	820,608,819	(60)%	(56)%
Net cash from (used) financing	-	-	-	(5,320,244)	5,320,244	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>550,302,000</b>	<b>513,176,000</b>	<b>513,176,000</b>	<b>100,311,012</b>	<b>412,864,988</b>	<b>20 %</b>	<b>18 %</b>
Cash and cash equivalents at the beginning of the year	186,515,000	186,515,000	186,515,000	5,101,017	181,413,983	3 %	3 %
<b>Cash and cash equivalents at year end</b>	<b>736,817,000</b>	<b>699,691,000</b>	<b>699,691,000</b>	<b>105,412,029</b>	<b>594,278,971</b>	<b>15 %</b>	<b>14 %</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

2013

2012

### 39. Risk management

The main risks of the municipality are Interest rate risk , Liquidity risk , credit risk and fair value of financial instruments

#### Cash flow interest rate risk

The municipality interest rate risk arises from investments at variable rates expose the municipality to cash flow interest rate risk . Investements at fixed rates expose the munmunicipality to fair value interest rate. The municipal policy is to not invest more than 35% of funds with one institution and to invest at different maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are fixed rate investments.

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

First National Bank-Current account-62021931458	-	2,086,775
First National Bank-32 days account -74156880731	-	-
First National Bank-Call account -62036334803	-	3,021,894
	<u>-</u>	<u>5,108,669</u>

#### Financial risk management

The municipality does not have currency risk as in terms of section 163 of the Municipal Finance Mangement Act, No.56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality's strong credit profile and diversified funding sources ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any cash.

The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

To manage the risk the municipality has a credit control policy. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

Counterparties

The municipality only deposits cash with major banks with high quality credit standing and limits exposures to any one counterparty . The municipality has no significant concentration of credit risk with any single counterparty or a group.

#### Fair value of financial instruemnts

At year end the carring amounts of cash and short-term deposits, trade and other receivables and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

#### Cash flow interest rate risk

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

	2013	2012
<b>40. Consumer deposits</b>		
Water	4,340,191	3,625,045
<b>Reconciliation of consumer deposits</b>		
Makhado	55,840	-
Musina	3,367,661	2,786,810
Mutale	361,542	282,957
Thulamela	555,148	555,278
	<b>4,340,191</b>	<b>3,625,045</b>

### 41. Change in estimate

#### Property, Plant and Equipment

During the 2012/13 financial year the Municipality reviewed the remaining useful lives on existing movable assets. During the review it was decided that certain component's remaining useful life should be changed due to change in the expected flow of economic resources. The financial implication is that the cost of assets increased by 2 26 2388.34 and the annual depreciation will increase by R197 038.50 in the 2012/13 financial year .

### 42. New standards and interpretations

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	Adopted in previous periods
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	
• GRAP 103: Heritage Assets	01 April 2012	Not applicable to the municipality
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Adopted in previous periods
• GRAP 26: Impairment of cash-generating assets	01 April 2012	Adopted in previous years
• GRAP 104: Financial Instruments	01 April 2012	Adopted in previous years

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	Non expected impact.
• GRAP 25: Employee benefits	01 April 2013	No new provisions from those previously used.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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

- |   |               |   |
|---|---------------|---|
| • IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 01 April 2013 |   |
| • GRAP 106: Transfers of functions between entities not under common control                        | 01 April 2014 | Non expected impact.                          |
| • GRAP 107: Mergers   | 01 April 2014 | Non expected impact.                          |
| • GRAP 20: Related parties  | 01 April 2013 | Refer to disclosure note for related parties. |

Paragraph .17 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions.

All amendments to be applied prospectively.

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

The municipality expects to adopt the amendment for the first time in the 2001 annual financial statements.

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

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

The municipality expects to adopt the amendment for the first time in the 2001 annual financial statements.

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

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

The municipality expects to adopt the amendment for the first time in the 2001 annual financial statements.

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

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

The municipality expects to adopt the amendment for the first time in the 2001 annual financial statements.

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

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



# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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

The municipality expects to adopt the amendment for the first time in the 2001 annual financial statements.

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

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

The municipality expects to adopt the amendment for the first time in the 2001 annual financial statements.

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

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

The municipality expects to adopt the amendment for the first time in the 2001 annual financial statements.

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

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

The municipality expects to adopt the amendment for the first time in the 2001 annual financial statements.

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

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

# Vhembe District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

---

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

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

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

The municipality expects to adopt the amendment for the first time in the 2001 annual financial statements.

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

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

- (a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and
- (b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

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

The municipality expects to adopt the amendment for the first time in the 2001 annual financial statements.

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

### 43. Distribution Losses

During the current financial year the average distribution losses was estimated to be 12,369,485 KL due to Backwashing, Faulty meters, Broken pipes and leakages.

Vhembe District Municipality  
Vhembe District Municipality  
Appendix B

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation** **Accumulated depreciation**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Revaluations</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Depreciation</b>	<b>Closing Balance</b>	<b>Carrying value</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Land and buildings</b>								
Buildings (Separate for AFS purposes)	166,160,266	-	-	<b>166,160,266</b>	(16,198,573)	(6,800,365)	<b>(22,998,938)</b>	143,161,328
	<b>166,160,266</b>	-	-	<b>166,160,266</b>	<b>(16,198,573)</b>	<b>(6,800,365)</b>	<b>(22,998,938)</b>	<b>143,161,328</b>
<b>Infrastructure</b>								
Roads, Pavements & Bridges	74,731,423	34,323,617	-	<b>109,039,027</b>	(13,029,710)	(6,233,242)	<b>(19,278,965)</b>	89,760,062
Water purification	1,808,006,773	58,048,214	-	<b>1,865,886,960</b>	(117,920,140)	(40,168,591)	<b>(158,256,758)</b>	1,707,630,202
Sewerage purification	280,005,923	-	-	<b>279,928,248</b>	(56,001,185)	(18,667,062)	<b>(74,745,922)</b>	205,182,326
	<b>2,162,744,119</b>	<b>92,371,831</b>	-	<b>2,254,854,235</b>	<b>(186,951,035)</b>	<b>(65,068,895)</b>	<b>(252,281,645)</b>	<b>2,002,572,590</b>
<b>Community Assets</b>								
Community Assets	91,921,470	8,646,496	-	<b>100,567,953</b>	(74,085)	(56,023)	<b>(130,121)</b>	100,439
	<b>91,921,470</b>	<b>8,646,496</b>	-	<b>100,567,953</b>	<b>(74,085)</b>	<b>(56,023)</b>	<b>(130,121)</b>	<b>100,439</b>

**Vhembe District Municipality**  
**Vhembe District Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Revaluations	Closing Balance	Opening Balance	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Heritage assets</b>								
<b>Specialised vehicles</b>								
Fire	15,619,983	-	-	15,348,233	(5,189,040)	(1,569,798)	(6,758,838)	8,861,145
Conservancy	-	-	-	(895)	-	-	(895)	(1,790)
	<b>15,619,983</b>	<b>-</b>	<b>-</b>	<b>15,347,338</b>	<b>(5,189,040)</b>	<b>(1,569,798)</b>	<b>(6,759,733)</b>	<b>8,859,355</b>
<b>Other assets</b>								
General vehicles	8,613,382	861,415	-	9,465,510	(2,430,142)	(953,008)	(3,392,437)	6,091,647
Plant & equipment	6,656,050	-	-	6,655,767	(454,286)	(723,485)	(1,178,054)	5,478,279
Computer Equipment	1,870,305	245,289	-	2,116,148	(1,320,416)	(215,610)	(1,537,260)	579,568
Furniture & Fittings	7,926,582	231,260	-	8,719,137	(2,526,692)	(837,714)	(3,367,770)	4,793,435
Office Equipment	1,148,257	53,772	-	1,262,594	(427,261)	(109,330)	(537,128)	665,438
Office Equipment - Leased	13,708,230	-	-	13,696,617	(8,691,375)	(2,921,527)	(11,624,515)	2,095,328
WIP	-	675,866,446	-	675,843,074	-	-	(23,372)	675,819,702
Other	17,702,239	5,729,701	-	25,313,623	(7,181,862)	(2,660,161)	(9,842,023)	13,589,916
	<b>57,625,045</b>	<b>682,987,883</b>	<b>-</b>	<b>743,072,470</b>	<b>(23,032,034)</b>	<b>(8,420,835)</b>	<b>(31,502,559)</b>	<b>709,113,313</b>
<b>Total property plant and equipment</b>								
Land and buildings	166,160,266	-	-	166,160,266	(16,198,573)	(6,800,365)	(22,998,938)	143,161,328
Infrastructure	2,162,744,119	92,371,831	-	2,254,854,235	(186,951,035)	(65,068,895)	(252,281,645)	2,002,572,590
Community Assets	91,921,470	8,646,496	-	100,567,953	(74,085)	(56,023)	(130,121)	100,439
Specialised vehicles	15,619,983	-	-	15,347,338	(5,189,040)	(1,569,798)	(6,759,733)	8,859,355
Other assets	57,625,045	682,987,883	-	743,072,470	(23,032,034)	(8,420,835)	(31,502,559)	709,113,313
	<b>2,494,070,883</b>	<b>784,006,210</b>	<b>-</b>	<b>3,280,002,262</b>	<b>(231,444,767)</b>	<b>(81,915,916)</b>	<b>(313,672,996)</b>	<b>2,863,807,025</b>
<b>Agricultural/Biological assets</b>								
<b>Intangible assets</b>								
Computers - software & programming	-	-	-	3,559	-	-	3,559	-
Intangible Assets	3,013,508	749,875	-	3,763,383	(644,371)	(533,454)	(1,177,825)	2,585,558
	<b>3,013,508</b>	<b>749,875</b>	<b>-</b>	<b>3,766,942</b>	<b>(644,371)</b>	<b>(533,454)</b>	<b>(1,174,266)</b>	<b>2,585,558</b>
<b>Investment properties</b>								
Investment property	14,800,000	-	-	14,814,152	(416,884)	(231,250)	(633,982)	14,180,170
	<b>14,800,000</b>	<b>-</b>	<b>-</b>	<b>14,814,152</b>	<b>(416,884)</b>	<b>(231,250)</b>	<b>(633,982)</b>	<b>14,180,170</b>
<b>Total</b>								
Land and buildings	166,160,266	-	-	166,160,266	(16,198,573)	(6,800,365)	(22,998,938)	143,161,328
Infrastructure	2,162,744,119	92,371,831	-	2,254,854,235	(186,951,035)	(65,068,895)	(252,281,645)	2,002,572,590
Community Assets	91,921,470	8,646,496	-	100,567,953	(74,085)	(56,023)	(130,121)	100,439
Specialised vehicles	15,619,983	-	-	15,347,338	(5,189,040)	(1,569,798)	(6,759,733)	8,859,355
Other assets	57,625,045	682,987,883	-	743,072,470	(23,032,034)	(8,420,835)	(31,502,559)	709,113,313

Vhembe District Municipality  
Vhembe District Municipality  
Appendix B

**Analysis of property, plant and equipment as at 30 June 2013**

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance	Additions	Revaluations	Closing Balance	Opening Balance	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Intangible assets	3,013,508	749,875	-	<b>3,766,942</b>	(644,371)	(533,454)	<b>(1,174,266)</b>	2,585,558
Investment properties	14,800,000	-	-	<b>14,814,152</b>	(416,884)	(231,250)	<b>(633,982)</b>	14,180,170
	<b>2,511,884,391</b>	<b>784,756,085</b>	-	<b>3,298,583,356</b>	<b>(232,506,022)</b>	<b>(82,680,620)</b>	<b>(315,481,244)</b>	<b>2,880,572,753</b>



**Vhembe District Municipality**  
**Appendix D**

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

<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus</b>		<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus</b>
<b>Rand</b>	<b>Rand</b>	<b>/(Deficit)</b>		<b>Rand</b>	<b>Rand</b>	<b>/(Deficit)</b>
		<b>Rand</b>				<b>Rand</b>
<b>Municipality</b>						
104,432,290	73,828,526	30,603,764	Executive & Council/Mayor and Council	101,546,047	95,221,442	6,324,6
30,628,563	20,796,325	9,832,238	Finance & Admin/Finance	30,095,573	34,363,480	(4,267,9
60,550,888	30,717,888	29,833,000	Planning and Development/Economic Development/Plan	42,411,404	28,118,282	14,293,1
86,510,260	76,705,233	9,805,027	Comm. & Social/Libraries and archives	91,356,689	99,516,520	(8,159,8
11,285,640	11,621,067	(335,427)	Environmental Protection/Pollution Control	21,595,324	14,805,821	6,789,5
932,036,790	644,249,378	287,787,412	Water/Water Distribution	794,322,640	734,966,101	59,356,5
<b>1,225,444,431</b>	<b>857,918,417</b>	<b>367,526,014</b>		<b>1,081,327,677</b>	<b>1,006,991,646</b>	<b>74,336,0</b>
<b>Municipal Owned Entities</b>						
<b>Other charges</b>						
1,225,444,431	857,918,417	367,526,014	Municipality	1,081,327,677	1,006,991,646	74,336,0
<b>1,225,444,431</b>	<b>857,918,417</b>	<b>367,526,014</b>	<b>Total</b>	<b>1,081,327,677</b>	<b>1,006,991,646</b>	<b>74,336,0</b>

**Vhembe District Municipality**  
**Appendix E(1)**

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

	<b>Forecast # 1 2014 Act. Bal. Rand</b>	<b>Forecast # 1 2014 Bud. Amt Rand</b>	<b>Variance Rand</b>	<b>Var</b>
<b>Revenue</b>				
Property Rental	871,611	51,000	820,611	609.0
Water Sales	78,397,756	41,392,000	37,005,756	89.4
Investment Revenue	8,692,603	6,200,000	2,492,603	40.2
Transfer recognised-Operational	467,239,000	467,239,000	-	-
Other own Revenue	47,674,840	46,082,000	1,592,840	3.5
Miscellaneous other revenue	-	-	-	-
Other income - (rollup)	-	-	-	-
Interest received - investment	-	-	-	-
	<b>602,875,810</b>	<b>560,964,000</b>	<b>41,911,810</b>	<b>7.5</b>
<b>Expenses</b>				
Personnel	(353,759,404)	(330,893,000)	(22,866,404)	6.9
Remuneration of councillors	(6,846,209)	(9,335,000)	2,488,791	(26.7)
Adminstration	(188,933)	-	(188,933)	-
Depreciation	(72,901,864)	(65,067,000)	(7,834,864)	12.0
Finance costs	(606,569)	(1,000,000)	393,431	(39.3)
Debt impairment	(171,540,681)	-	(171,540,681)	-
Collection costs	(1,784,561)	-	(1,784,561)	-
Bulk Purchases	-	(1,000,000)	1,000,000	100.0)
General Expenses	(294,075,362)	(282,078,476)	(11,996,886)	4.3
	<b>(901,703,583)</b>	<b>(689,373,476)</b>	<b>(212,330,107)</b>	<b>30.8</b>
<b>Other revenue and costs</b>				
Net surplus/ (deficit) for the year	<b>(298,827,773)</b>	<b>(128,409,476)</b>	<b>(170,418,297)</b>	<b>132.7</b>



**Vhembe District Municipality**  
**Appendix E(2)**

**Budget Analysis of Capital Expenditure as at 30 June**  
**2013**

	<b>Additions</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Variance</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>
<b>Municipality</b>				
Corporate Services	8,981,353	6,125,119	(2,856,234)	<b>49</b>
Office of the Municipal manager	13,843	14,820	977	<b>31</b>
Council	-	167,320	167,320	<b>55</b>
Office Of the Executive Mayor	260,764	-	(260,764)	<b>-</b>
Office of the Speaker	-	-	-	<b>83</b>
Finance	150,000	155,460	5,460	<b>4</b>
Technical	445,206,692	435,956,000	(9,250,692)	<b>(2)</b>
Community Services	9,130,232	10,687,370	1,557,138	<b>45</b>
Planning and Development	10,018,948	9,802,286	(216,662)	<b>(2)</b>
Water/Water Distribution	56,274,417	36,269,682	(20,004,735)	<b>68</b>
	<b>530,036,249</b>	<b>499,178,057</b>	<b>(30,858,192)</b>	<b>(6)</b>
Municipal Owned Entities	<b>2,659,143</b>	<b>-</b>	<b>(2,659,143)</b>	<b>-</b>
<b>Other charges</b>				

Vhembe District Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure				
		Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun
Municipal System Improvement Grant		1,000,000	-	-	-	1,000,000	250,000	250,000	250,000	250,000	1,000,000
Municipal Infrastructure Grant		179,499,000	126,400,000	53,505,000	-	359,404,000	134,732,000	111,265,000	50,279,000	63,128,000	359,404,000
Equitable share		198,516,000	158,913,000	112,911,000	-	476,439,000	168,450,287	134,760,229	101,256,761	69,971,723	474,439,000
Local Government Management grant		1,250,000	-	-	-	1,250,000	1,250,000	-	-	-	1,250,000
Department of water and forestry water operations subsidy		35,546,000	35,546,000	40,479,000	-	111,571,000	47,541,000	57,537,000	21,317,000	6,575,000	111,571,000
Department of water affairs and projects grant		4,837,139	820,944	-	4,057,169	9,375,252	-	2,829,322	5,310,688	1,235,245	9,375,252
Municipal Health EPWP		3,554,500	-	-	-	3,554,500	3	-	-	-	3,554,500
Disaster Relief Funds		1,944,000	1,459,000	1,459,000	-	4,862,000	1,085,610	1,085,610	1,085,610	1,085,610	4,342,441
Department of Transport		-	-	-	41,501,200	41,501,200	-	-	-	-	-
Vhembe Biosphere reserve		1,766,000	-	-	-	1,766,000	-	1,766,000	-	-	1,766,000
		-	-	-	-	-	-	-	-	-	-

CESVI  
Limpopo  
Transboundary  
programme  
ACIP DWA

-	-	-	-	-	-	-	-	-	-	-
2,000,000	3,658,081	1,189,239	2,810,761	9,658,081	2,000,000	3,658,081	1,189,239	2,810,761	9,658,081	
429,912,639	326,797,025	209,543,239	48,369,130	1,020,381,033	355,308,900	313,151,242	180,688,298	145,056,339	976,360,274	

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