Mayoral committee

Executive Mayor	Cllr. J.M. Mthethwa	**Mayor**
Councillors	Cllr. N.J. Mbatha	**Deputy Mayor**
	Cllr. B.S. Chambule	**Speaker**
	Cllr. L.D. Ngubane	Member of the Executive Committee
	Cllr. M.I. Sithole	Member of the Executive Committee
	Cllr. M.S. Yengwa	Member of the Executive Committee
	Cllr. N.N. Khanyile	Member
	Cllr. I. Bedassi	Member
	Cllr. N.P. Zulu	Member
	Cllr. X.S. Xaba	Member
	Cllr. P.M. Ngobese	Member
	Cllr. T.M. Mahaye	Member
	Cllr. J. Mfeka	Member
	Cllr. Z.G. Ngcobo	Member
	Cllr. A.M. Shaik	Member
	Cllr. V.B. Ntombela	Member
	Cllr. N.S.V. Machaba	Member
	Cllr. F.J. Sikhakhane	Member
	Cllr. B.P. Ngcobo	Member
	Cllr. E.N. Molefe	Member
	Cllr. M.E. Mnguni	Member
	Cllr. M. Mkhwanazi	
	Cllr. B.N. Zondi	
	Cllr. L.G. Mabaso	
	Cllr. R.N. Ngubane	

Grading of local authority Grade 4

Chief Finance Officer (CFO) ZT Shongwe

Accounting Officer Mr W.J.M. Mngomezulu

Registered office
39 Victoria Street
Princess Magogo Building
Dundee
3000

Business address
39 Victoria Street
Princess Magogo Building
Dundee
3000

Postal address
P O Box 1965
Dundee
3000

Bankers First National Bank

Auditors Auditor General

Budget on Cash Basis
Figures in Rand
ıpproved
budget
Adjustments Final Budget Actual amounts
on comparable basis
ifference
ıl budget and actual
Reference

Statement of Financial Performance
Revenue
Revenue from exchange transactions

Service charges	38,096,070	6,905,737	**45,001,807**	40,838,544	(4,163,263)	More customers		
ncreased the number of customers billed compared with the budget.								
Other revenue	11,382,060	28,269,882	**39,651,942**	30,016,905	(9,635,037)	Occupation of new renovated		
ence less rental flowed in.								
Interest received - investment	3 800 000	-2 300 000			**1 500 000**	13 639 489	12 139 489	Fixed investment of R15m resulted in the
Total revenue from exchange transactions	**53 278 130**	**32 875 619**			**86 153 749**	**84 494 938**	**-1 658 811**	
Revenue from non-exchange transactions								
Taxation revenue								
Government grants & subsidies	400,311,000	117,561,395	**517,872,395**	468,577,104	(49,295,291)	Other gazetted grants were		

own bulk reduced by R7m.

Total revenue	**453 589 130**	**150 437 014**	**604 026 144**	**553 072 042**	**-50 954 102**	
Expenditure						
Personnel	-77 825 646	33 047 384	**-44 778 262**	-43 833 193	945 069	
Remuneration of councillors	-3 234 697	-88 264	**-3 322 961**	-3 376 560	-53 599	
Finance costs	7 926 347	-7 926 347	**-**		-	**-**

UMZINYATHI DISTRICT MUNICIPALITY

Annual financial statements for the year ended 30 June 2014

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these financial statements, which are set out on pages 4 to 51, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 20 of these annual financial statements
are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

....

Mr T. R Malunga
Acting Municipal Manager
30 06 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated
ASSETS			
Current Assets			
Debtors	2	**21 454 790**	8 362 811
VAT receivable	3	**21 794 075**	13 462 341
Consumer debtors	4	**54 177 649**	74 568 790
Cash and cash equivalents	5	**101 662 463**	25 351 559
		199 088 977	**121 745 501**
Non-Current Assets			
Investment property	6	**994 452**	1 040 000
Property, plant and equipment	7	**32 133 044**	25 635 641
Infrastructure Assets	7	**1 320 147 512**	
Intangible assets	8	**406 132**	1 836 809
Interest in joint ventures	9	**127 977 235**	1 088 442 618
Revaluation Reserve	15	**-**	-
Investments	10	**16 002 506**	15 154 768
		1 497 660 880	**1 132 109 836**
Total Assets		**1 696 749 857**	**1 253 855 337**
LIABILITIES			
Current Liabilities			
Creditors	11	**61 508 318**	54 065 077
Unspent conditional grants and receipts	12	**9 796 726**	18 979 711
Current portion of long term liabilities	13	**195 500 751**	18 957 246
Consumer deposits	11	**548 149**	575 657
Short term liabilities		**-**	
Non-Current Liabilities		**267 353 944**	**92 577 691**
Retirement benefit obligation	14	**18 902 003**	10 188 176
Long term liabilities	13	**106 288 642**	90 777 725
		-	
Total Liabilities		**125 190 645**	**100 965 901**
Net Assets		392 544 589	193 543 592
NET ASSETS		**1 304 205 268**	**1 060 311 745**
Reserves			
Other reserves		698 434 731	698 434 731
Accumulated surplus		605 770 536	361 877 014
Total Net Assets		**1 304 205 267**	**1 060 311 745**

UMZINYATHI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance as at 30 June 2014

Figures in Rand		Note(s)	2014
Revenue			
Service charges		16	39 537 457
Rental of facilities and equipment			186 299
Interest received - investment		17	23 696 230
Government grants & subsidies		18	494 790 917
Gain attributed to transfer of assets			264 311 488
Other income			1 307 399
			823 829 790
Total revenue			
Expenditure			
Personnel		19	80 926 694
Remuneration of councillors		20	3 760 073
Agency Fees	21	21	-
Depreciation and amortisation		22	55 444 588
Finance costs		23	7 574 025
Post retirement benefits			8 841 000
Repairs and maintenance			7 140 754
Grants and subsidies paid		24	151 833 381
General Expenses		25	229 399 756
Total expenditure			544 920 272
Operating surplus			278 909 518
Loss on disposal of assets and liabilities			-
Investment in joint venture			-35 015 996
			-35 015 996
Surplus/ (Deficit) for the year			243 893 522

2013
40 838 544
321 358
13 771 423
493 039 577
5 233 074
553 203 976
42 347 816
3 376 560
105 139 782
5 087 201
-
1 252 455
5 860 839
150 597 729
83 223 283
396 885 665
156 318 311
-135 530.00
43 867 879.00
43 732 349.00
200 050 660.00

Statement of Changes in Net Assets

Figures in Rand		Other Reserves	Accumulated Surplus	Total Net Assets
Balance at 01 July 2013		-	-	-
Changes in net assets				
Uthukela water joint venture investment	(21,64	43 867 879.00		43 867 879.00
Net income (losses) recognised directly in net assets	-	43 867 879.00	-	43 867 879.00
Surplus for the year			156 182 781.00	156 182 781.00
Total recognised income and expenses for the year		43 867 879.00	156 182 781.00	200 050 660.00
Prior year adjustment			323 907.00	323 907.00
Prior year accruals			-12 362 807.00	-12 362 807.00
Adjustment to post retirement benefits			4 782 649.00	4 782 649.00
Total changes		43 867 879.00	148 926 530.00	192 794 409.00
Balance at 01 July 2012		**947 897 868.00**	**52 635 071.00**	**1 000 532 939.00**
Changes in net assets				
Transfer in/Transfer out		-32 175 551.00	140 082 581.00	107 907 030.00
Net income (losses) recognised directly in net assets		-32 175 551.00	140 082 581.00	107 907 030.00
Surplus for the year			200 050 660.00	200 050 660.00
Total recognised income and expenses for the year		-32 175 551.00	340 133 241.00	307 957 690.00
Change in investment		-217 287 586.00		-217 287 586.00
Prior year adjustment Long service awards			-1 184 000.00	-1 184 000.00
Prior year adjustment Uthukela take on loan			-29 707 297.59	-29 707 297.59
Total changes		-249 463 137.00	309 241 943.41	59 778 806.41
Balance at 30 June 2013		**698 434 731.00**	**361 877 014.41**	**1 060 311 745.41**
Balance at 01 July 2013		**698 434 731.00**	**361 877 014.41**	**1 060 311 745.41**
Surplus/ (Deficit) for the year		-	243 893 521.70	243 893 521.70
		-	-	-
Balance at 30 June 2014		**698 434 731.00**	**605 770 536.11**	**1 304 205 267.11**

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities Receipts			
Sale of goods and services		13 331 488.00	85 027 781.00
Grants		448 504 927.00	336 672 751.00
Interest income		23 696 229.55	13 771 423.00
Other receipts		1 307 399.09	5 368 604.00
		486 840 043.64	440 840 559.00
Payments			
Employee costs		-84 686 767.29	-45 724 376.00
Suppliers		-304 141 782.68	-435 138 344.00
Interest expense		-7 574 025.00	-
Other non-cash item		-577 141.88	-1 112 197.00
		-396 979 716.85	-481 974 917.00
Net cash flows from operating activities	27	89 860 326.79	-41 134 358.00
Cash flows from investing activities			
Purchase of property, plant and equipment	7	-183 043 747.48	-4 424 366.00
Proceeds from sale of property, plant and equipment	7	-	233 482.00
Purchase of investment property	6	-45 548.00	-175 845.00
Purchase of other intangible assets	8	30 849.00	-3 079 236.00
Proceeds from sale of financial assets		-847 738.00	-15 154 768.00
Net cash flows from investing activities		**-183 906 184.48**	**-22 600 733.00**
Cash flows from financing activities			
Movement in long term liabilities		170 384 270.00	78 983 056.00
Movement in consumer deposits		-27 508.31	575 657.00
Net cash flows from financing activities		**170 356 761.69**	**79 558 713.00**
Net increase/(decrease) in cash and cash equivalents		76 310 904.00	**15 823 622.00**
Cash and cash equivalents at the beginning of the year		25 351 559.00	9 527 937.00
Cash and cash equivalents at the end of the year	5	**101 662 463.00**	**25 351 559.00**

UMZINYATHI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

			Budget on Accrual Basis				
Figures in Rand	**Approved Budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**	**Reference**	**Reason**
Statement of Financial Performance							
Revenue							
Water sales	37 044 424.00	218 160.00	37 262 584.00	29 541 332.00	7 721 252.00	21%	Increase in the number of meters installed
Sanitation	10 251 151.00	-	10 251 151.00	9 996 125.00	255 026.00	2%	
Rental of Facilities and equipment	454 352.00	-215 023.00	239 329.00	186 299.00	53 030.00	22%	Operations are conducted from a rented office space
Interest Earned - External Investment	1 582 500.00	4 991 306.00	6 573 806.00	10 463 287.00	(3 889 481.00)	-59%	Interest on the loan amont invested
Interest Earned - Outstanding Debtors	5 500 000.00	1 214 046.00	6 714 046.00	13 232 943.00	(6 518 897.00)	-97%	We are under collected
Government and Provincial grants and subsidies	440 479 000.00	234 833 332.00	675 312 332.00	494 790 917.00	180 521 415.00	27%	
Other	137 390.00	314 373.00	451 763.00	1 307 399.00	(855 636.00)	-189%	Sale of tender documents
Total	**495 448 817.00**	**241 356 194.00**	**736 805 011.00**	**559 518 302.00**	**177 286 709.00**		
		-			-		
Revenue from exchange transactions		-			-		
Employee Related Costs	101 435 653.00	-14 169 640.00	87 266 013.00	80 926 694.00	6 339 319.00	7%	
Remuneration of Councillors	3 305 959.00	662 012.00	3 967 971.00	3 760 073.29	207 897.71	5%	
Depreciation	12 481 282.00	-	12 481 282.00	55 444 588.00	(42 963 306.00)	-344%	Infrastructure assets transferred to WSA from UTW
Post Retirement benefit	1 500 000.00	-	1 500 000.00	8 841 000.00	(7 341 000.00)	-489%	Number of employees increased due to transfer from UTW
General expenses	96 766 866.00	103 621 633.00	200 388 499.00	216 153 706.76	(15 765 207.76)	-8%	
Bulk Purchases	14 148 327.00	451 397.00	14 599 724.00	13 246 049.58	1 353 674.42	9%	Increase in line with inflactionary increases
Repairs and maintenance	9 891 728.00	2 945 441.00	12 837 169.00	7 140 754.00	5 696 415.00	44%	Vehicles transferred from Uthukela were in bad condition
Interest Paid	8 392 003.00	1 323 282.00	9 715 285.00	7 574 025.00	2 141 260.00	22%	Front loading loan from DBSA increased interest paid
Grant Expenditure	247 527 000.00	133 960 095.00	381 487 095.00	151 833 381.35	229 653 713.65	60%	We capitalized the rest of the expenditure to Infrastructure assets.
Operational Grant Expenditure	-	-	-		-		
Total	**495 448 818.00**	**228 794 220.00**	**724 243 038.00**	**544 920 271.98**	**179 322 766.02**		

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note. Changes in accounting policy.

2. New standards and interpretations

2.1. Standards and interpretations effective and adopted in the current year

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

GRAP 25: Employee Benefits

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

- A liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.
- The standard states the recognition, measurement and disclosure requirements of:
- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

All amendments to be applied retrospectively.

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

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

GRAP 1 (as revised 2012): Presentation of Financial Statements
Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013
The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors
Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

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

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 7 (as revised 2012): Investments in Associates

Amendments were made to definitions and a requirement to include transaction costs on initial recognition of an investment in an associate under the equity method has been included.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.
The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions
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 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial

statements.
The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases
Amendments were made to disclosures.

All amendments to be applied retrospectively.

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

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property
Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.
The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furhtermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.
The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IGRAP 16: Intangible Assets - Website Costs
The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an

internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

Interpretation to be applied retrospectively.

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

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

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

2.2. 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 2014 or later periods:

GRAP 105: Transfers of Functions Between Entities Under Common Control

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

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

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

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

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it become effective.
It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

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

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

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions

between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

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

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

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

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

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

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

GRAP 107: Mergers
The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.
A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.
In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.
The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus /(deficit).

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.
The municipality expects to adopt the standard for the first time once it becomes effective.
It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 5 (revised 2013): Borrowing Costs
Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has early adopted this standard for the 2013/14 financial period.

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

2.3. Going concern assumption

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

2.4. 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. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

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

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

2.5. Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for: use in the production or supply of goods or services; or administrative purposes; or sale in the ordinary course of operations.

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

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

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value, on a straight line basis over the useful life of the property, which is as follows:

Item Useful life Property - buildings x years

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

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such difference is recognised in surplus or deficit when the asset is derecognised.

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

2.6. Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when: it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

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

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

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

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

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

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

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

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value. The annual depreciation rates are based on the following estimated average asset lives;

Infrastructure	**Years**
Roads and Paving	30
Pedestrian Malls	30
Electricity	20 -80
Water	15 – 100
Watercraft	15
Community	
Buildings	30
Recreational Facilities	20 – 30
Security	5
Other	
Buildings	25
Specialists vehicles	10
Other vehicles	4
Office Equipment	5
Furniture and Fittings	7-10
Watercraft	15
Bins and containers	5
Specialised plant and equipment	10 -15
Other items of plants and equipment	
Landfill sites	15

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

Item Average useful life Buildings x years

The residual value, 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 municipality 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 property, plant and equipment 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.

Site restoration and dismantling cost

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

Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model: (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period; (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

2.7. Intangible assets

An asset is identifiable if it either: is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when: it is technically feasible to complete the asset so that it will be available for use or sale; there is an intention to complete and use or sell it; there is an ability to use or sell it; it will generate probable future economic benefits or service potential; there are available technical, financial and other resources to complete the development and to use or sell the asset; and the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

Intangible assets (continued)

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

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

Item Useful life Computer software x years

Intangible assets are derecognised: on disposal; or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

2.8. 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 building elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

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

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 revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

2.9. Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as: wages, salaries and social security contributions; short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service: as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service: as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts: the present value of the defined benefit obligation at the reporting date; minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly; plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of: the amount determined above; and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from: the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises: any resulting change in the present value of the defined benefit obligation; and any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases; the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or

- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when 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.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

2.10. Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

A constructive obligation to restructure arises only when the municipality: 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

A contingent liability:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

2.11. Revenue from exchange transactions

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 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; and the costs incurred or to be incurred in respect of the

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

2.12. Services in-kind

Services in-kind are not recognised.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.
Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.
Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.
The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.
Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.
As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.
Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.
When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers
Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.
Transferred assets are measured at their fair value as at the date of acquisition.

2.13. Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.
The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the municipality.

2.14. Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

2.15. Services in-kind

Services in-kind are not recognised.

2.16. Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.
The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.
The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

2.17. Borrowing costs

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

2.18. 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.

2.19. Fruitless and wasteful expenditure

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

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

2.20. Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular 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.

2.21. Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not: receive any goods or services directly in return, as would be expected in a purchase or sale transaction; expect to be repaid in future; or expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

2.22. Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

2.23. Budget information

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

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

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

2.24. Related parties

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;

- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

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

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled
  entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of
  an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.
The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and

- Significant influence

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

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

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2.25. Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

2.26. Transfer of functions between entities not under common control

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

Not under common control - For a transaction or event to occur between entities not under common control, the transaction or event needs to be undertaken between entities not within the same sphere of government or between entities that are not part of the same economic entity. Entities that are not ultimately controlled by the same entity before and after the transfer of functions are not within the same economic entity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with the Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Assets and liabilities, which cannot be measured reliably, are recorded at provisional amounts which are finalised within 24 months of the acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

The excess is determined as the consideration paid, plus the fair value of any interest held prior to obtaining control, plus non-controlling interest less the fair value of the identifiable assets and liabilities of the acquiree.

2.27. Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.
The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.
Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use
Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.
When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate
The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)
If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).
If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

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

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

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

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have

decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.
An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.
A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.
In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
 its recoverable amount (if determinable); and
 the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

2.28. Impairment of non-cash-generating assets

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

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.
The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

2.29. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification
The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:
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Class Category
Receivables from exchange transactions Financial asset measured at amortised cost
Receivables from non-exchange transactions Financial asset measured at amortised cost
Cash and cash equivalents Financial asset measured at fair value
The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:
`

Class Category
Payables from exchange transactions Financial liability measured at amortised cost
Finance lease obligation Financial liability measured at amortised cost
Bank overdraft Financial liability measured at amortised cost

Initial recognition
The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality
becomes a party to the contractual provisions of the instrument.
The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.
The municipality measures all other financial assets and financial liabiliites initially at fair value.
The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:
a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities
The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations
If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Gains and losses
A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.
For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.
Financial assets measured at amortised cost:
If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:
If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

2.30. Derecognition

Financial assets
The municipality derecognises financial assets using trade date accounting.
The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

2.31. Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
2. Debtors		
Debtor - Interest accrued	820 001.38	-
SALGA Games	432 250.00	354 923.00
Sundry Debtors Deposits	14 305 845.00	7 000.00
MIG Grant Control	-	-
Debtor - Grader	221 391.55	221 392.00
Prepaid Creditor	161 579.00	78 711.00
Uthukela Receipting	4 330 625.00	3 002 176.00
Agreement / Arrangement Suspense	852 786.53	258 933.00
Grant Debtor	330 312.00	-
MIG Debtor	-	1 279 580.00
Greytown Bulk Water		3 160 096.00
	21 454 790.46	**8 362 811.00**

5. Cash and cash equivalents	**2014**	**2013**
Cash and cash equivalents consist of:	-	-
Cash on hand	4 100.00	4 100.00
Bank balances	1 898 966.00	2 878 783.00
Short-term deposits	99 759 397.00	22 468 676.00
	101 662 463.00	**25 351 559.00**

5. Cash and cash equivalents (continued)
The municipality had the following bank accounts

Account number / description	**Bank statement balances**		**Cash book balances**	
	30 June 2014	**30 June 2013**	**30 June 2014**	**30 June 2013**
FNB Current Cheque Account (Main) 62358106279	1 797 810.00	2 569 141.00	1 797 810.00	2 533 469.00
ABSA Current Account 4050280759		3 866.00	-	68 402.00
FNB Water Account 62358438044	91 156.00	10 000.00	91 156.00	276 911.00
FNB 7 Days Notice Account 74321014438	11 893 348.00	86 534.00	11 893 348.00	-
ABSA Bank Investment Account 2073784316	-	-	-	-
FNB DBSA Secondary Account	10 000.00 -	-	-	-
ABSA Bank Investment Account 2074161298	1 778 571.00		1 778 571.00	-
ABSA Bank Investment Account 2074360319	67 259 629.00		67 259 629.00	-
ABSA Bank Investment Account 9253667878	7 673.00	104 390.00	7 673.00	104 391.00
FNB Investment Account 62353578564	5 377 253.00	21 243 249.00	5 377 252.00	21 325 374.00
Petty Cash	4 100.00			4 100.00
Rand Merchant Call Investment Account 021900664	7 000 401.00	10 586.00	700 401.00	10 586.00
Investec Investment Account 1100461826501	-	673 377.00	-	673 377.00
Nedbank Investment Account 7337000049	4 516.00	354 949.00	4 516.00	354 950.00
Investec Investment Account 1100461826502	6 438 006.00	-	6 438 080.00	-
Investec Investment Account 1100461826503	-	-	-	- -
	101 662 463.00	**25 056 092.00**	**95 348 436.00**	**25 351 560.00**

3. VAT receivable

VAT Total

4. Consumer debtors

Gross balances

Water

Sewerage

VAT

Interest

Add back credit balances included above

Less: Allowance for impairment

Net balance

Water

Current (0 -30 days)

31 - 60 days

61 - 90 days

91 - 120 days

121 - 365 days

Impairment

Sewerage Current (0 -30 days)

31 - 60 days

61 - 90 days

91 - 120 days

121 - 365 days

Impairment

VAT

Current (0 -30 days

31 - 60 days

61 - 90 days

91 - 120 days

121 - 365 days

Impairment

Interest

Current (0 -30 days

31 - 60 days

61 - 90 days

91 - 120 days

121 - 365 days

Impairment

4. Consumer debtors (continued)Summary of debtors by customer classification Consumers

Current (0 -
30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
Add back credit balances included above

Industrial/ commercial Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days

Business

Current (0 -
30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
Add back credit balances included above

Total Net debtors after impairment :
Less: Provision for debt impairment Impairment
Reconciliation of allowance for impairment Contributions to allowance

2014	2013
21 794 075.00	13 462 341.00
21 794 075.00	**13 462 341.00**
111 716 844.74	100 527 817.00
39 610 209.93	35 864 229.00
19 307 924.93	17 058 680.00
33 180 824.95	21 584 661.00
-2 574 448.81	-
201 241 355.74	**175 035 387.00**
-147 063 707.00	-100 466 597.00
54 177 648.74	**74 568 790.00**
2 494 712.99	5 161 964.00
2 975 365.52	1 712 755.00
2 128 726.09	1 557 595.00
2 028 975.42	1 710 781.00
102 089 064.72	90 384 722.00
-	-57 700 834.00
111 716 844.74	**42 826 983.00**
	1 822 092
858 057.14	638 870
1 064 152.29	591 283
802 769.26	565 994
760 214.48	32 245 990
36 125 016.76	-20 585 306
39 610 209.93	**15 278 923**
469 120.93	978 440
554 894.63	327 608
406 370.21	302 873
403 195.13	316 093
17 474 344.03	15 133 666
	-9 791 320
19 307 924.93	**7 267 360**
1 278 521.61	1 107 383
1 262 238.83	1 154 722
1 054 404.73	1 132 631
1 045 680.59	1 114 962
6 311 138.42	17 074 963

22 228 840.77	-12 389 137
33 180 824.95	**9 195 524**
3 315 606.23	5 342 296
3 301 368.54	2 744 914
2 808 021.78	2 525 935
2 562 141.96	2 660 703
126 615 868.08	114 841 266
-1 216 053.12	
137 386 953.47	**128 115 114**
	467 094
7 352.16	250 981
4 393.03	177 147
272.91	195 441
78 431.73	20 691 454
90 449.83	**21 782 117**
852 357.92	2 742 333
1 027 641.66	643 127
678 890.63	672 274
670 028.62	702 398
17 784 424.19	16 769 715
-234 484.53	
21 013 343.02	**21 529 847**
46 597 110.00	74 568 790
-147 063 707.00	-100 466 597
-147 063 707.00	-100 466 597

Notes to the Annual Financial Statements (Continued)

6. Investment property

	2014			2013		
	Cost / Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Investment property	1 160 845.00	-166 393.00	994 452.00	1 160 845.00	-120 845.00	1 040 000.00
	1 160 845.00	**-166 393.00**	**994 452.00**	**1 160 845.00**	**-120 845.00**	**1 040 000.00**

Reconciliation of investment property - 2014

	Opening Balance	Additions	Total
Investment property	1 040 000.00	-45 548.00	994 452.00
	1 040 000.00	**-45 548.00**	**994 452.00**

Reconciliation of investment property - 2013

	Opening Balance	Total
Investment Property	1 040 000.00	1 040 000.00
	1 040 000.00	**1 040 000.00**

7. Property, plant and equipment

	2014				2013		
	Cost/ Valuation	Transfer	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost/ Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Buildings	23 304 168	-	-6 031 289	17 272 879	22 929 726	-4 318 663	18 611 063
Plant and machinery	6 832 160	10 431 718	-6 991 868	10 272 010	5 997 376	-3 183 747	2 813 629
Furniture and fixtures	6 999 283	162 260	-5 944 025	1 217 518	6 712 734	-5 219 865	1 492 869
Motor vehicles	9 042 243	1 125 389	-6 796 995	3 370 637	8 814 068	-6 095 988	2 718 080
Total	**46 177 854**	**11 719 367**	**-25 764 177**	**32 133 044**	**44 453 904**	**-18 818 263**	**25 635 641**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening Balance	Additions	Disposals	Depreciation	Total
Buildings	18 611 063	374 442		-1 712 626	17 272 879
Plant and machinery	2 813 629	13 655 244		-6 196 863	10 272 010
Furniture and fixtures	1 492 869	617 267	-13 665	-877 664	1 218 807
Motor vehicles	2 718 080	3 517 218	-514 816	-2 006 737	3 713 745
Total	-	-		-	-
	25 635 641	**18 164 171**	**-528 481**	**-10 793 890**	**32 477 442**

Reconciliation of property, plant and equipment - 2013

	Opening Balance	Additions	Disposals	Depreciation	Total
Buildings	17 008 336.00	2 502 816.00		-900 089.00	18 611 063.00
Plant and machinery	2 111 902.00	1 423 183.00		-721 456.00	2 813 629.00
Furniture and fixtures	2 077 587.00	-	-369 012	-215 706.00	1 492 869.00
Motor vehicles	3 108 563.00	498 367.00		-888 850.00	2 718 080.00
	24 306 388.00	**4 424 366.00**	**-369 012.00**	-2 726 101.00	**25 635 641.00**

7b. Infrastructure

	2014				
	Cost/ Valuation	Work-In-Progress	Completed Assets	Accumulated Depreciation	Carrying Value
InfraStructure Assets	973 688 347		-	-49 066 480	924 621 867
Work-in Progress	276 742 792	124 146 717	-5 363 865	-	395 525 644
Total	**1 250 431 139**	**124 146 717**	**-5 363 865**	**-49 066 480**	**1 320 147 511**

7B Infrastructure Assets (Note 7 continued)	Transfer	Work-In Progress Opening Balance	Additions	Work-In-Progress	Completed Assets	Depreciation	Total
7B Infrastructure Assets (Note 7 continued)	921 236 121	276 742 792.29	52 452 227	124 146 717	-5 363 865	-49 066 480.00	1 320 147 512
	-						
	921 236 121	**276 742 792.29**	**52 452 227**	**124 146 717**	**-5 363 865**	**-49 066 480**	**1 320 147 512**

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

8. Intangible assets

Cost /	2014 Cost/Valuation	Transfer	Accumulated amortisation	Carrying value	2013 Cost/Valuation	Accumulated amortisation and	Carrying value
Computer software	3 427 078.00	92 960.00	-3 113 906.00	406 132.00	3 396 230.00	-1 559 421.00	1 836 809.00
	3 427 078.00	**92 960.00**	**-3 113 906.00**	**406 132.00**	**3 396 230.00**	**-1 559 421.00**	**1 836 809.00**

	Opening Balance	Transfer	Additions	Amortisation	Total
Computer software	1 836 809.00	92 960.00	30 849.00	-1 554 486.00	406 132.00
Reconciliation of intangible assets - 2013	**1 836 809.00**	**92 960.00**	**30 849.00**	**-1 554 486.00**	**406 132.00**

9. Interest in joint ventures

	2014	2013
uThukela Water Pty Ltd-shortfall Funding	127 977 234.66	1 088 442 618.00
	-	
	127 977 234.66	**1 088 442 618.00**

The Interest in Uthukela Water (Pty) Ltd was reduced due to the transfer of reticulation function.

Reconciliation of Interest in Joint Venture

Opening balance as at 30 June 2013	1 088 442 618.00
Adjustment of Interest in transfer of function between entities not under common control	-925 449 387.25
Share of Deficit	-35 015 996.09
Value of investment in joint venture @30/06/2014	**127 977 234.66**

	2014	2013
10. Investments		
Residual interest at cost	16 002 506.00	15 154 768.00
Unlisted shares: Long term deposits		
Non-current assets		
Unlisted shares: Long term deposits	16 002 506.00	15 154 768.00
First National Bank 74321014438	7 986 700.00	7 569 238.00
Investec	8 015 806.00	7 585 530.00
11004618		
26450		
	16 002 506.00	**15 154 768.00**

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

Institution		
First National Bank & Investec	16 002 506.00	15 154 768.00
Receivables from Exchange Transactions Other Receivables		
Other Receivables	72 396 213.00	74 568 790.00
Receivables from Non-exchange Transactions		
Other Receivables	2 878 354.00	8 364 016.00
Cash and Cash Equivalents		
Call Deposits	99 759 398.00	2 255 096.00
Bank Balances	1 898 966.00	2 878 783.00
Cash Floats and Advances	4 100.00	4 100.00
	101 662 464.00	**5 137 979.00**
SUMMARY OF FINANCIAL ASSETS		
Financial Assets at Amortised Cost Receivables from Exchange Transactions - Other Debtors		
Receivables from Non-exchange Transactions	72 396 213.00	74 568 790.00
Receivables from Exchange TransactionsOther Receivables	2 878 354.00	8 364 016.00
	75 274 567.00	82 932 806.00
Financial Assets at Fair Value	**101 662 464.00**	**5 137 979.00**

Figures in Rand

11. Creditors	**2014**	**2013**
Trade payables	-	-
Retentions Held Suspense	9 532 677	9 604 706.00
Creditors Control	1 279 257	17 263 831.00
Leave Pay	5 922 182	3 191 274.00
Accruals Suspense Account	41 266 033	22 572 160.00
Municipal Funded Projects	-	-
Creditor Interest Accrued	3 508 169	
Consumer Creditors - Uthukela	-	1 433 106.00
	61 508 318.15	**54 065 077.00**

There were no guarantees in lieu of deposits.

Consumer Deposits	548 149	575 608

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2014	2013
MIG	-	
DWAF: M & E Grant	-	-
DWAF: Water Loss Grant	-	-
General Grants	-	-
Municipal Support Grant	-	-
NLDTF: Dundee Arts and Crafts	-	-
GIS System Grant	-	64 337
Rural Transport and Infrastructure Grant	77 079	269 339
LED Msinga Agric Packhouse	-	-
LED Msinga Stone Crush Plan	-	-
LED Msinga Bee and Mushroom farm	-	-
Disaster Management	-	-
DTLGA	-	-
Greytown Bulk Water Project	-	-
Asisukume Maize Mill	638 472	1 390 377
Massifikation of Bulk Water	2 084 951	12 318 326
EPWP Incentives	528	870 528
KZN ACIP WWTW	-	1 423 588
KZN COGTA	-	73 417
LGSETA Training Grant	129 888	200 000
Cogta Rural Development	289 799	569 799
Mntshongweni Veg Project	1 137 063	1 800 000
Water Service Operational Grant	-	-
Municipal Water Infrastructure Grant	1 438 948	-
Rural Household Infrastructure Grant	4 000 000	-
Dundee July Grant	-	-
	9 796 726.33	**18 979 711.00**

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

13. Loans	**301 789 392.77**	109 734 970.59
uThukela Water Pty Ltd		
Long Term Liability - uThukela Water	106 288 641.78	90 777 724.59
Short Term Liability - uThukela Water	4 445 967.22	18 957 246.00
	-	
	110 734 609.00	**109 734 970.59**

Reconciliation - Uthukela Water (Pty) Ltd

Opening balance	-
less; Unsupported claims by Uthukela Water (Pty) Ltd	
Raw Water User Licenses	-
Closing balance	**-**

Development Bank of South Africa

	Opening Balance 30 June 2013	Transfer	Receipt	Interest Paid	Interest Capitalise	Capital Repayment	Carrying Value 30 June 2014

DBSA/ Uthukela Loan	21 670 153	-	-	211 483.91	746 371.29	21 135 265
DBSA MIG Loan		234 333 333	-	7 858 363.09	72 272 178	169 919 518
	-	**234 333 333**	-	211 483.91	73 018 549	**191 054 784**

Consolidated Loan balances	**2014**	**2013**
Total Short term portion		
uThukela Water (Pty) Ltd	4 445 967.22	18 957 246.00
Development Bank of South Africa	191 054 783.77	-
	195 500 750.99	18 957 246.00
Total Long term portion		
uThukela Water (Pty) Ltd	106 288 641.78	90 777 724.59
Total Loans	301 789 392.77	109 734 970.59

14. Employee benefit obligations	**18 902 003**	**10 188 176**
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Post-Employment Medical Benefits	**15 400 176**	9 004 176
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	9 004 176	7 769 169
Movement during the year	6 415 000	1 242 759
Benefits paid	-19 000	-7 752
	15 400 176	9 004 176
Carrying Value		
Long service award	**3 502 000**	**1 184 000**
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	1 184 000	-
Movement during the year	2 426 000	-
Benefits paid	-108 000	-
	3 502 000	-

Post Retirement Healthcare subsidy liability as at 30 June 2014

The economic assumptions for the 30 June 2014 valuation are shown in the table below, and compared to those used for the previous valuation

	30-Jun-14	**30-Jun-13**
Gross Discount rate	9,6%	8,8%
Healthcare cost inflation	9.1%	12%
Net discount rate	**.46%**	**2,86%**

The table below shows the annual withdrawal rate for the current and previous valuation, differentiated by age

		30 June 2014			**30 June 2013**	
Age		**Males**	**Females**		**Males**	**Females**
		%	**%**		**%**	**%**
20		13.3	13.3		70	70
25		13.3	13.3		65.67	65.67
30		10.9	10.9		50.2	50.2
35		8.2	8.2		20.31	20.31
40		5.9	5.9		6.23	6.23
45		4.1	4.1		4	4

50		2.9	2.9		2	2
55		0	0		1	1
60		0	0		0	0

Percentage Married assumptions

The table below shows the married assumption for the valuation in respect of active members currently in service, differentiated by age

		30 June 2014	
Age		**Males**	**Females**
		%	**%**
20		1.3	1.3
25		12.9	12.9
30		48.3	48.3
35		70.2	70.2
40		80.9	80.9
45		84.7	84.7
50		84.9	84.9
55		86	86
60		90	90

Long service Award Valuation

Membership Data

The key features of the membership data used in the current and prior valuation are summarised below;

	30 June 2014			30 June 2013	
Current Employees	**Males**	**Females**		**Males**	**Females**
No. current employees	201	91		47	54
Average age of employees	42.2	37.6		37.9	36.2
Average years of past service	8.5	6.4		3.3	5.1
Average annual	134.451	200.478		261.106	240.85

The economic assumptions for the 30 June 2014 valuation are shown in the table below, and compared to those used for the previous valuation

	30-Jun-14	**30-Jun-13**
Gross Discount rate	8,50%	8,0%
Healthcare cost inflation	9,10%	8,20%
Net discount rate	**-0,54%**	**-0,20%**

Summary of demographic assumptions for the 30 June 2014 valuation are in the tables below

	30 June 2014	**30 June 2013**
Pre-retirement mortality	SA85-90L	SA85-90L
Withdrawal	see table below	see table below
assumed retirement age	63 yrs Female and Males	60 yrs Females, 63 yrs for males
Number of trading days per year	252	252

Withdrawal assumptions

		30 June 2014	
Age		Males	Females
		%	%
20		13.30	13.30
25		13.30	13.30
30		10.90	10.90
35		8.20	8.20
40		5.80	5.80
45		4.10	4.10
50		2.90	2.90
55		-	-
60		-	-

Assumed retirement age

The assumed retirement age of 63 for current employees is based on the normal retirement age of the employer of 65 years for all employees, including allowance for early retirements, The assumptions is in respect of males and females.

Since no LSA valuation was performed last year we have set the assumption consistent with the assumption that was used in the Post-Retirement healthcare subsidy (PRHS) valuation. The 2014 assumption differ compare to last year's PRHS valuation, where the retirement age was assumed to be 63 and 60 for males and females respectively.

	2014	2013
15. Other NDR		
uThukela Government Grant	-	684 646 012
uThukela Capitalisation Reserve	-	
uThukela Accumulated Surplus	-	13 788 719
	-	698 434 731

	2014	2013
16. Service charges		
Sale of water	29 059 611	30 512 789
Sewerage and sanitation charges	9 996 125	9 801 205
Water re-connection fee	428 392	45 102
Sewerage / Water new connection fee	53 329	479 448
	39 537 457	40 838 544

	2014	2013
17. Interest income		
Bank	10 463 287	1 839 981
Consumer interest	13 232 943	11 931 442
	23 696 230	13 771 423

	2014	2013
18. Government grants and subsidies		
Operating grants		
Equitable share	191 952 000	177 582 303
Water services	7 500 000	62 998 747
Disaster Management grant	-	7 909
Training grant	-	199 222
Municipal support grant	-	13 620
FMG	1 250 000	-
MSIG	890 000	-
Greytown bulk water	31 033 009	18 615 031
Lottery health care grant	4 390 598	10 244 728
District growth summit	-	400 000
KZN ACIP WWTW	4 293 884	7 566 239
Rural settlement grant	-	5 542 106
LED grants	-	231 306
NLDTF : Dundee Arts & Craft	-	289 167
Shared services	-	950 000
EPWP Incentives	1 000 000	764 201
DTLGA S78	-	655 381
Municipal Water Infrastructure Grant	16 050 111	-
Rural Household Grant	4 000 000	-
Dundee July Grant	478 572	-
DWAF grant	-	1 589 934
COGTA grants	-	-400 241
Massifikation of bulk water	1 586 461	9 342 924
	264 424 635	**296 592 577**

	2014	2013
Capital grants		
MIG	186 505 000	196 447 000
	-186 505 000	-196 447 000
	-	-

	2014	2013
DWAF M&E Grant		
Balance unspent at beginning of year	-	600 000
Conditions met - transferred to revenue	-	-600 000
	-	-

Conditions still to be met - remain liabilities (see note 12).

	2014	2013
DWAF Water Loss Managment		
Balance unspent at beginning of year	-	989 934
Conditions met - transferred to revenue	-	-989 934
	-	-

Conditions still to be met - remain liabilities (see note 12).

	2014	2013
FMG & LED Grants		
Balance unspent at beginning of year	1 250 000	64 825
Conditions met - transferred to revenue	-1 250 000	-64 825
		-

Conditions still to be met - remain liabilities (see note 12).
Figures
in Rand

	2014	2013
Municipal Support Grant		
Balance unspent at beginning of year	-	13 620
Conditions met - transferred to revenue	-	-13 620
		-

Conditions still to be met - remain liabilities (see note 12).

NLDTF - Dundee Arts and Crafts

Balance unspent at beginning of year	-	289 167
Conditions met - transferred to revenue	-	-289 167
		-

Conditions still to be met - remain liabilities (see note 12).

GIS Systems Grant

Balance unspent at beginning of year	64 337	469 991
Conditions met - transferred to revenue	-64 337	-405 654
	-	64 337

Conditions still to be met - remain liabilities (see note 12).

Rural Settlement Grant

Balance unspent at beginning of year		1 352 224
Conditions met - transferred to revenue		-1 082 885
		269 339

Conditions still to be met - remain liabilities (see note 12).

LED Msinga Packhouse Grant

Balance unspent at beginning of year		135 298
Conditions met - transferred to revenue		-135 298
		-

Conditions still to be met - remain liabilities (see note 12).

LED Msinga Stone Crush Grant

Balance unspent at beginning of year		75 960
Conditions met - transferred to revenue		-75 960
		-

Conditions still to be met - remain liabilities (see note 12). -

LED Msinga Mushroom Farm

Balance unspent at beginning of year		20 048
Conditions met - transferred to revenue		-20 048
		-

Conditions still to be met - remain liabilities (see note 12). -

Disaster Management Grant

Balance unspent at beginning of year		7 909
Conditions met - transferred to revenue		-7 909
		-

Conditions still to be met - remain liabilities (see note 12).

S78 DTLGA Grant

Balance unspent at beginning of year		655 381
Conditions met - transferred to revenue		-655 381
		-

Conditions still to be met - remain liabilities (see note 12).

Greytown Bulk Water

Balance unspent at beginning of year		5 765 593
Conditions met - transferred to revenue		-5 765 593
		-

Conditions still to be met - remain liabilities (see note 12).

Asisukume Maize Mill

Balance unspent at beginning of year		1 390 377
Conditions still to be met - remain liabilities (see note 12).		

Massification of Bulk Water

Balance unspent at beginning of year		7 806 947
Current-year receipts		-4 511 379
		3 295 568

Conditions still to be met - remain liabilities (see note 12).

EPWP Incentives

Balance unspent at beginning of year		-130 271
Current-year receipts		1 000 799
		870 528

Conditions still to be met - remain liabilities (see note 12). -

KZN ACIP WWTW

Balance unspent at beginning of year	1 423 588	4 998 831
Adjustments made	-557 026	
Current-year receipts	4 293 884	
Conditions met - transferred to revenue	5 160 446	-3 575 243
	-	1 423 588

Conditions still to be met - remain liabilities (see note 12).

KZN COGTA

Balance unspent at beginning of year	73 417	242 974
Adjustments made	557 026	
Conditions met - transferred to revenue	630 443	-169 557
	-	73 417

Conditions still to be met - remain liabilities (see note 12).

LGSETA Training Grant

Current-year receipts		200 000
Conditions still to be met - remain liabilities (see note 12).		-200 000
		-

COGTA Rural Development Grant 569 799

Current-year receipts		-569 799
Conditions still to be met - remain liabilities (see note 12).		-

Mntshongweni Vegetable Project		
Current-year receipts	1 800 000	1 800 000
Conditions still to be met - remain liabilities (see note 12).	-662 937	-1 800 000
	1 137 063	-

Summary Government Grants and Subsidies

Equitable Share	192 952 000
FMG	1 250 000
MSIG	890 000
MIG	186 505 000
Other Grants	113 193 917
	494 790 917

19. Employee related costs

Salaries and Wages	55 990 781		31 805 781
Bonuses	3 672 674		1 846 530
Overtime payments	5 399 949		86 527
Housing benefits and allowances	838 729		741 190
Contribution for UIF, Pension and Medical Aid	9 363 704		6 212 959
Standby Allowance	1 382 213		
Travel and Other allowances	4 278 644		1 654 829
	80 926 694		**42 347 816**
Remuneration of Municipal Manager			
Annual Remuneration	1 439 683		1 021 399
	1 439 683		**1 021 399**
Remuneration of Chief Finance Officer			
Annual Remuneration	444 997		1 366 944
	444 997		**1 366 944**
Director Community Services			874 576
Annual Remuneration	1 071 587		0
Acting Allowance	**1 071 587**		**874 576**
Technical Services Director			
Annual Remuneration	1 277 278		1 181 384
Acting Allowance	0		82 065
	1 277 278		**1 263 449**
Corporate Services Director			
Annual Remuneration	883 625		919 561
Acting Allowance	0		31 559
	883 625		**951 120**
Planning and Social Development Director			
Annual Remuneration	335 114		558 810
Acting Allowance	0		31 559
	335 114		**590 369**

20. Remuneration of councillors

Mayor's allowance	614 794		582 606
Deputy Mayor's allowance	545 166		426 935
Executive Committee allowances	561 106		541 891
Speaker's allowance	256 111		248 347
Councillors' allowances	1 333 233		1 273 329
Local Authority attendance fees	87 484		60 989
Medical Aid contributions	30 318		41 249
Mobile Data	21 600		0
Skills levy	31 951		
Cellphone Allowances	88 663		0
Pension Fund contributions	189 647		201 214
	3 760 073	**0**	**3 376 560**

In-kind benefits
The Mayor and Deputy Mayor are full-time, Speaker part-time. Each is provided with an office and secretarial support at the cost to the Council
The Mayor has use of a Council owned vehicle for official duties.
The Mayor has two full-time bodyguards and a driver. The Deputy Mayor has two full-time bodyguards and a driver.
The Speaker has one full-time bodyguard and the Accounting Officer has one full-time bodyguard.

21. Agency fees
Water services operational cost
Agency fees were paid to Uthukela Water (Pty) Ltd until the Water Services Provision was transferred to Umzinyathi District Municipality

	-	105,139,782

22. Depreciation and amortisation

Property, plant and equipment	55 444 588.00	5,087,201

23. Interest expense

Interest paid	**7 574 025.00**	**-**

24. Grants and subsidies paid

MIG Grant	253 334 831		196 447 000.00
Greytown Bulk Water	27 872 912		18 615 031.00
Lottery Grant - Primary Health Care	4 390 598		10 244 728.00
Massifikation of Bulk Water	11 819 837		9 342 924.00
KZN ACIP WWTW	5 160 445		7 566 239.00
Rural Settlement	-		2 874 881.00
Reserves : General Grants : Finance Management Grant	1 250 000		1 250 000.00
Reserves : Municipal Systems Improvement Grant	890 000		1 000 000.00
DWAF : Water Loss Management	-		989 934.00
Shared Services	-		950 000.00
EPWP Incentives	1 870 000		764 201.00
DTLGA S78	-		655 381.00
WSOG	7 500 000		
DWAF: M & E Grant	-		600 000.00
COGTA Rural Development	280 000		-569 799.00
Reserves: GIS Systems Grant	64 337		405 654.00
District Growth Summit	-		400 000.00
NLDTF: Dundee Arts & Crafts	-		289 167.00
KZN COGTA - Government Support	630 442		169 558.00
LED Msinga Agriculture Packhouse Project	-		135 298.00
LED Msinga Stone Crushing Plant	-		75 960.00
Reserves: General Grants: Tourism	-		37 756.00
LED Msinga Bee and Mushroom Farming	-		20 048.00
Reserves: General Grants: Integrated Transport Plan	-		15 499.00
MWIG	14 611 052		-
RRAMS	2 158 260		-
Dundee July Grant	478 572		-
Municipal Support Grant	-		13 620.00
Reserves: General Grants: Gijima - LED Strategy	-		11 570.00
Disaster Management Grant	-		7 909.00
Msinga Asisukume Maize	751 905		-
Mtshongeweni	662 937		-
LG Seta Training Grant	70 112		-
Othame Sanitation			
Less: Uthukela Water Assets Recognised	-		-101 714 830.00
	333 796 241	-	**150 597 729**

minus:

	InfraStructure Additions and WIP	**181 962 859**
		151 833 381

25. General expenses	**2014**	**2013**
Accommodation	1 487 204.00	1 181 650
Advertisement	193 105.00	303 846
Agency Fees - Debt Collectors	218 229.00	
Agricultural Incubator		850 000
Asset Verification	8 640.00	90 738
Auditors remuneration	2 024 526.00	2 117 911
Audit Committee Costs	96 912.00	
Audit - Internal	534 140.00	
Bank charges	129 251.00	65 282
Books and Publications	-	960
Bulk Purchases	13 246 050.00	
Bursaries	385 000.00	25 450
CCC Operator Costs	-	-
Catering; Meetings and Seminars	171 981.00	210 447
Chemicals	7 180.00	
Cleaning Materials	76 710.00	35 704
Cleaning services	54 916.00	60 797
Computer Programs	358 098.00	491 436
Conferences & Seminars	55 283.00	77 699
Construction Incubator	-	-
Coporate Material	21 120.00	1 064
Cost of Free Basic Services	-	3 714 126
Customer Care - Finance	269 712.00	
Customer Satisfaction Survey		168 838
DBSA Loan Commision	6 494 900.00	
Departmental Costs	-	-
Disaster Management		195 000
Disaster Relief	1 088 067.00	1 752 898
District Cultural Even	286 865.00	
Drought Relief	24 770 265.00	25 199 937
Charges: Easypay and Post Office	171 059.00	
Elderly and Widow Programs	318 882.00	363 605
Electricity	-	-
Emergency Service Provision	-	12 500
Entertainment	31 125.00	43 391
Fire services	939 285.00	2 604 387
Fuel & oil	3 539 148.00	1 424 332
HIV/AIDS Programmes	913 751.00	527 322
Human Resource	746 555.00	
IDP Sector Plan	76 166.00	865 533
ISWIP		8 820
Infrastructural Projects	25 000.00	
Indigent Support		33 550
Insurance	966 355.00	459 075
Inventory- Log	7 241.00	1 244 496
Leave Expenses	3 461 643.00	1 362 272
LED: Projects	783 268.00	
Legal Costs	1 026 637.00	987 634
License fees	513 795.00	234 915
Local council	507 280.00	499 490
Marathon	6 000.00	
Mayors Sports Tournament	377 747.00	
Management Audit / Technical Support	8 465 298.00	4 386 789
Mayoral Imbizo	2 855 727.00	279 237
Mayoraal project	783 268.00	-
Mayors Discretionary Fund	-	-19 500
Membership fees	-	430 808
Meter Reading	1 252 743.00	1 541 750
Municipal Events		561 768
Municipal Support		5 700
Overgrown Stands	-	11 343
Pauper Burials	127 818.00	106 959
Penalties	103 474.00	4 907
Plan- People WIT	70 630.00	82 622
Postage	435 551.00	444 228
Printing and stationery	333 165.00	146 381
Project Launch	1 220 811.00	278 975
Projects		6 485 808
Marketing and Promotions	2 429 329.00	10 161 623
Promotion of Tourism	176 356.00	-
Porvety Alleviation	1 455 565.00	-
Recruitment of Staff	85 269.00	27 921
Rental Offices and Machinery	824 853.00	969 619
Rural Horse Riding	45 643.00	-
Sample of Food and Milk	-	87 862
Security	-	1 786 535
Shows,Exhibits		-
Signage KZN Tourism		-
Sport and Culture	3 046 951.00	2 640 257
Subscriptions	5 510.00	-
Subsistence and Travelling	3 204 328.00	2 067 689
Telephone	999 639.00	787 318
Training Direct	-	
Translation/ Interpretation		-
Transport Official Vehicle	2 700 745.00	26 775
Ward Sport Development	106 222.00	223 751
Water Charge - Indigent	-	1 384 228
Water and Electricity	16 834 662.00	767 114
Water Serices Operational Cost	68 570 550.34	
Water Conversation	4 600.00	
Woman and Gender	116 221.00	129 611
Provision for Bad Debts	46 597 110.00	
Uthukela Water Distribution	21 686.00	
Youth and Gender	136 941.00	200 100
	229 399 756.34	**83 223 283**

26, Auditors' Remuneration

	2014	2013
Audit Fees - Office of the Auditor General	2 024 526.00	1 978 715.00
Audit Committee	96 912.00	139 196.00
	2 121 438.00	**2 117 911.00**

27. Cash used in operations	**2014**	**2013**
Surplus	243 893 521.70	200 050 660
Adjustments for: Depreciation and amortisation	55 444 588.00	5 087 201
Gain on sale of assets and liabilities	-	135 530.00
Gain attributable to Transfer of assets	-264 311 488.11	
Gain on joint venture investmentInterest income	35 015 996.09	-43 867 879
Interest Income	-13 232 943.29	-
Finance costs	-	-
Movement in retirement benefit assets and liabilities	8 841 000.00	1 235 007
Movements in Provisions for Bad debts	46 597 110.00	-
Other non-cash items		140 045 868
Petty cash and cash float		-
Outstanding cheques Debtor		
Changes in working capital:		
Debtors	8 652 303.46	10 014 328
Consumer debtors	-20 391 141.26	-74 568 790
Creditors	7 443 241.15	-641 926
VAT	-8 331 734.00	-8 491 207
Unspent conditional grants and receipts	-9 182 985.00	-5 769 097
Other non-cash movements	-577 142	-1 112 197
Movement in reserves		-263 251 856
	89 860 327	**-41 134 358**

28. MIG Expenditure	**2014**	**2013**
		861 898.00
Endumeni / Nquthu bulk/Mgungundlovu		9 903 527.00
uMvoti Area Sanitation	1 992 992.00	2 453 390.00
Eshane Water Supply		1 042 724.00
Hlazakazi Water Supply	487 000.00	-
DWAF	498 303.00	
Hlimbithwathi Sanitation	2 067 380.00	
Keates Drift Water Scheme		2 348 381
Ntinini Regional Water	1 492 101.00	587 934
Makhabeleni Communtiy Water Supply Scheme Phase 4 and Phase 5		2 381 173
Kwakopi Mhlangana VIP sanitation	7 269 093.00	8 922 904
Makhabeleni Phase 6	11 522 492.00	13 597 403
Makhabeni Sanitation: Implementation		-
Mbono Water	6 705 224.00	17 712 086
Douglas Water	-	-
Mthembu Water Supply	-	317 855
Pomeroy Douglas Sanitation projec	12 435 164.00	12 131 602
Mbulwane - Hlimbithwa	270 308.00	4 395 691
Muden Sanitation	9 524 637.00	7 545 560
Vantis Drift Water	-	2 434 945
Ngubukazi Water Supply	-	3 149 512
Ngubukazi Water Supply Phase 3	11 000 698.00	5 544 122
Nquthu Sanitation	23 053 080.00	49 286 647
Ophathe - Water	7 502 123.00	-
Othame Sanitation	13 273 407.00	139 194
Pomeroy Bulk Water Supply Phase 2	-	-
Sithembile H 27	3 407 434.00	4 738 300
Rugtefontein Settelment Area		41 267
Umzinyathi Rudimentary	59 176 807.00	
Umsinga Bulk water	27 632 808.00	22 858 373
Muden Regional Bulk Scheme	26 863 999.00	25 067 250
Dundee bulk	-	-1 014 734
Mthembu water Extension	-	-
Othame Water	893 754.00	-
adjustment as per circular 58 / Contribution to funds	27 578 073.00	-
	254 646 877	**196 447 004**

29. Commitments

Authorised capital expenditure				
Approved and not contracted				
Already contracted for and approved	48 271 967.40			-
Property, plant and equipment	158 411 005.11			18 979 709
	206 682 972.51	-	-	18 979 709

Operating leases - as lessee (expense)			
Minimum lease payments due			
within one year	674 566.62		783 987
in second to fifth year inclusive	1 738 484.31		1 411 420
	2 413 050.93	-	2 195 407

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

30. Contingencies

Claim for damage - Endumeni Municipality
The municipality recieved correspondence dated 25 October 2010 copied to the Auditor-General, MEC for Local
Goverment Provincial and National Treasury from Endumeni Municipality serving a notice in terms of section 41 (2) of the Intergovermental relations framework Act 13 of 2005
relating to the failure of Umzinyathi to facilitate the transfer of assets and liabilities to the value of R 6 626 612 and final demand for payment of an outstanding amount of R17 068 623.59
for operational expenditure incurred by endumeni Municipality on behalf of Umzinyathi DM for water services function. Endumeni Municipality intends to take legal actions should this matter .
remain unresolved
However when audit was conducted by Gobodo, it was found that the actual amount owed is R 15 997 119.61 not R 17 068
623.59. The R 6 626 612 was the original capital loan amount, but went up to R 15 997 119.61 (R 9 370 507.61 included of capital charges)
Umzinyathi District Municipality has always been willing to resolve this matter but was waiting Amount as per Uthukela Water (Pty) Ltd
documents from Endumeni Municipality for their claim which was submitted on the 22 October 2010.
Umzinyathi District Municipality resolved to investigate and verify the claim by Endumeni Municipality and present final findings to EXCO for approval.
R11 769 407.51 has been paid to Endumeni Municipality and R4 227 407.51 for internal loans still in dispute. The matter was
was resolved with Endumeni Municipality whom to date has failed to submit a written confirmation of writing off the account. This matter remains in the Annual Financial Statements until Endumeni Local Municipality
dispute has been resolved.

31. Fruitless and wasteful expenditure	**2014**	**2013**
Opening balance	403 033.00	430 430
		4 196
Penalties and early withdrawals	269 169.00	-
Abuse of fuel cards		-31 593
	672 202	403 033

Fuel cards were abused in the previous year. Internal control measures were put in place to ensure that Fuel cards were controlled. An official was assigned a tast to monitor the vehicles of the municipality. This has shown improvement on the abuse of fuel cards.

	2014	**2013**
32. Irregular expenditure		
Opening balance	12 960 696.00	2 282 457
Add: Irregular Expenditure - current year	108 794 862.95	12 696 636
Less: Amounts condoned	-	-2 018 397
	121 755 558.95	**12 960 696.00**

Application to Treasury will be made requesting condonement

33.Revenue		
Service charges	39 055 736.00	40 838 544
Rental of facilities and equipment	186 299.00	321 358
Interest received - investment	10 463 287.00	13 771 423
Government grants & subsidies	490 400 319.00	493 039 577
Sundry Income	14 540 342.00	5 233 074
	554 645 983	**553 203 976**

34. Supply chain deviations		
Expenditure written-off	3 391 940	592 402
Expenditure incurred	-3 391 940	-592 402
	-	-

34.b SCM Regulations

New Intergrated Solutions (NICS)	231 624.00
Pricewaterhouse Coopers (PWC)	Amount committed

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

35. Risk management

Liquidity risk

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.
Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an
ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The
Financial assets exposed to credit risk at year end were as follows:

36. Going concern

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

37. Events after the reporting date

The Executive Committee and the Council resolved to place both the Municipal Manager and the Chief Financial Officer on 21 days Special leave due to allegations of misconduct. It was further resolved that an external firm of experts be appointed to investigate the allegations against the two officials.

38. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

Councillors 30 June 2014	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
Mahaye T M & M L	596.10	599.84	1 195.94
Mthombeni N B & C G	173.09	243.94	417.03
Khanyile Nothisiwe	126.26	138.45	264.71
Mncube TE	105.66	122.27	227.93
Yengwa MS	330.17	454.52	784.69
Mfeka JA	176.97	-	-
Chambule BS	85.20	-	-
Bedassi I	-	-	-
Mvelase Z	-	-	-
	1 593.45	**1 559.02**	**2 890.30**

Employee Name	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
Malunga N M	561.55	40 498.80	41 060.35
Dearlove P D	797.73	38 343.78	39 141.51
Mkhwanazi S C	282.96	16 902.16	17 185.12
Kumalo P	136.76	13 139.70	13 276.46
Zulu VD	235.35	4 813.11	5 048.46
Mawila MP	-	-	-
Nzimakwe N	-	3 350.49	3 350.49
Malunga MS	115.94	1 411.49	1 527.43
Zulu SK	23.42	1 611.48	1 634.90
Twala NB	-	-	-
Mkhize CB and RN	228.48	-	228.48
Ndlovu N	-	1 167.91	1 167.91
Dlodlo MB and MM	-	-	-
Mvelase S	-	991.49	991.49
Mndaweni TJ	-	390.64	390.64
Gcabashe S	-	-	-
Duma N	-	195.75	195.75
Mazibuko LB	-	-	-
Malunga T	12.77	2.24	15.01
	2 394.96	**122 819.04**	**125 214.00**

Notes to the Annaul Financial Statements

Figures in Rand

40. Water Loss Distribution

Water loss Disclosure for 2013/2014 Financial Year:

Bulk water Figures in kl/month for 2013/2014

UMZDM - Monthly Volumes - July 2013 to June 2014

	Name of Plant Monthly Volumes	TOTAL m3
Msinga	Fabeni WTW	13 808.00
Msinga	Keats Drift WTW	186 101.00
Msinga	Sampofu (Tugela Ferry) WTW	1 242 077.00
Msinga	Sampofu Weir (Pomeroy) WTW	72 402.00
Umvoti	Makhabeleni WTW Meter	197 055.00
Umvoti	Greytown WTW	1 839 615.00
Umvoti	Muden WTW	613 071.00
Umvoti	Kranskop WTW	206 003.00
Nquthu	Isandlwana WTW	130 030.00
Nquthu	Nondweni WTW	648 600.00
Nquthu	Nqut/Vant's Drift WTW	3 872 360.00
Nquthu	Qudeni WTW	147 581.00
Endumeni	Biggarsberg WTW	5 834 712.00
	TOTAL	**15 003 415.00**

Water Sales	7 711 046.00
	7 292 369.00
Water Loss %	**49%**
Total water loss for the period ended 30 June 2014	**35 352 035.00**

Bulk water Figures in kl/month for 2012/2013

KL's Produced Per Plant			KL's Produced Per Plant	Total KL Per		Billed Cons	
Endumeni							
Nqutu	- Vant/s Drift		3 175 150	-		-	
	- Nondweni		635 300		4 068 858		686 835
	Isandlwana		116 024	-		-	
	- Quideni		142 384	-		-	
uMvoti	- Greytown		1 688 537	-		-	
	- Kranskop		180 587		2 486 984		1 367 000
	- Makhabaleni		170 350	-		-	
	- Muden		447 510	-		-	
Msinga	- Sampofu		1 211 150	-		-	
	- Ethembeni		185 680		1 514 598		211 588
	- Fabeni		13 435	-		-	
	- Pomeroy		104 333	-		-	
Water Purchases		**13,828,345**					

Water Sales	6 091 126.00
	7 737 219.00
Water Loss %	**-55.95**

- Umzinyathi District Municipality is mostly dominated with rural arears
- Most of our rural arears have stand pipes per standards set by Water Affairs
- Other rural have no water infrastructure thus water tankers are delivering water to them and these tankers are getting water from our plants and collection point sets in our water network
- We experienced a lot of burst pipes in our reticulation line due to aging infrastructure.
- Illegal connections in most of our rural areas have huge impact in unaccounted water as they are most metered.
- In future free water will be measured to differentiate from paid.

41, Related Parties

Uthukela Water (Pty) Ltd is considered a related party due to the fact that Umzinyathi District Municipality has a 33,3% shareholding. Uthukela Water (Pty) Ltd supplies Umzinyathi District Municipality with bulk water. This includes both raw and portable water.

42, Correction of error note

Uthukela water loans

The amount owed to Uthukela Water (Pty) Ltd was not recognized incorrectly in the accounting records of UMZinyathi District Municipality. The amount was re-instated and disclosed in the financial year ended 30 June 2014

	2014	2013
Amount per 2013 financial statements		61 070 427.00
Correction of error		29 707 297.59
Amount owed to Uthukela Water (Pty) Ltd per 2014 financial statements		**90 777 724.59**
Impact on net assets		**-29 707 297.59**

Long service awards

The Long Service Award obligation were not recognised in the accounting records. A corrective action was performed.

	2014	2013
Amount per 2013 financial statements		9 004 176.00
Correction of error		1 184 000.00
Post retirement benefit for the year as per 2014 financials		10 188 176.00
Impact on net assets		-1 184 000.00

43, Transfer of Functions Between Entities Not Under Common Control

Uthukela Water (Pty) Ltd is an entity of three WSA's, namely Amajuba DM, Newcastle LM and Umzinyathi DM. The interest in this joint venture is at 33,3%, 34,3% and 33,3% respectively.
The voting rights are represented by the percentage shareholding in the entity. The transfer of function is initiated by the directive from the MEC: COGTA.
It stipulated that the function, including the infrastructure assets must be transferred back to the WSA's. The process was started and completed by the 30 June 2014,

Functions transferred from the entity in the year under review

Description of function/ asset/ loan	**Date of transfer**	**Comment**	**Reference to note to the Annual Financial Statements**
1, Infrastructure Assets	01 July 2013	Infrastructure assets were transferred and valued as per the UTW policy	***refer to Note 7***

Except from the Note 7 to the Annual Financial Statements

	2014			
	Cost/ Valuation	**Transfer**	**Accumulated Depreciation and Accumulated Impairment**	**Carrying Value**
Buildings	23 304 168	**-**	-6 031 289	17 272 879
Plant and machinery	6 832 160	**10 431 718**	-6 991 868	10 272 010
Furniture and fixtures	6 999 283	**162 260**	-5 944 025	1 217 518
Motor vehicles	9 042 243	**1 125 389**	-6 796 995	3 370 637
Total	**46 177 854**	**11 719 367**	**-25 764 177**	**32 133 044**

2, Intangible assets transferred

	2014			
Cost /	**Cost/Valuation**	**Transfer**	**Accumulated amortisation and Accumulated Impairment**	**Carrying value**

Computer software	3 427 078.00	**92 960.00**	-3 113 906.00	406 132.00
	3 427 078.00	**92 960.00**	**-3 113 906.00**	**406 132.00**

Reconciliation of intangible assets - 2013

	Opening Balance	Transfer	Additions	Amortisation	Total
Computer software	-	92 960.00	30 849.00	-1 554 486.00	-1 430 677.00
	-	**92 960.00**	**30 849.00**	**-1 554 486.00**	**-1 430 677.00**