



UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2014

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

General Information

Executive Committee

Cllr Vilane SJ (Mayor)
Cllr Swartz CG (Deputy Mayor)
Cllr Mavimbela HGS (Speaker) - Ex Officio
Cllr Nxumalo SH (Exco Member)
Cllr Moodley GP (Exco Member)
Cllr Zungu MC (Exco Member)

Councillors

Cllr Gumbi DL
Cllr Hlabisa VF
Cllr Khumalo LV
Cllr Khumalo SR
Cllr Langa ML
Cllr Mabuyakhulu PJ
Cllr Mabika MS (Resigned)
Cllr Mathenjwa M
Cllr Mathonsi ZW
Cllr Mdaka SF
Cllr Mkhombo S (Appointed)
Cllr Mkwanazi LX
Cllr Mngomezulu BZ
Cllr Mthethwa B
Cllr Mthethwa SP
Cllr Mthethwa TP
Cllr Msane S
Cllr Msweli MCF
Cllr Ngema TN
Cllr Nsele (Appointed)
Cllr Nxumalo MW
Cllr Nyawo I F (Appointed)
Cllr Nyawo ZE
Cllr Sangweni MB
Cllr Tembe BT (Resigned)
Cllr Zikhali AT

Chief Financial Officer (CFO)

Dlamini M S

Accounting Officer

Mzimela E M (01 April to date)

Dlamini M S (01 October 2013 to 31 March 2014)
Dubazana S N (01 July 2013 to September 2013)

Business address

Harlingen No. 13433
Kingfisher Road
Mkuze
3965

Postal address

P.O. Box 449
Mkuze

Bankers

ABSA - Investment
First National Bank - Current & Investment
Nedbank - Investment
Ithala Bank - Savings

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General Information

Auditors

Auditor-General South Africa

Legal Advisor

Zungu S

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

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Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
DC27	Umkhanykude District Municipality
FMG	Financial Management Grant
EPWP	Extended Public Works Programme
MSIG	Municipal Systems Infrastructure Grant
IMFO	Institute of Municipal Finance Officers
SALGA	South African Local Government Association
DORA	Division of Revenue Act
VAT	Value-Added Tax
GEPF	Government Employee Pension Fund
COGTA	Department of Co-operative Governance & Traditional Affairs
SCM	Supply Chain Management

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Annual Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 31 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

The annual financial statements set out on pages 7 to 53, which have been prepared on the going concern basis, were approved by Council on 29 August 2014 and were signed on its behalf by:



Mzimela E M
Municipal Manager

29 August 2014

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rands	Note(s)	2014	2013 Restated [*]
ASSETS			
Current Assets			
Inventories	2	87 168 275	42 920 312
Receivables from non-exchange transactions	3	7 714 993	14 037 124
Other receivables from exchange transactions	4	1 112 764	52 162 283
VAT receivable	5	33 222 667	25 113 016
Cash and cash equivalents	6	11 378 551	141 756 771
		<u>140 597 250</u>	<u>275 989 506</u>
Non-Current Assets			
Property, plant and equipment	7	1 597 950 210	1 311 718 602
Intangible assets	8	327 357	29 626
		<u>1 598 277 567</u>	<u>1 311 748 228</u>
Total Assets		<u>1 738 874 817</u>	<u>1 587 737 734</u>
LIABILITIES			
Current Liabilities			
Other current financial liabilities	9	3 826 791	1 806 199
Trade and other payables from exchange transactions	10	113 127 117	75 003 468
Consumer deposits	11	1 845 033	2 498 666
Unspent conditional grants and receipts	12	21 851 008	77 201 965
Current provisions	13	4 189 000	3 470 000
Current portion of borrowings	14	1 557 241	821 476
Current portion of finance lease liability	15	458 832	220 230
		<u>146 855 022</u>	<u>161 022 004</u>
Non-Current Liabilities			
Non-current borrowings	14	8 180 507	9 732 083
Non-current finance lease liability	15	425 193	172 771
		<u>8 605 700</u>	<u>9 904 854</u>
Total Liabilities		<u>155 460 722</u>	<u>170 926 858</u>
NET ASSETS		<u>1 583 414 095</u>	<u>1 416 810 876</u>
Accumulated surplus	45	1 583 414 095	1 416 810 876

* See Note 32

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rands	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	48 801 788	41 921 356
Rental of facilities and equipment	18	106 871	103 940
Interest received - investment & current bank accounts	19	6 725 731	12 524 641
Interest received - outstanding receivables	20	4 462 481	1 538 146
Other income	21	2 035 531	679 842
Revenue from non-exchange transactions			
Government grants & subsidies	17	514 225 333	450 554 429
Total revenue		576 357 735	507 322 364
Expenditure			
Employee Related Costs	22	(108 215 481)	(70 538 249)
Remuneration of Councillors	23	(6 953 469)	(6 243 791)
Depreciation and Amortisation	24	(28 109 220)	(21 016 200)
Impairment loss/ Reversal of Impairments	25	(36 477 135)	(34 953 792)
Finance Costs	26	(977 908)	(1 065 933)
Repairs and Maintenance	27	(36 270 006)	(21 799 371)
Bulk Purchases	28	(70 389 933)	(76 267 575)
Contracted Services	29	(34 368 877)	(7 576 847)
General Expenses	30	(87 992 474)	(88 786 089)
Total expenditure		(409 754 503)	(328 247 847)
Operating surplus		166 603 232	179 074 507
Surplus for the year		166 603 232	179 074 507

* See Note 32

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 263 511 606	1 263 511 606
Adjustments		
Correction of prior period errors (refer to note 32)	7 240 853	7 240 853
Balance at 01 July 2012 as restated*	1 270 752 459	1 270 752 459
Changes in net assets		
Surplus for the 12 months	179 074 507	179 074 507
Correction of prior period errors (refer to note 32)	(33 016 090)	(33 016 090)
Total changes	146 058 417	146 058 417
Restated* Balance at 01 July 2013	1 416 810 863	1 416 810 863
Changes in net assets		
Surplus for the year	166 603 232	166 603 232
Total changes	166 603 232	166 603 232
Balance at 30 June 2014	1 583 414 095	1 583 414 095

* See Note 32

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comments
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	42 434 000	-	42 434 000	48 801 788	6 367 788	Explanations of variances refer to Appendix E1.
Rental of facilities and equipment	165 000	(35 000)	130 000	106 871	(23 129)	Explanations of variances refer to Appendix E1.
Interest received - Outstanding Debtors	-	-	-	4 462 481	4 462 481	Explanations of variances refer to Appendix E1.
Other income	36 270 000	9 745 000	46 015 000	2 035 531	(43 979 469)	Explanations of variances refer to Appendix E1.
Interest recieved - investment	12 870 000	(2 870 000)	10 000 000	6 725 731	(3 274 269)	Explanations of variances refer to Appendix E1.
Total revenue from exchange transactions	91 739 000	6 840 000	98 579 000	62 132 402	(36 446 598)	
Revenue from non-exchange transactions						
Government grants & subsidies	218 530 000	250 000	218 780 000	514 225 333	295 445 333	Explanations of variances refer to Appendix E1.
Total revenue	310 269 000	7 090 000	317 359 000	576 357 735	258 998 735	
Expenditure						
Employee Related Costs	(118 630 000)	11 181 000	(107 449 000)	(108 215 481)	(766 481)	Explanations of variances refer to Appendix E1.
Remuneration of councillors	(10 354 000)	(552 000)	(10 906 000)	(6 953 469)	3 952 531	Explanations of variances refer to Appendix E1.
Depreciation and amortisation	(33 414 000)	(2 000 000)	(35 414 000)	(28 109 220)	7 304 780	Explanations of variances refer to Appendix E1.
Debt Impairments	(18 557 000)	(2 109 000)	(20 666 000)	(36 477 135)	(15 811 135)	Explanations of variances refer to Appendix E1.

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Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comments
Figures in Rand						
Finance costs	-	-	-	(977 908)	(977 908)	Explanations of variances refer to Appendix E1.
Repairs and maintenance	(26 032 000)	(3 523 000)	(29 555 000)	(36 270 006)	(6 715 006)	Explanations of variances refer to Appendix E1.
Bulk purchases	(51 449 000)	(2 066 000)	(53 515 000)	(70 389 933)	(16 874 933)	Explanations of variances refer to Appendix E1.
Contracted Services	(21 660 000)	(3 291 000)	(24 951 000)	(34 368 877)	(9 417 877)	Explanations of variances refer to Appendix E1.
Grants and Subsidies Paid	(3 169 000)	(8 867 000)	(12 036 000)	-	12 036 000	Explanations of variances refer to Appendix E1.
General Expenses	(27 004 000)	(28 576 000)	(55 580 000)	(87 992 474)	(32 412 474)	Explanations of variances refer to Appendix E1.
Total expenditure	(310 269 000)	(39 803 000)	(350 072 000)	(409 754 503)	(59 682 503)	
(Surplus)/Deficit	-	(32 713 000)	(32 713 000)	166 603 232	199 316 232	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(32 713 000)	(32 713 000)	166 603 232	199 316 232	

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Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), 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.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 5	Borrowing costs
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after reporting date
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, contingent liabilities and contingent assets
GRAP 21	Impairment of non cash generating assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of budget information in financial statements
GRAP 26	Impairment of cash-generating assets
GRAP 104	Financial instruments
GRAP 102	Intangible Assets

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

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been nearly adopted by the Municipality:

Standard of GRAP

		Qualitative Impact	Quantitative Impact
GRAP 18	Segment Reporting	None	None
GRAP 20	Related party Disclosures	None	None
GRAP 32	Service Concession Arrangements: Grantor	None	None
GRAP 105	Transfers of functions between entities under common control	None	None
GRAP 106	Transfer of functions between entities not under common control	None	None
GRAP 107	Mergers	None	None
GRAP 108	Statutory Receivables	None	None

1.1 Presentation currency

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

1.2 Going concern assumption

These 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.

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Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management may be required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates.

Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment of assets.
Provision for long service awards.
Useful lives and residual values of property, plant, and equipment.
Water and electricity losses.
Impairment of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

Land shall be recorded in the municipality's fixed asset register at is carried at cost

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

Item	Average useful life
Infrastructure	
• Electricity	25 – 50
• Water	25 – 55
• Sewerage	25 – 60
Community	
• Buildings	30
• Airport	20
• Security measures	5
Intangible Assets	
• Computer software	3 – 5
Other Assets	
• Emergency equipment	15
• Furniture and fittings	7 - 10
• Computer equipment	5
• Motor vehicles	7 - 10
• Plant and equipment	2 -10
• Office equipment	5
• Office machines	3 - 5
• Telecommunication	5

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

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.

1.5 Intangible assets

Intangible assets are initially recognised at cost.

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity 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.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

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

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

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

Item	Useful life
Computer software	3 years

Intangible assets are derecognised:

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

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

1.6 Financial instruments

Trade and other receivables

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

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Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Financial instruments (continued)

Bank overdraft and borrowings

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

1.7 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.

Finance leases - lessee

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

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

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

Operating leases - lessee

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

1.8 Inventories

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

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

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

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

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

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Inventories (continued)

As at 30 June 2014 the municipality have inventory comprised of materials (i.e. water pipes not underground as yet); and water (i.e quantity of water on hand as at 30 June 2014).

1.9 Impairment of assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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 test 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.

1.10 Employee benefits

Short-term employee benefits

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

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

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.10 Employee benefits (continued)

Defined contribution plans

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

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

Pension Obligations

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

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.12 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

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

1.13 Revenue from non-exchange transactions

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

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

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

Measurement

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

Government grants

Government grants are recognised as revenue when:

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

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

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

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

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

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

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

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

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

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

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

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.19 Irregular expenditure (continued)

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

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 economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Conditional grants and receipts

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

1.21 Segmental information

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

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

1.22 Offsetting

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

1.23 Budget information

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

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

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

The approved budget covers the fiscal period from 01 July 2013 to 30 June 2014.

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

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

1.24 Related parties

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.24 Related parties (continued)

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

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

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

1.25 Presentation of currency

These annual financial statements are presented in South African Rand.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
2. Inventories		
Materials	86 736 472	42 857 798
Water	431 803	62 514
	87 168 275	42 920 312
3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Gross balances		
Electricity	2 812 135	2 629 037
Water	147 029 802	134 393 306
Sewerage	9 236 273	8 007 385
	159 078 210	145 029 728
Less: Allowance for impairment		
Electricity	(2 559 252)	(1 787 468)
Water	(140 411 354)	(126 682 140)
Sewerage	(8 392 603)	(7 522 042)
	(151 363 209)	(135 991 650)
Net balance		
Electricity	252 883	841 569
Water	1 059 401	7 711 166
Sewerage	843 670	485 343
Debtors Prepayments	5 559 039	4 999 046
	7 714 993	14 037 124
Electricity, Water and Sewerage: Ageing		
Current (0 -30 days)	2 341 488	(2 735 823)
31 - 60 days	5 344 529	2 733 941
61 - 90 days	6 086 495	2 396 802
91 - 120 days	3 496 196	2 424 174
121+ days	141 809 502	140 210 634
	159 078 210	145 029 728
Electricity		
Current (0 -30 days)	245 642	239 988
31 - 60 days	77 632	75 845
61 - 90 days	77 771	75 981
91 - 120 days	39 196	38 294
121+ days	2 371 894	2 198 929
	2 812 135	2 629 037
Water		
Current (0 -30 days)	950 076	(2 573 725)
31 - 60 days	5 198 598	2 591 369
61 - 90 days	5 943 553	2 257 150
91 - 120 days	3 391 118	2 321 513
121+ days	131 546 457	129 796 998
	147 029 802	134 393 305

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
Sewerage		
Current (0 -30 days)	411 559	(402 086)
31 - 60 days	68 299	66 727
61 - 90 days	65 171	63 671
91 - 120 days	65 882	64 366
121+ days	8 625 362	8 214 708
	9 236 273	8 007 386

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	402 660	406 951
31 - 60 days	2 720 391	2 749 384
61 - 90 days	1 623 174	1 640 473
91 - 120 days	1 541 191	1 557 616
121+ days	124 647 993	111 020 000
	<u>130 935 409</u>	<u>117 374 424</u>
Less: Allowance for impairment	(130 589 301)	(116 075 013)
	<u>346 108</u>	<u>1 299 411</u>
Industrial/ commercial		
Current (0 -30 days)	(465 851)	(470 816)
31 - 60 days	1 566 808	1 583 506
61 - 90 days	338 420	342 027
91 - 120 days	257 021	259 760
121+ days	19 934 780	20 147 236
	<u>21 631 178</u>	<u>21 861 713</u>
Less: Allowance for impairment	(20 773 908)	(19 916 637)
	<u>857 270</u>	<u>1 945 076</u>
National and provincial government		
Current (0 -30 days)	326 946	(330 430)
31 - 60 days	1 309 942	1 323 903
61 - 90 days	409 934	414 303
91 - 120 days	600 398	606 797
121+ days	3 864 403	8 778 062
	<u>6 511 623</u>	<u>10 792 635</u>
Total Debtors		
Current (0 -30 days)	2 341 488	(394 295)
31 - 60 days	5 344 529	5 656 794
61 - 90 days	6 086 495	2 396 802
91 - 120 days	3 496 196	2 424 174
121+ days	141 809 502	139 945 299
	<u>159 078 210</u>	<u>150 028 774</u>
Less: Allowance for impairment		
Current (0 -30 days)	(1 999 763)	-
31 - 60 days	(2 162 195)	(2 291 979)
61 - 90 days	(1 895 553)	(2 478 146)
91 - 120 days	(3 496 196)	(2 172 550)
121+ days	(141 809 502)	(129 048 975)
	<u>(151 363 209)</u>	<u>(135 991 650)</u>
Total		
Current (0 -30 days)	341 725	3 857 242
31 - 60 days	3 182 334	10 179 882
61 - 90 days	4 190 934	-
	<u>7 714 993</u>	<u>14 037 124</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

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

Reconciliation of allowance for impairment

Balance at beginning of the year	135 991 650	124 907 693
Contributions to allowance	31 083 436	28 422 206
Debt impairment written off against allowance	(15 711 876)	(17 338 249)
	<u>151 363 210</u>	<u>135 991 650</u>

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due (2014) 1 month past due (2013) are not considered to be impaired. At 30 June 2014, R 7 714 993 (2013: R 10 179 882) were past due but not impaired.

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

1 month past due	341 725	3 857 242
2 months past due	3 182 334	10 179 882
3 months past due	4 190 934	-

Consumer debtors impaired

As of 30 June 2014, consumer debtors of R 159 078 210 - (2013: R 150 028 774) were impaired and provided for.

The amount of the provision was R 151 363 210 as of 30 June 2014 (2013: R 135 991 650).

4. Other receivables from exchange transactions

Avis loan - Mthombeni LM	242 792	242 792
Debtor Fraud	3 805 917	3 805 917
Debtor Shemula	2 730	2 730
Housing loans	-	-
Loan to Umhlabyalingana	108 762	108 762
Oliwane Water	1 553 317	1 553 317
Other Debtors	1 222 797	2 999 943
Pre - Paid Expense	7 856 696	51 735 370
Public contributions and subsidies	1 166 289	1 166 289
Sundry Debtors - Water Mtuba	4 022 951	4 022 951
Sundry Debtors - Umhlathuze Water	345 633	345 633
Vehicle loans	69 939	69 939
Provision for Bad Debts	(19 285 059)	(13 891 360)
	<u>1 112 764</u>	<u>52 162 283</u>

5. VAT receivable

VAT	<u>33 222 667</u>	<u>25 113 016</u>
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VAT claimed to SARS is on payments basis. Amount claimable to SARS is disclosed in the VAT control account where the VAT 201s and VAT refunds are offset and the amount due or payable to SARS is disclosed.

VAT Input Accrual represents VAT that is receivable that accrued during the period and is transferred to the VAT control account once a VAT 201 is raised and submitted to SARS. VAT Output Accrual represents VAT payable accrued during the period and is transferred to the VAT control account once a VAT 201 is raised and submitted to SARS which is VAT payable.

VAT		
VAT Control	25 820 959	25 113 016
VAT Input Accrual	9 652 186	-
VAT Output Accrual	(2 250 477)	-
	<u>33 222 668</u>	<u>25 113 016</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	19 494	13 526
Bank balances	10 709 588	11 600 969
Other cash and cash equivalents	649 469	130 142 276
	11 378 551	141 756 771

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA BANK - Mkuze Branch Account Number : 4053107423	6 845 143	154 281	23 100 171	6 845 143	154 281	23 100 171
First National Bank - Mkuze Branch Account Number : 62026865321	2 733 658	10 432 174	27 402 772	2 747 747	10 432 174	27 402 772
First National Bank - Mkuze Branch Account Number : 62092993809	539 141	520 440	505 714	539 141	520 440	505 714
First National Bank - Mkuze Branch Account Number : 62027696478	84 366	82 207	81 043	84 366	82 207	81 043
Nedbank Fixed Deposit - Branch Account Number 7881085762	-	96 627 046	-	-	96 627 046	-
Ithala Bank - Mkuze Branch Account Number - 23247671	480 047	411 844	324 453	480 047	411 844	324 453
ABSA BANK - Call Account Number : 91-1531-5268	380 805	346 989	-	380 805	346 989	-
First National Bank - Call Account Number : 62309788498	240 848	2 879 352	-	240 848	2 879 352	-
FNB Business Fixed Maturity - 74298425031	-	30 261 370	-	-	30 261 370	-
FNB Money Market Transactor - 62263733258	27 816	27 542	27 270	27 816	27 542	27 270
Call Investments	-	-	26 049 520	-	-	26 049 520
Total	11 331 824	141 743 245	77 490 943	11 345 913	141 743 245	77 490 943

7. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 157 250	-	1 157 250	1 157 250	-	1 157 250
Buildings	35 875 018	(8 893 115)	26 981 903	35 878 244	(7 494 131)	28 384 113
Infrastructure	748 837 733	(80 901 632)	667 936 101	740 596 995	(58 854 155)	681 742 840
Other property, plant and equipment	37 190 141	(14 715 133)	22 475 008	31 145 604	(11 083 120)	20 062 484
Assets Under Construction	878 377 303	-	878 377 303	580 034 757	-	580 034 757
Leased Assets	1 737 323	(714 678)	1 022 645	887 714	(550 556)	337 158
Total	1 703 174 768	(105 224 558)	1 597 950 210	1 389 700 564	(77 981 962)	1 311 718 602

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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7. Property, plant and equipment (continued)

Fixed assets register is held at the municipal premises (refer to Appendix B for more detail on property, plant and equipment).

During 2013/14 financial year, the following assets were not found during the physical verification exercise which were subsequently written-off and removed from our fixed assets register and property, plant and equipment:

Infrastructure Assets	1 410 221	-
Movable	403 801	-
	<u>1 814 022</u>	<u>-</u>

There is a Council Resolution in this regard.

During physical verification of fixed assets exercise for 2013/14 financial year, movable and immovable assets amounted to R5 310 405.16 were discovered on site and included in the fixed assets register and property, plant and equipment at fair value by Council Resolution. Subsequently, the fair value adjustment was processed as income in the Statement of Financial Performance.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Newly identified assets at fair value	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	-	-	1 157 250
Buildings	28 384 113	-	-	(2 574)	-	(1 351 927)	(47 709)	26 981 903
Infrastructure	681 742 840	-	-	(730 943)	9 647 734	(20 680 219)	(2 043 311)	667 936 101
Other property, plant and equipment	20 062 484	4 805 166	1 239 371	1 292	-	(3 490 058)	(143 247)	22 475 008
Assets Under Construction	580 034 757	307 990 280	-	-	(9 647 734)	-	-	878 377 303
Leased Assets	337 158	1 042 916	-	(103 179)	-	(254 250)	-	1 022 645
	1 311 718 602	313 838 362	1 239 371	(835 404)	-	(25 776 454)	(2 234 267)	1 597 950 210

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	1 157 250
Buildings	29 636 324	-	(1 252 211)	-	28 384 113
Infrastructure	697 022 738	1 166 986	(15 259 144)	(1 187 740)	681 742 840
Other property, plant and equipment	8 537 294	14 578 742	(2 361 681)	(691 871)	20 062 484
Assets Under Construction	333 722 180	246 312 577	-	-	580 034 757
Leased Assets	593 229	-	(256 071)	-	337 158
	1 070 669 015	262 058 305	(19 129 107)	(1 879 611)	1 311 718 602

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

2014

2013

8. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	434 957	(107 600)	327 357	37 434	(7 808)	29 626

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	29 626	397 523	(99 792)	327 357

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	37 108	(7 482)	29 626

9. Other financial liabilities

At amortised cost

Other Accruals	3 826 791	1 806 199
Current liabilities		
Other Financial Liabilities	3 826 791	1 806 199

10. Trade and other payables from exchange transactions

Trade creditors	77 476 573	29 094 586
Accrued expenses	192 803	34 396 298
13th Cheque Accrual	2 371 083	3 944 436
Leave Pay Accrual	8 366 759	7 568 148
Retentions	24 719 899	-
Total creditors	113 127 117	75 003 468

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

11. Consumer deposits

Electricity and Water	1 844 883	1 350 634
Unallocated Deposits	150	1 148 032
Total consumer deposits	1 845 033	2 498 666

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Figures in Rand	2014	2013
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Bazaneni River Water Purification Grant	-	756 400
Capacity Building: Asset Management	-	153 814
Corridor Development	-	1 948 550
Corridor Development	-	269 717
Councillors Training	11 300	200 000
Debt Collection Grant	-	420 907
Disaster Management	-	4 790 878
Environmental Management Grant	405 600	800 268
Expanded Public Works Programme (EPWP)	2 164 094	1 164 094
Growth and Development Summit	-	458 944
Ingwavuma	101 506	941 043
Inter-governmental Relations Implementation Grant (IRIG)	-	77 520
Kwadapha	578 891	578 891
KwaJobe-Cezwana Water Purification Grant	-	787 880
KwaJobe-Nongowoza Water Purification Grant	-	915 000
Kwazibi National Lottery	122 667	122 667
Kwazibi Water Purification Grant	-	915 000
Lake Tete	267 001	267 001
Mabibi National Lottery	166 667	166 667
Massification Grant	4 172 492	18 043 888
MIG Reserves	-	17 917 362
Mtuba Bulk Water Supply	-	13 197
Mtuba Water Conservation and Demand Management	-	524 310
Municipal Government Administration	-	800 000
Municipal Water Infrastructure Grant	1 562 945	-
Mqobela National Lottery	166 666	166 666
Ndumo Groundnuts	749 347	2 000 000
Ndumo Learners Shelter	9 019 417	19 473 262
Nyezi Community HIV Centre	303 570	303 570
Other	254 290	911 670
PIMMS/ NDT Operational	300	300
Public Participation Customer Satisfaction Survey	750 000	-
Umkhombe Tours	908 690	908 690
Umnqobokazi Sportfield	-	258 244
Waste Management	145 565	145 565
	21 851 008	77 201 965

Cash backing of 2013/14 conditional grants

Grant funds used for other purposes:	-	-
Kwadapha	578 891	-
Lake Tete	267 001	-
Nyezi Community HIV Centre	303 750	-
Umkhombe	908 690	-
Retentions raised during the year	8 538 474	-
	10 596 806	-

During the financial year ended 30 June 2014, the municipality had retentions amounting to R8 538 473.79 which will be settled in the next year when they are due.

Grants valued at R2 058 152 disclosed above were not used for intended purposes in the previous years and an investigation is in progress and the findings will be tabled to Council.

UMKHANYAKUDE DISTRICT MUNICIPALITY

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13. Current provisions

Reconciliation of current provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	3 470 000	929 326	(210 326)	4 189 000

Reconciliation of current provisions - 2013

	Opening Balance	Additions	Total
Provision for long service awards	1 724 000	1 746 000	3 470 000

Long Service Awards

The municipality carries out a statutory valuation on an annual basis. ZAQEN Actuaries (Pty) Ltd performed an actuarial valuation of the liability in respect of the long service awards for the financial year ended 30 June 2014. The previous valuation was conducted by One Pangaea Financial as at 30 June 2013. The principal actuarial assumptions were used as follows:

Long Service Awards Liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Completed Years of Service	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
10	4%	$(10/250) \times \text{Annual Salary}$
15	8%	$(20/250) \times \text{Annual Salary}$
20,25,30,35,40 and 45	12%	$(30/250) \times \text{Annual Salary}$

Valuation Assumptions - Key Financial Variables

Discount rate per annum	7.96%	7.25%
General Inflation	6.33%	6.25%
Salary inflation	7.33%	7.15%
Real rate	0.59%	0.09%
Examples of mortality rates used were as follows:		
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90
Members withdrawn from services: (Average for males and females)		
Age 20 - 24	20%	16.5%
Age 25 - 29	15%	6.6%
Age 30 - 34	12.5%	5.1%
Age 35 - 39	9%	3.6%
Age 40 - 44	6%	2.6%
Age 45 - 49	4%	1.8%
Age 50 - 54	2%	1.1%
Age 55 - 59	1%	
Age 60+	0%	0%

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations	4 189 000	3 470 000
Fair value of plan assets	-	-

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13. Current provisions (continued)		
Liability in the Statement of Financial Position	4 189 000	3 470 000

Movements in the defined benefit obligation is as follows:

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

Balance at beginning of the year	3 470 000	1 724 000
Current service & Interest cost	846 000	423 000
Benefit payments	(210 326)	(64 000)
Actuarial (gains)/losses	83 326	1 387 000
Balance at end of year	4 189 000	3 470 000

In conclusion:

If we assume that the long service award benefit policy of the Municipality remains unchanged over the next 36 months, a projection of the Municipality's unfunded accrued liability and future service cost can be seen as follows:

Statement of Financial Position obligation for:

Long Service Award	4 189 000	3 470 000
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Statement of Financial performance obligation for:

Long Service Award (Loss/ Gain)	83 326	1 387 000
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14. Non - current borrowings

DBSA Loans		
Opening Balance	10 553 559	11 397 530
Amount Due	713 756	783 285
Amount Paid	(1 529 567)	(1 627 256)
	9 737 748	10 553 559

Statement of Financial Performance

Non-current portion of borrowings	8 180 507	9 732 083
Current portion of borrowings	1 557 241	821 476
	9 737 748	10 553 559

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

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15. Non-current finance lease liability

2014	Minimum lease payments	Future Finance Charges	Present Value of minimum lease payments
Within one year	521 412	(62 580)	458 832
Within two to five years	448 753	(23 560)	425 193
	<u>970 165</u>	<u>(86 140)</u>	<u>884 025</u>

The average lease term is 5 years and the average effective borrowing rate is 9% (2014) 3.3% (2014). Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

2013	Minimum lease payments	Future Finance Charges	Present Value of minimum lease payments
Within one year	263 052	(42 822)	220 230
Within two to five years	183 748	(10 977)	172 771
	<u>446 800</u>	<u>(53 799)</u>	<u>393 001</u>

16. Service charges

Sale of electricity	5 899 448	4 379 880
Sale of water	41 475 818	36 454 062
Sewerage and sanitation charges	1 426 522	1 087 414
Total Services Charges	<u>48 801 788</u>	<u>41 921 356</u>

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Figures in Rand	2014	2013
17. Government grants and subsidies		
Operating grants		
Equitable share	193 756 000	174 928 000
Other Grants	87 254 971	39 322 626
	<u>281 010 971</u>	<u>214 250 626</u>
Capital grants		
MIG	233 214 362	236 303 803
	<u>233 214 362</u>	<u>236 303 803</u>
	<u>514 225 333</u>	<u>450 554 429</u>
Public Participation & Customer Satisfaction Survey		
Balance unspent at beginning of year	-	-
Current-year receipts	750 000	-
Conditions met - transferred to revenue	-	-
	<u>750 000</u>	<u>-</u>
PIMMS / NDT Operational		
Balance unspent at beginning of year	(300)	(300)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>(300)</u>	<u>(300)</u>
FMG		
Current-year receipts	(1 250 000)	(1 250 000)
Conditions met - transferred to revenue	1 250 000	1 250 000
	<u>-</u>	<u>-</u>
Capacity Building: Asset Management		
Balance unspent at beginning of year	(153 813)	(438 028)
Current-year receipts	-	-
Conditions met - transferred to revenue	153 813	284 215
	<u>-</u>	<u>(153 813)</u>
Massification Grant		
Balance unspent at beginning of year	(18 043 888)	(17 748 000)
Current-year receipts	-	(17 127 000)
Conditions met - transferred to revenue	13 871 396	16 831 112
	<u>(4 172 492)</u>	<u>(18 043 888)</u>
Debt Management Grant		
Balance unspent at beginning of year	(420 908)	(420 908)
Conditions met - transferred to revenue	420 908	-
	<u>-</u>	<u>(420 908)</u>
Umnqobokazi		

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
17. Government grants and subsidies (continued)		
Balance unspent at beginning of year	(258 244)	(258 244)
Current-year receipts	-	-
Conditions met - transferred to revenue	258 244	-
	<u>-</u>	<u>(258 244)</u>
Kwazibi National Lottery		
Balance unspent at beginning of year	(122 667)	(166 667)
Conditions met - transferred to revenue	-	44 000
	<u>(122 667)</u>	<u>(122 667)</u>
Mqobela National Lottery		
Balance unspent at beginning of year	(166 666)	(166 666)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>(166 666)</u>	<u>(166 666)</u>
Mabibi National Lottery		
Balance unspent at beginning of year	(166 667)	(166 667)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>(166 667)</u>	<u>(166 667)</u>
Mtuba Water Conservation and Demand Management		
Balance unspent at beginning of year	(524 309)	(524 309)
Current-year receipts	-	-
Conditions met - transferred to revenue	524 309	-
	<u>-</u>	<u>(524 309)</u>
Kwazibi Water Purification		
Balance unspent at beginning of year	(915 000)	(915 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	915 000	-
	<u>-</u>	<u>(915 000)</u>
Kwajobe Gezwane Water Purification		
Balance unspent at beginning of year	(787 880)	(787 880)
Current-year receipts	-	-
Conditions met - transferred to revenue	787 880	-
	<u>-</u>	<u>(787 880)</u>
Kwajobe Nongowoza Water Purification		
Balance unspent at beginning of year	(915 000)	(915 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	915 000	-
	<u>-</u>	<u>(915 000)</u>

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Figures in Rand	2014	2013
17. Government grants and subsidies (continued)		
Bazaneni River Water Purification		
Balance unspent at beginning of year	(756 400)	(756 400)
Current-year receipts	-	-
Conditions met - transferred to revenue	756 400	-
	<u>-</u>	<u>(756 400)</u>
Disaster Management		
Balance unspent at beginning of year	(4 790 878)	(463 039)
Current-year receipts	-	(5 000 000)
Expenditure claimed in accordance with grant conditions	4 790 878	672 161
	<u>-</u>	<u>(4 790 878)</u>
Growth and Development Summit Grant		
Balance unspent at beginning of year	(458 944)	(100 000)
Current-year receipts	-	(400 000)
Conditions met - transferred to revenue	458 944	41 056
	<u>-</u>	<u>(458 944)</u>
Corridor Development		
Balance unspent at beginning of year	(269 717)	(702 917)
Current-year receipts	-	-
Conditions met - transferred to revenue	269 717	433 200
	<u>-</u>	<u>(269 717)</u>
MSIG		
Balance unspent at beginning of year	-	(189 771)
Current-year receipts	(890 000)	(1 000 000)
Conditions met - transferred to revenue	890 000	622 987
Unspent portion forfeited by National Treasury	-	566 784
	<u>-</u>	<u>-</u>
Intergovernmental Relations Implementation Grant		
Balance unspent at beginning of year	(77 520)	(917 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	77 520	839 480
	<u>-</u>	<u>(77 520)</u>
Ndumo Groundnuts		
Balance unspent at beginning of year	(2 000 000)	-
Current-year receipts	-	(2 000 000)
Conditions met - transferred to revenue	1 250 653	-
	<u>(749 347)</u>	<u>(2 000 000)</u>
Expanded Public Works Programme (EPWP)		

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
17. Government grants and subsidies (continued)		
Balance unspent at beginning of year	(1 164 094)	(82 094)
Current-year receipts	(1 000 000)	(1 082 000)
Conditions met - transferred to revenue	-	-
	<u>(2 164 094)</u>	<u>(1 164 094)</u>
Lake Tete		
Balance unspent at beginning of year	(267 001)	(267 001)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>(267 001)</u>	<u>(267 001)</u>
Kwadapha		
Balance unspent at beginning of year	(578 891)	(578 891)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>(578 891)</u>	<u>(578 891)</u>
Nyezi Community Hiv Centre		
Balance unspent at beginning of year	(303 570)	(303 570)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>(303 570)</u>	<u>(303 570)</u>
Umkhombe Tours		
Balance unspent at beginning of year	(908 690)	(908 690)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>(908 690)</u>	<u>(908 690)</u>
Waste Management Grant		
Balance unspent at beginning of year	(145 565)	(145 565)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>(145 565)</u>	<u>(145 565)</u>
Environmental Management Grant		
Balance unspent at beginning of year	(800 268)	(1 308 991)
Current-year receipts	-	-
Conditions met - transferred to revenue	394 668	508 723
	<u>(405 600)</u>	<u>(800 268)</u>
Rural Transport Infrastructure and System Grant		
Balance unspent at beginning of year	-	(1 687 000)
Current-year receipts	(2 101 000)	(1 776 000)
Conditions met - transferred to revenue	2 100 709	1 776 000
Unspent portion forfeited by National Treasury	-	1 687 000
	<u>-</u>	<u>(1 687 000)</u>

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Figures in Rand	2014	2013
17. Government grants and subsidies (continued)		
	<u>(291)</u>	<u>-</u>
Municipal Government Administration		
Balance unspent at beginning of year	(800 000)	-
Current-year receipts	-	(800 000)
Conditions met - transferred to revenue	-	-
Amount recalled by National Treasury	800 000	-
	<u>-</u>	<u>(800 000)</u>
Ndumo Learners Shelter		
Balance unspent at beginning of year	(19 473 271)	-
Current-year receipts	-	(35 000 000)
Conditions met - transferred to revenue	10 453 845	15 526 729
	<u>(9 019 426)</u>	<u>(19 473 271)</u>
MIG Grant		
Balance unspent at beginning of year	(17 917 372)	(27 448 175)
Current-year receipts	(215 297 000)	(226 773 000)
Conditions met - transferred to revenue	233 214 372	236 303 803
	<u>-</u>	<u>(17 917 372)</u>
Councillors Training		
Balance unspent at beginning of year	(200 000)	-
Current-year receipts	-	(200 000)
Conditions met - transferred to revenue	188 700	-
	<u>(11 300)</u>	<u>(200 000)</u>
Ingwavuma Prison Electrical Upgrade		
Balance unspent at beginning of year	(941 043)	(941 043)
Conditions met - transferred to revenue	839 537	-
	<u>(101 506)</u>	<u>(941 043)</u>
Municipal Water Infrastructure Grant		
Current-year receipts	(27 074 001)	-
Conditions met - transferred to revenue	25 511 056	-
	<u>(1 562 945)</u>	<u>-</u>
Mtuba Bulk Water Supply		
Balance unspent at beginning of year	(13 197)	(13 197)
Conditions met - transferred to revenue	13 197	-
	<u>-</u>	<u>(13 197)</u>
Other Grants		
Balance unspent at beginning of year	(911 670)	(911 670)
Mbazwana Tusong Centre	(250 000)	-

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Figures in Rand	2014	2013
17. Government grants and subsidies (continued)		
Rural Households Infrastructure Grant	(4 000)	-
Conditions met - transferred to revenue	911 670	-
	<u>(254 000)</u>	<u>(911 670)</u>
Total Conditional And Other Grants		
Balance unspent at beginning of year	(77 201 956)	(97 908 864)
Current-year receipts	(266 017 991)	(257 549 043)
Conditions met - transferred to revenue	320 588 945	275 519 018
Other Adjustment	800 000	2 736 933
	<u>(21 851 002)</u>	<u>(77 201 956)</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
18. Rental of facilities		
Rental of Buildings	<u>106 871</u>	<u>103 940</u>
19. Interest Earned		
Investments	4 522 085	9 642 336
Other Bank Balances	2 203 647	2 882 305
Total interest	<u>6 725 732</u>	<u>12 524 641</u>
20. Interest Earned -Outstanding Receivables		
Interest received - outstanding receivables	<u>4 462 481</u>	<u>1 538 146</u>
21. Other income		
Connection Fees	17 665	99 623
Fair Value Adjustment	1 239 371	-
Tender Sales	69 603	113 445
Other income	708 892	466 774
Total Other Income	<u>2 035 531</u>	<u>679 842</u>

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Figures in Rand	2014	2013
22. Employee related costs		
Employee related costs- Salaries and Wages	81 426 389	48 726 984
Contributions for UIF, pensions and medical aids	14 475 466	10 327 108
Travel, motor car, accommodation, subsistence and other allowances	6 817 552	6 534 667
Housing benefits and allowances	1 159 981	641 056
Overtime payments	3 084 406	2 671 157
Other employee related costs	1 251 687	1 637 277
	108 215 481	70 538 249

During the year under review salaries for employees were reviewed upwards through a Council Resolution due to disparities that were noted.

Remuneration of Municipal Manager

Annual Remuneration	455 885	917 343
Travel, motor car, accommodation, subsistence and other allowances	152 068	77 309
Contributions to UIF, Medical and Pension Funds	6 721	11 926
Backpay	11 517	-
Lumpsum Payout	820 000	75 899
	1 446 191	1 082 477

Mr PS Gwacela (former Acting Municipal Manager) received a lumpsum payout of R820 000.00. Mr S.N Dubazana earned R341 862.73 from July 2013 to October 2013. Mr M.S Dlamini was acting Municipal Manager for the period 01 October 2013 to 31 March 2014. Mr E.M Mzimela was appointed on 01 April 2014 and earned R284 328.38 and is the Municipal Manager.

Remuneration of the Chief Finance Officer

Annual Remuneration	449 832	440 580
Travel, motor car, accommodation, subsistence and other allowances	556 935	548 813
Contributions to UIF, Medical and Pension Funds	41 414	10 612
	1 048 181	1 000 005

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Figures in Rand	2014	2013
22. Employee related costs (continued)		
Remuneration of General Manager - Corporate Services		
Annual Remuneration	587 578	490 376
Travel, motor car, accommodation, subsistence and other allowances	343 688	84 227
Contributions to UIF, Medical and Pension Funds	10 087	85 485
Leave Payout	-	150 577
Acting Allowance	-	136 121
Back Pay	20 000	-
Total	961 353	946 786
Remuneration of General Manager - Community Services		
Annual Remuneration	662 285	360 979
Travel, motor car, accommodation, subsistence and other allowances	266 252	97 083
Contributions to UIF, Medical and Pension Funds	10 128	8 296
Acting Allowance	-	59 102
Total	938 665	525 460
Remuneration of General Manager -Technical Services		
Annual Remuneration	838 723	300 181
Travel, motor car, accommodation, subsistence and other allowances	146 786	59 102
Contributions to UIF, Medical and Pension Funds	10 684	42 323
Acting Allowance	-	39 625
Leave payout	-	106 615
Backpay	76 053	-
Total	1 072 246	547 846
Remuneration of General Manager - Planning & Economic Development (formerly SED)		
Annual Remuneration	744 630	247 881
Leave Payout	-	9 195
Travel, motor car, accommodation, subsistence and other allowances	213 157	40 463
Contributions to UIF, Medical and Pension Funds	10 532	8 455
Acting Allowance	-	93 620
Total	968 319	399 614
23. Remuneration of councillors		
Mayor	512 400	655 561
Deputy Mayor	681 955	714 257
Speaker	717 283	764 192
Executive Committee Members	1 149 637	1 581 374
Councillors	1 774 939	969 353
Allowances	2 117 256	1 559 054
Total	6 953 470	6 243 791

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23. Remuneration of councillors (continued)		
In-kind benefits		
The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor and the Speaker are provided with offices and secretarial support at the cost of the Council.		
All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.		
The Deputy Mayor and other Executive Committee Members each have an office and share secretarial support at the cost of the Council.		
Only the Mayor has the use of Council owned vehicle for official duties.		
The Mayor has two full-time bodyguards and 1 relief bodyguard.		
24. Depreciation and amortisation		
Property, plant and equipment	<u>28 109 220</u>	<u>21 016 200</u>
25. Impairment loss/ Reversal of Impairments		
Provision For Bad Debts	<u>36 477 135</u>	<u>34 953 792</u>
26. Finance costs		
Current borrowings	<u>977 908</u>	<u>1 065 933</u>
27. Repairs and Maintenance		
Repairs and Maintenance	<u>36 270 006</u>	<u>21 799 371</u>
28. Bulk purchases		
Electricity	27 593 001	19 428 214
Water	42 796 932	56 839 361
Total Bulk Purchases	<u>70 389 933</u>	<u>76 267 575</u>
29. Contracted services		
Specialist Services	<u>34 368 877</u>	<u>7 576 847</u>

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30. General expenses		
Audit Committee fees	83 495	105 097
Audit Fees	2 841 084	2 704 138
Accommodation	2 350 206	2 469 870
Advertising	-	379 199
Arts & Culture	451 026	756 285
Bank charges	555 717	464 313
Business Plans	-	3 869
Civic Receptions	-	78
Cleaning	271 057	145 878
Community development and training	914 056	1 071 467
Consulting and professional fees	6 490 179	6 710 713
Disability	488 014	448 729
Entertainment	421 125	467 931
Esicabazini Development Youth Academy	2 649 745	13 619 945
Internal Audit Fees	-	1 927 761
Fleet	-	72 950
Fuel and oil	786 084	2 078 818
Gender, Youth, Children & Senior Citizen	1 208 438	484 736
Hire of Plant & Equipment	23 005 327	14 441 592
HIV & AIDS Prevention	226 039	1 205 943
Insurance	-	137 608
Lease rentals on operating lease	-	1 719 365
Legal Fees	-	2 252 570
Levies	-	742 807
Licences	(10)	211 665
Mayoral Descretionary Fund	-	30
Medical expenses	67 583	35 051
Nordale Extensions	-	1 253 775
Old Age Pensioners	-	181 507
Operation Turn Around	2 014 376	121 575
Other expenses	23 720 309	21 773 064
Postage and courier	4 160	2 593
Printing and stationery	326 769	181 328
Publicity	5 130 010	3 887 631
Purchase of books	-	3 730
Small tools	65 938	109 267
Sports DC27	3 271 648	2 948 034
Systems Support	1 916 836	1 366 688
Telephone and fax	202 399	863 269
Team Building	91 248	756 823
Training	1 325 837	639 397
Uniforms	173 537	54 000
Water Analysis	-	5 000
Water Operations Subsidy	6 940 242	-
	87 992 474	88 786 089

Further disclosure was made for other expenses line note as a result the prior balances were restated.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
31. Cash generated from operations		
Surplus	166 603 232	179 074 507
Adjustments for:		
Depreciation and amortisation	28 109 220	21 016 200
Impairment deficit	36 477 135	34 953 792
Movements in provisions	719 000	1 746 000
Other non-cash items	1 293	26 370 700
Changes in working capital:		
Inventories	(44 247 963)	(42 858 498)
Receivables from non exchange transactions	(36 477 135)	(34 953 792)
Other receivables from exchange transactions	6 322 112	87 041 076
Other receivables from non-exchange transactions	51 049 519	10 768 742
Trade and other payables from exchange transactions	38 123 655	60 883 901
VAT Payable	(8 109 651)	7 357 990
Current portion of unspent conditional grants and receipts	(55 350 957)	(37 066 966)
Consumer deposits	(653 633)	1 602 935
	182 565 827	315 936 587

32. Correction of Errors

Correction of unallocated deposits amounting to R2 326 663.

Correction of misallocations to the payroll suspense accounts amounting to R62 962.

Correction of expenses duplicated on accrual amounting to R33 016 090.

Reversal of VAT accrual written off amounting to R5 154 945.

Correction of retention creditors misposted amounting to R16 169 060.

Correction of payroll suspense accounts amounting to R45 165.

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

Note(s)	2012/13 As previously reported	2012/13 Re- Classifi- cation	2012/13 Correction of error	2012/13 Restated
Statement of financial position	-	-	-	-
Other receivables from non-exchange transactions	52 207 448	-	(45 165)	52 162 283
VAT receivable	19 958 071	-	5 154 945	25 113 016
Consumer deposits	(4 825 329)	-	2 326 663	(2 498 666)
Other current financial liabilities	(18 038 171)	-	16 231 972	(1 806 199)
Trade And Other Payables From Exchange Transactions	(108 019 559)	-	33 016 091	(75 003 468)
Unspent conditional grants and receipts	(61 032 905)	-	(16 169 060)	(77 201 965)
Accumulated surplus	(1 376 295 430)	-	(40 515 434)	(1 416 810 864)
Statement of financial performance	-	-	-	-
Repairs and maintenance	(26 127 785)	-	4 328 414	(21 799 371)
Bulk Purchases	(95 481 766)	-	19 214 191	(76 267 575)
Contracted Services	(8 629 715)	-	1 052 868	(7 576 847)
General Expenses	(97 206 706)	-	8 420 617	(88 786 089)
	(1 723 491 847)	-	33 016 102	(1 690 475 745)

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
33. Unauthorised expenditure		
	-	-
Reconciliation of unauthorised expenditure		
Opening balance	18 797 268	18 797 268
Unauthorised expenditure current year	32 546 333	-
	<u>51 343 601</u>	<u>18 797 268</u>

Unauthorised expenditure was incurred as a result of over expenditure on the approved budget and will be taken into account in the 2014/15 adjustment budget per Council Resolution.

34. Fruitless and wasteful expenditure

	-	-
Reconciliation of fruitless and wasteful expenditure		
Opening balance	2 048 373	2 023 148
Fruitless and wasteful expenditure current year	601 509	25 225
	<u>2 649 882</u>	<u>2 048 373</u>

This expenditure incurred as a result of interest accrued due to late clearance of manual cheque payments. As corrective measure an electronic funds transfer (EFT) payment method has been introduced and is in operation.

35. Irregular expenditure

	-	-
Reconciliation of irregular expenditure		
Opening Balance	615 463 008	343 938 509
Irregular Expenditure - current year	149 976 203	248 608 307
Condoned or written off by Council	-	-
Transfer to receivables for recovery (not condoned)	-	-
Irregular expenditure awaiting condonment	-	-
Service providers in the service of the state	41 821 501	13 092 192
Unsupported creditors for prior years	-	9 748 000
	<u>807 260 712</u>	<u>615 387 008</u>

This expenditure incurred as a result of non-compliance with SCM procedures. They are under investigation by both Provincial Treasury and COGTA.

Service providers in the service of the state

During the preparation of 2013/14 financial statements, all service providers engaged were verified and checked whether they are in service of the state. It was discovered that the following expenditure was incurred for service providers who are in service of the state and was regarded as irregular expenditure.

Total Expenditure	<u>41 821 501</u>	<u>13 091 192</u>
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The letters will be written to their employers to report them and request in writing whether they declared their interests and were granted approval. As a corrective measure prior to engaging a service provider, thorough checking in addition to MBD4 form will be done to determine whether that service provider is in the service of the state.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
36. Additional disclosure in terms of Municipal Finance Management Act		
External & Internal Audit fees		
Opening balance - external audit fees	129 280	46 578
Current year external audit fees	3 238 391	3 211 504
Amount paid - current year external audit fees	(3 238 391)	(3 128 802)
Amount paid - previous years external audit fees	(129 280)	-
	<u>-</u>	<u>129 280</u>
Opening balance - Internal audit fees	-	-
Current year internal audit fees	441 790	-
Amount paid - current year internal audit fees	(441 790)	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
Pension		
Opening balance	823 846	-
Current year pension fees	10 989 359	4 810 950
Amount paid - current year	(10 447 153)	(3 987 104)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>1 366 052</u>	<u>823 846</u>
Medical Aid		
Opening balance	356 102	-
Current year pension fees	3 043 384	2 214 032
Amount paid - current year	(2 960 437)	(1 857 930)
	<u>439 049</u>	<u>356 102</u>
PAYE		
Opening balance	836 572	-
Current year PAYE	20 431 619	8 053 047
Amount paid - current year	(20 461 131)	(7 216 475)
Amount paid - previous years	-	-
	<u>807 060</u>	<u>836 572</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
36. Additional disclosure in terms of Municipal Finance Management Act (continued)		
SALGA Fees		
Current year SALGA fees	(1 039 426)	(601 440)
Amount paid - current year	1 039 426	601 440
	-	-

VAT

VAT output payables and VAT input receivables are shown in note 5. All VAT returns have been submitted by the due date throughout the year.

NON-COMPLIANCE WITH CHAPTER 11 OF THE MUNICIPAL FINANCE MANAGEMENT ACT:

Non-compliance with Supply Chain Management Procedures - There has been a material non-compliance with SCM procedures and hence irregular expenditure is disclosed above per note 35.

There were some service providers that were not paid within the stipulated 30 working days.

Non-compliance with MFMA Reporting Requirements:

The following MFMA returns have not been submitted on time to Provincial and National Treasury .

- Appendix B - Budget Returns i.e Asset Management.
- Signed copies of quarterly verifications for quarter 4.
- Mid-year Budget Performance Assessment.
- Not all of the required documents were updated on the National Treasury Website.

Councillors' arrear consumer accounts

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

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Gumbi DL	-	10 514	10 514
Councillor Nyawo Z	-	17	17
Councillor Zungu MC	-	22 526	22 526
Councillor Moodley GP	9 908	239 100	249 008
Councillor Vilane SJ	5 298	114 473	119 771
	15 206	386 630	401 836
30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Gumbi DL	1 415	6 997	8 412
Councillor Nyawo Z	-	17	17
Councillor Zungu MC	-	20 859	20 859
Councillor Vilane SJ	6 728	84 858	91 586
	8 143	112 731	120 874

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
37. Capital Commitments		
Commitments in respect of capital expenditure		
Approved and contracted for		
• Infrastructure	<u>268 045 214</u>	<u>363 749 382</u>
These commitments include commitments for outer years.		
This expenditure was financed from:		
Government Grants (MIG)	268 045 214	363 749 382
These commitments include commitments for outer years.		
38. IMPRACTICABILITY IN SUPPORTING COMPARATIVES		
<p>On 29 February 2012 the wing of finance department in the main offices of uMkhanyakude District Municipality was attacked by incidence of fire. Such incidence was reported to the South African Police Service (SAPS) at Mkhuze Police Station per case number 03/02/2012. No arrest has taken place to date of which the case is currently under investigation. The fire incidence destroyed some of the financial records of the municipality which made difficult to support all transactions occurred during 2011/2012 financial year for audit purposes. In addition to the fire incidence Auditor-General has been unable to obtain sufficient and appropriate audit evidence to support some of the items disclosed in the Annual Financial Statements of the municipality in the previous years which resulted in the negative audit outcomes. However the response was to engage our auditors in this regard as no condonation was approved.</p> <p>Therefore an account called " ITEMS UNDER INVESTIGATIONS" has been created to ring fence these items in the Financial Systems through Council Resolution and disclosed as such in the Annual Financial Statements to account for all those items that could not be supported in the previous years. The National Treasury shall be engaged to solicit advice through Provincial Treasury for the purpose of condonation.</p> <p>The items under investigation are as follows:</p>		
Prior years expenditure vouchers	2 792 150	2 792 150
2011/12 financial year expenditure vouchers	231 682	231 682
Journals and payment vouchers destroyed by fire in 2011/2012	6 724 168	6 724 168
Unsupported creditors balances in 2010/2011	16 983 000	16 983 000
Transferred to irregular Expenditure (i.e payments & expense vouchers)	<u>(9 748 000)</u>	<u>(9 748 000)</u>
Total unsupported creditors in previous years	<u>16 983 000</u>	<u>16 983 000</u>
Reconciliation of unsupported creditors of R16 893 000		
Adjustment on supported in 2010/11	5 210 546	5 210 546
Creditors listing not produced in 2010/11	11 772 472	11 772 472
Listing of creditors for 2010/11 discovered to date	<u>(15 074 836)</u>	<u>(15 074 836)</u>
Total creditors for prior years still to be investigated	<u>1 908 182</u>	<u>1 908 182</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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39. CONTINGENCIES

Contingent Liabilities

Contingent Liability as a result of Wage Curve Agreement:

The job evaluation was not conducted by the Municipality as per Wage Curve Agreement and employees were not paid according to their skills hence there is a possibility that the Municipality might be owing its employees.

The Municipality had the following contingent liabilities as at 30 June 2014.

	Source of Funding	Legal Fees	Amount
Umkhanykude District Municipality (DC27) has an outstanding claim of around R1million which the defendant (Amanzi Earthmoving (Pty) Ltd) may pursue at any time.	Amanzi Earthmoving (Pty) Ltd	100 000	1 000 000
Umkhanykude District Municipality is in a matter over the eviction of Mr Spatt from the Mkuze Airport and the esitimated cost is between R300 000 to R500 000.	DC27	75 000	500 000
Legal fees due to the lawyers (Shepstone and Wylie).	DC27	46 608	-
		<u>221 608</u>	<u>1 500 000</u>

40. Related parties

Relationships

Umhlosinga Development Agency (100% Ownership)

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

Transfers paid to Umhlosinga Development Agency	8 330 842	2 618 724
Expenses paid on behalf of Umhlosinga Development Agency:	-	-

41. Events after the reporting date

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

42. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Impairment of assets.

Provision for long service awards.

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

Water and electricity losses.

Impairment of assets

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

2014

2013

43. Risk management

Interest Rate Risk

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

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

FNB Bank Call deposits.

FNB Bank, Nedbank & ABSA Bank Notice deposits.

Loan from Development Bank of South Africa.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

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

Maximum credit risk exposure

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

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

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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

44. Water & Electricity Losses

Water Losses

The municipality incurred 51.81% water losses for the 2013/14 financial year 64.9% (2013). The value of the losses incurred amounted to R24 123 025.14 (2014) R25 119 747.85 (2013).

The municipality incurred 26% electricity losses for the 2013/14 financial year 17.44% (2013). The value of the losses incurred amounted to R2 860 001.25 (2014) R3 388 280.52 (2013)

45. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Accumulated Surplus	Total
Current year balance	(1 579 609 307)	(1 579 609 307)
Items under investigation	(3 804 788)	(3 804 788)
	<u>(1 583 414 095)</u>	<u>(1 583 414 095)</u>

Ring-fenced internal funds and reserves within accumulated surplus - 2013

	Accumulated Surplus	Total
Current year balance	(1 413 006 088)	(1 413 006 088)
Items under investigation	(3 804 788)	(3 804 788)
	<u>1 416 810 876</u>	<u>1 416 810 876</u>

46. Revenue

Service charges	48 801 788	41 921 356
Rental of facilities and equipment	106 871	103 940
Interest received (trading)	4 462 481	1 538 146
Other income	2 035 531	679 842
Interest received - investment	6 725 731	12 524 641
Government grants & subsidies	514 225 333	450 554 429
	<u>576 357 735</u>	<u>507 322 354</u>

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

Service charges	48 801 788	41 921 356
Rental of facilities and equipment	106 871	103 940
Interest received	4 462 481	1 538 146
Other income	2 035 531	679 842
Interest received - investment	6 725 731	12 524 641
	<u>62 132 402</u>	<u>56 767 925</u>

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

Taxation Revenue		
Grants Revenue		
Government grants & subsidies	514 225 333	450 554 429

Appendix A
June 2014

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed during the period	Balance at 30 June 2014	Carrying Value of Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
61000191	31/03/2025	9 153 311	623 242	1 364 665	8 411 888	-	-
61000800	30/09/2025	1 400 244	90 514	164 901	1 325 857	-	-
		10 553 555	713 756	1 529 566	9 737 745	-	-
Development Bank of South Africa							
DBSA - D61000191 @6.76%							
DBSA - D6100800 @6.75%							
Finance Lease liability							
GESTETNER SERVER &SOFTWARE							
MP2851	31/08/2013	17 957	-	17 957	-	-	-
MP2851	28/02/2015	29 447	-	29 447	-	-	-
MP2851	28/02/2015	29 447	-	29 447	-	-	-
MP2851	28/02/2015	29 447	-	29 447	-	-	-
MP2851	28/02/2015	34 757	-	34 757	-	-	-
PRO1170EX	28/02/2015	131 901	-	71 139	60 762	-	-
MPC300	28/02/2015	38 576	-	20 805	17 771	-	-
MPC300	28/02/2015	38 576	-	20 805	17 771	-	-
MP201F	28/02/2015	21 400	-	11 542	9 858	-	-
MP201SPF	28/02/2015	21 433	-	11 592	9 901	-	-
Photocopier (W523J600521)		-	122 244	33 929	88 315	-	-
Photocopier (W523J600572)		-	122 244	33 929	88 315	-	-
Photocopier (W523J600589)		-	122 244	33 929	88 315	-	-
Photocopier (W523J600609)		-	122 244	33 929	88 315	-	-
Photocopier (V9834200211)/K7166830720		-	188 799	47 458	141 341	-	-
Photocopier (W523J501057)/K8563804343		-	122 243	30 728	91 515	-	-
Photocopier (E1153M530440)/K7166830672		-	242 899	61 056	181 843	-	-
		393 001	1 042 917	551 896	884 022	-	-
Total external loans							

Appendix A
June 2014

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Plant & Equip	Other Costs in accordance with the MIFMA
		Rand	Rand	Rand	Rand	Rand	Rand
		10 553 555	713 756	1 529 566	9 737 745	-	-
		393 001	1 042 917	551 896	884 022	-	-
		10 946 556	1 756 673	2 081 462	10 621 767	-	-

Development Bank of South Africa
Finance Lease liability

Analysis of property, plant and equipment as at 30 June 2014
Accumulated depreciation
Cost/Revaluation

	Opening Balance		Additions		Disposals		Transfers		Revaluations		Other changes, movements		Closing Balance		Accumulated Depreciation Opening Balance		Impairment Opening Balance		Disposals		Depreciation		Impairment loss		Closing Balance		Carrying value			
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand			
Land and buildings																														
Land (Separate for AFS purposes)	1 157 250		-		-		-		-		-		-	1 157 250	-		-		-		-		-		-		1 157 250			
Buildings (Separate for AFS purposes)	35 878 244		-		(3 225)		-		-		-		35 875 019	(7 494 131)		651						(1 351 927)		(47 709)		(8 893 116)		28 981 903		
	37 035 494				(3 225)								37 032 269	(7 494 131)		651						(1 351 927)		(47 709)		(8 893 116)		28 139 152		
Infrastructure																														
Electricity	12 429 970		-		-		-		-		-		12 429 970	(1 236 248)		-						(358 592)		(19 364)		(1 612 194)		10 817 776		
Roads	31 229		-		-		-		-		-		31 229	(4 371)		-						(232 044)		-		(4 995)		26 234		
Airport	4 973 883		-		-		-		-		-		4 973 883	(2 138 079)		-						(19 484 721)		(1 849 158)		(74 002 224)		2 602 760		
Water	700 426 922		-		(583 001)		8 906 313		-		-		708 749 634	(52 752 351)		(22 095)						(596 247)		(174 790)		(2 911 088)		634 747 400		
Sanitation	22 735 590		-		(823 965)		741 421		-		-		22 653 016	(1 534 366)		(1 166 645)										(80 901 632)		19 741 930		
	740 696 994				(1 406 996)		9 647 734						748 837 732	(57 666 415)		(1 187 740)						(20 680 218)		(2 043 312)		(80 901 632)		667 936 100		
Assets Under Construction																														
Buildings	30 178 259		17 059 007		-		-		-		-		47 237 266	-		-						-		-	-	-	47 237 266			
Electricity	5 825 061		851 452		-		-		-		-		6 676 513	-		-						-		-	-	-	6 676 513			
Water	450 440 943		223 084 969		-		-		-		-		673 525 311	-		-						-		-	-	-	673 525 311			
Sanitation	93 591 094		68 984 854		-		(9 647 734)		-		-		150 938 214	-		-						-		-	-	-	150 938 214			
	680 034 757		307 990 281				(9 647 734)						878 377 304														878 377 304			

Appendix B
June 2014

Analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation

Accumulated depreciation

	Opening Balance		Additions		Disposals		Transfers		Revaluations		Other changes, movements		Closing Balance		Accumulated Depreciation Opening Balance		Impairment Opening Balance		Disposals		Depreciation		Impairment loss		Closing Balance		Carrying value	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Leased Assets	887 714		1 042 916		(193 307)		-		-		-		-		1 737 323	(550 556)	-		-		(254 249)		90 128		(714 677)		1 022 646	
	887 714		1 042 916		(193 307)		-		-		-		-		1 737 323	(550 556)	-		-		(254 249)		90 128		(714 677)		1 022 646	
Other Assets	14 652 461		41 141		(175 444)		-		156 317		-		-		14 674 476	(3 156 580)	(419 253)		88 372		(1 115 825)		(68 676)		(4 671 962)		10 002 513	
Machinery and Equipment	3 652 765		1 454 130		(81 861)		-		50 293		-		-		5 075 347	(2 558 514)	(25 810)		58 576		(427 657)		(5 856)		(2 968 262)		2 117 084	
Furniture and Office Equipment	2 428 586		359 885		(146 486)		-		56 684		-		-		2 598 470	(837 919)	(90 810)		100 541		(512 681)		(6 706)		(1 337 375)		1 361 095	
Computer Equipment	10 411 762		2 950 209		-		-		976 077		-		-		14 338 048	(3 837 627)	(166 807)		-		(1 438 896)		(60 705)		(6 489 036)		8 839 013	
Motor Vehicles	31 145 604		4 805 166		(403 801)		-		1 239 371		-		-		36 786 340	(10 380 640)	(702 480)		248 488		(3 490 069)		(141 945)		(14 466 635)		22 319 705	

Analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation

		Accumulated depreciation											
Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Accumulated Depreciation Opening Balance	Impairment Opening Balance	Disposals	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
37 035 494	-	(3 225)	9 647 734	-	-	37 032 269	(7 494 131)	-	551	(1 951 927)	(47 709)	(8 893 116)	28 139 153
740 596 994	-	(1 406 996)	(9 647 734)	-	-	748 837 732	(57 666 415)	(1 187 740)	676 053	(20 860 216)	(2 043 312)	(80 901 632)	667 936 100
580 034 757	307 990 281	-	-	-	-	878 377 304	-	-	-	-	-	(80 901 632)	878 377 304
887 714	1 042 916	(193 307)	-	-	-	1 737 323	(550 556)	-	-	(254 249)	90 128	(714 677)	1 022 646
31 145 604	4 805 166	(403 801)	-	1 239 371	-	36 786 340	(10 380 640)	(702 480)	248 489	(3 490 059)	(141 945)	(14 466 635)	22 319 705
1 389 700 663	313 838 363	(2 007 329)	-	1 239 371	-	1 702 770 958	(76 091 742)	(1 890 220)	925 193	(25 776 453)	(2 142 838)	(104 976 060)	1 597 794 908
Agricultural/Biological assets													
Intangible assets													
Computers	37 484	357 523	-	-	-	434 957	(7 808)	-	-	(99 792)	-	(107 600)	327 357
Total	37 434	357 523	-	-	-	434 957	(7 808)	-	-	(99 792)	-	(107 600)	327 357
Investment properties													
Total	37 035 494	-	(3 225)	9 647 734	-	37 032 269	(7 494 131)	-	551	(1 951 927)	(47 709)	(8 893 116)	28 139 153
Land and buildings	740 596 994	-	(1 406 996)	(9 647 734)	-	748 837 732	(57 666 415)	(1 187 740)	676 053	(20 860 216)	(2 043 312)	(80 901 632)	667 936 100
Infrastructure	580 034 757	307 990 281	-	-	-	878 377 304	-	-	-	-	-	(80 901 632)	878 377 304
Assets Under Construction	887 714	1 042 916	(193 307)	-	-	1 737 323	(550 556)	-	-	(254 249)	90 128	(714 677)	1 022 646
Leased Assets	31 145 604	4 805 166	(403 801)	-	1 239 371	36 786 340	(10 380 640)	(702 480)	248 489	(3 490 059)	(141 945)	(14 466 635)	22 319 705
Other Assets	37 484	357 523	-	-	-	434 957	(7 808)	-	-	(99 792)	-	(107 600)	327 357
Intangible assets	1 389 737 937	314 235 886	(2 007 329)	-	1 239 371	1 703 205 925	(76 099 560)	(1 890 220)	925 193	(25 876 245)	(2 142 838)	(105 083 660)	1 598 122 265

Appendix B
June 2014

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

	Cost/Revaluation		Revaluations		Transfers		Other changes, movements		Closing Balance		Opening Balance		Opening Balance - impairment loss		Transfers		Depreciation		Impairment loss		Closing Balance		Carrying value		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Leased Assets																									
Leased Assets	887 714	-	-	-	-	-	-	-	887 714	(294 485)	-	-	-	-	-	-	-	(256 071)	-	-	(550 566)	337 158			
	887 714	-	-	-	-	-	-	-	887 714	(294 485)	-	-	-	-	-	-	-	(256 071)	-	-	(550 566)	337 158			
Other assets																									
Motor vehicles	5 701 571	4 710 192	-	-	-	-	-	-	10 411 763	(3 068 317)	-	-	-	-	-	-	-	(769 311)	(166 807)	(4 004 436)	6 407 328				
Plant & equipment	5 550 063	8 802 399	-	-	-	-	-	-	14 352 462	(2 321 416)	-	-	-	-	-	-	-	(835 164)	(419 253)	(3 578 833)	11 076 629				
Computer Equipment	1 526 550	900 046	-	-	-	-	-	-	2 426 596	(482 233)	(2 646)	(2 646)	-	-	-	-	-	(235 591)	(87 965)	(918 521)	1 510 065				
Furniture & Fittings	3 436 680	166 105	-	-	-	-	-	-	3 602 785	(2 136 556)	(7 965)	(7 965)	-	-	-	-	-	(421 616)	(17 847)	(2 364 324)	1 069 451				
	16 565 964	14 578 742	-	-	-	-	-	-	31 145 606	(8 018 560)	(10 609)	(10 609)	-	-	-	-	-	(2 361 682)	(651 872)	(11 083 123)	20 062 483				

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

Accumulated depreciation

	Opening Balance		Additions		Disposals		Transfers		Revaluations		Other changes, movements		Closing Balance		Opening Balance - Impairment loss		Transfers		Depreciation		Impairment loss		Closing Balance		Carrying value				
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		
Total property plant and equipment																													
Land and buildings	37 035 494	-	-	-	-	-	-	-	-	-	-	-	-	37 035 494	(6 241 920)	-	-	-	-	(1 252 211)	-	-	(7 494 131)	29 541 363					
Infrastructure	739 430 008	1 166 986	-	-	-	-	-	-	-	-	-	-	-	740 596 994	(42 407 272)	-	-	-	-	(15 258 143)	-	(1 187 740)	(58 854 155)	681 742 839					
Assets Under Construction	333 722 180	246 312 578	-	-	-	-	-	-	-	-	-	-	-	580 034 758	-	-	-	-	-	-	-	-	580 034 758						
Leased Assets	887 714	-	-	-	-	-	-	-	-	-	-	-	-	887 714	(294 485)	-	-	-	-	(256 071)	-	-	(550 556)	337 158					
Other assets	16 566 864	14 578 742	-	-	-	-	-	-	-	-	-	-	-	31 145 606	(8 018 960)	(10 609)	-	-	(2 361 682)	(591 872)	-	(11 083 123)	20 062 483						
	1 127 642 260	262 058 306	-	-	-	-	-	-	-	-	-	-	-	1 389 700 566	(66 962 637)	(10 609)	-	-	(19 129 107)	(1 879 612)	-	(77 951 965)	1 311 718 601						
Intangible assets																													
Computers - software	37 434	-	-	-	-	-	-	-	-	-	-	-	-	37 434	(326)	-	-	-	-	(7 482)	-	-	(7 808)	29 626					
	37 434	-	-	-	-	-	-	-	-	-	-	-	-	37 434	(326)	-	-	-	-	(7 482)	-	-	(7 808)	29 626					
Total																													
Land and buildings	37 035 494	-	-	-	-	-	-	-	-	-	-	-	-	37 035 494	(6 241 920)	-	-	-	-	(1 252 211)	-	-	(7 494 131)	29 541 363					
Infrastructure	739 430 008	1 166 986	-	-	-	-	-	-	-	-	-	-	-	740 596 994	(42 407 272)	-	-	-	-	(15 258 143)	-	(1 187 740)	(58 854 155)	681 742 839					
Assets Under Construction	333 722 180	246 312 578	-	-	-	-	-	-	-	-	-	-	-	580 034 758	-	-	-	-	-	-	-	-	580 034 758						
Leased Assets	887 714	-	-	-	-	-	-	-	-	-	-	-	-	887 714	(294 485)	-	-	-	-	(256 071)	-	-	(550 556)	337 158					
Other assets	16 566 864	14 578 742	-	-	-	-	-	-	-	-	-	-	-	31 145 606	(8 018 960)	(10 609)	-	-	(2 361 682)	(591 872)	-	(11 083 123)	20 062 483						
	1 127 679 694	262 058 306	-	-	-	-	-	-	-	-	-	-	-	1 389 739 000	(66 962 963)	(10 609)	-	-	(19 136 589)	(1 879 612)	-	(77 989 773)	1 311 748 227						

Appendix C
June 2014

**Segmental analysis of property, plant and equipment as at 30 June 20104
Cost/Revaluation**

	Opening Balance		Additions		Disposals		Transfers		Newly Identified Assets at Fair Value		Other changes, movements		Closing Balance		Opening Balance Accumulated Depreciation		Opening Balance Impairment		Transfers		Depreciation		Impairment deficit		Closing Balance		Carrying value		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Municipality																													
Finance & Admin/Planning and Development	45 413 703	6 245 605	(2 007 323)	-	1 239 371	-	50 891 351	(11 555 349)	(1 890 220)	509 818	(3 881 437)	(1 727 463)	(18 544 651)	(86 539 009)	32 346 700														
Economic Development/Plan	1 344 324 295	307 950 281	-	-	-	-	1 652 314 576	(64 544 201)	-	-	(21 994 808)	-	1 565 775 567																
	1 389 737 998	314 235 886	(2 007 323)	-	1 239 371	-	1 703 205 927	(76 099 550)	(1 890 220)	509 818	(25 876 245)	(1 727 463)	(105 063 660)	1 598 122 267															
Total	1 389 737 998	314 235 886	(2 007 323)	-	1 239 371	-	1 703 205 927	(76 099 550)	(1 890 220)	509 818	(25 876 245)	(1 727 463)	(105 063 660)	1 598 122 267															

Appendix E(1)
June 2014

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

	Forecast # 2 2014 Act. Bal. Rand	Forecast # 2 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue from exchange transactions					
Service charges	48 801 788	42 434 000	6 367 788	15.0	All service charges collection have improved because of the data cleansing exercise that have been conducted by the municipality. Two posts for credit control section have been filled which resulted in the improvement on service charges collections.
Rental of facilities and equipment	106 871	130 000	(23 129)	(17.8)	
Interest received - investment & current bank accounts	6 725 731	10 000 000	(3 274 269)	(32.7)	Less investments than initially anticipated as a result to less interest received from investment
Interest received - outstanding receivables	4 462 481	-	4 462 481	-	Interest received from outstanding debtors increased than anticipated as more receivables payments were received by the municipality.
Other income	2 035 531	46 015 000	(43 979 469)	(95.6)	Revenue expected to be collected which never materialised.
	-	-	-	-	
Revenue from non-exchange transactions					
Government grants & subsidies	514 225 333	218 780 000	704 554 667)	(90.1)	Conditional grants where conditions were met and transferred to revenue, including capital grant expenditure.
	576 357 735	317 359 000	741 001 265)	(89.2)	
Expenses					
Employee Related Costs	(108 215 481)	(107 449 000)	(766 481)	0.7	During the adjustment, salaries budget was adjusted, we under estimated with 1%.
Remuneration of councillors	(6 953 469)	(10 905 000)	3 951 531	(36.2)	Councillors budget was done based on the councillors remuneration gazette.
Depreciation	(28 109 220)	(35 414 000)	7 304 780	(20.6)	
Debt Impairment	(36 477 135)	(20 666 000)	(15 811 135)	76.5	
Finance costs	(977 908)	-	(977 908)	-	
Repairs and maintenance	(36 270 006)	(29 555 000)	(6 715 006)	22.7	The infrastructure for the municipality is aging and becoming outdated, currently more repairs and maintenance of boreholes have been done based on what have been mentioned.
Bulk purchases	(70 389 933)	(53 516 000)	(16 873 933)	31.5	The municipality under-budgeted the bulk electricity and water purchases, more expenses are for water purification.
Contracted Services	(34 368 877)	(24 951 000)	(9 417 877)	37.7	Over expenditure due to some contracts that were not budgeted.
General Expenses	(87 992 474)	(67 616 000)	(20 376 474)	30.1	The other expenditure include the hiring of water tankers to deliver water to the community.
	(409 754 503)	(350 072 000)	(59 682 503)	17.0	
Other revenue and costs					
Net surplus/ (deficit) for the year	166 603 232	967 287 000	800 683 768)	(96.6)	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure												Grants and Subsidies delayed / withheld		Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Dec		Mar		Jun		Sep		Dec		Mar		Jun		Dec		Mar				
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Dec	Mar			
FMG		1 250 000	-	-	-	312 500	312 500	312 500	312 500	312 500	312 500	312 500	312 500	-	-	-	-	-	Yes			
MSIG		890 000	-	-	-	222 500	222 500	222 500	222 500	222 500	222 500	222 500	222 500	-	-	-	-	-	Yes			
MIG		9 655 000	2 347 000	3 295 000	-	3 824 250	3 824 250	3 824 250	3 824 250	3 824 250	3 824 250	3 824 250	3 824 250	-	-	-	-	-	Yes			
ACIP		4 383 990	-	-	-	1 095 998	1 095 998	1 095 998	1 095 998	1 095 998	1 095 998	1 095 998	1 095 998	-	-	-	-	-	Yes			
EPWP		400 000	600 000	-	-	250 000	250 000	250 000	250 000	250 000	250 000	250 000	250 000	-	-	-	-	-	Yes			
MWIG		8 675 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
Mbazwane		-	250 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
Thusong		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
Rural Households		-	-	4 000 000	-	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	-	-	-	-	-	Yes			
Customer Survey		-	-	750 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
Rural Roads		2 101 000	-	-	-	525 250	525 250	525 250	525 250	525 250	525 250	525 250	525 250	-	-	-	-	-	Yes			
National transfers - WSOS		2 707 000	3 609 000	2 706	-	2 255 500	2 255 500	2 255 500	2 255 500	2 255 500	2 255 500	2 255 500	2 255 500	-	-	-	-	-	Yes			
		0 061 990	6 806 000	8 047 706	-	9 485 998	9 485 998	9 485 998	9 485 998	9 485 998	9 485 998	9 485 998	9 485 998	-	-	-	-	-				

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