

UBUHLEBEZWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS



FOR THE YEAR
ENDED 30 JUNE 2012

Annual Financial Statements
for
UBUHLEBEZWE MUNICIPALITY

for the year ended 30 June: 2012

Province: KwaZulu Natal

AFS rounding: R (i.e. only cents)

Contact Information:

Name of Municipal Manager: G M Sineke

Name of Chief Financial Officer: Mrs D Mohapi

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General information

MEMBERS OF THE UBUHLEBEZWE MUNICIPALITY EXECUTIVE COUNCIL

	<u>Previous Council</u>		<u>New Council</u>		
Mayor	N J Peterson	26/05/2011	ZD Nxumalo	26/05/2011	Full time
D/ Mayor	N C Vezi	18/05/2011	M E Mkhize	26/05/2011 - 29/03/2012	Full time
D/ Mayor			TC Dlamini	01/03/2012	
Speaker	N H Mkhize	30/01/2011	N J Peterson	26/05/2011	
Speaker	M E Mkhize	1/02/2011 - 26/05/2011			
Exco	D W Khumalo	30/03/2011	EB Ngubo	26/05/2011	
Exco	B E Mdlalose	18/05/2011	WMQ Dlamini	26/05/2011	

MEMBERS OF THE UBUHLEBEZWE MUNICIPALITY COUNCIL

Councillor	T C Dlamini		T C Dlamini	
Councillor	S C Shezi		S C Shezi	
Councillor	B P Nzimande		B P Nzimande	
Councillor	M E Mkhize		M E Mkhize	
Councillor	S H Dlamini		S H Dlamini	
Councillor	C M Ngubo		C M Ngubo	
Councillor	ZD Nxumalo		Z V Shange	new 26/05/2011
Councillor	P B Mancini	18/05/2011	C M Ngubo	new 26/05/2011
Councillor	E M M Nzimande	18/05/2011	M C Ndlovu	new 26/05/2011
Councillor	EPN Pupuma	18/05/2011	D Ram	new 26/05/2011
Councillor	T R Ndlovu	18/05/2011	M C Sithole	new 26/05/2011
Councillor	F Ndlovu	18/05/2011	G J Ngcongco	new 26/05/2011
Councillor	N Jili	18/05/2011	T T Mkhize	new 26/05/2011
Councillor	M W Ngidi	18/05/2011	G P Nzimande	new 26/05/2011
Councillor	M J Mtshali	18/05/2011	G P Nzimande	new 26/05/2011
Councillor	V T Nene	18/05/2011	N M Mdunge	new 26/05/2011
Councillor	S P Bhengu	18/05/2011	T P Dlamini	new 26/05/2011
Councillor	N F Gutshwa	18/05/2011	H C Jili	new 26/05/2011
Councillor			C N Ntabeni	new 26/05/2011
Councillor			W S Tenza	new 26/05/2011
Councillor			ZC Kumalo	new 09/03/2011

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Municipal Manager

Acting Chief Financial Officer

Grading of Local Authority

Auditors

Bankers

Registered Office:

Physical address:

Postal address:

Telephone number:

Fax number:

E-mail address:

UBUHLEBEZWE MUNICIPALITY
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Mr GM Sineke

Mrs D Mohapi

Grade 2

Auditor-General

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Account Number - 52552416194

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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 54, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

DATE 31 August 2012

UBUHLEBEZWE MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2012

STATEMENT OF FINANCIAL POSITION

	Note	2012 R	Restated 2011 R
ASSETS			
Non-current assets		175,879,850	162,050,220
Property, plant and equipment	2	163,573,597	149,743,967
Investment properties	3	11,866,000	11,866,000
Intangible assets	4	440,253	440,253
Long-term receivables	6	-	-
Current assets		48,619,244	40,063,865
Trade Receivables from exchange transactions.	7	4,248,374	1,132,951
Trade Receivables from non-exchange transactions.	8	961,826	1,076,466
Value added taxation receivable from exchange transactions.	9	4,591,020	3,812,079
Call investment deposits	10	38,104,678	33,559,583
Bank balances and cash	11	713,346	482,786
Total Assets		224,499,094	202,114,085
LIABILITIES			
Non Current Liabilities		5,444,634	4,518,165
Retirement Benefits	34	4,408,052	3,614,295
Non Current Lease Liability	25	1,036,582	903,870
Current liabilities		12,993,122	12,427,763
Trade and other payables from exchange transactions	12	5,533,636	5,879,849
Unspent conditional grants and receipts	13	7,131,180	6,309,989
Current portion of lease liability	25	328,306	237,925
Total Liabilities		18,437,756	16,945,928
Total Assets and Liabilities		206,061,338	185,168,157
NETT ASSETS			
Housing Development Fund	5	373,787	373,787
Accumulated surplus		205,687,550	184,794,369
Total Net Assets		206,061,337	185,168,158

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STATEMENT OF FINANCIAL PERFORMANCE

	Note	2012 R	Restated 2011 R
Revenue			
Property rates	14	7,060,308	5,959,382
Rates penalties and service collection	14	598	-
Service charges	15	743,254	1,043,916
Rental of facilities and equipment	16	184,650	423,324
Interest earned - external investments	17	2,539,649	2,182,949
Fines		528,720	41,458
Licences and permits		2,842,502	2,708,968
Government grants and subsidies	18	64,929,510	67,959,024
Other income	19	906,570	681,318
Total revenue		79,735,762	81,000,339
Expenses			
Employee related costs	20	19,653,908	16,707,012
Remuneration of councillors	21	5,288,280	4,652,724
Repairs and maintenance		1,824,235	2,387,857
Contracted services	22	1,755,845	1,127,936
Depreciation and amortisation		13,498,151	14,607,082
Grants and subsidies paid	23	3,098,997	5,693,095
General expenses	24	13,823,874	11,690,293
Impairment of property, plant and equipment	2	102,364	-
Finance Charges		165,591	110,451
Contributions to provisions	7.1	(1,162,429)	3,820,164
Contributions to post retirement benefits	34	793,757	573,688
Total expenses		58,842,573	61,370,301
Surplus / (deficit) for the period		20,893,189	19,630,038

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STATEMENT OF CHANGES IN NET ASSETS				
as at 30 June 2012				
		Housing Operating Account	Accumulated Surplus/(Deficit)	Total: Net Assets
	Note	R	R	R
Balance as previously reported at 1 July 2009		348,799	69,473,763	69,822,562
Corrections for the prior period error:				
Restate Leased assets accumulated depr		-	(240,626)	(240,626)
Prior period finance leases payments		-	236,092	236,092
Prior period finance charges on finance leases		-	(135,772)	(135,772)
Prior period Long Service Liability		-	(3,040,607)	(3,040,607)
Prior period WCA.		-	(369,833)	(369,833)
Correction to Salary suspense		-	20,532	20,532
Correction period creditors not raised		-	(7,958)	(7,958)
Prior period expenditure not raised		-	(4,540)	(4,540)
Correction to rates raised		-	7,204	7,204
Correction of SAMRAS not on assets		-	(127,851)	(127,851)
Correction of SAMRAS not on assets		-	255,702	255,702
Change in accounting policy:				
Reversal of PPE incorrectly accounted for in prior periods	27	-	(62,728,424)	(62,728,424)
Accounting for PPE correctly in terms of GRAP	27	-	177,301,099	177,301,099
Restated Balance as at 01 July 2010		348,799	180,638,780	180,987,579
Change in accounting policy - PPE additions	27	-	(27,114,533)	(27,114,533)
Depreciaton for 2011 - separately accounted	27	-	11,444,092	11,444,092
Change in accounting policy - Leases	28.6	-	(119,158)	(119,158)
Correction of prior period error - Bank	28.5	-	(173,584)	(173,584)
Correction of prior period error - PPE movables Fair Value	27	-	325,187	325,187
Correction prior year error - creditors	28.1	-	(4,352)	(4,352)
Prior year adjustments - separately accounted	28.8	-	1,168	1,168
Prior year adjustments - Sundry Debtors	28.2	-	77,197	77,197
Correction of prior period error - Leases Finance costs	28.6	-	6,713	6,713
Correction of pior year error - creditors	28.1	-	83,038	83,038
Change in estimate - correction of journal posting	29	-	(217)	(217)
Interest on Housing Development Fund		24,989	-	24,989
Surplus / (deficit) for the period - restated	28.8	-	19,630,038	19,630,038
Restated Balance as 30 June 2011		373,787	184,794,369	185,168,157
Rounding		-	(8)	(8)
Surplus / (deficit) for the period		-	20,893,189	20,893,189
Balance at 30 June 2012		373,787	205,687,550	206,061,337

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CASH FLOW STATEMENT

	Note	2012 R	Restated 2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		73,416,388	63,699,818
Cash paid to suppliers and employees		(43,807,738)	(44,039,371)
Cash generated from operations	27.1	29,608,650	19,660,447
Interest paid		(165,591)	(110,451)
Interest received	18	2,539,649	2,182,949
Net operating cash flow from operating activities		31,982,708	21,732,946
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	2	(27,430,147)	(28,428,273)
Net cash flows from investing activities		(27,430,147)	(28,428,273)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance Lease Liability	26	223,093	678,865
Net cash flows from financing activities		223,093	678,865
Net increase / (decrease) in net cash and cash equivalents		4,775,655	(6,016,463)
Cash and cash equivalents at beginning of period		34,038,120	40,054,583
Net cash and cash equivalents at end of period	27.2	38,813,775	34,038,120

1 Presentation of Annual Financial Statements

Basis of Presentation

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. Related Party Disclosures are in terms of IPSAS 20.

Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current year

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

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

- recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property, Plant and Equipment (as revised in 2010); and
- recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010).

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

IGRAP 3: Determining Whether an Arrangement Contains a Lease

The issues addressed in this Interpretation of the Standards of GRAP are:

- how to determine whether an arrangement is, or contains, a lease as defined in the Standard of GRAP on Leases
- when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made;
- if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

1 Presentation of Annual Financial Statements (continued)

Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current year

IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This Interpretation of the Standards of GRAP applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds. This interpretation is not applicable to the municipality.

IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

This Interpretation of the Standards of GRAP provides guidance on how to apply the requirements of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010).

The municipality does not operate in a hyperinflationary economy.

IGRAP 6: Loyalty Programmes

This Interpretation of the Standards of GRAP is not applicable to the municipality.

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

The interpretation clarifies minimum funding requirements for a post-employment or other long-term defined benefit plan.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions

This Interpretation applies to the accounting for revenue and associated expenses by municipalities that undertake the construction of assets in exchange transactions directly or through subcontractors.

The standard is not applicable to the municipality.

IGRAP 9: Distributions of Non-cash Assets to Owners

This Interpretation of the Standards of GRAP is not applicable to the municipality.

IGRAP 10: Assets Received from Customers

This Interpretation of the Standards of GRAP applies to the accounting for the receipt of cash or items of property, plant and equipment by municipalities that receive such assets from their customers then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

The impact of the interpretation is not material.

1 Presentation of Annual Financial Statements (continued)

Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current

IGRAP 13: Operating Leases – Incentives

This interpretation deals with the issue of how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

The impact of the interpretation is not material.

IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease

This interpretation deals with complex transactions that could indicate a leasing arrangement.

The impact of the interpretation is not material.

IGRAP 15: Revenue – Barter Transactions Involving Advertising Services

This Interpretation of the Standards of GRAP is not applicable to the municipality.

Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been approved and are effective at a date later than that of the financial statements have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from the date announced by the Minister of Finance.

GRAP 21	Impairment of Non-cash-generating-assets - issued March 2009 - effective date from 1 July 2012
GRAP 23	Revenue from Non-exchange Transactions - issued February 2008 - effective date from 1 July 2012
GRAP 24	Presentation of Budget Information - issued November 2007 - effective date from 1 July 2012
GRAP 26	Impairment of Cash-generating-assets - issued March 2009 - effective date from 1 July 2012
GRAP 103	Heritage Assets - issued July 2008 - effective date from 1 July 2012

The municipality expects to adopt the above standards for the first time in the 2013 financial statements.

Management have considered all of the above-mentioned GRAP standards and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

The following GRAP standards have been approved but are not yet effective nor available for early adoption and have not been considered in formulating the accounting policies. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The date is currently not available.

GRAP 25	Employee Benefits - issued March 2009
GRAP 104	Financial Instruments - issued October 2009
GRAP 105	Transfer of functions between entities under common control - issued November 2010
GRAP 106	Transfer of functions between entities not under common control - issued November 2010
GRAP 107	Mergers - issued November 2010

The municipality expects to adopt the standards for the first time once effective.

Management have considered all of the above-mentioned GRAP standards and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1 Presentation of Annual Financial Statements (continued)

Standards, amendments to standards and interpretation not yet effective or relevant

The following GRAP standard has been approved but an effective date has not been determined and the standard is not available for use.

GRAP 18	Segment Reporting - issued February 2011
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Presentation Currency

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

Going Concern Assumption

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

Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in a note to the financial statements.

Where accounting errors or a change in accounting policy have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Refer to Note 2 for details.

The principle accounting policies adopted in the preparation of these annual financial statements are set out below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the financial statements are set out below:

Debtors and/or loans receivable

The municipality assesses its debtors and loans receivable for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

Useful lives of property, plant and equipment

Management estimates the remaining useful lives and condition of significant items of property, plant and equipment on an annual basis. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a significant impairment of the respective asset.

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 20.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Post retirement benefits

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

Long service awards

The present value of the long service award depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debt

The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition. An impairment loss is recognised in surplus and deficit when there is objective evidence that an asset is impaired. The impairment is measured with reference to historical data and payment trend analysis per group of consumers.

1.2 Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost or fair value.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

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.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

1.2 Property, plant and equipment (continued)

Initial recognition (continued)

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

Items of property, plant and equipment which are acquired for no cost or for a nominal cost are recognised at their fair values.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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

Depreciation and impairment

The cost or fair value of property, plant and equipment is depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to the municipality.

The annual depreciation rates are based on the following estimated asset lives:-

Item	Average useful life
Land	
• Land	Infinite
Buildings	
• Dwellings	25-30
• Non Residential Dwelling	25-30
Infrastructure	
• Cemeteries	15-30
• Electricity	15-30
• Reservoirs - Water	20-40
• Roads	15-50
• Solid Waste Disposal	10-55
Heritage	
• Heritage assets	Infinite
Other assets	
• Furniture and Office equipment	5-15
• Computer Equipment	5-10
• Machinery and Equipment	5-15
• Motor Vehicles	7
Leased assets	
• Finance leased assets	3

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

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.2 Property, plant and equipment (continued)

Derecognition

The carrying amount of items of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.3 Investment property

Initial recognition

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

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

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

Subsequent measurement

Subsequent to initial measurement investment property is measured at cost.

1.4 Intangible assets

Initial recognition

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably. Intangible assets are initially recognised at cost.

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

Cost associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique products controlled by the Municipality, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

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

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Subsequent measurement

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

1.4 Intangible assets (continued)

Amortisation

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Computer software, other	5 years

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

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

Derecognition

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

1.5 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

Classification

Financial assets

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Unlisted shares
- Long-term receivables
- Consumer debtors
- Other debtors
- Short-term investment deposits
- Bank balances and cash

In accordance with IAS 39.09, the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of financial asset	Classification in terms of IAS 39.09
Long-term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Short-term investment deposits	Loans and receivables
Bank balances and cash	Loans and receivables

1.5 Financial instruments (continued)

Classification (continued)

Financial assets

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Trade and other payables
- Long-term liabilities
- Current portion of long term liabilities

In accordance with IAS 39.09, the *Financial Liabilities* of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial and subsequent measurement

Financial assets

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

Financial assets are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Financial liabilities

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39

Initially financial assets are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

1.5 Financial instruments (continued)

A provision for impairment of financial assets is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made in accordance with IAS 39.64 whereby the recoverability of financial assets (including indigent debtors) is assessed collectively after grouping the assets in financial assets with similar credit risk characteristics.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in the Statement of Financial Performance with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Financial assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.5 Financial instruments (continued)

Loans and receivables

Trade and other receivables

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

Bad debts are written off during the year in which they are identified.

An impairment or bad debt loss is recognised when it is probable that the municipality will not be able to collect all amounts due (principal and interest) according to the contractual terms of the accounts receivable. The assessment of objective indicators of impairment for accounts receivable is carried out at each balance sheet date.

Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Financial liabilities carried at amortised cost

Trade and other payables

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discounts or premiums on settlement. Gains and losses are recognised in net income or loss when liabilities are impaired as well as through the amortisation process.

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 days, accordingly impairments, if any, are considered to be immaterial.

1.6 Leases

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

Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/ liability. Any contingent rents are expensed in the period they are incurred.

Operating leases - lessor

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

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

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

1.7 Inventories

Initial recognition

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

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. In general, the basis of allocating cost to inventory items is the weighted average method.

1.7 Inventories (continued)

Subsequent measurement

Inventories, consisting of consumable stores and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of the acquisition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless the cost qualifies for capitalisation to the cost of another asset.

1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

1.9 Impairment of assets

Cash generating assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

Value in use:

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.9 Impairment of assets (continued)

Cash generating assets (continued)

Discount rate:

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

Recognition and measurement:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

Non-cash generating assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

1.9 Impairment of assets (continued)

Non-cash generating assets (continued)

Value in use:

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

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

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

Recognition and measurement:

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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 costs 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.

Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid.

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The municipality and its employees contribute to the Natal Joint Municipal Pension Fund which is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution fund.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.10 Employee Benefits (continued)

Post retirement health care benefits

The liability recognised in the Statement of Financial Position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable. Valuations of these obligations are carried out every year by independent qualified actuaries.

1.11 Provisions and contingencies

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

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

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as it occurs.

Contingent assets and liabilities are not recognised, however where material contingent liabilities are disclosed by way of note.

1.12 Revenue recognition

Revenue from exchange transactions

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

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest is recognised on a time proportion basis.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered and the fee has been charged or licences and permits have been issued.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sales of goods is recognised when the risk is passed to the consumer.

1.12 Revenue recognition (continued)

Revenue from non-exchange transactions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

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

1.13 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. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder or detailed in the memorandum of agreement it is recorded as part of the liability otherwise it is recognised as interest earned in the Statement of Financial Performance.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so.

The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.15 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Fruitless and wasteful expenditure

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

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearer's Act (Act No. 20 of 1998) or is in contravention of the Municipality'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.

1.18 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.19 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the

Risks and exposure are disclosed as follows:

Credit Risk:

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

1.19 Risk management of financial assets and liabilities (continued)

Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

- Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.
- Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

Market Risk

Owing to legislative restrictions the municipality has no exposure to market risk.

1.20 Commitments

Commitments are not recognised. Commitments are disclosed in the notes to the annual financial statements. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

1.21 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

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

1.23 Value Added Tax

The municipality accounts for Value Added Tax on the cash basis.

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012

2 Property, plant and equipment

Reconciliation of Carrying Value	Buildings	Infrastructure Assets	Community Assets	Heritage Assets	Work In Progress	Specialised Vehicles	Furniture & Equipment	Computer Equipment	Plant & Equipment	Vehicles	Leases
	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2011	23,521,523.66	31,675,724.37	63,643,136.17	2,849,000.00	23,807,641.00	581,859.00	759,833.00	345,713.00	1,144,196.00	565,082.00	850,258.00
Cost/Revaluation	31,206,865.00	134,701,920.00	82,598,440.00	2,849,000.00	23,807,641.00	1,030,033.00	2,677,063.00	1,117,171.00	2,511,278.00	2,246,525.00	1,019,974.00
Accumulated depreciation and impairment losses	-7,685,341.34	-103,026,195.63	-18,955,303.83	-	-	-448,174.00	-1,917,230.00	-771,458.00	-1,367,082.00	-1,681,443.00	-169,716.00
Change in estimate effective prospectively - Accumulated Depreciation	-	-	-	-	-	216,896.00	734,126.00	212,701.00	367,292.00	789,349.00	-
Acquisitions	-	-	-	-	25,462,473.87	43,295.00	564,676.00	102,039.00	-	787,225.00	470,438.00
Capital Work in Progress Brought into use	-	17,700,000.00	7,154,031.00	-	-24,854,031.00	-	-	-	-	-	-
Depreciation	-1,129,509.00	-7,722,098.00	-5,962,495.00	-	-	-69,879.00	-212,059.00	-89,457.00	-164,494.00	-209,553.00	-258,972.00
Carrying value of disposals	-	-	-	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-56,252.00	-31,166.00	-14,946.00	-	-
as at 30 June 2012	22,392,014.66	41,653,626.37	64,834,672.17	2,849,000.00	24,416,083.87	772,171.00	1,790,324.00	539,830.00	1,332,048.00	1,932,103.00	1,061,724.00
Cost	31,206,865.00	152,401,920.00	89,752,471.00	2,849,000.00	24,416,083.87	1,073,328.00	3,241,739.00	1,219,210.00	2,511,278.00	3,033,750.00	1,490,412.00
Accumulated depreciation and impairment losses	-8,814,850.34	-110,748,293.63	-24,917,798.83	-	-	-301,157.00	-1,451,415.00	-679,380.00	-1,179,230.00	-1,101,647.00	-428,688.00

UBUHLEBEZWE Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of property plant and equipment as set out in paragraphs 73.

UBUHLEBEZWE Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of leases as set out in paragraphs 55 to 60.

The valuation was performed by LENGAA General Trading, registered professional valuers. The effective date of the valuation is 30 June 2012. No assets of the municipality have been ceded. An annual review of useful lives of assets and an impairment test are performed at year end.

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012

2 Property, plant and equipment

Reconciliation of Carrying Value	Infrastructure		Community Assets	Heritage Assets	Work In Progress	Specialised Vehicles	Furniture & Equipment	Computer Equipment	Plant & Equipment	Vehicles	Leased Assets
	Buildings	Assets									
	R	R	R	R	R	R	R	R			
as at 30 June 2010	6,788,170.00	13,812,051.00	20,329,125.00	-	-	649,573.00	596,648.00	280,501.00	874,685.00	722,153.00	222,304.00
Cost/Revaluation	9,905,787.00	16,631,250.00	22,220,804.00	-	-	1,030,033.00	2,259,276.00	897,027.00	1,945,705.00	2,248,818.00	462,930.00
Accumulated depreciation and impairment losses	-3,117,617.00	-2,819,199.00	-1,891,679.00	-	-	-380,460.00	-1,662,628.00	-616,526.00	-1,071,020.00	-1,526,665.00	-240,626.00
Change in Accounting Policy Costs previously not recognised	20,749,079.18	116,673,055.71	59,129,957.32	2,849,000.00	-	-	-	-	-	-	-287,677.00
Change in Accounting Policy Accumulated Depreciation and Impairment Loss	-3,438,215.50	-92,484,899.63	-12,061,697.93	-	-	-	-	-	-	-	193,995.00
Reclassification of balances - Costs	-	-	-	-	-	-	-32516	2069	32740	-2293	-
Reclassification of balances - Accumulated Depreciation	-	-	-	-	-	-	29635	-2069	-29859	2293	-
Change in Accounting Policy - Fair Value adjustment to Costs	-	-	-	-	-	-	330,973.00	124,953.00	166,667.00	-	-
Change in Accounting Policy - Fair Value adjustment to Accumulated Depreciation	-	-	-	-	-	-	-104,391.00	-73,233.00	-120,000.00	-	-
Restated Carrying Value at 30 June 2010	24,099,033.68	38,000,207.08	67,397,384.39	2,849,000.00	-	649,573.00	820,349.00	332,221.00	924,233.00	722,153.00	128,622.00
Cost/Revaluation	30,654,866.18	133,304,305.71	81,350,761.32	2,849,000.00	-	1,030,033.00	2,557,733.00	1,024,049.00	2,145,112.00	2,246,525.00	175,253.00
Accumulated Depreciation and Amortisation	-6,555,832.50	-95,304,098.63	-13,953,376.93	-	-	-380,460.00	-1,737,384.00	-691,828.00	-1,220,879.00	-1,524,372.00	-46,631.00
Acquisitions	551,999.00	-	-	-	26,452,935.00	0.00	119,330.00	93,122.00	366,166.00	0.00	844,721.00
Capital Work In Progress brought into use	-	1,397,614.00	1,247,680.00	-	-2,645,294.00	-	-	-	-	-	-
Depreciation	-1,129,508.84	-7,722,097.00	-5,001,926.90	-	-	-67,714.00	-179,846.00	-79,630.00	-146,203.00	-157,071.00	-123,085.00
Carrying value of disposals	-	-	-	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-	-	-	-
as at 30 June 2011	23,521,523.84	31,675,724.08	63,643,137.49	2,849,000.00	23,807,641.00	581,859.00	759,833.00	345,713.00	1,144,196.00	565,082.00	850,258.00
Cost	31,206,865.18	134,701,919.71	82,598,441.32	2,849,000.00	23,807,641.00	1,030,033.00	2,677,063.00	1,117,171.00	2,511,278.00	2,246,525.00	1,019,974.00
Accumulated depreciation and impairment losses	-7,685,341.34	-103,026,195.63	-18,955,303.83	-	-	-448,174.00	-1,917,230.00	-771,458.00	-1,367,082.00	-1,681,443.00	-169,716.00

Total
R
149,743,966.20
285,765,910.00
-136,021,943.80
-
2,320,364.00
27,430,146.87
-
-15,818,516.00
-
-
-
-102,364.00
163,573,597.07
313,196,056.87
-149,622,459.80

Total
R
44,275,210.00
57,601,630.00
-13,326,420.00
199,113,415.21
-107,790,818.06
-
-
622,593.00
-297,624.00
135,922,776.15
257,337,638.21
-121,414,862.06
28,428,273.00
-
-14,607,081.74
-
-
-
-
149,743,967.41
285,765,911.21
-136,021,943.80

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	R	R
3 Investment properties carried at fair value		
Carrying Value Opening Balance - at 30 June	11 866 000	-
Transfer from property, plant and equipment	-	4,343,282
Change in Accounting Policy	-	7,522,718
Restated Carrying Value Opening Balance - at 30 June	<u>11 866 000</u>	<u>11 866 000</u>
Revaluation	-	-
Carrying Value Closing Balance - at 30 June	<u><u>11 866 000</u></u>	<u><u>11 866 000</u></u>

3.2 Investment property pledged as security
No investment property is pledged as security

-	-
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3.3 Rental income from investment property

Direct operating expenses from rental generating property

-	-
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3.4 Details of valuation

The effective date of valuation was 30 June 2012. Revaluations were performed by an independent valuer Richard of Spectrum Valuation Services (Pty) Ltd. The valuation was based on open market value for existing use. There was no movement on the fair value during the current financial year.

4 Intangible Assets

Carrying value opening balance	440,253	127,851
Cost	440,253	255,702
Accumulated Amortisation	-	(127,851)
Amortisation	-	(127,851)
Correction of Error - Costs	-	184,551
Correction of Error-Reversal of the accumulated Amortisation	-	255,702
Restated opening balance	440,253	440,253
Cost	440,253	440,253
Accumulated Amortisation	-	-
Additions	-	-
Amortisation	-	-
Carrying value closing balance	440,253	440,253
Cost	440,253	440,253
Accumulated Amortisation	-	-

The carrying value of intangible assets disclosed relate to computer software of R440 253.

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
5 HOUSING OPERATING ACCOUNT		
Housing Operating Account	<u>373,787</u>	<u>373,787</u>
The Housing Operating Account is represented by the following assets and liabilities :		
Housing selling schemes	122,298	122,298
Cash and cash equivalents.	<u>251,489</u>	<u>373,787</u>
	<u>373,787</u>	<u>373,787</u>
6 LONG-TERM RECEIVABLES		
Housing selling scheme loans	122,298	122,298
Less : Provision for Bad Debts	(122,298)	(122,298)
Total	<u>-</u>	<u>-</u>

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
7 CONSUMER DEBTORS (TRADE RECEIVABLE FROM EXCHANGE TRANSACTIONS)		
Rates	9,011,780	7,649,867
Electricity	7,574	5,779
Self Help Scheme	129,022	127,370
Refuse	2,415,699	2,329,908
Sundry	75,665	70,060
Rent	373,158	513,680
VAT Debtors	387,844	394,071
	12,400,742	11,090,735
Difference between ledger & ageing		
Total service debtors	12,400,742	11,090,735
Less provision for bad debts	(8,152,368)	(9,957,784)
Total	4,248,374	1,132,951
<u>Rates: Ageing</u>		
Current (0 – 30 days)	203,839	-
31 - 60 Days	218,951	240,916
61 - 90 Days	203,084	202,775
91 - 120 Days	351,796	181,761
Greater than 120 days.	8,034,110	7,018,506
Total	9,011,780	7,643,959
<u>Electricity: Ageing.</u>		
Greater than 120 days.	7,574	4,943
Total	7,574	4,943
<u>Self Help Scheme: Ageing.</u>		
Greater than 120 days.	129,022	129,168
Total	129,022	129,168
<u>Rent: Ageing.</u>		
Current (0 – 30 days)	13,650	57,197
31 - 60 Days	933	12,791
61 - 90 Days	932	12,687
91 - 120 Days	1,114	18,447
Greater than 120 days.	356,529	412,558
Total	373,158	513,680
<u>Refuse: Ageing.</u>		
Current (0 – 30 days)	148,283	80,947
31 - 60 Days	38,458	71,155
61 - 90 Days	35,041	54,385
91 - 120 Days	34,011	46,330
Greater than 120 days.	2,159,906	2,074,434
Total	2,415,699	2,327,252
<u>Sundry: Ageing.</u>		
Greater than 120 days.	75,665	71,635
Total	75,665	71,635
<u>Vat Debtors</u>		
Current (0 – 30 days)	22,796	14,098
31 - 60 Days	5,508	11,795
61 - 90 Days	5,030	9,482
91 - 120 Days	4,922	9,063
Greater than 120 days.	349,588	349,469
Total	387,844	393,907

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R

7 CONSUMER DEBTORS (TRADE RECEIVABLE FROM EXCHANGE TRANSACTIONS) continued

Add back credits included above: Ageing

Current (0 – 30 days)	(640,672)	(464,630)
Total	(640,672)	(464,630)

Included in the consumer debtors balances are the amounts owed by other spheres of Government:

Other spheres of Government: Ageing

Current (0 – 30 days)	10,946	-
31 - 60 Days	18,403	-
61 - 90 Days	18,396	-
91 - 120 Days	102,447	-
Greater than 120 days	2,048,632	-
Total	2,198,824	-

The comparative figures for 2010/11 financial cannot be obtained from the Municipal financial system.

An amount of R6,929,286 was received for the 2011/2012 financial year.

7.1 Reconciliation of the doubtful debt provision

Balance at beginning of the year	(10,080,082)	(6,758,841)
Consumer Debtors	(9,957,784)	(6,636,542)
Other Debtors (note 7.)	(122,298)	(122,298)
Contribution for the year	-	(3,328,152)
Consumer Debtors	-	(3,205,854)
Other Debtors	-	(122,298)
(Release from) Contribution to provision	1,805,416	-
Consumer Debtors	1,805,416	-
Other Debtors	-	-
Bad Debts written of against provision.	-	6,911
Consumer Debtors	(8,152,368)	(9,957,784)
Other Debtors - Self Help Loans.	(122,298)	(122,298)
Balance at end of year.	(8,274,666)	(10,080,082)

8 OTHER DEBTORS (TRADE RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS)

Sundry Debtors	102,812	162,385
Other debtors DOH Low cost housing	573,880	573,880
Nokweja Disaster Fund	8,557	-
Accrued Interest FNB.	163,207	226,832
Deposits paid	113,370	113,370
	-	-
Total Other Debtors	961,826	1,076,466

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
9 VAT RECEIVABLE		
VAT receivable	4,591,020	3,812,079
	<u>4,591,020</u>	<u>3,812,079</u>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
10 CURRENT INVESTMENTS		
Current investments	38,104,678	33,559,583
	<u>38,104,678</u>	<u>33,559,583</u>
Investment Bank account		
<u>First National Bank - Ixopo Branch</u>		
<i>Account Number 62143895988 Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	20,618	5,608,581
Bank statement balance at the end of the year	<u>2,164,854</u>	<u>20,618</u>
Investment Bank account		
<u>Nedbank - Ixopo Branch</u>		
<i>Account Number 7881076763/001 Fixed Deposit 1 month (29/06/2012 - 31/07/2012)</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>4,040,230</u>	<u>-</u>
Investment Bank account		
<u>Nedbank - Ixopo Branch</u>		
<i>Account Number 7881076763/002 Fixed Deposit 3 months (14/05/2012 - 13/08/2012)</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>4,336,030</u>	<u>-</u>
Investment Bank account		
<u>Standard Bank Account - Ixopo Branch</u>		
<i>Account Number 068730276-004 Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	2,524,512	2,371,779
Bank statement balance at the end of the year	<u>2,660,960</u>	<u>2,524,512</u>
Investment Bank account		
<u>Standard Bank Account - Ixopo Branch</u>		
<i>Account Number 068730276-005 Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	4,763,105	4,495,446
Bank statement balance at the end of the year	<u>5,061,094</u>	<u>4,763,105</u>
Investment Bank account		
<u>First National Bank - Ixopo Branch</u>		
<i>Account Number 62248166218 Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	590,630	573,177
Bank statement balance at the end of the year	<u>605,010</u>	<u>590,630</u>
Investment Bank account		
<u>lthala - Ixopo Branch</u>		
<i>Account Number 46110293 3 month Investment (22/04/2010 - 22/07/2010)</i>		
Bank statement balance at the beginning of the year	-	3,500,000
Bank statement balance at the end of the year	<u>-</u>	<u>-</u>

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
10 CURRENT INVESTMENTS continued		
Investment Bank account		
<u>Nedbank - Ixopo Branch</u>		
<i>Account Number 7881076763/017 Fixed Deposit (11/04/2011 - 01/07/2011)</i>		
Bank statement balance at the beginning of the year	3,782,406	3,610,017
Bank statement balance at the end of the year	<u>-</u>	<u>3,782,406</u>
Investment Bank account		
<u>Nedbank - Ixopo Branch</u>		
<i>Account Number 7881076763/019 Fixed Deposit 2 months (16/05/2011 - 01/07/2011)</i>		
Bank statement balance at the beginning of the year	4,107,146	3,910,000
Bank statement balance at the end of the year	<u>-</u>	<u>4,107,146</u>
Investment Bank account		
<u>Absa - Ixopo Branch</u>		
<i>Account Number 20-7042-5909 Fixed Deposit 32 days</i>		
Bank statement balance at the beginning of the year	3,117,668	3,000,000
Bank statement balance at the end of the year	<u>3,299,470</u>	<u>3,117,668</u>
Investment Bank account		
<u>Nedbank - Ixopo Branch</u>		
<i>Account Number 7881076763/018</i>		
Bank statement balance at the beginning of the year	6,000,822	-
Bank statement balance at the end of the year	<u>6,338,206</u>	<u>6,000,822</u>
Investment Bank account		
<u>Absa - Ixopo Branch</u>		
<i>Account Number 2070490455 Fixed Deposit 3 months (30/04/2012 - 31/07/2012)</i>		
Bank statement balance at the beginning of the year	3,500,000	-
Bank statement balance at the end of the year	<u>3,547,466</u>	<u>3,500,000</u>
Investment Bank account		
<u>First National Bank - Ixopo Branch</u>		
<i>Account Number 7428280271 6 Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	5,152,676	-
Bank statement balance at the end of the year	<u>2,373,965</u>	<u>5,152,676</u>
Investment Roads Grant		
<u>Standard Bank Account - Ixopo Branch</u>		
<i>Account Number 068730276-006 Fixed Deposit 3 months</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>3,677,393</u>	<u>-</u>
TOTAL SHORT TERM INVESTMENTS	<u><u>38,104,678</u></u>	<u><u>33,559,583</u></u>

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
11 BANK BALANCES AND CASH		
Cash and cash equivalents consist of the following:		
Cash on hand	-	-
Petty Cash	4,249	4,249
	<u>4,249</u>	<u>4,249</u>
The Municipality has the following main bank accounts: -		
Primary Bank Account		
First National Bank Ixopo - 52552416194		
Cash book balance at beginning of year	478,537	12,981,933
Cash book balance at end of year	<u>709,097</u>	<u>478,537</u>
Bank statement balance at beginning of year	478,537	12,881,389
Bank statement balance at end of year	<u>709,097</u>	<u>478,537</u>
Petty cash and cash on hand	4,249	4,249
Total bank,cash and overdraft balances.	<u>713,346</u>	<u>482,786</u>
12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	1,749,719	3,460,858
Deposits Other	67,457	660
Payments received in advance	640,672	464,630
Staff leave accrual	1,862,078	1,444,732
Retentions	334,975	-
Payroll Suspense	83,393	4,533
Provision UIF.	-	424,281
Other creditors	795,342	80,155
Total creditors	<u>5,533,636</u>	<u>5,879,849</u>
Leave provision is calculated on leave due up to 48 days (Over and above 48 days is not provided for in terms of the Bargaining Council agreement)		
13 UNSPENT CONDITIONAL GRANTS AND SUBSIDIES		
Unspent Conditional Grants from other spheres of Government		
Capital Investment Program	9,700	9,700
Financial Management Grant	318,951	-
G I S Grant	8,467	146,712
Hawkers/Taxi Grant	1,033,341	1,033,341
H R Systems Governance	7,170	7,170
Ixopo Sportsfields	346,453	1,302
Internal Roads	1,458,441	-
Kuyasa School Grant	4,302	4,302
Land Use Managent	220,238	220,238
Library Assistant	5,708	5,854
Library Building Grant	213,440	220,966
M I G Grant	1,747,076	2,820,815
Management Assistance	4,632	46,303
Marithal Project	8,197	8,197
Market Stalls	350,877	350,877
Municipal Development Planning Capacity Building	24,973	24,973
Municipal Administrative Development	9,000	9,000
Nokweja Disaster Fund	-	3,324
Project Consolidate	404,766	414,968
Project Management Unit	163,377	163,377
Sangcwaba Grant	673,950	673,950
Waste Disposal Site	118,121	144,621
Total Unspent Conditional Grants and Subsidies	<u>7,131,180</u>	<u>6,309,989</u>
See Note 19 for reconciliation of grants and receipts.		

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
14 PROPERTY RATES		
<u>Actual</u>		
Residential	1,103,005	143,567
Commercial	1,413,895	235,901
Agriculture	830,677	709,475
Other	272,022	2,872,277
State	1,779,308	1,997,188
Other	1,661,401	-
Total property rates	7,060,308	5,958,408
Property rates - penalties imposed and collection charges	-	-
Total	7,060,308	5,958,408
Adjustments	-	974
Total	7,060,308	5,959,382
<u>Valuations</u>		
Residential	181,605,375	181,605,375
Commercial	149,970,000	149,970,000
State	335,161,925	335,161,925
Industrial	22,008,640	22,008,640
Municipal	55,505,345	55,405,345
Agricultural	711,270,000	711,270,000
Donation: Sport & Welfare	83,749,690	83,749,690
Total Property Valuations	1,539,270,975	1,539,170,975

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2009.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to payable by the end of April. alterations.

Rates are levied in ten monthly equal instalments with the first instalment being due at the end of August and the last instalment unpaid monthly.

Rates outstanding by the last working day of each month will yield penalties of 1.5% per month or part thereof during which such default continues.

Interest at 10% per annum is levied on outstanding rates.

The new general valuation will be implemented on 01 July 2014.

- Residential	0.01264c/R	0.0119c/R
- State owned	0.01264c/R	0.0119c/R
- Agriculture	0.00316c/R	0.02982c/R
- Infrastructure	0.00316c/R	0.02982c/R
- Communal land	0.00316c/R	0.02982c/R
- Commercial	0.01264c/R	0.0119c/R
- Industrial	0.01370c/R	0.0130c/R
- Place of worship	Exempt	0.0119c/R

The municipality does not levy rates on the first R15 000 of the market value of properties assigned to the categories below:

Residential;
Agriculture;
Smallholding (Agriculture);
Commercial;
Industrial; and
Communal land.

The Municipality does not levy rates on the first 30% of the market value of Public service infrastructure and State owned properties.

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
15 SERVICE CHARGES		
Refuse removal	743,254	1,043,916
Total Service Charges	743,254	1,043,916
16 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	17,780	9,280
Rental of equipment	-	-
Other rentals	166,870	414,044
Total rentals	184,650	423,324
17 INTEREST EARNED - EXTERNAL INVESTMENTS		
Investment Interest	2,367,272	1,891,259
Bank Current Account	172,377	291,690
Total interest	2,539,649	2,182,949
18 GOVERNMENT GRANTS AND RECEIPTS		
Equitable share	38,394,000	35,479,889
Anti Corruption Grant	-	177
Financial Management Grant	931,049	2,249,350
Municipal Finance Management Act Implementation Grant	-	134,899
Geographical Information Systems Grant	138,245	90,894
Internal Roads Grant	5,261,559	10,617,961
Ixopo Sportsfields Grant	494,849	305,756
Library Assistant Grant	105,946	97,969
Library Building Grant	240,866	-
Municipal Infrastructure Grant	18,482,738	16,362,537
Management Assistance Grant	41,672	242,590
Nokweja Disaster Fund Grant	11,881	10,091
Programme Support Grant	-	16,908
Project Consolidate (Municipal Systems Information Grant)	800,202	930,184
Project Management Unit Grant	-	560,344
Sponya Housing Project Grant	-	591,044
Waste Disposal Site Grant	26,500	268,430
Total Conditional Grants and Receipts	64,929,507	67,959,024
18.1 Equitable Share		
Balance unspent at beginning of year		
Current year receipts	38,394,000	35,479,889
Conditions met - transferred to revenue	(38,394,000)	(35,479,889)
Conditions still to be met - remain liabilities (see note 13)	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
18.2 Anti Corruption Grant		
Balance unspent at beginning of year	-	177
Current year receipts	-	-
Conditions met - transferred to revenue	-	(177)
Conditions still to be met - remain liabilities (see note 13)	-	-
18.3 Capital Investment Programme Grant		
Balance unspent at beginning of year	9,700	9,700
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 13)	9,700	9,700

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
18 GOVERNMENT GRANTS AND RECEIPTS continued		
18.4 Financial Management Grant		
Balance unspent at beginning of year	-	749,350
Current year receipts	1,250,000	1,500,000
Conditions met - transferred to revenue	(931,049)	(2,249,350)
Conditions still to be met - remain liabilities (see note 13)	318,951	-
18.5 Geographical Information Systems Grant		
Balance unspent at beginning of year	146,712	79,856
Current year receipts (GIS grants consolidated transferred from GIS 07/06)	-	157,750
Conditions met - transferred to revenue	(138,245)	(90,894)
Conditions still to be met - remain liabilities (see note 13)	8,467	146,712
18.6 Hawkers/Taxi Grant		
Balance unspent at beginning of year	1,033,341	1,033,341
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 13)	1,033,341	1,033,341
18.7 HR Systems Governance		
Balance unspent at beginning of year	7,170	7,170
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 13)	7,170	7,170
18.8 Internal Roads		
Balance unspent at beginning of year	-	10,617,961
Current year receipts	6,720,000	-
Conditions met - transferred to revenue	(5,261,559)	(10,617,961)
Conditions still to be met - remain liabilities (see note 13)	1,458,441	-
18.9 Kuyasa School Grant		
Balance unspent at beginning of year	4,302	4,302
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 13)	4,302	4,302
18.10 Land Use Management		
Balance unspent at beginning of year	220,238	220,238
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 13)	220,238	220,238
18.11 Library Assistant		
Balance unspent at beginning of year	5,854	3,023
Current year receipts	105,800	100,800
Conditions met - transferred to revenue	(105,946)	(97,969)
Conditions still to be met - remain liabilities (see note 13)	5,708	5,854
18.12 Library Building Grant		
Balance unspent at beginning of year	220,966	-
Current year receipts	233,340	220,966
Conditions met - transferred to revenue	(240,866)	-
Conditions still to be met - remain liabilities (see note 13)	213,440	220,966

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
18 GOVERNMENT GRANTS AND RECEIPTS continued		
18.13 Municipal Infrastructure Grant		
Balance unspent at beginning of year	2,820,813	6,013,350
Current year receipts	17,409,000	13,170,000
Conditions met - transferred to revenue	(18,482,738)	(16,362,537)
Adjustments - expenditure.	-	-
Conditions still to be met - remain liabilities (see note 13)	<u>1,747,075</u>	<u>2,820,813</u>
18.14 Management Assistance Grant		
Balance unspent at beginning of year	46,304	288,894
Current year receipts	-	-
Conditions met - transferred to revenue	(41,672)	(242,590)
Conditions still to be met - remain liabilities (see note 13)	<u>4,632</u>	<u>46,304</u>
18.15 Marthal Project Grant		
Balance unspent at beginning of year	8,197	8,197
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 13)	<u>8,197</u>	<u>8,197</u>
18.16 Market Stalls Grant		
Balance unspent at beginning of year	350,877	350,877
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 13)	<u>350,877</u>	<u>350,877</u>
18.17 Municipal Finance Management Act Implementation Grant		
Balance unspent at beginning of year	-	134,899
Current year receipts	-	-
Conditions met - transferred to revenue	-	(134,899)
Conditions still to be met - remain liabilities (see note 13)	<u>-</u>	<u>-</u>
18.18 Mun Development Planning Capacity Building		
Balance unspent at beginning of year	24,973	24,973
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 13)	<u>24,973</u>	<u>24,973</u>
18.19 Municipal administrative Development		
Balance unspent at beginning of year	9,000	9,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 13)	<u>9,000</u>	<u>9,000</u>
18.20 Nokweja Disaster Fund		
Balance unspent at beginning of year	3,323	13,414
Current year receipts	-	-
Conditions met - transferred to revenue	(11,881)	(10,091)
Balance owing transferred to debtors (Refer to note 8)	<u>(8,558)</u>	<u>3,323</u>
18.21 Programme Support		
Balance unspent at beginning of year	-	16,908
Current year receipts	-	-
Conditions met - transferred to revenue	-	(16,908)
Conditions still to be met - remain liabilities (see note 13)	<u>-</u>	<u>-</u>

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
18 GOVERNMENT GRANTS AND RECEIPTS continued		
18.22 Project Consolidate (Municipal Systems Information Grant)		
Balance unspent at beginning of year	414,968	595,151
Current year receipts	790,000	750,000
Conditions met - transferred to revenue	(800,202)	(930,183)
Conditions still to be met - remain liabilities (see note 13)	404,766	414,968
18.23 Project Management unit		
Balance unspent at beginning of year	163,377	-
Adjustments	-	-
Current year receipts	-	723,721
Conditions met - transferred to revenue	-	(560,344)
Conditions still to be met - remain liabilities (see note 13)	163,377	163,377
18.24 Sangcwaba Grant		
Balance unspent at beginning of year	673,950	673,950
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 13)	673,950	673,950
18.25 Sponya Housing Project		
Balance unspent at beginning of year	-	-
Current year receipts	-	591,044
Conditions met - transferred to revenue	-	(591,044)
Conditions still to be met - remain liabilities (see note 13)	-	-
18.26 Waste Disposal Site		
Balance unspent at beginning of year	144,621	413,050
Conditions met - transferred to revenue	(26,500)	(268,429)
Conditions still to be met - remain liabilities (see note 13)	118,121	144,621
18.27 Ixopo Sportsfield		
Balance unspent at beginning of year	1,302	-
Adjustments	-	307,058
Current year receipts	840,000	-
Conditions met - transferred to revenue	(494,849)	(305,756)
Conditions still to be met - remain liabilities (see note 13)	346,453	1,302
19 OTHER INCOME		
Included in other income are the following:-		
Sundry income	102,070	70,075
Licence commission	586,366	485,126
Burial fees	20,352	22,640
Building fees	39,340	37,863
Lost books	1,993	1,993
Library photostats	13,454	12,465
Admin fees	13,718	11,946
Discount received	5,498	173
Skills development	123,780	35,724
	906,571	678,003

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
20 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	14,380,764	12,718,356
Employee related costs - Contributions for UIF, pensions and medical aids	2,683,841	2,191,026
Travel, motor car, accommodation, subsistence and other allowances	824,004	563,017
Housing benefits and allowances	33,424	35,179
Overtime payments	339,799	349,303
Other employee related costs	1,392,075	850,130
Total Employee Related Costs	19,653,908	16,707,012
There were no advances to employees.		
Remuneration of the Municipal Manager		
Annual Remuneration	521,636	-
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	85,584	-
Contributions to UIF, Medical and Pension Funds	66,158	-
Total	673,378	-
Remuneration of the Chief Financial Officer		
Annual Remuneration	486,361	486,900
Travel, motor car, accommodation, subsistence and other allowances	189,598	93,100
Contributions to UIF, Medical ,Pension Funds and Skills levy	1,373	7,163
Total	677,332	587,163
The Chief Financial Officer was suspended during the 2011/12 financial year. The figures above are for eleven months only.		
Annual Remuneration	399,010	-
Travel, motor car, accommodation, subsistence and other allowances	11,328	-
Contributions to UIF, Medical ,Pension Funds and Skills levy	998	-
Total	411,336	-
The remuneration for the Acting Chief Finance Officer is for eight months only.		
Remuneration of Individual Executive Directors:		
Technical Services		
Annual Remuneration	439,758	334,167
Travel, motor car, accommodation, subsistence and other allowances	218,143	195,833
Contributions to UIF, Medical and Pension Funds	1,497	6,458
Total	659,398	536,458
Corporate Services		
Annual Remuneration	472,697	528,500
Travel, motor car, accommodation, subsistence and other allowances	4,929	1,500
Contributions to UIF, Medical and Pension Funds	1,248	6,847
Total	478,874	536,847
The remuneration for the Director: Corporate Services post is for the full financial year.		
Community Services		
Annual Remuneration	500,148	434,900
Travel, motor car, accommodation, subsistence and other allowances	91,496	95,100
Contributions to UIF, Medical and Pension Funds	1,373	6,659
Total	593,017	536,659

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
21 REMUNERATION OF COUNCILLORS		
Mayor	383,361	509,545
Deputy Mayor	191,393	248,680
Speaker	190,809	198,449
Executive Committee Members	306,759	564,727
Councillors' allowances	3,921,744	2,865,376
Cellular Allowance	294,213	265,947
Total Councillors' Remuneration	5,288,280	4,652,724
In-kind Benefits		
The Mayor and one of the Executive Committee members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of the Council owned vehicle plus one driver for official duties.		
22 CONTRACTED SERVICES		
Contracted services for:		
Steiner Hygiene	14,424	18,420
PMB Security	12,825	9,789
Zincume Security	596,600	319,200
Brokersure (Insurance)	388,734	333,549
Trade Page	32,719	35,291
Fintech	312,088	-
Autopage	169,674	-
Telkom	201,565	-
Nashua	27,215	-
Internal Audit	-	428,575
Netstar	-	2,068
Tracker	-	6,244
	1,755,844	1,153,136
23 GRANTS AND SUBSIDIES PAID		
Grant Expenditure	3,098,997	5,693,095
Grant in aid	-	-
	3,098,997	5,693,095

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
24 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertisements	336,551	212,159
Assets under R5000.	8,751	127,393
Audit-External	803,791	871,791
Audit - Internal	289,232	-
Bank Charges	89,617	101,170
Breakdown Services	-	650
Chemicals,Cleaning,First Aid	16,847	4,588
Cleaning Office	73,116	33,092
Communication Costs	27,925	612,630
Community Awareness	50,188	95,278
Compensation Commissioner	-	90,220
Computer & IT Support Natis	208,049	75,328
Contract Eployees	-	52,781
Destitute Support	-	66,487
Electricity	333,532	140,563
Employment Creation	80,694	129,648
Entertainment	78,999	90,807
Free Basic Electricity.	771,149	798,482
Freight Costs/Hire Costs	429,880	443,626
Fuel& Oil	541,730	530,244
Gender Development	159,594	13,665
Grant-in-aid.	175,400	88,480
IDP Small Projects.	246,983	689,493
Landfill Site	299,850	279,032
LED Small Projects	1,668,646	-
Legal Fees	703,553	517,637
Licences & Permits	52,900	54,094
Marketing & Tourism	84,894	16,356
Moral Regeneration	10,700	68,000
Occupational Safety	33,090	93,784
Paupers - Indigents	45,131	-
Postage	83,684	87,015
Printing & Stationery	430,656	403,046
Public Paticipation	259,504	486,172
Refreshments	80,947	63,259
Refuse Bags	103,872	216,970
Reimburive Travel	393,752	231,569
Rental of Hardware/Software	-	266,471
S & T Accommodation.	753,821	476,763
Security.	559,621	148,641
Skills Levy	42,547	164,620
Software Licence Fees	42,255	46,685
Special Project	101,486	157,891
Sports & Recreational.	938,693	545,312
Councillor Support Clerk	67,986	-
Strategic Plan.	292,129	202,511
Subs Membership & Publication.	163,350	180,723
Subsiised Vehicles	-	5,800
Sundry.	2,254	90,302
Town Planning Innitiatives	-	52,909
Training	655,990	392,953
Valuation Roll.	204,105	129,924
Ward Committee	926,496	490,045
Youth Upliftment	99,933	548,384
	13,823,873	11,685,443

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
25 FINANCE LEASE LIABILITY		
The present of finance lease liabilities is as follows:		
Within one year	328,306	237,925
In the second to fifth year inclusive	1,036,582	903,870
After five years		
Total	1,364,888	1,141,795
26.1 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	20,893,189	19,630,038
Adjustment for:-		
Interest earned	(2,539,649)	(2,182,949)
Interest expense	165,591	110,451
Depreciation and amortisation	13,498,151	14,607,082
Impairment of property, plant and equipment	102,364	-
Increase in provisions - bad debts	-	3,820,164
Increase in contribution to post retirement benefits	793,757	573,688
Sundry	(6)	-
Working Capital Movements		
(Increase)in trade receivables from exchange transactions.	(3,115,423)	(1,878,881)
Decrease in trade receivables from non-exchange transactions.	114,640	45,528
(Decrease)/Increase in VAT receivable	(778,941)	(913,639)
Increase /(Decrease) in trade payables	(346,213)	6,138,961
Increase /(Decrease) in Unspent Grants	821,191	(15,422,603)
Housing Development fund.	-	24,989
Prior Year Adjustments.	-	(4,892,380)
Cash generated by operations	29,608,650	19,660,447
26.2 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call investment deposits	38,104,678	33,559,583
Bank balances and cash	709,097	478,537
Net cash and cash equivalents (net of bank overdrafts)	38,813,775	34,038,120

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

		2012	2011
		R	R
27	CHANGE IN ACCOUNTING POLICY		
	The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the change in accounting policy relating to transitional provisions with regards to the implementation of GRAP as per Directive 4.		
27.1	Property Plant and equipment (Cost)		
	Balance previously reported		90,373,187
	Transfer of investment properties to separate note 3		(4,343,282)
	GRAP Transitional Provisions : Assets previously not recognised - immovables		199,401,092
	GRAP Transitional Provisions : Fair Value adjustment - movables		622,593
	GRAP Transitional Provisions : Assets previously not recognised - leases		(287,677)
	Restated balance at 30 June 2011		285,765,913
27.2	Property Plant and equipment (Accumulated Depreciation and Impairment Loss)		
	Balance previously reported		(16,069,839)
	GRAP Transitional Provisions : Assets previously not recognised		(107,984,813)
	GRAP Transitional Provisions : Additional Depreciation for 2011		(11,863,663)
	GRAP Transitional Provisions : Fair Value adjustment - movables		(297,624)
	GRAP Transitional Provisions : Assets previously not recognised - leases		193,995
	Restated balance at 30 June 2011		(136,021,944)
27.3	Investment properties		
	Balance previously reported		-
	Transfer of investment properties from PPE to separate note 3		4,343,282
	Adjustments related to transitional provisions relating to the implementation of GRAP		7,522,718
	Restated balance at 30 June 2011		11,866,000
27.4	Intangible assets (Cost)		
	Balance previously reported		127,851
	GRAP Transitional Provisions : Assets previously not recognised		312,402
	Restated balance at 30 June 2011		440,253
27.5	Intangible assets (Accumulated Amortisation)		
	Balance previously reported		(127,851)
	GRAP Transitional Provisions : Assets previously not recognised		127,851
	Restated balance at 30 June 2011		-
28	CORRECTION OF ERROR		
	The comparatives for 2011/2012 have been restated in respect of the following errors:		
28.1	Trade and other payables from exchange transactions		
	Balance previously reported		5,958,354
	Orders cancelled and paid relating to 2011		(83,038)
	Late processing of entries in 2011		4,533
	Restated balance at 30 June 2011		5,879,849

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
28 CORRECTION OF ERROR continued		
28.2 Trade receivables from non exchange transactions (Other debtors)		
Balance previously reported		1,003,802
Late processing of entries in 2011		(4,533)
Prior year adjustments		77,197
Restated balance at 30 June 2011		1,076,466
28.3 Trade receivables from exchange transactions (Consumer debtors)		
Balance previously reported		1,128,226.00
Late processing of entries in 2011		4,725
Restated balance at 30 June 2011		1,132,951
28.4 Value added taxation receivable from exchange transactions		
Balance previously reported		3,813,183
Late processing of entries in 2011		(1,104)
Restated balance at 30 June 2011		3,812,079
28.5 Bank balances and cash		
Balance previously reported		648,930
Late processing of entries in 2011		7,440
Correction of journals incorrectly posted for 2011 transactions		(177,329)
Correction of journals incorrectly posted for 2011 transactions		3,745
Restated balance at 30 June 2011		482,786
28.6 Finance Lease Liability		
Balance previously reported		1,077,361
Recognition of previously not recognised finance lease		64,434
Restated balance at 30 June 2011		1,141,795
28.7 Cash generated by operations		
Balance previously reported		19,888,562
Recognition of previously not recognised finance lease		(228,115)
Restated balance at 30 June 2011		19,660,447
28.8 Surplus / (Deficit) for the year		
Balance previously reported		31,057,180
Correction of prior year entry to other income		3,313
Correction of prior year entry to general expenses		(4,850)
Correction of finance costs to finance lease liability		18,487
Depreciation and Amortisation due to transitional provisions for GRAP 17		(11,444,092)
		19,630,038

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R

29 CHANGE IN ESTIMATE

The useful lives of movable property, plant and equipment were reassessed at year end due to new information which came to light during the final accounting for the transitional provisions related to GRAP.

The change in estimate resulted in a prospective adjustment to the accumulated depreciation and a reduction against the current years depreciation charge on the statement of financial performance. Refer to note 2.

The effect on future periods is a reduction in the depreciation expense related to these assets. The amounts have not been quantified for disclosure as they will form part of the budgeted expenses going forward.

Property Plant and equipment

29.1 (Accumulated Depreciation and Impairment Loss)

Opening balance as at 1 July 2011	(136,021,944)	
Change in estimate - Accumulated Depreciation	2,320,364	
Depreciation 2012	(15,818,516)	
Impairment 2012	(102,364)	
Closing balance at 30 June 2012	(149,622,460)	

30. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening balance	-	-
- South African Revenue Service	149 404	-
Interest and penalties were charged for late payment of PAYE, Skills development levy, UIF.		
- Natal Joint Municipal Pension Fund	642	-
Interest was charged for late payment of member contributions		
- Municipal Councillor's Pension Fund	121	-
Interest was charged for late payment of member contributions		
Closing balance	150 167	-

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
31 IRREGULAR EXPENDITURE		
31.1 IRREGULAR EXPENDITURE		
Reconciliation of irregular expenditure:		
Opening balance	-	-
Section 36 - condoned or written off by Council	6,868,555	10,872,593
Closing balance	6,868,555	10,872,593

These deviations were caused mainly caused by nature of the service where it is impossible to obtain a minimum of 3 quotations and the cases where the services and goods were required urgently.

Some of these deviations will be eliminated by the appointment of staff and others will be eliminated by the appointment of annual contracts.

Reported to and ratified by Council:

A & E Printers	2,764	-
Adcocks Travel	40,969	-
Alpha office furniture	95,611	-
Arch actuarial Consulting	37,050	-
Ashley's Towing service	3,628	-
B&B Transport and plant Hire	16,758	-
Barloworld equipment	100,844	-
Bright Pictures and production	4,400	-
Build it	19,740	-
Claire Du Plesis (Twisted Sister)	350	-
De la Rue Auto Electrical	3,838	-
Derek's Electrical	15,011	-
Emini Emnandi General Construction	50,571	-
Impelwini Management Solutions	10,400	-
Futurenet	8,357	-
Fynn's Construction	13,338	-
Government Printing Works	1,236	-
Gracan Communications	67,543	-
H&B Equipment	69,080	-
Human Communications	4,754	-
HIS Electrical	9,147	-
Ixopo Primary school	9,550	-
Ixopo superspar	20,490	-
Ixopo Towing service	530	-
Khoza KS	4,250	-
KZN Midlands Training Academy	8,550	-
Lithotech	7,377	-
Lusted and Johnson	502,758	-
Mageza Project Manager	341,160	-
Makhaotse, Narasimulu and associates	4,000,000	-
Manyathi Trading	450	-
Mccarthy Toyota	395,976	-
Mdlele Incorporated	94,782	-
Meteor Office furniture	65,391	-
MG Hoddy's engineering	456	-
Nashua PMB	922	-
Natal Park Homes	8,664	-
Neffcon Roadtech	2,565	-
Nix Matters	2,370	-
Post office	3,822	-
RDS Mechanical Services	14,884	-
Service unlimited	3,561	-
Sky blue media	820	-
Southern Sun Hotel International	34,851	-
Sparks Electrical and Hardware	1,160	-
Supa Quick Ixopo	3,470	-

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
31.1 IRREGULAR EXPENDITURE continued		
Reported to and ratified by Council: continued		
Tradepage	2,150	-
Trentyre	2,335	-
Tri circle Hardware	23,969	-
Truvelo Manufacturers	2,290	-
VIP Payroll	16,233	-
Winners Trading	21,495	-
Not Reported to Council:		
Inkonka Civils	442,016	
Makhaoste Narasimulu & Associates	253,869	
Previously reported to Council		
Multi-Finance Solutions.	-	99,050
Multi-Finance Solutions.	-	179,000
Multi-Finance Solutions.	-	124,780
Multi-Finance Solutions.	-	112,860
Multi-Finance Solutions.	-	41,040
Multi-Finance Solutions.	-	135,432
Gabhisa Planning and Investments	-	100,320
The Horizon	-	39,000
Skip Truck Traders (PTY) LTD.	-	196,725
Umsizi Skills Academy	-	123,120
Bongis Catering	-	2,550
Event Mania	-	35,368
Masakhe Promotions	-	18,525
Uleda Consultants	-	75,000
Not Reported to Council:		
Multi-Finance Solutions.	-	143,224
B & B Transport	-	199,694
Trevwest Investments	-	61,200
Uleda consultants	-	128,640
KPMG	-	180,134
Royal Tent and Tarp	-	40,210
Atlantic Plastics	-	93,942
Mkhabela Consulting Business Accountants	-	71,136
Poobie Naidoo Sportman Warehouse	-	31,200
Masedamoi Marketing and Projects	-	51,985
Fana Manufacturing CC	-	63,270
XM Designers	-	45,000
Makhawini Trading Enterprise	-	30,500
Willies Trading	-	57,456
Bytes Systems Technology.	-	104,479
Zamandla Business Enterprises	-	20,450
Boxer Stores	-	26,392
Ben Booysen	-	18,913
Sew & Knit Centre	-	22,615
Bongis Catering	-	10,500
Mlatti Trading	-	12,000
Atlas Plastics	-	15,341
Imperial Armour	-	12,312
Mangwadleni Trading	-	29,100
Menopix	-	27,000
Veluno JV -KwaMpondo Skills centre	-	832,447
Inkonka Civils -Mkhalwane gravel road	-	1,123,427
DNA Structures- Koshange community hall	-	143,890
PMPZ Construction cc- Carrisbrook community hall	-	899,394
B & B Transport- Plant hire contract	-	1,532,954
Zeedo Trading- Labour suply contract	-	1,584,022
Debbies Hardware- Materials supply	-	1,789,149
Amazizi cc	-	128,821
Amazizi cc	-	52,625
Amazizi cc	-	6,400

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012	2011
R	R
6,868,555	10,872,593

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
32.1 Contributions to organised local government		
Opening balance		
Council subscriptions	110,000	100,000
Amount paid - current	(110,000)	(100,000)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
32.2 Audit fees		
Opening balance		
Current year audit fee	793,227	871,791
Amount paid - current year	(793,227)	(871,791)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
32.3 VAT		
Vat received for the year	(4,500,598)	5,036,376
VAT paid for the year	-	-
	<u>(4,500,598)</u>	<u>5,036,376</u>
Vat input receivable and VAT output payable are shown in note 9.		
32.4 PAYE and UIF and Skills		
Opening balance	-	-
Current year payroll deductions	2,573,221.53	2,566,554
Amount paid - current year	-2,573,221.53	(2,566,554)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
32.5 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	4,158,776.70	3,651,777
Amount paid - current year	-4,158,776.70	(3,651,777)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
32.6 Councillor's arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days as at: -		
as at 30 June 2012		
Councillor D Ram (Acc No 104881)	12,316	-
Total Councillor Arrear Consumer Accounts	<u>12,316</u>	<u>-</u>

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
33 CAPITAL COMMITMENTS		
33.1 Commitments in respect of capital expenditure		
Total commitments	45,437,493	25,579,399
- Contract costs to complete	6,390,163	7,474,566
Infrastructure	1,041,452	876,748
Community	4,264,599	6,597,818
	1,084,112	-
- Approved but not yet contracted for	39,047,330	18,104,833
Infrastructure	17,290,330	6,438,393
Community	15,955,000	11,666,440
Other	5,802,000	-
Total	45,437,493	25,579,399
This expenditure will be financed from:		
- External Loans	-	-
- Government Grants	35,512,790	5,422,031
- Own resources	9,924,703	2,052,536
	45,437,493	7,474,566

Refer to note 25 for the finance lease commitments.

34 RETIREMENT BENEFIT INFORMATION

34.1 Retirement benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

34.2 Post-employment medical benefits

The municipality operates on 3 accredited medical aid schemes, namely Bonitas, Keyhealth, and Samwumed.

Pensioners continue on the option they belonged to on the day of their retirement. Independent valuers, ARCH actuarial consulting, carried out a statutory valuation as at 30 June 2012.

The post-retirement medical obligations at 30 June 2012 quantified the present value of unfunded obligations at R3,644,673. The Current-service costs for the year ending 30 June 2012 is estimated at R158,206. The principal actuarial assumptions used included a discount rate of 7.73% , and a health care cost inflation rate of 7.04 % .

The movement in the liability recognised in the balance sheet is as follows:
The principal actuarial assumptions used were as follows:

Balance at beginning of the year	3,077,107	2,607,587
Current service cost	158,206	139,590
Interest cost	260,752	225,158
Benefit payments	(110,880)	(101,292)
Actuarial (gains)/losses	259,488	206,064
Expected Employer Benefit Payments	(110,880)	(101,292)
Closing Accrued Liability	3,644,673	3,077,107

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R

The figures as at 30 June 2012 have been included and the financials restated.

34 RETIREMENT BENEFIT INFORMATION continued

34.2 Post-employment medical benefits continued

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

Current service cost	158,206	139,590
Interest cost	260,752	225,158
Actuarial (gains)/losses	3,198,590	206,064
	3,617,548	570,812
Benefit payments	(110,880)	(101,292)
Transitional Liability	138,005	2,607,587
	3,644,673	3,077,107

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

Current service cost	158,206	139,590
Interest cost	260,752	225,158
Benefit payments	(110,880)	(101,292)
Actuarial (gains)/losses	259,488	206,064
	567,566	469,520

Key Assumptions

Discount rate per annum	7.73%	8.63%
Health care cost inflation rate	7.04%	7.34%
Net effective discount rate	0.64%	1.2%
Benchmark inflation (equal to salary inflation)	0%	0%
Average retirement age	63	63
Proportion continuing membership at retirement	100%	100%
Proportion of retiring members who are married	90%	90%
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Mortality post-retirement	PA90-1 ultimate	PA90-1 ultimate

(No explicit assumption was made about additional mortality or health care costs due to AIDS).

Percentage of in-service members withdrawing before retirement:

Age 20	40%	40%
Age 30	25%	25%
Age 40	12%	12%
Age 50	4%	4%
Age 55+	0%	0%

The amounts recognised in the Statement of Financial Position	3,644,673	3,077,107
---------------------------------------------------------------	-----------	-----------

34.3 Long Service Awards.

Independent valuers, ARCH actuarial consulting, carried out a statutory valuation as at 30 June 2012.

The principal actuarial assumptions used were as follows:

Discount rate per annum	7%	8%
General Salary Inflation (Long term)	6%	6%
Net effective discount rate	9%	2%

Examples of mortality rates used were as follows:

Average retirement age	63	63
Mortality during employment	SA85-90	SA85-90

Members withdrawn from services:

Age 20	40%	40%
Age 30	25%	25%
Age 40	12%	12%
Age 50	4%	4%
Age 55+	0%	0%

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
34 RETIREMENT BENEFIT INFORMATION continued		
34.3 Long Service Awards continued		
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	763,379	537,188
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	<u>763,379</u>	<u>537,188</u>
Movements in the defined benefit obligation is as follows:		
Balance at beginning of the year	537,188	433,020
Current service cost	102,685	83,587
Interest cost	42,426	33,856
Benefit payments	(20,835)	(36,964)
Actuarial (gains)/losses	101,915	23,689
Balance at end of year	<u>763,379</u>	<u>537,188</u>
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	102,685	83,587
Interest cost	42,426	33,856
Benefit payments	(20,835)	(36,964)
Actuarial (gains)/losses	101,915	23,689
Total, included in employee benefits expense	<u>226,191</u>	<u>104,168</u>
In conclusion the retirement benefits were:		
Statement of Financial Position obligation for:		
Post-employment medical benefits	3,644,673	3,077,107
Long Services Award.	763,379	537,188
	<u>4,408,052</u>	<u>3,614,295</u>
Statement of Financial performance obligation for:		
Post-employment medical benefits loss	567,566	469,520
Long Service Award loss	226,191	104,168
	793,757	573,688
Additional retirement costs.	-	-
	<u>793,757</u>	<u>573,688</u>
Long service award gain	-	-
35 CONTINGENT LIABILITY		
35.1 Claim for damages		
1 AH Mansoor Family Trust.	60,000	65,000
2 Mr H Ramsunder - eviction Municipal property.	50,000	4,120,000
3 Investigation by KPMG of Municipal Property Lot 427 (Gym equipment/Operation)	80,000	80,000
4 Ixopo Taxi Rank - eviction orders against illegal squatters	150,000	60,000
5 Tresso Trading/Showdown Investments cede right for building on Lot 175	50,000	50,000
6 KPMG investigate fraudulent cheques	40,000	40,000
7 Hampton college	15,000	-
8 Zanuse Trading	350,000	-
9 Mnguni Well	60,000	-
10 Fairview Housing project	12,000	-
11 Disciplinary hearing: Mrs D Mohapi	140,400	-
12 SN Chili	90,000	-
	<u>1,097,400</u>	<u>4,415,000</u>

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
36 CONTINGENT ASSET		
No contingent assets were identified for the year ended 30 June 2012 or for the year ended 30 June 2011.		
37 RELATED PARTIES		
Joint Ventures	-	-
Associates	-	-
Members of key management	-	-
Close family member of key management	-	-
Post employment benefit plan for employees of municipality and/or other related parties	-	-
Other related party relationships	-	-
- Umzimkulu Municipality (Land fill site usage)	235,721	279,032
Related party balances	<u>235,721</u>	<u>279,032</u>
38 EVENTS AFTER THE REPORTING DATE		
No events after the reporting date were identified for the year ended 30 June 2012 or for the year ended 30 June 2011.		
39 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS		
The following areas involve a significant degree of estimation uncertainty:		
- Useful lives and residual values of property, plant, and equipment		
- Recoverable amounts of property, plant and equipment		
- Present value of defined benefit obligation		
- Provision for doubtful debts		
40 FINANCIAL RISK MANAGEMENT		
Financial Risk Management Objectives		
Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.		
The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.		
40.1 Maximum credit risk exposure		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:		
The maximum credit risk exposure in respect of the relevant financial instruments is as follows:		
Cash and Cash Equivalents	38 813 775	34 038 120
Trade and other receivables	5 210 200	2 209 417
Maximum Credit Exposure	<u>44 023 975</u>	<u>36 247 537</u>

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
40 FINANCIAL RISK MANAGEMENT continued		
40.2 Liquidity risk		
<p>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. Unspent Grants are cash backed. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.</p> <p>The table below analyses the municipality's financial liabilities into amounts due within the 12 months after financial year end. The amounts disclosed in the table are the contractual undiscounted cash flows.</p>		
Trade and other payables	5 533 636	5 879 849
Other: Lease obligations	<u>1 364 888</u>	<u>1 141 795</u>
Maximum Liquidity Exposure	<u>6 898 524</u>	<u>7 021 644</u>
40.3 Interest rate risk		
<p>As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.</p> <p>At year end, financial instruments exposed to interest rate risk were as follows:</p>		
Bank Balances and Cash	<u>38 813 775</u>	<u>34 038 120</u>
Maximum Interest Exposure	<u>38 813 775</u>	<u>34 038 120</u>
40.4 Other price risk		
<p>Due to legislative restrictions, the municipality does not trade these investments.</p>		

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

41. COMPARISON TO BUDGET

41.1 ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

	Actual 2012 R	Budget 2012 R	Variance 2012 R	Variance 2012 %	Explanation of significant Variance greater than 10% versus Budget
REVENUE					
Property rates	7 060 308	11 374 200	(4 313 892)	-38%	The budget does not reflect the rates rebates of R4 million.
Property rates- penalties imposed and collection charges	598	200 000	(199 402)	-99.7%	Rates penalties raised are included in the rates vote but shown separately on the budget.
	743 254	1 102 746	(359 492)	-33%	The refuse charges for businesses were understated due to the implementation of new tariffs. Awaiting council resolution for way forward.
Service charges					
Rental of facilities and equipment	184 650	478 773	(294 123)	-61%	Rentals actually received were less than anticipated.
Interest earned- external investments	2 539 649	2 000 000	539 649	27%	Maximum rate of return was received on investments.
Fines	528 720	37 637	491 083	1305%	Additional effort was placed on law enforcement activities which yielded additional revenue.
Licences and permits	2 842 502	2 550 050	292 452	11%	Additional effort was placed on testing more vehicles and licences which yielded additional revenue.
Government grants and subsidies	64 929 510	71 773 058	(6 843 548)	-10%	This as a result of funds withheld by National Treasury for Municipal Infrastructure Grant roll overs.
Other income	906 570	731 696	174 874	24%	Additional funds were received on the licence agency fees and skills development.
Total Revenue	79 735 762	90 248 160	(10 512 398)		
EXPENDITURE					
Corporate Services	10 191 418	7,348,218	2 843 200	39%	The full leave accrual and retirement benefit adjustments are carried by Corporate Services.
Financial Services	21 962 355	23,531,784	(1 569 429)	-7%	n/a
Municipal Manager	7 310 330	7,727,131	(416 801)	-5%	n/a
Community Services	10 280 301	10,611,118	(330 817)	-3%	n/a
Technical Services	9 098 169	5,151,365	3 946 804	77%	Operating expenses related to grant monies and all temporary staff costs are expensed against Technical.
Total Expenditure	58 842 573	54 369 616	4 472 957		
NET (DEFICIT) / SURPLUS FOR THE YEAR	20 893 189	35 878 544	(14 985 355)		

UBUHLEBEZWE MUNICIPALITY
Annual Financial Statements for the year ending 30 June 2012

APPENDIX A
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

As at 30 June 2012	Cost / Revaluation					Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Disposals	Correction	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss		Closing Balance
	R	R	R		R	R	R	R	R	R		R
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	2,511,279	-	-	-	-	-	-	-	-	14,946	1,179,230	1,332,049
Vehicles	2,246,525	787,225	-	-	-	-	-	-	-	-	1,101,646	1,932,104
Computer Equipment	1,117,171	65,925	-	-	-	-	-	-	-	31,166	679,378	503,718
Furniture & Equipment	2,677,063	562,477	-	-	-	-	212,059	-	-	56,252	1,451,267	1,788,273
Investment Properties	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Specialised Vehicles	1,030,033	-	-	-	-	-	231,279	69,879	-	-	301,158	772,170
Leased Assets	-	-	-	-	-	-	-	-	-	-	-	-
Total						11,040,992	3,864,873	745,442			4,712,679	6,328,313

As at 30 June 2011						Accumulated Depreciation					Carrying Value	
	Opening Balance	Disposals	Correction	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R		R	R	R	R	R	R	R		
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	2,311,871	-	-	-	2,311,871	1,217,223	-	-	-	-	1,217,223	1,094,648
Vehicles	2,248,818	-	-	-	2,248,818	1,683,736	-	-	-	-	1,683,736	565,082
Computer Equipment	990,149	-	-	-	990,149	696,156	-	-	-	-	696,156	293,993
Furniture & Equipment	2,378,606	-	-	-	2,378,606	1,842,474	-	-	-	-	1,842,474	536,132
Investment Properties	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Specialised Vehicles	1,030,033	-	-	-	1,030,033	448,174	-	-	-	-	448,174	581,859
Leased Assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	8,959,477				8,959,477	5,887,763					5,887,763	3,071,714

To be completed once all adjustments have been finalised

UBUHLEBEZWE MUNICIPALITY
Annual Financial Statement as at 30 June 2012

APPENDIX B

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2012	Cost / Revaluation						Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Transfers	Closing Balance	Opening Balance	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R		
Budget & Treasury	1,320,937	78,439	0	0	0			0	924,744	474,631	
Community Services	938,834	180,737	0	0				0	492,750	626,821	
Corporate Services	508,268	456,968	0	0				0	259,589	705,647	
Executive & Council	1,147,411	98,828	0	0				0	583,545	662,693	
Housing	72,657	15,228	0					0	19,097	68,788	
Planning & Development	262,206	572,399	0					0	140,647	693,959	
Public Safety	1,390,806	0						0	579,746	811,060	
Roads	2,181,332	0					144,367	0	935,693	1,245,639	
Solid Waste	0						0	0	0	0	
Sports & Recreation	0						0	0	0	0	
Total						2,25,050	3,301,785	634,027	0	3,935,812	5,289,238

Restated opening balances

As at 30 June 2011	Disposals			Corrections			Accumulated Depreciation				Carrying value
	Disposals	Corrections	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance				
	R	R	R	R	R	R	R				
Budget & Treasury			0			0	0	0	0	0	
Community Services			0			0	0	0	0	0	
Corporate Services			0			0	0	0	0	0	
Executive & Council			0			0	0	0	0	0	
Housing			0			0	0	0	0	0	
Planning & Development			0			0	0	0	0	0	
Public Safety			0			0	0	0	0	0	
Roads			0			0	0	0	0	0	
Solid Waste			0			0	0	0	0	0	
Sports & Recreation			0			0	0	0	0	0	
Total	0	0	0	0	0	0	0	0	0	0	

To be completed once all adjustments have been finalised

UBUHLEBEZWE MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2012

APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Revenue R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Revenue R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
(438 398)	7 000 894	(6 562 496)	Corporate Services	(329 772)	10 191 418	(9 861 646)
(47 281 466)	26 217 033	21 064 433	Financial Services	(53 809 293)	21 962 355	31 846 938
	6 690 581	(6 690 581)	Municipal Manager	-	7 310 330	(7 310 330)
(3 805 367)	9 915 935	(6 110 568)	Community Services	(1 025 780)	10 280 301	(9 254 521)
(29 475 108)	11 545 858	17 929 250	Technical Services	(24 570 917)	9 098 169	15 472 748
(81 000 339)	61 370 301	19 630 038	Total	(79 735 762)	58 842 573	20 893 189

The inter-departmental charges have been allocated per segment for the current and prior years.

UBUHLEBEZWE MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2012

APPENDIX D
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2010/2011 financial statements	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2011/2012 financial statements
			July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June		
			1	2	3	4		1	2	3	4		
Equitable Share	National Treasury	-	18,928,000	7,061,000	12,405,000	-	38 394 000	9,598,500	9,598,500	9,598,500	9,598,500	38,394,000	-
Anti Corruption Grant	Dlgtla	-	-	-	-	-	-	-	-	-	-	-	-
Capital Investment Program	Dlgtla	9 700	-	-	-	-	-	-	-	-	-	-	9,700
Financial Management Grant	National Treasury	-	1 250 000	-	-	-	1 250 000	494 254	362 614	111 382	(37 201)	931,049	318,951
M F M A Implementation Plan	Dlgtla	-	-	-	-	-	-	-	-	-	-	-	-
G I S Grant	Dlgtla	146 712	-	-	-	-	-	74 379	39 336	12 830	11 700	138,245	8,467
Hawkers/Taxi Grant	Dlgtla	1,033,341	-	-	-	-	-	-	-	-	-	-	1,033,341
H R Systems Governance	Dlgtla	7,170	-	-	-	-	-	-	-	-	-	-	7,170
Internal Roads	Dlgtla	-	6 720 000	-	-	-	6 720 000	1 305 973	-	821 957	3 133 630	5,261,559	1,458,441
Ixopo Sportfields	Dlgtla	1,302	420 000	-	420 000	-	840 000	-	-	-	494 849	494,849	346,453
Kuyasa School Grant	Dlgtla	4,302	-	-	-	-	-	-	-	-	-	-	4,302
Land Use Manageent	Dlgtla	220,238	-	-	-	-	-	-	-	-	-	-	220,238
Library Assistant	Dlgtla	5,854	-	-	-	105 800	105 800	26 124	25 712	28 393	25 716	105,946	5,708
Library Building Grant	Dlgtla	220,966	233 340	-	-	-	233 340	-	-	150 751	90 115	240,866	213,440
M I G Grant	National Treasury	2,820,814	-	12 826 000	4 583 000	-	17 409 000	737 472	1 852 169	7 632 096	8 261 001	18,482,738	1,747,076
Management Assistance	Dlgtla	46,304	-	-	-	-	-	-	-	65 774	(24 102)	41,672	4,632
Marithal Project	Dlgtla	8,197	-	-	-	-	-	-	-	-	-	-	8,197
Market Stalls	Dlgtla	350,877	-	-	-	-	-	-	-	-	-	-	350,877
Municipal Development Planning Capacity	Dlgtla	24,973	-	-	-	-	-	-	-	-	-	-	24,973
Municipal Administrative Development	Dlgtla	9,000	-	-	-	-	-	-	-	-	-	-	9,000
Mziki L C H	Dlgtla	(573,880)	-	-	-	-	-	-	-	-	-	-	-573,880
Nokweja Disaster Fund	Dlgtla	3,323	-	-	-	-	-	14 000	(2 690)	(2 100)	2 671	11,881	-8,558
Programme Support	Dlgtla	-	-	-	-	-	-	-	-	-	-	-	-
Project Consolidate(MSG)	Dlgtla	414,968	-	790 000	-	-	790 000	180 583	53 899	126 340	439 380	800,202	404,766
Project Management Unit	Dlgtla	163,377	-	-	-	-	-	-	-	-	-	-	163,377
Sangcwaba Grant	Dlgtla	673,950	-	-	-	-	-	-	-	-	-	-	673,950
Sponya Housing Project	Dlgtla	-	-	-	-	-	-	-	-	-	-	-	-
Waste Disposal Site	Dlgtla	144,621	-	-	-	-	-	13 000	13 500	-	-	26,500	118,121
		5 736 109	27 551 340	20 677 000	17 408 000	105 800	65 742 140	12 444 285	11 943 040	18 545 923	21 996 259	64 929 508	6 548 741
Unspent grants at 30 June 2011		<u>(573 880)</u>											582 438
		<u>5 162 229</u>											7 131 179

Reflected as other debtors - claims submitted awaiting settlement - Note 9
Unspent grants at 30 June 2012 - Note 14

UBUHLEBEZWE MUNICIPALITY

APPENDIX A

APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2012

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/11	Balance at 30/06/12	Redeemed / Adjustments / (Interest Capitalised) during this period	Balance at 30/06/12
		%				R	R
Annuity Loans				-	-	-	-
Total Annuity Loans				-	-	-	-
TOTAL EXTERNAL LOANS				-	-	-	-

Deleted.

Note:

Ubuhlebezwe Municipality has no external loan agreements for the 2011/2012 financial year.

UBUHLEBEZWE MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2012

APPENDIX E: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	Budget 2012 R	Actual 2012 R	Variance 2012 R	Variance 2012 %	Explanation of significant Variance greater than 10% versus Budget
REVENUE					
Property rates	11,374,200	7,060,308	4,313,892		
Property rates- penalties and collection charges	200,000	598	199,402		
Service charges	1,102,746	743,254	359,492	-32%	
Rental of facilities and equipment	478,773	184,000	294,773	-159%	
Interest earned- external investments	2,000,000	1,540,000	460,000	-21%	
Fines	37,627	1,083	36,544	-93%	
Licences and permits	2,000,000	1,707,548	292,452	-10%	
Government grants and subsidies	6,843,548	6,843,548	-	11%	
Other income	906,570	1,083,417	-174,874	-19%	
Total Revenue	27,448,160	79,735,762	10,512,398		
EXPENDITURE					
Employee Related Costs	21,263,095	19,653,909	1,609,186	8%	n/a
Remuneration Of Councillors	5,533,567	5,288,280	245,287	5%	n/a
Repairs And Maintenance / Contracted Services	3,086,500	3,022,516	63,984	2%	n/a
Depreciation and impairment	2,150,000	15,907,842	-13,757,842	-86%	
Grants & Subsidies Paid	7,970,056	3,098,997	4,871,059	157%	
General Expenses - Other	15,181,944	14,458,834	723,110	5%	n/a
Contributions to provisions.	2,030,000	-368,672	2,398,672	-651%	
Finance Charges	-	133,534	-133,534	-100%	
Total Expenditure	57,215,162	61,195,240	-3,980,078		
NET (SURPLUS)/ DEFICIT FOR THE YEAR	33,032,998	18,540,522	14,492,476		

Deleted - refer to note 41