

Annual Financial Statements

for

ILEMBE DISTRICT MUNICIPALITY

for the year ended 30 June: 2012

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

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**ILEMBE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012**

General information

His Worship, Councillor Sibusiso Welcome Mdabe	Mayor
Councillor Thokozani Msweli	Speaker - appointed on 23 August 2012
Councillor Amita Badul	Member of the Executive Committee
Councillor Thami Jabulani Zondo	Member of the Executive Committee
Councillor Monitha Dolly Shandu	Member of the Executive Committee
Councillor Samukelisiwe Gugu Xhakaza	<i>Member</i>
Councillor Nkosinathi Vincent Chili	<i>Member</i>
Councillor Susan Molebong Cele	<i>Member</i>
Councillor Muzi Welcome Sithole	<i>Member</i>
Councillor Musawenkosi Simeon Ntuli	<i>Member</i>
Councillor Faith Govender	<i>Member</i>
Councillor Makhosonke Petros Ntuli	<i>Member</i>
Councillor Rejoice Nontsikelelo Pakkies	<i>Member</i>
Councillor Gideon Njabulo Mbonambi	<i>Member</i>
Councillor Octovia Lindile Nhaca	<i>Member</i>
Councillor Nomonde Gloria Mthethwa	<i>Member</i>
Councillor Moosa Suleman Cassim Motala	<i>Member</i>
Councillor Colin Randles Marsh	<i>Member</i>
Councillor Leonard Mandla Ndlovu	<i>Member</i>
Councillor Fuzile Pearl Nkosi	<i>Member</i>
Councillor Zandile Sandy Thoolsi	<i>Member</i>
Councillor Cebisile Pridence Ngidi	<i>Member</i>
Councillor Nomthandazo S. Kunene	<i>Member</i>
Councillor Lindelani Mbulelo Zondi	<i>Member</i>
Councillor Thokozani Sengiphiwe	<i>Member</i>
Councillor Elphas Lindelihle Dube	<i>Member</i>
Councillor Catherine Tholakele Kumalo	<i>Member</i>
Councillor Lindelihle Rodger Mdletshe	<i>Member</i>
Councillor Langelihle Roney Mbonambi	<i>Member</i>
Councillor Ncamisile Jerich Nkwanyana	<i>Resigned 23 August 2012</i>
Councillor Sandeep Oudhram	<i>Resigned 03 August 2012</i>

Municipal Manager

Mike Newton - Resigned 01 March 2012 - Appointed as acting Municipal Manager on 01 March 2012

Chief Financial Officer

Nosipho Mba - Appointed on 01 December 2011.

Grading of Local Authority

Four

Auditors

Auditor General

Bankers

First National Bank

**ILEMBE DISTRICT MUNICIPALITY
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General information (continued)

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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 58, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 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 (Acting): Mike Newton

DATE: 30 August 2012

**ILEMBE DISTRICT MUNICIPALITY
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ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Note	2012 R	2011 R
ASSETS			
Cash and cash equivalents	2	6 826 837	8 930 778
Trade and other receivables from exchange transactions	3	45 521 903	43 332 044
Other receivables	4	9 158 924	9 388 299
Inventories	6	5 027 831	6 140 523
Investments	7	23 276 449	53 691 293
Non-current assets			
Non-current receivables	8	-	287 168
Investments	9	18 682 344	17 245 057
Other non-current financial assets	5	100	100
Property, plant and equipment	10	900 272 043	709 559 363
Intangible assets	11	1 921 828	589 597
Total assets		1 010 688 259	849 164 223
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	12	64 744 310	74 253 648
Consumer deposits	13	3 037 391	2 784 512
VAT payable	14	6 163 477	8 653 366
Current portion of unspent conditional grants and receipts	15	27 842 295	28 947 925
Current portion of borrowings	16	2 533 252	2 106 820
Current portion of finance lease liability	17	4 703 359	4 117 928
Non-current liabilities			
Non-current borrowings	16	92 307 570	95 108 777
Non-current finance lease liability	17	6 414 854	10 515 387
Retirement benefit obligation	38	3 430 259	3 200 623
Total liabilities		211 176 767	229 688 986
Net assets		799 511 494	619 475 236
NET ASSETS			
Accumulated surplus / (deficit)		799 511 494	619 475 236
Total net assets		799 511 494	619 475 236

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2012

	Note	2012 R	2011 R
Service charges	18	95 732 711	92 197 370
Rental of facilities and equipment	19	108 413	97 702
Interest earned - external investments	20	6 527 455	5 598 682
Interest earned - outstanding receivables	21	20 848 410	18 485 605
Government grants and subsidies	22	433 676 921	350 678 045
Other income	23	5 527 365	7 742 830
Total revenue		562 421 276	474 800 233
Expenses			
Employee related costs	24	91 098 375	81 374 612
Remuneration of councillors	25	5 431 497	5 346 785
Bad debts	3	43 601 446	47 376 895
Collection costs		-	-
Depreciation and amortisation expense	26	23 100 313	19 543 637
Repairs and maintenance		20 294 089	14 356 568
Finance costs	27	10 983 831	12 363 098
Bulk purchases	28	51 715 106	44 870 810
Contracted services	29	10 710 440	8 147 211
Grant Expenses	30	35 323 432	58 153 324
General expenses	31	87 416 736	75 011 594
Total expenses		379 675 264	366 544 534
Surplus / (deficit) for the period		182 746 011	108 255 700

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2012

	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R
Balance at 30 June 2010	496 220 209	496 220 209
Restated surplus for the year		
Prior year adjustments	(1 153 122)	(1 153 122)
Increase in investment in municipal entity	33 99	99
Adjustments VAT	33 (306 153)	(306 153)
Restated balance	494 761 033	494 761 033
Surplus / (deficit) on revaluation of property of property, plant and equipment		-
<i>Other items</i>		-
<i>Other items</i>		-
Net gains and losses not recognised in the statement of financial performance		-
Transfers to / from accumulated surplus/(deficit)	-	-
Surplus / (deficit) for the period	108 255 700	108 255 700
Balance at 30 June 2011	603 016 733	603 016 733
Correction of prior period error	16 458 503	16 458 503
Restated balance	619 475 236	619 475 236
Net gains and losses not recognised in the statement of financial performance		-
Transfers to / from accumulated surplus/(deficit)	(2 709 753)	(2 709 753)
Surplus / (deficit) for the period	182 746 011	182 746 011
Balance at 30 June 2012	799 511 494	799 511 494

ILEMBE DISTRICT MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2012

	Note	2012 R	2011 R
Receipts		515 352 008	427 970 973
Sales of goods and services		81 675 087	77 292 927
Grants		433 676 921	350 678 046
Payments		(324 197 460)	(310 861 312)
Employee costs		96 529 872	83 382 785
Suppliers		227 667 588	227 478 527
Cash generated from operations	33	191 154 548	117 109 661
Interest received		6 527 455	5 598 682
Interest paid		(10 983 831)	(12 363 098)
Net cash flows from operating activities		186 698 172	110 345 245
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(213 384 465)	(120 240 655)
Proceeds from sale of fixed assets			
Proceeds from sale of investments		(1 437 287)	(1 433 360)
Purchase of intangibles		(1 648 550)	(196 653)
Decrease/(Increase) in Loans and receivables		287 168	9 729
Net cash flows from investing activities		(216 183 134)	(121 860 939)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans raised - leases		679 507	2 839 162
Repayment of borrowings		(2 374 776)	(2 403 029)
Repayment of finance lease liability		(1 591 433)	(1 796 445)
Increase in consumer deposits		252 879	281 525
Net cash flows from financing activities		(3 033 823)	(1 078 787)
Net increase / (decrease) in net cash and cash equivalents		(32 518 785)	(12 594 481)
Net cash and cash equivalents at beginning of period		62 622 071	75 216 552
Net cash and cash equivalents at end of period	34	30 103 286	62 622 071

ILEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

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

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

1.2 BASIS OF MEASUREMENT

The annual financial statements have been prepared on the historical cost basis except for the following material item in the statement of financial position:

the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

Accounting policies for material transactions, events or conditions not covered by the Standards of GRAP have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3 *Accounting policies, changes in accounting estimates and errors*. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practice (SA GAAP), including any interpretations of such statements issued by the Accounting Practices Board.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.4 OFFSETTING

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.5 GOING CONCERN ASSUMPTION

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

1.6 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

1.7 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and principles of GRAP 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

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

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 18 Segment Reporting - issued February 2011
GRAP 20 Related Party Disclosures - issued June 2011
GRAP 25 Employee Benefits - issued November 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 following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 21 Impairment of Non-cash-generating Assets - effective 01 April 2012
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - effective 01 April 2012
GRAP 24 Presentation of Budget Information in the Financial Statements - effective 01 April 2012
GRAP 26 Impairment of Cash-generating Assets - effective 01 April 2012
GRAP 103 Heritage Assets - effective 01 April 2012
GRAP 104 Financial Instruments - effective 01 April 2012

2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2, been applied.

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

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.

2.1.3 DEPRECIATION AND IMPAIRMENT

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

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Heritage assets and land are not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

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

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

Infrastructure	Years	Other	Years
Water	10 - 60	Machinery and equipment	3 - 20
Sewerage	10 - 60	Furniture and equipment	3 - 50
Other	10 - 50	Motor vehicles	4 - 20
		Buildings	5 - 30

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

The municipality tests 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 property, plant and equipment 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 - refer to note 19 for further information on impairment of assets.

2.1.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising 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.

2.1.5 LEASED ASSETS

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

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

Computer software and websites 2 - 5 days

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 - refer to note 19 for further information on impairment of assets. 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.

3.4 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.

4 HERITAGE ASSETS

4.1 INITIAL RECOGNITION

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

Heritage assets are recognised as an asset when:

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

If the municipality holds an asset that might be regarded as a heritage asset, but on initial recognition, the asset does not meet the above recognition criteria because it cannot be measured reliably, relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

4.3 DEPRECIATION

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired - refer to note 19 for further information on impairment of assets.

4.4 DERECOGNITION

The carrying amount of a heritage asset 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 from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

5 INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory 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 the item on the date acquired.

5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress 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. 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 or current replacement cost is 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 that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

5.3 WATER INVENTORY

Water inventory represents water housed in reservoirs within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

Water and purified effluent are measured at the lowest of purified cost and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

6 INVESTMENTS IN CONTROLLED ENTITIES

In the municipality's separate annual financial statements, investments in controlled entities are measured at cost.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

7.2 SUBSEQUENT MEASUREMENT

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

7.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments 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 - refer to note 19 for further information on impairment of assets. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

7.2.3 TRADE PAYABLES AND BORROWINGS

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

7.2.4 CASH AND CASH EQUIVALENTS

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

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

8 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

9 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. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

10 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 Bearers 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. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

12 PROVISIONS

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

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

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

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13 LEASES

13.1 MUNICIPALITY AS 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 derecognition 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 are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

13.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.

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

Interest revenue is recognised on a time proportion basis.

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

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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 non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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

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

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

14.3 GRANTS, TRANSFERS AND DONATIONS

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

15 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.

16 EMPLOYEES BENEFITS

16.1 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.

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

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

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

16.2 POST- EMPLOYMENT BENEFITS

16.2.1 DEFINED CONTRIBUTION PLANS

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 surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds.

The municipality contributes to various national-and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national-or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

16.2.2 DEFINED BENEFITS PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the municipality. An economic benefit is available to the municipality if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

The municipality immediately recognises all actuarial gains and losses arising from defined benefit plans directly in net assets.

16.2.3 OTHER LONG - TERM BENEFITS PLANS

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

16.2.4 TERMINATION BENEFITS

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

17 VALUE ADDED TAX (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis.

18 IMPAIRMENT OF ASSETS

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.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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 cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for 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.

The 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. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**ILEMBE DISTRICT MUNICIPALITY
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2012	2011
R	R

2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Petty cash and cash on hand	24 000	9 000
Bank statement balance	6 802 837	8 921 778
	6 826 837	8 930 778

The Municipality has the following bank accounts: -

Water Bank Account

*ABSA Bank Account - Durban Branch
Account Number 4057878321 - Current Account*

Cash book balance at beginning of year	3 925 170	2 490 799
Cash book balance at end of year	3 978 437	3 925 170
Bank statement balance at beginning of year	2 676 600	673 640
Bank statement balance at end of year	1 798 326	2 676 600

Salaries Bank Account

*First National Bank - Durban Branch
Account Number 62006302385 - Current Account*

Cash book balance at beginning of year	(2 158 063)	2 037 599
Cash book balance at end of year	(2 686 071)	(2 158 063)
Bank statement balance at beginning of year	130 193	177 691
Bank statement balance at end of year	73 125	130 193

Main Bank Account

*First National Bank Account - Durban Branch
Account Number 62006302385 : Current Account*

Cash book balance at beginning of year	511 426	11 032 627
Cash book balance at end of year	4 909 914	511 426
Bank statement balance at beginning of year	3 692 514	17 874 943
Bank statement balance at end of year	4 909 914	3 692 514

Projects Bank Account

*First National Bank - Durban Branch
Account Number 62046718641 - Current Account*

Cash book balance at beginning of year	(6 956 788)	(8 602 121)
Cash book balance at end of year	21 473	(6 956 788)
Bank statement balance at beginning of year	2 422 471	3 834 944
Bank statement balance at end of year	21 473	2 422 471

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	2012 R	2011 R
<u>Levies Bank Account</u>		
<i>ABSA Bank Account - Durban Branch - Account Number 4057641326 - Current Account</i>		
Cash book balance at beginning of year	-	78 922
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	78 922
Bank statement balance at end of year	-	-
<u>Petty cash and cash on hand</u>	24 000	9 000
Cashbook balance at year end	6 223 753	(4 678 255)
Total bank overdraft	-	-

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<u>Trade receivables</u>			
as at 30 June 2012			
Service debtors			
Water and Sewerage	174 241 441	128 796 807	45 444 634
Total	174 241 441	128 796 807	45 444 634
RD Cheques	77 269	-	77 269
Other Receivables	77 269	-	77 269
Total Trade and other receivables	174 318 710	128 796 807	45 521 903
as at 30 June 2011			
Service debtors			
Water and Sewerage	247 536 608	204 204 564	43 332 044
Total	247 536 608	204 204 564	43 332 044
<u>Other receivables</u>	-	-	-
Other receivables	-	-	-
Total Trade and other receivables	247 536 608	204 204 564	43 332 044

	2012 R	2011 R
<u>Water and Sewerage: Ageing</u>		
Current (0 – 30 days)	11 972 334	8 930 515
31 - 60 Days	6 752 005	8 072 298
61 - 90 Days	6 825 801	6 159 908
91 - 120 Days	5 632 385	5 663 505
121 - 365 Days	143 058 916	218 710 382
+ 365 Days	-	-
Total	174 241 441	247 536 608

	Consumers R	Industrial / Commercial R	National and Provincial Government R
<u>Summary of Debtors by Customer Classification</u>			
as at 30 June 2012			
Current (0 – 30 days)	8 255 500	2 513 196	929 484
31 - 60 Days	5 602 375	669 875	534 849
61 - 90 Days	6 215 743	311 184	361 845
91 - 120 Days	5 109 449	223 732	348 823
121 - 365 Days	130 509 030	5 733 577	2 013 317
+ 365 Days	-	-	-
Total debtors by customer classification	155 692 096	9 451 564	4 188 319

**ILEMBE DISTRICT MUNICIPALITY
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2012	2011
R	R

3 Reconciliation of the doubtful debt provision

Balance at beginning of the year	204 204 564	175 554 921
Contributions to provision	45 176 325	47 376 895
Doubtful debts written off against provision	(120 584 071)	(18 727 252)
Reversal of provision	-	-
Balance at end of year	128 796 807	204 204 564

4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Umngeni water debtor	530 844	1 781 785
Accrued interest	34 004	72 166
Ilembe Enterprise	2 425 575	842 391
Deposits not reflected on the bank statement	2 180 112	1 248 570
Other debtors	3 988 389	5 443 387
Total Other Debtors	9 158 924	9 388 299

5 OTHER NON-CURRENT FINANCIAL ASSETS

Investments in municipal entity - Enterprise Ilembe Development Agency	100	100
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6 INVENTORIES

Opening balance of inventories:	6 140 523	6 232 440
Consumable stores - at Net Replacement Cost		
Water	5 861 822	5 991 687
	278 701	240 753
Additions:	(1 112 693)	(91 917)
Consumable stores		
Water	(1 112 693)	(129 865)
	-	37 948
Closing balance of inventories:	5 027 831	6 140 523
Consumable stores		
Water	4 749 130	5 861 822
	278 701	278 701

**ILEMBE DISTRICT MUNICIPALITY
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	2012 R	2011 R
7 INVESTMENTS (MFMA requirement)		
Total	<u>23 276 449</u>	<u>53 691 293</u>
	23 276 449	53 691 293
7.1 Investment Current Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9114541258 : Call Account</i>		
Bank statement balance at the beginning of the year	97 684	93 886
Bank statement balance at the end of the year	<u>101 269</u>	<u>97 684</u>
7.2 Investment Current Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9183363524 : Call account</i>		
Bank statement balance at the beginning of the year	3 639 743	7 526 798
Bank statement balance at the end of the year	<u>19 373</u>	<u>3 639 743</u>
7.3 Investment Current Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9095950633 : Call Account</i>		
Bank statement balance at the beginning of the year	3 042 741	2 924 429
Bank statement balance at the end of the year	<u>15 929</u>	<u>3 042 741</u>
7.4 Investment Current Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 2066739798 : Call account</i>		
Bank statement balance at the beginning of the year	838 308	790 451
Bank statement balance at the end of the year	<u>883 597</u>	<u>838 308</u>
7.5 Investment Current Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 2070362723 : Call Account</i>		
Bank statement balance at the beginning of the year	-	1 000 000
Bank statement balance at the end of the year	-	-
7.6 Investment Current Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 2070224909 : Call Account</i>		
Bank statement balance at the beginning of the year	232 516	210 472
Bank statement balance at the end of the year	<u>244 771</u>	<u>232 516</u>
7.7 Investment Current Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9216957611 - Call Account</i>		
Bank statement balance at the beginning of the year	1 481 204	860 754
Bank statement balance at the end of the year	<u>1 548 667</u>	<u>1 481 204</u>
7.8 Investment Current Account		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 62129309937 : Call Account</i>		
Bank statement balance at the beginning of the year	1 080 268	1 019 583
Bank statement balance at the end of the year	<u>1 149</u>	<u>1 080 268</u>

**ILEMBE DISTRICT MUNICIPALITY
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2012	2011
R	R

7.9 Investment Current Account

*ABSA Bank Account - Durban Branch
Account Number 2070508898 : Call Account*

Bank statement balance at the beginning of the year	5 279 985	-
Bank statement balance at the end of the year	<u>-</u>	<u>5 279 985</u>

7.10 Investment Current Account

*First National Bank Account - Durban Branch
Account Number 74091301628 : Call Account*

Bank statement balance at the beginning of the year	255 331	241 994
Bank statement balance at the end of the year	<u>270 037</u>	<u>255 331</u>

7.11 Investment Current Account

*First National Bank Account - Durban Branch
Account Number 74104346206 : Call Account*

Bank statement balance at the beginning of the year	391 994	369 892
Bank statement balance at the end of the year	<u>413 361</u>	<u>391 995</u>

7.12 Investment Current Account

*First National Bank Account - Durban Branch
Account Number 61085067093 : Call Account*

Bank statement balance at the beginning of the year	336 824	1 831 173
Bank statement balance at the end of the year	<u>4 462</u>	<u>336 824</u>

7.13 Investment Current Account

*First National Bank
Account Number 623313562309 : Call Account*

Bank statement balance at the beginning of the year	4 782 100	-
Bank statement balance at the end of the year	<u>1 028</u>	<u>4 782 100</u>

7.14 Investment Current Account

*First National Bank Account - Durban Branch
Account Number 74277625264 : Call Account*

Bank statement balance at the beginning of the year	1 170 200	-
Bank statement balance at the end of the year	<u>3 065 267</u>	<u>1 170 200</u>

7.15 Investment Current Account

*First National Bank Account - Durban Branch
Account Number 74274097341 : Call Account*

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>608 074</u>	<u>-</u>

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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2012	2011
R	R

7.16 Investment Current Account

*Standard Bank Account - Durban Branch
Account Number 293302 : Call Account*

Bank statement balance at the beginning of the year	1 765 529	19 907 105
Bank statement balance at the end of the year	<u>1 854 253</u>	<u>1 765 529</u>

7.17 Investment Current Account

*Investec Bank Account - Durban Branch
Account Number 1100-435877 : Call Account*

Bank statement balance at the beginning of the year	22 191 247	10 028 493
Bank statement balance at the end of the year	<u>9 702 842</u>	<u>22 191 247</u>

7.18 Investment Current Account

*Investec Bank Account - Durban Branch
Account Number 50003100564 : Call Account*

Bank statement balance at the beginning of the year	2 104 724	5 066 893
Bank statement balance at the end of the year	<u>-</u>	<u>2 104 724</u>

7.19 Investment Current Account

*Rand Merchant Bank Account
Account Number DC02E000066 : Call Account*

Bank statement balance at the beginning of the year	4 321 412	16 007
Bank statement balance at the end of the year	<u>4 542 368</u>	<u>4 321 412</u>

7.20 Investment Current Account

NRB Curatorship

Bank statement balance at the beginning of the year	679 482	679 482
Bank statement balance at the end of the year	<u>-</u>	<u>679 482</u>

8 NON-CURRENT RECEIVABLES

Staff loans	287 168	287 168
Less: Provision for bad debts	(287 168)	-
Total	<u>-</u>	<u>287 168</u>

STAFF LOANS

Loans were granted to individuals as part of a bursary scheme in previous financial years.

9 INVESTMENTS

Financial Instruments

ABSA zero coupon investment	18 682 344	17 245 057
	<u>18 682 344</u>	<u>17 245 057</u>

This investment has been ceded as security against the long term loan from ABSA disclosed in Note 16

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

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure Water & Sewer	Assets Under Construction	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2011	3 242 908	14 609 234	607 381 069	59 846 465	205 578	10 170 244	14 103 866	709 559 363
Cost/Revaluation	1 296 718	18 187 452	660 292 086	59 846 465	205 578	17 281 898	21 806 404	778 916 601
Correction of prior year error (note 32)						41 729	88 773	130 502
Change in accounting policy (note 32)	1 946 190							1 946 190
Accumulated depreciation and impairment losses	-	(3 578 218)	(52 911 018)	-	-	(7 153 383)	(7 791 311)	(71 433 930)
Acquisitions	-	356 628	54 094 885	153 591 464	-	4 661 980	679 508	213 384 465
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(628 434)	(14 447 484)	-	-	(2 599 939)	(4 390 417)	(22 066 274)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	(508 444)	-	(508 444)
Transfers	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
as at 30 June 2012	3 242 908	14 337 428	647 028 469	213 437 930	205 578	11 723 840	10 295 890	900 272 043
Cost/Revaluation	3 242 908	18 544 080	714 386 971	213 437 930	205 578	21 943 878	22 388 844	994 150 189
Accumulated depreciation and impairment losses	-	(4 206 652)	(67 358 502)	-	-	(10 220 038)	(12 092 955)	(93 878 146)

Refer to Appendix B for more detail on property, plant and equipment

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Land	Buildings	Infrastructure Water & Sewer	Assets Under Construction	Heritage	Other Assets	Finance lease assets	Total assets
	R	R	R	R	R	R	R	R
as at 1 July 2010	1 296 718	14 960 742	522 721 075	43 567 294	205 578	10 835 259	14 966 782	608 553 447
Cost/Revaluation	1 296 718	17 927 475	562 920 987	43 567 294	205 578	15 740 101	18 967 242	660 625 395
Accumulated depreciation and impairment losses	-	(2 966 733)	(40 199 912)	-	-	(4 904 843)	(4 000 460)	(52 071 947)
Acquisitions	-	259 977	97 371 100	18 228 619	-	1 541 797	2 839 162	120 240 654
Capital under Construction	-	-	-	(1 949 447)	-	-	-	(1 949 447)
Depreciation	-	(611 485)	(12 711 106)	-	-	(2 248 540)	(3 790 851)	(19 361 982)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
as at 30 June 2011	1 296 718	14 609 234	607 381 069	59 846 465	205 578	10 128 515	14 015 093	707 482 672
Cost/Revaluation	1 296 718	18 187 452	660 292 086	59 846 465	205 578	17 281 898	21 806 404	778 916 601
Accumulated depreciation and impairment losses	-	(3 578 218)	(52 911 018)	-	-	(7 153 383)	(7 791 311)	(71 433 930)

Refer to Appendix B for more detail on property, plant and equipment

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012**

	R	
11 INTANGIBLE ASSETS		
11.1 Reconciliation of carrying value	Computer Software R	Total R
as at 1 July 2011	589 597	589 597
Cost	2 140 442	2 140 442
Accumulated amortisation and impairment losses	(1 550 845)	(1 550 845)
Acquisitions	1 648 550	1 648 550
Amortisation	(316 318)	(316 318)
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2012	1 921 828	1 921 828
Cost	3 788 992	3 788 992
Accumulated amortisation and impairment losses	(1 867 163)	(1 867 163)

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012**

11.2 Reconciliation of carrying value	Computer Software R	R Total R
as at 1 July 2010	574 598	574 598
Cost	1 943 789	1 943 789
Prior year error (note 48)	-	-
Directive 4 adjustments (note 47)	-	-
Accumulated amortisation and impairment losses	(1 369 191)	(1 369 191)
Acquisitions	196 653	196 653
Amortisation	(181 654)	(181 654)
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2011	589 597	589 597
Cost	2 140 442	2 140 442
Accumulated amortisation and impairment losses	(1 550 845)	(1 550 845)

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

	2012 R	2011 R
12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	16 685 029	164 856 981
Payroll third party creditors	2 759 196	51 159 806
Consumer credit balances	4 909 462	-
Staff leave accrual	6 757 034	6 308 362
Other creditors	33 633 589	16 785 480
Total creditors	64 744 310	74 253 648
13 CONSUMER DEPOSITS		
Water	3 037 391	2 784 512
Total consumer deposits	3 037 391	2 784 512
14 VAT PAYABLE		
VAT payable	6 163 477	8 653 366
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
14 VAT RECEIVABLE		
VAT receivable	-	-
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
15 TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)		
Taxes and transfers payable	-	-

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

	2012 R	2011 R
15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent Conditional Grants and Receipts		
Provincial Township Establishment	2 133 850	724 048
Shared Services (Financial Systems)	338 435	971 395
Section 78	200 000	200 000
Provincial Management Assistance	3 064	822 066
Beach restoration Grant	4 796 072	4 796 072
Ngcebo/Lower Thukela Bulk Water	-	1 460 669
Maphumulo Waterworks	1 060 753	1 060 753
Disaster Management - COGTA	1 132 946	2 500 000
Shared Services (DPSS)	-	458 661
IGR Grant	73 800	417 000
Environmental Management	1 038 899	1 500 000
Financial Management Grant	-	445 315
Municipal Systems improvement Grant	-	62 635
LG SETA	454 721	255 602
Vat Refunds	-	4 750 196
2010 World Cup	-	459
Water Conservation Management	-	48 620
Massification Grant	9 824 989	5 064 434
Ndwedwe Town Development	507 707	3 410 000
Corridor Funding	2 425 677	-
Disaster Management - DBSA	784 235	-
EPWP	349 000	-
Rural Transport Service Grant	1 330 027	-
Grants - Other	1 388 120	-
Total Unspent Conditional Grants and Receipts	27 842 295	28 947 925
Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	27 842 295	28 947 925

See Note 22 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

16 BORROWINGS

Development Bank of South Africa	64 840 821	67 215 597
ABSA	30 000 000	30 000 000
	94 840 821	97 215 597
Less : Current portion transferred to current liabilities	2 533 251	2 106 820
Development Bank of South Africa	2 533 251	2 106 820
	-	-
Total borrowings	92 307 570	95 108 777

Development Bank of South Africa

Bear interest at rates between 9.02% and 11.04% per annum and are repayable every six months with the last repayment due on 30 September 2025.

ABSA Loan

Bears interest at 10.8% per annum, interest is paid quarterly and the loan is repayable in 2025.

Refer to Appendix A for more detail on borrowings.

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

	2012 R	2011 R
17 FINANCE LEASE LIABILITY		
2012	Minimum lease payment	Future finance charges
Amounts payable under finance leases	R	R
Within one year	5 789 681	1 086 322
Within two to five years	7 055 123	640 269
	<u>12 844 804</u>	<u>1 726 591</u>
Less: Amount due for settlement within 12 months (current portion)		<u>4 703 359</u>
		<u>6 414 854</u>

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

	Minimum lease payment	Future finance charges	Present value of minimum lease payments
	R	R	R
2011			
Amounts payable under finance leases			
Within one year	5 629 792	1 511 864	4 117 928
Within two to five years	12 241 978	1 726 591	10 515 387
	<u>17 871 770</u>	<u>3 238 455</u>	<u>14 633 315</u>
Less: Amount due for settlement within 12 months (current portion)			<u>4 117 928</u>
			<u>10 515 387</u>

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

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

	2012 R	2011 R
18 SERVICE CHARGES		
Sale of water	86 148 393	81 346 577
Sewerage and sanitation charges	16 180 913	16 028 637
Revenue Forgone	(6 596 595)	(5 177 844)
Total Service Charges	95 732 711	92 197 370
19 RENTAL OF FACILITIES AND EQUIPMENT		
iLembe Auditorium	26 053	20 000
Rental of facilities	82 361	77 702
Total rentals	108 413	97 702
20 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	6 527 455	5 598 682
Total interest	6 527 455	5 598 682
21 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Interest on debtors	20 848 410	18 485 605
Total interest	20 848 410	18 485 605
22 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	206 613 000	178 693 910
MIG Grant	133 801 066	80 797 966
Other Government Grants and Subsidies	93 262 855	91 186 170
Total Government Grant and Subsidies	433 676 921	350 678 045
22.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	206 613 000	178 693 910
Conditions met - transferred to revenue	(206 613 000)	(178 693 910)
	-	-
22.2 MIG Grant		
Balance unspent at beginning of year	-	(1 530 422)
Current year receipts	133 801 066	91 790 000
Conditions met - transferred to revenue	(133 801 066)	(80 797 965)
Adjustments and Transfers		(9 461 613)
Conditions met	-	-
22.3 VAT REFUNDS		
Balance unspent at beginning of year	4 750 196	-
Current year receipts	22 227 221	-
Conditions met - transferred to revenue	(19 260 846)	(7 328 992)
Adjustments and Transfers	(7 716 571)	12 079 188
Conditions still to be met - remain liabilities (see note 15)	-	4 750 196

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

	2012 R	2011 R
22.4 WATER CONSERVATION AND DEMAND MNGT		
Balance unspent at beginning of year	48 620	-
Current year receipts	3 295 284	1 492 675
Conditions met - transferred to revenue	(1 955 784)	(1 444 055)
Conditions still to be met - remain liabilities (see note 15)	1 388 120	48 620
22.5 SECTION 78 GRANT		
Balance unspent at beginning of year	200 000	200 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 15)	200 000	200 000
22.6 REHABILITATION OF INFRASTRUCTURE		
Balance unspent at beginning of year	-	2 792 535
Current year receipts	-	-
Conditions met - transferred to revenue	-	(2 792 535)
Conditions met	-	-
22.7 MAPHUMULO WATERWORKS GRANT		
Balance unspent at beginning of year	1 060 753	1 156 800
Current year receipts	-	-
Conditions met - transferred to revenue	-	(96 047)
Conditions still to be met - remain liabilities (see note 15)	1 060 753	1 060 753
22.8 REFURBISHMENT OF WASTE WATER WORKS (DWA ACIP)		
Balance unspent at beginning of year	-	221 336
Current year receipts	5 943 900	-
Conditions met - transferred to revenue	(5 943 900)	(98 218)
Adjustments and Transfers	-	(123 118)
Conditions met	-	-
22.9 MASSIFICATION GRANT		
Balance unspent at beginning of year	5 064 434	-
Current year receipts	17 505 000	5 231 000
Conditions met - transferred to revenue	(12 744 445)	(166 566)
Conditions still to be met - remain liabilities (see note 15)	9 824 989	5 064 434
22.10 NGCEBO/LOWER THUKELA BULK WATER SCHEME		
Balance unspent at beginning of year	1 460 669	4 468 220
Current year receipts	37 077 200	18 584 600
Conditions met - transferred to revenue	(38 537 869)	(21 592 151)
Conditions still to be met - remain liabilities (see note 15)	-	1 460 669

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

	2012 R	2011 R
22.11 RURAL TRANSPORT SERVICE		
Balance unspent at beginning of year	-	-
Current year receipts	1 688 000	-
Conditions met - transferred to revenue	(357 973)	-
Conditions still to be met - remain liabilities (see note 15)	1 330 027	-
22.12 DISASTER MANAGEMENT GRANT (COGTA)		
Balance unspent at beginning of year	2 500 000	-
Current year receipts	-	2 500 000
Conditions met - transferred to revenue	(1 367 054)	-
Conditions still to be met - remain liabilities (see note 15)	1 132 946	2 500 000
22.13 DISASTER MANAGEMENT GRANT (DBSA)		
Balance unspent at beginning of year	-	-
Current year receipts	1 966 800	-
Conditions met - transferred to revenue	(1 182 564)	-
Conditions still to be met - remain liabilities (see note 15)	784 236	-
22.14 BEACH RESTORATION GRANT		
Balance unspent at beginning of year	4 796 072	7 748 007
Current year receipts	-	-
Conditions met - transferred to revenue	-	(2 951 935)
Conditions still to be met - remain liabilities (see note 15)	4 796 072	4 796 072
22.15 PROVINCIAL MANAGEMENT ASSISTANCE GRANT		
Balance unspent at beginning of year	822 066	1 376 774
Current year receipts	-	-
Conditions met - transferred to revenue	(819 002)	-
Adjustments and Transfers	-	(554 708)
Conditions still to be met - remain liabilities (see note 15)	3 064	822 066
22.16 SHARED SERVICES GRANT (FINANCIAL SYSTEMS)		
Balance unspent at beginning of year	971 395	416 687
Current year receipts	-	-
Conditions met - transferred to revenue	(632 960)	-
Adjustments and Transfers	-	554 708
Conditions still to be met - remain liabilities (see note 15)	338 435	971 395
22.17 SHARED SERVICES GRANT (DPSS)		
Balance unspent at beginning of year	458 661	2 201 817
Current year receipts	1 611 176	1 000 308
Conditions met - transferred to revenue	(2 069 837)	(2 743 464)
Conditions still to be met - remain liabilities (see note 15)	-	458 661
22.18 PROVINCIAL TOWNSHIP ESTABLISHMENT		
Balance unspent at beginning of year	724 048	-
Current year receipts	1 800 000	800 000
Conditions met - transferred to revenue	(342 579)	(75 952)
Adjustments and Transfers	(47 619)	-
Conditions still to be met - remain liabilities (see note 15)	2 133 850	724 048
22.19 DESLUDGING		
Balance unspent at beginning of year	-	1 350 877
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	(1 350 877)
Conditions met	-	-

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

	2012 R	2011 R
22.20 CORRIDOR - NONOTI BEACH RESORT		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	400 000
Conditions met - transferred to revenue	(1 000 000)	(400 000)
Conditions met	<u>-</u>	<u>-</u>
22.21 CORRIDOR - NORTH URBAN DEVELOP PLAN PHASE 2		
Balance unspent at beginning of year	-	-
Current year receipts	2 500 000	-
Conditions met - transferred to revenue	(74 323)	-
Conditions still to be met - remain liabilities (see note 15)	<u>2 425 677</u>	<u>-</u>
22.22 CORRIDOR DEVELOPMENT		
Balance unspent at beginning of year	-	16 416 000
Current year receipts	-	17 500 000
Conditions met - transferred to revenue	-	(33 916 000)
Conditions met	<u>-</u>	<u>-</u>
22.23 FRESH PRODUCE MARKET IN STANGER		
Balance unspent at beginning of year	-	-
Current year receipts	500 000	-
Conditions met - transferred to revenue	(500 000)	-
Conditions met	<u>-</u>	<u>-</u>
22.24 MAPHUMULO SMALL TOWN ESTABLISHMENT		
Balance unspent at beginning of year	-	-
Current year receipts	-	700 000
Conditions met - transferred to revenue	-	(700 000)
Conditions met	<u>-</u>	<u>-</u>
22.25 FMG		
Balance unspent at beginning of year	445 315	10 519
Current year receipts	1 250 000	1 000 000
Conditions met - transferred to revenue	(1 695 315)	(565 204)
Conditions still to be met - remain liabilities (see note 15)	<u>-</u>	<u>445 315</u>

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

	2012 R	2011 R
22.26 MSIG		
Balance unspent at beginning of year	62 635	106 950
Current year receipts	790 000	750 000
Conditions met - transferred to revenue	(852 635)	(794 315)
Conditions still to be met - remain liabilities (see note 15)	-	62 635
22.27 EPWP		
Balance unspent at beginning of year	-	44 938
Current year receipts	349 000	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	(44 938)
Conditions still to be met - remain liabilities (see note 15)	349 000	-
22.28 LGSETA		
Balance unspent at beginning of year	255 602	281 141
Current year receipts	486 194	250 362
Conditions met - transferred to revenue	(287 075)	(275 901)
Conditions still to be met - remain liabilities (see note 15)	454 721	255 602
22.29 IGR GRANT		
Balance unspent at beginning of year	417 000	-
Current year receipts	-	417 000
Conditions met - transferred to revenue	(343 200)	-
Conditions still to be met - remain liabilities (see note 15)	73 800	417 000
22.30 ENVIRONMENTAL MANAGEMENT FRAMEWORK		
Balance unspent at beginning of year	1 500 000	-
Current year receipts	-	1 500 000
Conditions met - transferred to revenue	(404 474)	-
Adjustments and Transfers	(56 627)	-
Conditions still to be met - remain liabilities (see note 15)	1 038 899	1 500 000
22.31 2010 WORLD CUP		
Balance unspent at beginning of year	459	-
Current year receipts	-	4 000 000
Conditions met - transferred to revenue	-	(3 508 369)
Adjustments and Transfers	(459)	(491 172)
Conditions still to be met - remain liabilities (see note 15)	-	459
22.32 NDWEDWE TOWN DEVELOPMENT		
Balance unspent at beginning of year	3 410 000	-
Current year receipts	-	3 410 000
Conditions met - transferred to revenue	(2 902 293)	-
Conditions still to be met - remain liabilities (see note 15)	507 707	3 410 000

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

	2012 R	2011 R
22.33 DROUGHT RELIEF GRANT		
Balance unspent at beginning of year	-	58 161
Current year receipts	-	-
Conditions met - transferred to revenue	-	(51 194)
Adjustments and Transfers	-	(6 967)
Conditions met	-	-
22.34 DROUGHT RELIEF GRANT		
Balance unspent at beginning of year	-	891
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	(891)
Conditions met	-	-
22.35 REPLACEMENT OF WATER MAINS IN KWADUKUZA		
Balance unspent at beginning of year	-	10 811 947
Current year receipts	-	-
Conditions met - transferred to revenue	-	(11 685 272)
Adjustments and Transfers	-	873 325
Conditions met	-	-
22.36 SANITATION - VIP TOILETS		
Balance unspent at beginning of year	-	1 473 828
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	(1 473 828)
Conditions met	-	-
23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
23.1 Other income		
Tender Documents	306 200	257 239
Clearance certificates	388 006	365 101
Private developers	27 096	1 544 294
Siza Water Concession	1 236 503	1 179 733
Insurance proceeds	5 350	350 980
Interest on bank accounts	221 664	316 503
Gain on fair valuing of assets	-	294 369
Enterprise Ilembe	165 921	-
Adhoc Grants	-	2 422 422
uMngeni reimbursement	2 572 724	-
Other income	603 901	1 012 189
	5 527 365	7 742 830

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

	2012 R	2011 R
24 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	63 370 183	56 012 938
Employee related costs - Contributions for UIF, pensions and medical aids	12 975 366	11 567 609
Travel, motor car, accommodation, subsistence and other allowances	3 271 514	3 250 163
Housing benefits and allowances	462 648	418 921
Overtime payments	3 108 516	2 953 615
Performance and other bonuses	3 831 200	3 564 247
Long-service awards	467 597	651 072
Other employee related costs	3 611 351	2 956 048
Employee Related Costs	91 098 375	81 374 612

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	675 631	994 794
Travel, motor car, accommodation, subsistence	45 219	34 991
Contributions to UIF, Medical and Pension Funds and other allowances	78 589	1 497
Other	13 152	17 721
Total	812 591	1 049 003

During the 2011/12 Financial Year the Municipal Manager was in office for only 8 months.

Remuneration of the Chief Financial Officer

Annual Remuneration	437 962	562 849
Travel, motor car, accommodation, subsistence	96 138	163 467
Contributions to UIF, Medical and Pension Funds and other allowances	873	8 221
Total	534 973	734 537

During the 2011/12 Financial Year the Chief Financial Officer (CFO) was in office for only 7 months. For the 2010/11 financial year the CFO was in the office for only 9 months.

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R	Corporate Governance R
2012			
Annual Remuneration	609 898	642 964	783 889
Travel, motor car, accommodation, subsistence and other allowances	77 156	332 964	145 812
Contributions to UIF, Medical and Pension Funds	1 247	1 497	1 497
Total	688 301	977 425	931 198
2011			
Annual Remuneration	774 473	612 346	662 550
Travel, motor car, accommodation, subsistence and other allowances	97 976	297 257	130 078
Contributions to UIF, Medical and Pension Funds	1 497	1 497	85 504
Total	873 946	911 100	878 132

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

	2012 R	2011 R
25 REMUNERATION OF COUNCILLORS	2 012	2 011
Mayor	682 119	615 580
Deputy Mayor	542 230	467 134
Speaker	505 207	552 739
Executive Committee Members	1 496 409	1 579 104
Councillors	2 035 872	2 024 286
Councillors' pension and medical aid contributions	169 660	107 942
Total Councillors' Remuneration	5 431 497	5 346 785
In-kind Benefits		
<p>The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.</p> <p>The Mayor has use of the Council owned vehicle for official duties. The Mayor has 3 full-time bodyguards.</p>		
26 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	22 783 994	19 361 983
Intangible assets	316 318	181 654
Total Depreciation and Amortisation	23 100 313	19 543 637
27 FINANCE COSTS		
Borrowings	9 392 398	10 566 653
Leases	1 591 433	1 796 445
Total Finance Costs	10 983 831	12 363 098
28 BULK PURCHASES		
Water	51 715 106	44 870 810
Total Bulk Purchases	51 715 106	44 870 810
29 CONTRACTED SERVICES		
Contracted services for:		
<i>Management Contact WSSA</i>	10 710 440	8 147 211
	10 710 440	8 147 211

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

30 GRANT EXPENSES

	2012 R	2011 R
Grant Expenditure	35 323 432	58 153 324
	35 323 432	58 153 324
FMG Expenditure	1 784 753	565 203
Agri Process Hub Incubator	-	11 000 000
Kwashushu Hot Spring	-	2 000 000
Restoration to Beaches - KDM	-	2 951 935
Biodiesel Production Facility	-	3 916 000
N/Coast Vineyard & Winery Coop	-	9 000 000
Beach Facilities - Mandeni	-	2 000 000
Moringa Tree Plantations	-	3 500 000
Town Regeneration Program	-	756 571
Broadband Disaster Management	-	2 500 000
Review Intergrated Environmental Management Plan	404 474	
LG SETA Grant Expenditure	287 075	275 901
Corridor Grant Expenditure	1 000 000	
Shared Services Expenditure	2 720 635	2 743 464
Land Management Program	342 279	75 952
IGR Grant Expenditure	343 200	
Municipal Turnaround Strategy	67 890	
Municipal Turnaround Strategy	-	400 000
MSIG	162 828	794 314
DBSA: Desktop Analysis	0	
Water Week Awareness	0	
Maphumulo HH Sanitation		149 123
Maqumbi HH Sanitation	8 190 175	1 025 737
MIG PMU	2 456 136	-
Ndwedwe Ward 16 Sanitation	384 999	3 295 567
Mandeni Ward 16 HH Sanitation	8 014 733	2 673 734
Ndwedwe HH Sanitation	9 164 254	3 146 466
Lindelani VIP Conversion	-	1 364 988
IDM Water Safety Plan	-	174 000
Reservoir locking	-	336 000
2010 Project	-	3 508 369

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

	2012 R	2011 R
31 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	947 688	1 674 088
Admin fees	-	-
Audit fees	1 989 411	2 277 936
Bank charges	250 902	435 445
Bursaries	774	5 030
Cleaning	1 209 782	1 251 855
Conferences and delegations	109 176	36 108
Connection charges	2 732 641	4 576 013
Consulting fees	-	-
Consumables	11 865	-
Debt collection commission	-	-
Departmental consumption	-	-
Entertainment	1 007 692	1 268 055
Financial management grant	-	-
Fuel and oil	5 888 412	4 585 188
Insurance	1 540 835	1 646 380
Legal expenses	948 687	981 086
Levies paid	-	-
Licence fees - vehicles	53 185	12 752
Licence fees - computers	262 566	322 242
Membership fees	627 870	570 709
Parking	-	-
Postage	1 272 542	1 068 077
Printing and stationery	2 498 746	2 054 444
Professional fees	2 627 491	2 723 098
Rental of buildings	243 563	199 418
Rental of office equipment	298 984	-
Rental of computer equipment	-	-
Other rentals	-	-
Security costs	5 232 845	2 742 163
Sewerage treatment costs	-	-
Skills development levies	-	-
Stocks and material	9 863 574	7 692 416
Subscription & publication	22 718	-
Telephone cost	3 255 398	3 141 364
Training	707 581	682 428
Transport claims	-	-
Travel and subsistence	386 648	99 334
Uniforms & overalls	1 168 187	1 057 069
Valuation costs	-	-
Water and Sanitation	2 102 131	1 145 935
Other	40 154 844	32 762 961
	87 416 736	75 011 594
32 CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY		
Property, plant and equipment	2 076 691	(3 323 158)
Vat	-	11 005 337
Loans	-	5 014 536
Other	-	311 386
Repairs and maintenance	-	1 373 711
	2 076 691	14 381 812

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

	2012 R	2011 R
33 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	182 746 011	108 255 700
Adjustment for:-		
Depreciation and amortisation	23 100 313	19 543 637
Gain on fair valuing assets	-	280 324
Contribution to provisions - non-current	43 601 446	47 376 895
Contribution to provisions - current	467 597	651 072
Finance costs	10 983 831	12 363 098
Prior Year Adjustments	2 076 691	14 381 812
Investment Income	(6 527 455)	(5 598 682)
Bad debts written off	(120 584 071)	(18 727 252)
Operating surplus before working capital changes:	135 864 362	178 526 604
(Increase)/decrease in inventories	1 112 693	91 917
(Increase)/decrease in trade receivables	73 217 898	(31 915 461)
(Increase)/decrease in other receivables	229 375	(987 475)
(Increase)/decrease in VAT receivable	-	-
Increase/(decrease) in conditional grants and receipts	(1 105 630)	(22 189 503)
Increase/(decrease) in trade payables	(9 509 338)	(8 692 088)
Increase/(decrease) in VAT payable	(2 489 889)	2 275 667
Other assets	-	
Other liability	(6 164 922)	
Cash generated by/(utilised in) operations	191 154 548	117 109 661

34 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	6 826 837	8 930 778
Current Investments	23 276 449	53 691 293
Net cash and cash equivalents (net of bank overdrafts)	30 103 286	62 622 071

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL
35 EXPENDITURE DISALLOWED**

35.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	47 933 899	
Unauthorised expenditure current year	10 063 734	47 933 899
Approved by Council or condoned	(57 997 633)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	47 933 899

35.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	8 697 996	-
Irregular expenditure current year	30 881 207	8 697 996
Condoned or written off by Council	(8 697 996)	-
Transfer to receivables for recovery – not condoned		
Irregular expenditure awaiting condonement	30 881 207	8 697 996

Incident
All irregular expenditure is as result of non-adherence to Supply Chain Management regulations or Supply Chain Management policy.
Action taken
The council referred the irregular expenditure item to MPAC for investigations and recommendations.

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012**

2012	2011
R	R

35.4 Deviations

Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy:

Total value	120 940 378	25 508 028
	120 940 378	25 508 028

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
36 MANAGEMENT ACT**

36.1 Contributions to organised local government

Opening balance		
Council subscriptions	608 362	553 056
Amount paid - current	(608 362)	(553 056)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

36.2 Audit fees

Opening balance		
Current year audit fee	1 989 411	2 277 936
Amount paid - current year	(1 989 411)	(2 277 936)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

36.3 VAT

VAT input receivables and VAT output payables are shown in note 14. All VAT returns have been submitted by the due date throughout the year.

36.4 PAYE and UIF

Opening balance	992 568	925 648
Current year payroll deductions	13 749 772	12 939 640
Amount paid - current year	(13 628 695)	(11 947 072)
Amount paid - previous years	-	(925 648)
Balance unpaid (included in payables)	1 113 644	992 568

The balance represents PAYE and UIF deducted from the June 2012 payroll. These amounts were paid during July 2012.

36.5 Pension and Medical Aid Deductions

Opening balance	1 305 494	716 254
Current year payroll deductions and Council Contributions	16 659 966	15 999 779
Amount paid - current year	(16 518 328)	(14 694 285)
Amount paid - previous years	-	(716 254)
Balance unpaid (included in payables)	1 447 132	1 305 494

The balance represents pension and medical aid contributions deducted from employees in the June 2012 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2012.

36.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
as at 30 June 2012			
Councillor CP Ngidi	6 708		6 708
Total Councillor Arrear Consumer Accounts	6 708	-	6 708
as at 30 June 2011			
Councillor K Anamalay			
Councillor JB Nzuzo			
Total Councillor Arrear Consumer Accounts	-	-	-

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

2012	2011
R	R

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

The Municipality has developed a supply chain management policy and it is reviewed annually

36.8 Distribution Losses

Units lost (kilolitres)	10 264 312	9 283 597
Units lost (sales price per kilolitre - rands)	76 606 787	63 435 714
Units lost (purchase price per kilolitre - rands)	24 472 862	20 205 997
Units lost (percentage)	48%	45%

The distribution losses are mainly due to ageing infrastructure. A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.

37 CAPITAL COMMITMENTS

37.1 Commitments in respect of capital expenditure

- Approved and contracted for	267 237 919	241 670 745
Infrastructure	266 510 740	240 943 566
Community	727 179	727 179
Heritage		
Other		
- Approved but not yet contracted for	1 991 106 445	1 546 259 856
Infrastructure	1 991 106 445	1 546 259 856
Total	2 258 344 364	1 787 930 601

This expenditure will be financed from:

- External Loans		
- Government Grants	1 869 615 779	1 395 861 235
- Own resources	388 728 584	392 069 366
- District Council Grants		
	2 258 344 363	1 787 930 601

38 RETIREMENT BENEFIT INFORMATION

38.1 Defined contribution plan

The following are defined contribution plans: Natal Joint Municipal Pension Fund, Government Employee Pension Fund, SALA Pension Fund and Municipal Councillors Pension Fund. These contributions have been expensed.

38.2 Other Long-term benefit plan

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

The independent valuers carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	7%	8%
Inflation rate	5%	6%
Net effective discount rate	1%	1%
Benchmark inflation (equal to salary inflation)	6%	6%
Average retirement age	63	63
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Percentage of in-service members withdrawing before retirement:		

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012**

	2012	2011
	R	R
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 were determined as being the present value of the obligation:

3 430 259	3 200 623
------------------	------------------

RETIREMENT BENEFITS (continued)

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	3 200 623	2 549 551
Current service cost	501 783	491 689
Interest cost	244 229	216 924
Benefit payments	(185 407)	(403 689)
Actuarial (gains)/losses	(330 969)	346 148
Balance at end of year	3 430 259	3 200 623

The timing of the retirement benefits is as follows:

Current portion of employee benefits	359 069	185 407
Non-current portion of employee benefits	3 071 190	3 015 216
	3 430 259	3 200 623

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

Current service cost	501 783	491 689
Interest cost	244 229	216 924
Benefit Vestings	(185 407)	(403 689)
Benefit Payments	237 961	
Actuarial (gains)/losses	(330 969)	346 148
	467 597	651 072

39 CONTINGENT LIABILITY

39.1 Claim for damages

No material claim for damages were noted.

39.2 Vat refund commission claim dispute.

The municipality is currently disputing a claim for vat refund commission from a consultant that was engaged by the municipality to assess vat. The municipality is of the opinion that there will be no gain for the municipality as the vat refund will have to be transferred to Enterprise Ilembe to settle the corresponding vat output on receipt, hence resulting in a loss of **R1 722 397**. Should the municipality not be successful, an amount of **R1 722 397** have to be paid to the consultant.

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

42 RELATED PARTIES

Members of key management
Controlled Municipal Entity

2012	2011
R	R

Section 57 managers
Ilembe District Municipality has a 100% holding in
Ilembe Development Enterprise (Pty) Ltd.

Close family member of key management

A parent, spouse or child of key management

Compensation to councillors and other key management

Refer to note 24 & 25

Related party balances

Amount owed by Ilembe Enterprise included in other receivables

2 425 575	842 391
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Related party transactions

Transactions with Enterprise Ilembe Development Agency

Corridor Grant funding

3 500 000	31 016 000
-----------	------------

Rental of offices

180 000	180 000
---------	---------

Other

23 125	5 663 171
--------	-----------

43 EVENTS AFTER THE REPORTING DATE

There were no events after balance sheet date identified

44 RISK MANAGEMENT

44.1 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.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Consumer debtors

174 241 441	247 536 608
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Other debtors

9 158 924	9 388 299
-----------	-----------

183 400 366	256 924 907
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Ageing of consumers

Current (0 – 30 days)

11 972 334	8 930 515
------------	-----------

31 - 60 Days

6 752 005	8 072 298
-----------	-----------

61 - 90 Days

6 825 801	6 159 908
-----------	-----------

91 - 120 Days

5 632 385	5 663 505
-----------	-----------

121 - 365 Days

143 058 916	218 710 382
-------------	-------------

+ 365 Days

-	-
---	---

Total

174 241 441	247 536 608
-------------	-------------

Less: Provision for bad debts

(128 796 807)	(204 204 564)
---------------	---------------

Net consumer debtors

45 521 903	43 332 044
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Cash and cash equivalents

6 826 837	8 930 778
-----------	-----------

Current investments

23 276 449	53 691 293
------------	------------

Other investments

18 682 344	17 245 057
------------	------------

48 785 630	79 867 128
-------------------	-------------------

These balances represent the maximum exposure to credit risk.

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

2012	2011
R	R

44.2 Liquidity risk

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

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2012

Gross finance lease obligations
Borrowings
Trade and other payables
Other

Within a year	Between 2 to 5 years	Total
4 703 359	6 414 854	11 118 213
2 533 251	92 307 570	94 840 821
101 787 473	-	101 787 473
-	3 430 259	3 430 259
109 024 083	102 152 683	211 176 766

2011

Gross finance lease obligations
Borrowings
Trade and other payables
Other

Within a year	Between 2 to 5 years	Total
4 117 928	10 515 387	14 633 315
2 106 820	95 108 777	97 215 597
114 639 451	-	114 639 451
-	3 200 623	3 200 623
120 864 199	108 824 787	229 688 986

44.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

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

Current investments	23 276 449	53 691 293
Other investments	18 682 344	17 245 057
Gross finance lease obligations	11 118 213	15 254 004
Borrowings	94 840 821	97 215 597
Long-term receivables	183 515 278	256 924 907
Trade and other receivables		

45 RESTATEMENT OF COMPARATIVE INFORMATION

Provision for leave and bonuses have been reclassified as accruals. The effect of the restatement is summarised below:

	Restated Comparative	Prior Year Disclosure
Statement of Financial Performance:		
Rental of facilities & equipment has been reclassified from other income and presented separately on the statement of financial performance		
- Rental of facilities & equipment (rental income)	97 702	-
- Other income	7 742 830	7 840 531
Retirement and long services benefits has been reclassified from the face of the statement of financial performance to employee related costs		
- Employee related costs	81 374 612	79 721 820
- Retirement and long service benefits	-	651 072
Contracted Services have been reclassified from general expenses and presented separately on the statement of financial performance, recharges have also been removed from the face of the statement of financial performance and were off set against the departmental charges (contra accounts)		
- Contracted Services	8 147 211	-
- General Expenses	75 011 594	96 002 339
- Recharges	-	(6 663 971)
Service Charges have been restated to exclude revenue forgone		
Sale of water and sewer	92 197 370	97 375 214

46 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out below.

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION									
as at 30 June 2012									
Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	8	9
	R	R	R	R	R	R	R	R	R
Property Rates									
Service Charges	116 654 907	104 551 353		104 551 353	95 732 711		-8 818 642	92%	82%
Investment Revenue	6 119 000	6 119 000		6 119 000	6 527 455		408 455	107%	107%
Transfers Recognised - Operational	213 603 233	250 995 599		250 995 599	250 878 575		-117 024	100%	117%
Other Own Revenue	27 980 124	63 351 471		63 351 471	26 484 188		-36 867 283	42%	95%
Total Revenue (Excluding Capital Transfers & Contributions)	364 357 264	425 017 423	0	425 017 423	379 622 930	0	-45 394 493	340%	401%
Employee Costs	98 431 589	95 726 135		95 726 135	91 098 375		-4 627 760	95%	93%
Remuneration Of Councillors	6 781 484	6 035 939		6 035 939	5 431 497		-604 442	90%	80%
Debt Impairment	24 324 052	30 225 620		30 225 620	43 601 446		13 375 826	144%	179%
Depreciation & Asset Impairment	18 000 000	31 500 000		31 500 000	23 100 313		-8 399 687	73%	128%
Finance Charges	11 320 455	11 749 112		11 749 112	10 983 831		-765 281	93%	97%
Materials & Bulk Purchases	81 009 068	78 648 268		78 648 268	72 009 195		-6 639 073	92%	89%
Grant Expenses	0	44 821 494		44 821 494	35 323 432		-9 498 062	79%	0%
Other Expenditures	124 162 659	121 206 657		121 206 657	98 127 176		-23 079 481	81%	79%
Total Expenditure	364 029 307	419 913 225	0	419 913 225	379 675 264	0	-40 237 961	748%	745%
Surplus/(Deficit)	327 957	5 104 198	0	5 104 198	-52 335	0	-5 156 533	-408%	-344%
Transfers Recognised - Capital	188 657 000	182 362 000		182 362 000	182 798 346		436 346	100%	97%
Contributions Recognised - Capital & Contributed Assets									
Surplus/(Deficit) After Capital Transfers & Contributions	188 984 957	187 466 198	0	187 466 198	182 746 011	0	-4 720 187	-307%	-247%
Share Of Surplus/(Deficit) Of Associate									
Surplus/(Deficit For The Year)	188 984 957	187 466 198	0	187 466 198	182 746 011	0	-4 720 187	-307%	-247%
Capital Expenditure & Funds Sources									
Capital Expenditure									
Transfers Recognised - Capital	188 657 000	182 362 255		182 362 255	182 746 011	10 063 734	383 756	100%	97%
Public Contributions & Donations	0	0		0	0		0	0%	0%
Borrowing	0	0		0	0		0	0%	0%
Internally Generated Funds	66 168 200	36 284 969		36 284 969	32 287 004		-3 997 965	89%	49%
Total Sources Of Capital Funds	254 825 200	218 647 224	0	218 647 224	215 033 015	10 063 734	-3 614 209	189%	146%

ILEMBE DISTRICT MUNICIPALITY
APPENDIX A
UNAUDITED SCHEDULE OF EXTERNAL LOANS
as at 30 June 2012

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
ABSA Bank @10.65%		2025	30 000 000	-	-	30 000 000		
Development Bank of SA @10.80%		2025/09/30	67 215 597	-	2 374 776	64 840 821		
Total long-term loans			97 215 597	-	2 374 776	94 840 821		
ANNUITY LOAN								
Development Bank of SA @ 16.50%	13527		370 184		85 691	284 493		
Development Bank of SA @ 13.45%	11578	2014	5 579		1 481	4 098		
Total capital creditors			375 763	-	87 172	288 591		
TOTAL EXTERNAL LOANS			97 591 360	-	2 461 948	95 129 412		

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
UNAUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals/	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R			
Land	1 296 718	-	1 946 190	-	-	3 242 908	-	-	-	-	-	-	-	-	3 242 908
	1 296 718	-	1 946 190	-	-	3 242 908	-	-	-	-	-	-	-	-	3 242 908
Buildings	18 187 452	356 628	-	-	-	18 544 080	(3 578 218)	(628 434)	-	-	-	(4 206 652)	-	-	14 337 428
Infrastructure															
Sewerage Mains & Purification	79 838 195	15 893 623	-	-	-	95 731 818	(11 234 637)	(1 669 183)	-	-	-	(12 903 819)	-	-	82 827 999
Water Mains & Purification	580 453 891	38 201 262	-	-	-	618 655 153	(41 676 381)	(12 778 302)	-	-	-	(54 454 683)	-	-	564 200 470
Under construction	59 846 465	-	-	-	153 591 464	213 437 930	-	-	-	-	-	-	-	-	213 437 930
	720 138 552	54 094 885	-	-	153 591 464	927 824 901	(52 911 018)	(14 447 484)	-	-	-	(67 358 502)	-	-	860 466 399
Heritage Assets															
Historical Buildings	205 578	-	-	-	-	205 578	-	-	-	-	-	-	-	-	205 578
	205 578	-	-	-	-	205 578	-	-	-	-	-	-	-	-	205 578
Total carried forward	739 828 299	54 451 513	1 946 190	-	153 591 464	949 817 467	(56 489 236)	(15 075 918)	-	-	-	(71 565 154)	-	-	878 252 313

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R			
Total brought forward	739 828 299	54 451 513	1 946 190	-	153 591 464	949 817 467	(56 489 236)	(15 075 918)	-	-	-	(71 565 154)	-	-	878 252 313
Other Assets															
Office Equipment	2 932 541	289 926	-	-	-	3 222 467	(1 058 331)	(405 198)	-	11 890	(4 556)	(1 456 195)	-	-	1 766 272
Machinery & Equipment	1 948 667	532 911	202	-	-	2 481 780	(531 529)	(369 093)	-	(17 455)	-	(918 077)	-	-	1 563 703
Transport Assets	6 566 906	2 510 544	-	-	-	9 077 451	(3 591 996)	(606 988)	-	41 729	(411 015)	(4 568 270)	-	-	4 509 180
Computer Equipment	5 833 784	1 328 598	(202)	-	-	7 162 181	(1 971 527)	(1 218 660)	-	5 564	(92 873)	(3 277 496)	-	-	3 884 685
	17 281 898	4 661 980	-	-	-	21 943 878	(7 153 383)	(2 599 939)	-	41 729	(508 444)	(10 220 038)	-	-	11 723 840
Finance Lease Assets															
Other Assets	21 806 403	679 508	(97 067)	-	-	22 388 844	(7 791 311)	(4 390 417)	-	88 773	-	(12 092 955)	-	-	10 295 890
	21 806 403	679 508	(97 067)	-	-	22 388 844	(7 791 311)	(4 390 417)	-	88 773	-	(12 092 955)	-	-	10 295 890
Total	778 916 600	59 793 001	1 849 123	-	153 591 464	994 150 189	(71 433 930)	(22 066 274)	-	130 502	(508 444)	(93 878 146)	-	-	900 272 042

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R			
Land	1 296 718	-	-	-	-	1 296 718	-	-	-	-	-	-	-	-	1 296 718
	1 296 718	-	-	-	-	1 296 718	-	-	-	-	-	-	-	-	1 296 718
Buildings	17 927 475	259 977	-	-	-	18 187 452	(2 966 733)	(611 485)	-	-	-	(3 578 218)	-	-	14 609 234
Infrastructure															
Sewerage Mains & Purification	79 838 195	-	-	-	-	79 838 195	(9 603 226)	(1 631 411)	-	-	-	(11 234 637)	-	-	68 603 558
Water Mains & Purification	483 082 792	97 371 100	-	-	-	580 453 891	(30 596 686)	(11 079 695)	-	-	-	(41 676 381)	-	-	538 777 510
Under construction	43 567 294	18 228 619	-	-	(1 949 447)	59 846 465	-	-	-	-	-	-	-	-	59 846 465
	606 488 280	115 599 718	-	-	(1 949 447)	720 138 552	(40 199 912)	(12 711 106)	-	-	-	(52 911 018)	-	-	667 227 534
Heritage Assets															
Historical Buildings	205 578	-	-	-	-	205 578	-	-	-	-	-	-	-	-	205 578
	205 578	-	-	-	-	205 578	-	-	-	-	-	-	-	-	205 578
Total carried forward	625 918 051	115 859 695	-	-	(1 949 447)	739 828 299	(43 166 645)	(13 322 591)	-	-	-	(56 489 236)	-	-	683 339 063

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R			
Total brought forward	625 918 051	115 859 695	-	-	(1 949 447)	739 828 299	(43 166 645)	(13 322 591)	-	-	-	(56 489 236)	-	-	683 339 063
Other Assets															
Office Equipment	2 633 188	299 353	-	-	-	2 932 541	(713 819)	(344 512)	-	-	-	(1 058 331)	-	-	1 874 210
Machinery & Equipment	1 752 527	196 139	-	-	-	1 948 667	(273 699)	(257 830)	-	-	-	(531 529)	-	-	1 417 138
Transport Assets	5 788 962	777 944	-	-	-	6 566 906	(2 964 804)	(627 192)	-	-	-	(3 591 996)	-	-	2 974 910
Computer Equipment	5 565 424	268 361	-	-	-	5 833 784	(952 520)	(1 019 006)	-	-	-	(1 971 527)	-	-	3 862 258
	15 740 101	1 541 797	-	-	-	17 281 898	(4 904 843)	(2 248 540)	-	-	-	(7 153 383)	-	-	10 128 515
Finance Lease Assets															
Other Assets	18 967 242	2 839 162	-	-	-	21 806 404	(4 000 460)	(3 790 851)	-	-	-	(7 791 311)	-	-	14 015 093
	18 967 242	2 839 162	-	-	-	21 806 404	(4 000 460)	(3 790 851)	-	-	-	(7 791 311)	-	-	14 015 093
Total	660 625 395	120 240 654	-	-	(1 949 447)	778 916 601	(52 071 947)	(19 361 982)	-	-	-	(71 433 930)	-	-	707 482 672

ILEMBE DISTRICT MUNICIPALITY
APPENDIX C
UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying value
	Opening Balance	Additions	Under Construction	Change in policy/prior year errors	Closing Balance	Opening Balance	Additions	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
Executive & Council	6 566 906	3 839 142			10 406 049	(5 563 523)	(1 825 648)	41 729		(7 347 442)			3 058 607
Finance & Admin	30 199 162	1 179 465		1 946 190	33 324 817	(5 168 078)	(1 402 725)	(0)	(508 444)	(7 079 248)	-	-	26 245 569
Waste Management	79 838 195	15 893 623			95 731 818	(11 234 637)	(1 669 183)	-		(12 903 819)			82 827 999
Road Transport		-											-
Water	640 300 357	38 201 262	153 591 464		832 093 083	(41 676 381)	(12 778 302)	-		(54 454 683)			777 638 400
Other	22 011 981	679 508		(97 067)	22 594 422	(7 791 311)	(4 390 417)	88 773		(12 092 955)			10 501 467
Total	778 916 600	59 793 001	153 591 464	1 849 123	994 150 189	(71 433 930)	(22 066 274)	130 502		(93 878 146)	-	-	900 272 042

ILEMBE DISTRICT MUNICIPALITY
APPENDIX D
UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2012

2011	2011	2011		2012	2012	2012
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
		R		R	R	R
4 078 369	29 870 643	(25 792 274)	Executive & Council	799 340	31 768 899	(30 969 558)
208 956 907	50 528 817	158 428 090	Finance & Admin	239 770 214	75 095 464	164 674 749
37 835 416	49 856 239	(12 020 823)	Planning & Development	4 547 706	12 294 761	(7 747 055)
		-	Health	-	-	-
2 951 935	9 196 087	(6 244 152)	Community & Social Services	2 236 507	3 438 028	(1 201 521)
		-	Public Safety	-	-	-
		-	Sport & Recreation	-	-	-
	270 292	(270 292)	Environmental Protection	-	226 336	(226 336)
33 923 318	29 594 870	4 328 448	Waste Management	43 980 913	42 247 895	1 733 018
		-	Road Transport	314 011	-	314 011
187 054 290	196 427 587	(9 373 297)	Water	270 772 585	214 603 881	56 168 704
		-	Electricity	-	-	-
	800 000	(800 000)	Other	-	-	-
474 800 235	366 544 535	108 255 700		562 421 276	379 675 264	182 746 013
			Less: Inter-Department Charges			
474 800 235	366 544 535	108 255 700	Total	562 421 276	379 675 264	182 746 013

ILEMBE DISTRICT MUNICIPALITY

APPENDIX E

**STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION
as at 30 June 2012**

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By- law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	8	9
	R	R	R	R	R	R	R	R	R
Property Rates									
Service Charges	116 654 907	104 551 353		104 551 353	95 732 711		-8 818 642	92%	82%
Investment Revenue	6 119 000	6 119 000		6 119 000	6 527 455		408 455	107%	107%
Transfers Recognised - Operational	213 603 233	250 995 599		250 995 599	250 878 575		-117 024	100%	117%
Other Own Revenue	27 980 124	63 351 471		63 351 471	26 484 188		-36 867 283	42%	95%
Total Revenue (Excluding Capital Transfers & Contributions)	364 357 264	425 017 423	0	425 017 423	379 622 930	0	-45 394 493	340%	401%
Employee Costs	98 431 589	95 726 135		95 726 135	91 098 375		-4 627 760	95%	93%
Remuneration Of Councillors	6 781 484	6 035 939		6 035 939	5 431 497		-604 442	90%	80%
Debt Impairment	24 324 052	30 225 620		30 225 620	43 601 446		13 375 826	144%	179%
Depreciation & Asset Impairment	18 000 000	31 500 000		31 500 000	23 100 313		-8 399 687	73%	128%
Finance Charges	11 320 455	11 749 112		11 749 112	10 983 831		-765 281	93%	97%
Materials & Bulk Purchases	81 009 068	78 648 268		78 648 268	72 009 195		-6 639 073	92%	89%
Grant Expenses	0	44 821 494		44 821 494	35 323 432		-9 498 062	79%	0%
Other Expenditures	124 162 659	121 206 657		121 206 657	98 127 176		-23 079 481	81%	79%
Total Expenditure	364 029 307	419 913 225	0	419 913 225	379 675 264	0	-40 237 961	748%	745%
Surplus/(Deficit)	327 957	5 104 198	0	5 104 198	-52 335	0	-5 156 533	-408%	-344%
Transfers Recognised - Capital	188 657 000	182 362 000		182 362 000	182 798 346		436 346	100%	97%
Contributions Recognised - Capital & Contributed Assets									
Surplus/(Deficit) After Capital Transfers & Contributions	188 984 957	187 466 198	0	187 466 198	182 746 011	0	-4 720 187	-307%	-247%
Share Of Surplus/(Deficit) Of Associate									
Surplus/(Deficit For The Year)	188 984 957	187 466 198	0	187 466 198	182 746 011	0	-4 720 187	-307%	-247%
Capital Expenditure & Funds Sources									
Capital Expenditure									
Transfers Recognised - Capital	188 657 000	182 362 255		182 362 255	177 098 141	10 063 734	-5 264 114	97%	94%
Public Contributions & Donations	0	0		0	0		0	0%	0%
Borrowing	0	0		0	0		0	0%	0%
Internally Generated Funds	66 168 200	36 284 969		36 284 969	35 848 878		-436 091	99%	54%
Total Sources Of Capital Funds	254 825 200	218 647 224	0	218 647 224	212 947 019	10 063 734	-5 700 205	196%	148%
Cash flows									
Net Cash From (Used) Operating									
Net Cash From (Used) Investing									
Net Cash From (Used) Financing									
Cash/Cash Equivalents At The Year End	0	0	0	0	0	0	0	0%	0

RECONCILIATION IN THE NOTES TO THE FINANCIAL STATEMENTS

Reconciliation Of Budget Surplus/Deficit With The Surplus/Deficit In The Statement Of Financial Performance	
Net Surplus/Deficit Per The Statement Of Financial Performance	
Adjusted For:	
Fair Value Adjustments	
Impairments Recognised/Reversed	
Surplus/Deficit On The Sale Of Assets	
Increases/Decreases In Provisions	
List other relevant adjustments here	
Net Surplus/Deficit Per Approved Budget	