



*Umvoti Municipality  
Annual Financial  
Statements  
2012 / 2013*



## Contents

|   |           |
|---|-----------|
| <b>General Information.....</b>   | <b>1</b>  |
| <b>Members of the Umvoti Municipal Council .....</b>                        | <b>2</b>  |
| <b>Mayors forward .....</b>   | <b>3</b>  |
| <b>Municipal Manager’s overview .....</b>                                   | <b>7</b>  |
| <b>Statement of Financial Position .....</b>                                | <b>10</b> |
| <b>Statement of Financial Performance .....</b>                             | <b>11</b> |
| <b>Statement of changes in net assets .....</b>                             | <b>12</b> |
| <b>Cash Flow Statement .....</b>  | <b>13</b> |
| <b>Accounting Policies for the year ended 30 June 2013 .....</b>            | <b>14</b> |
| <b>Notes to the Financial Statements .....</b>                              | <b>30</b> |
| <b>Appendix A Schedule of External Loans .....</b>                          | <b>53</b> |
| <b>Appendix B Analysis of Property, Plant and Equipment .....</b>           | <b>54</b> |
| <b>Appendix C Segmental Analysis of Property, Plant and Equipment .....</b> | <b>55</b> |
| <b>Appendix D Segmental Statement of Financial Performance .....</b>        | <b>56</b> |
| <b>Appendix E Disclosure of Grants and Subsidies .....</b>                  | <b>57</b> |



## **GENERAL INFORMATION**

### **MEMBERS OF THE EXECUTIVE COMMITTEE**

|            |              |   |                          |
|------------|--------------|---|--------------------------|
| Councillor | P G Mavundla | : | Mayor, Exco. Chairperson |
| Councillor | ZW Xaba      | : | Deputy Mayor             |
| Councillor | R Maharaj    | : | Exco Member              |
| Councillor | AM Shaikh    | : | Speaker                  |

### **GRADING OF LOCAL AUTHORITY**

GRADE SIX (6)

### **AUDITORS**

OFFICE OF THE AUDITOR-GENERAL

### **BANKERS**

ABSA BANK

### **REGISTERED OFFICE**

106 PINE STEET  
Greytown  
3250

### **TELEPHONE**

033-4139100

### **MUNICIPAL MANAGER**

B A Xulu

### **CHIEF FINANCIAL OFFICER**

M E Swanlow



## MEMBERS OF THE UMVOTI MUNICIPAL COUNCIL

|                     |   |                     |
|---------------------|---|---------------------|
| PR                  | : | Z C NGEMA           |
| PR                  | : | S E MNGOMA          |
| PR                  | : | P T ZUMA            |
| PR                  | : | AM SHAIKH           |
| PR                  | : | Z W XABA            |
| PR                  | : | E S SHANGE          |
| PR                  | : | P R BUSS            |
| PR                  | : | M S YENGWA          |
| PR                  | : | D N ZONDI           |
| PR                  | : | I S NYOKA           |
| PR                  | : | V S PILLAY          |
| PR                  | : | PMS NGUBANE         |
| W1                  | : | B E MLONDO          |
| W2                  | : | P G MAVUNDLA        |
| W3                  | : | B G DLADLA          |
| W4                  | : | S V ZONDI           |
| W5                  | : | R MAHARAJ           |
| W6                  | : | M L SHEZI           |
| W7                  | : | S A NZAMA           |
| W8                  | : | E N MNCUBE          |
| W9                  | : | K L CHONCO          |
| W10                 | : | N S V MAPHAGA       |
| W11                 | : | M R DLAMINI         |
| <b>MAYOR</b>        | : | <b>P G MAVUNDLA</b> |
| <b>DEPUTY MAYOR</b> | : | <b>Z W XABA</b>     |

## APPROVAL OF FINANCIAL STATEMENTS

The annual Financial Statements set out on pages 03 to 61 were approved by the Municipal Manager on 28 August 2013 and will be presented to the Executive on 19 September 2013.

**MUNICIPAL MANAGER**  
(Accounting Officer)

**CHIEF FINANCIAL OFFICER**



## MAYOR'S FOREWORD

### a. Vision:



### b. Our Mission

The Umvoti Local Municipality is committed to the service delivery and also to ensure the following commitment for the people;

- To provide democratic, transparent and accountable local government,
- To encourage community participation on local government affairs,
- To ensure equity and integrated transformation,
- To ensure sound inter-governmental relations for the integrated development plan,
- To facilitate socio-economics development, (special focus on social cohesion and economic growth to benefit the poor residents),
- To promote a safety and healthy environment,
- To render and expand affordable and sustainable services in a transparent and accountable manner,
- To promote the culture of paying for the services,
- To give highest level of respect to local communities and Traditional Leaders,
- To ensure that the National Government priorities are adhered to and implemented for the benefit of the poor communities,
- To promote the culture of Ubuntu amongst the councillors, management, and the stakeholders,



**c. Key Policy Developments:**

This is based on Strategic alignment to the National and Provincial Growth and Development Strategy, and the Integrated Development Plan strategies included in the IDP especially with focus on impact and outcome achieved. The municipality had set-up the goals to be accomplished to ensure the improvement of life for the poor and to ensure the speed on the service delivery which goes with closing the gaps on the backlogs.

The population of the municipality had grown and the economic resources remain scares to fulfil the economic growth objectives which will ensure the job creation and food nutrition. Nevertheless the people of Umvoti Local Municipality have survived under those conditions of scares resources.

Umvoti Local Municipality's policies were relaxed in order to ensure that life is easy for the have not to survive and that the haves should easily pay for the services rendered by the municipality in order to sustain the financial health.

The historic background which resulted into triple challenges (unemployment, poverty and inequality) that engulf the community in rural, urban and in the farm areas need to be tackled as it remains a serious burden on the shoulders of this council.

**d. Key Service Delivery Improvements:**

The Municipal Infrastructure Grant (MIG) funding was utilised for the urban roads rehabilitation which were in a very bad condition. The contractor has been doing very well in terms of speeding up the tarring of the roads and to deal with potholes.

The spending on the capital funding improved and no money would be taken back by National Treasury, all what the municipality is waiting for is the additional grant funding to deal with access roads in rural areas.

The municipality also dealt with maintenance of community halls in all **eleven (11)** wards and some of those community halls will to be utilised as Thusong Service Centres for Operation Sukuma Sakhe in which the social ills of the community households are dealt with.

The Mayor ensured that the municipality is on the right track to claim to be the sphere of government which is focused on service delivery and which is driven by the notion of building the developmental state, as the sphere which is more -closer to the people.



**e. Public Participation:**

The former Mayor conducted road shows by visiting all eleven (11) wards within our jurisdiction together with councillors and Ward Committees to address the concerns of specific wards. The local newspaper was used to notify the public about the new developments in the municipality and also ensure that the members of the public are aware of such developments.

The community engagement was done to ensure that service delivery talks to the community needs as it should be a people initiative, people driven, and people centred that ensures and instil the sense that all government facilities are for the people.

The municipality has a website in which advertisements and the organogram are placed for the ease of access to information and the website has been up-dated as and when the need arises. The Thusong Centres are the facilities in which the information about the opportunities are obtained.

**f. Future Actions:**

The municipality was engaging the National Department of Education to build an FET College and further engagements with the National Department of Environmental Affairs to build the Landfill site in which the waste recycling will be done, including the buy-back centre which will be under the control and the management of the Cooperatives.

The slums clearance houses 1 000 units will be built for the people who are staying in shack-houses and the community residential units will be built to accommodate the people who come to Greytown to provide labour to the employers. The improvement of the old fashion hostel will be in-line with the initiative of the National Government of Human Settlement.

The electrification of the 497 RDP houses in Greytown which the municipality has to obtain R4 million to complete this task, and ensure that the street lights are working using the solar system.

The future actions are as follows;

- Hydro Scheme of 20mega watts,
- Building the New Electricity Substation,
- Rehabilitation of small towns [KRANSKOP]
- Woolstone Green Field,
- Sangweni Green Field
- Building the School for People living with Disability



**g. Agreements / Partnerships:**

The Mayor also engaged the KZN Wild life to build the Game Reserve for the people of Umvoti Municipality, and also with the Provincial Department of Tourism to focus on Ngame Game Reserve and to improve Lilani Hot Spring so as to attract more tourists in the municipality.

**h. Conclusion:**

The political atmosphere should be stable to ensure the focus on service delivery to the entire community of Umvoti Local Municipality and surrounding areas and also to strengthen the relationship with Traditional Leaders and other stakeholders who stand to benefit from the progress made by the municipality.

The work and play events are being honoured by the council as a tool of having healthy employees and also to build the social cohesion amongst the workers of all government departments in the area of Umvoti Local Municipality.

---

**Mayor Cllr P. G. Mavundla**





## **MUNICIPAL MANAGER'S OVERVIEW**

The pieces of legislation and regulations which guide the municipalities in terms of its accountability and its operation to ensure service delivery to the community residing within the municipal jurisdictions. The Annual Report reflects the municipal service delivery given the tight budget which was approved by the council in June 2012. The financial year which the report reflects is 2012/2013 which was challenging to the Staff members and councillors.

In terms of compliance with the legislation contained in Section 46 of the Local Government: Municipal Systems Act (Act no. 32 of 2000) read together with Section 121 of the Local Government: Financial Management Act (Act No. 56 of 2003) which states that the municipality need to provide records of activities during the financial year, provide a report on performance against the budget and to promote accountability to the local community for the decisions taken by the council throughout the year.

During the financial year management had to implement the response plan based on the findings of the Auditor General as the municipality achieved an unqualified audit opinion with matters of emphases which were related to performance management system, the internal control, and the leadership to ensure stability and focus on service delivery to the people for the betterment of their lives. Indeed a lot has been achieved except to mention that Senior Managers were suspended based on the forensic investigation and the municipality survived with Acting Managers in critical positions.

There has been a great improvement on service delivery as one could witness that the urban roads were prioritised by council to be rehabilitated, community halls were maintained, rural areas were electrified although the backlog was not met, rural roads were constructed, and the community engagement on the IDP was done by the Councillors, Ward committee members and Community Development Workers (CDWs) in all eleven (11) wards being led by the former Mayor Cllr P. G. Mavundla. The rate payers were engaged on the tariff of charges including Nersa, the Farmer's Association was involved in all the processes and business communities enjoyed direct contact with the Mayor and Senior Managers to clarify the council decisions.

The council inherited a financial deficit in the financial year 2012/2013, Councillors and Management had to cut spending on nice to have and focus on debtor collection to enhance the revenue and sustain the financial health status of the municipality. The council also took a fair resolution of writing-off the irrecoverable debts from the households who have an



income of less than R3500 per month which showed that the municipality is concerned about poor people and that the books of the municipality are cleared.

Council realised that the municipality is in crisis of power supply in Greytown which implies that the Development Bank of Southern Africa (DBSA) had to be engaged to get the loan for the funding of the electrification in rural areas and to build the substation to supply power into town. The amount of R122 million is therefore needed to cover the costs and the joint partnership with Eskom to electrify the rural areas is also fruitful.

The municipality reviewed some of the policies and by-laws with the assistance of an expert Mr Andrew Els and to mention the few by-laws which were adopted by the council include the following: (Credit Control and Debt Collection, Property Rates, Tariff By-Laws, and Credit Management) and the following policies were adopted (Property Rates, Fraud Prevention, Credit Control and Deb Collection and Risk Management Policy). The other By-laws which were drafted and needed councillors and management to be work-shopped on were as follows; (Financial By-laws, Standing Rules and Order, Street Trading By-Laws, Business Licence By-Laws). The policies which were drafted and needed the management and the councillors to be work-shopped are as follows; (Supply Chain Management, E-Mail Register, Delegations of authorities, Study Aid, Placement, Councillors Sustenance & Traveling, Indigent, Virement, Whistle Blowers, Overtime, Informal Economy, Records Management and Human Resource).

It should be brought into the municipal records that KZN Department of Cooperative Governance and Traditional Affairs also seconded Mr Velaphi Kubheka to assist the Municipality in ensuring that the policies and by-laws are in place and they are adhered to. Mr V. Kubheka assumed his duties at Umvoti local municipality in February 2013.

The Internal Audit was rendered by Sizwe Ntsalubu Gobodo which was the shared service for Umzinyathi District family of municipalities, unfortunately the contract expired and the municipality hired them on a month to month bases. The Audit Committee is functional and it provides advice to Management and Council one can also witness that there is value for money.

I WOULD LIKE TO PLACE ON RECORD MY APPRECIATION TO THE COUNCILLORS, MANAGEMENT AND THE JUNIOR STAFF MEMBERS FOR THE SUPPORT GIVEN TO THE ENTIRE MUNICIPALITY TO FULFIL ITS CONSTITUTIONAL MANDATE TO DELIVER THE SERVICES TO THE POOR COMMUNITIES AND TO THE RATES PAYERS. THE WORKING RELATIONSHIP HAS BEEN A SOLID BLOCK WHICH HAS BEEN CEMENTED AND GLUED WITH COMMITMENT AND DEDICATION TO THE BETTERMENT OF PEOPLE'S LIVES AND THE POOREST OF THE POOR COMMUNITIES.



I would also wish to thank all the strategic partners within the community of Umvoti Local Municipality and the stakeholders for providing guidance in the running of the municipality, and the patience shown by the community during hard times of water shortage and electricity disconnections for non-payers. I would like also to extend my words of thanks to Umzinyathi District Municipality including the National and Provincial Government Departments for the support rendered to Umvoti Local Municipality as an when they were needed to assist.

I would like to express my sincere appreciation to the communities from all corners of Umvoti Local Municipality boundaries for being patient on the service delivery slow pace and together we should live with the hope that "TODAY IS BETTER THAN YESTERDAY AND TOMORROW WILL BE BETTER THAN TODAY". I look forward to the improvement of service delivery to all those who may be affected by poor service from the municipality.

---

**Mr B. A. Xulu**



| <b>UMVOTI LOCAL MUNICIPALITY</b>                 |             |                    |                    |  |
|--|-------------|--------------------|--------------------|--|
| <b>STATEMENT OF FINANCIAL POSITION</b>           |             |                    |                    |  |
| <b>as at 30 June 2013</b>                        |             |                    |                    |  |
|  | <u>Note</u> | <u>2013</u>        | <u>2012</u>        |  |
|  |             | <u>R</u>           | <u>R</u>           |  |
| <b>ASSETS</b>                                    |             |                    |                    |  |
| Current assets                                   |             | 78 929 557         | 86 097 408         |  |
| Cash and cash equivalents                        | 2           | 48 518 268         | 64 315 199         |  |
| Trade receivables from exchange transactions     | 3           | 18 619 050         | 18 590 376         |  |
| Other receivables from non-exchange transactions | 4           | 7 231 041          | 1 806 750          |  |
| Inventories                                      | 5           | 1 462 042          | 1 354 201          |  |
| VAT receivable                                   | 7           | 3 098 224          |                    |  |
| Current portion of non current receivables       | 8           | 932                | 30 882             |  |
| <b>Non-current assets</b>                        |             | <b>406 460 009</b> | <b>384 746 042</b> |  |
| Property, plant and equipment                    | 9.1         | 385 427 755        | 363 712 868        |  |
| Intangible assets                                | 9.2         | 148 254            | 149 143            |  |
| Long Term Receivables                            | 8           |                    | 31                 |  |
| Investment Property                              | 10          | 20 884 000         | 20 884 000         |  |
| <b>Total assets</b>                              |             | <b>485 389 566</b> | <b>470 843 450</b> |  |
| <b>LIABILITIES</b>                               |             |                    |                    |  |
| <b>Current liabilities</b>                       |             | <b>31 131 898</b>  | <b>34 739 543</b>  |  |
| Trade and other payables                         | 11          | 21 969 427         | 17 403 238         |  |
| Consumer deposits                                | 12          | 2 139 181          | 1 988 145          |  |
| Current provisions                               | 13          | 460 868            | 339 278            |  |
| VAT Payable                                      | 7           |                    | 717 150            |  |
| Unspent conditional grants and receipts          | 14          | 6 562 422          | 14 210 190         |  |
| Current portion of borrowings                    | 15          |                    | 81 542             |  |
| <b>Non-current liabilities</b>                   |             | <b>14 381 502</b>  | <b>8 022 722</b>   |  |
| Long term liabilities                            | 15          |                    |                    |  |
| Post Retirement Benefits                         | 13          | 12 961 063         | 6 791 000          |  |
| Non - current provisions                         | 13          | 1 420 439          | 1 231 722          |  |
| <b>Total liabilities</b>                         |             | <b>45 513 400</b>  | <b>42 762 265</b>  |  |
| <b>Net assets</b>                                |             | <b>439 876 166</b> | <b>428 081 185</b> |  |
| <b>NET ASSETS</b>                                |             |                    |                    |  |
| Housing Development Fund                         | 16          | 11 158 706         | 10 330 154         |  |
| Revaluation Reserve                              |             | 288 747 638        | 301 599 883        |  |
| Accumulated surplus                              | 17          | 139 969 822        | 116 151 148        |  |
| <b>Total net assets</b>                          |             | <b>439 876 166</b> | <b>428 081 185</b> |  |



| <b>UMVOTI LOCAL MUNICIPALITY</b>                          |             |                    |                    |  |
|---|-------------|--------------------|--------------------|--|
| <b>STATEMENT OF FINANCIAL PERFORMANCE</b>                 |             |                    |                    |  |
| <b>for the year ending 30 June 2013</b>                   |             |                    |                    |  |
|   | <b>Note</b> | <b>2013</b>        | <b>2012</b>        |  |
|   |             | <b>R</b>           | <b>R</b>           |  |
| <b>REVENUE</b>  |             |                    |                    |  |
| Property rates  | 18          | 18 622 798         | 13 798 591         |  |
| Property rates - penalties imposed and collection charges |             | 1 127 100          | 1 250 914          |  |
| Service charges   | 19          | 54 922 339         | 48 286 420         |  |
| Rental of facilities and equipment                        |             | 2 881 420          | 2 819 333          |  |
| Interest earned - external investments                    |             | 3 885 545          | 3 261 260          |  |
| Interest earned - outstanding debtors                     |             | 170 168            | 154 251            |  |
| Fines   |             | 846 315            | 490 548            |  |
| Licences and permits                                      |             | 1 989 757          | 1 914 479          |  |
| Income for agency services                                |             | 1 053 826          | 969 555            |  |
| Government grants and subsidies                           | 20          | 77 719 783         | 53 554 744         |  |
| Other income  | 21          | 288 353            | 567 705            |  |
| Gain on disposal of property, plant and equipment         |             | 209 704            |                    |  |
| Public contributions                                      |             |                    | 23 000             |  |
| Reversal of Bad Debt Provision                            | 3           |                    | 250 613            |  |
| <b>Total Revenue</b>                                      |             | <b>163 717 108</b> | <b>127 341 413</b> |  |
| <b>EXPENDITURE</b>  |             |                    |                    |  |
| Employee related costs                                    | 22          | 40 808 570         | 34 671 343         |  |
| Remuneration of Councillors                               | 23          | 6 488 366          | 4 668 235          |  |
| Bad debts   | 3           | 3 531 519          | 9 090              |  |
| Depreciation  |             | 17 560 243         | 16 823 316         |  |
| Repairs and maintenance                                   |             | 6 618 835          | 5 015 643          |  |
| Interest paid   | 24          | 16 137             | 22 562             |  |
| Bulk purchases  | 25          | 31 537 084         | 29 003 543         |  |
| Contracted services                                       | 27          | 13 238 790         | 11 938 381         |  |
| Grants and subsidies paid                                 | 26          | 1 268 328          | 1 103 336          |  |
| General expenses  | 27          | 24 373 884         | 23 633 502         |  |
| <b>Total Expenditure</b>                                  |             | <b>145 441 756</b> | <b>126 888 951</b> |  |
| Change in Accounting Estimate                             |             |                    |                    |  |
| - Retirement and long service benefits                    |             | 6 480 370          |                    |  |
| <b>Surplus (Deficit) for the year</b>                     |             | <b>11 794 982</b>  | <b>452 462</b>     |  |
| Refer to Note 35 for explanation of variances             |             |                    |                    |  |



| <b>UMVOTI LOCAL MUNICIPALITY</b>          |  |                                      |                                      |                    |
|---|--|--------------------------------------|--------------------------------------|--------------------|
| <b>STATEMENT OF CHANGES IN NET ASSETS</b> |  |                                      |                                      |                    |
| <b>as at 30 June 2013</b>                 |  |                                      |                                      |                    |
|   | <b>Housing<br/>Development<br/>Fund (note 1)<br/>R</b> | <b>Revaluation<br/>Reserve<br/>R</b> | <b>Accumulated<br/>Surplus<br/>R</b> | <b>Total<br/>R</b> |
| Balance at 30 June 2011                   | 9 474 901  | 64 189 307                           | 138 551 103                          | 212 215 311        |
| Retrospective adjustment PPE values       |  | 314 592 445                          | -35 060 872                          | 279 531 573        |
| Adjustment - previous year                |  |                                      | 71 145                               | 71 145             |
| Balance at 30 June 2011 restated          | 9 474 901  | 378 781 752                          | 103 561 376                          | 491 818 029        |
| Surplus(deficit) for the year             | -10 892  |                                      | 463 355                              | 452 463            |
| Transfer to Housing Development Fund      | 866 145  |                                      | -866 145                             | -                  |
| Transfer depreciation - revalued assets   |  | -12 992 562                          | 12 992 562                           |                    |
| Farms:- Revaluation of Plantations        |  | 9 430 707                            |                                      | 9 430 707          |
| Balance at 30 June 2012                   | <u>10 330 154</u>                                      | <u>375 219 897</u>                   | <u>116 151 148</u>                   | <u>501 701 199</u> |
| Balance at 30 June 2012                   | 10 330 154   | 375 219 897                          | 116 151 148                          | 501 701 199        |
| Adjustment - previous year                |  | (73 620 014)                         |                                      | (73 620 014)       |
| Balance at 30 June 2012 restated          | 10 330 154   | 301 599 883                          | 116 151 148                          | 428 081 185        |
| Surplus(deficit) for the year             | (14 665)   |                                      | 11 809 647                           | 11 794 982         |
| Transfer to Housing Development Fund      | 843 217  |                                      | (843 217)                            | -                  |
| Transfer depreciation - revalued assets   |  | (12 852 244)                         | 12 852 244                           |                    |
| Farms:- Revaluation of Plantations        |  |                                      |                                      | -                  |
| Balance at 30 June 2013                   | <u>11 158 706</u>                                      | <u>288 747 639</u>                   | <u>139 969 822</u>                   | <u>439 876 167</u> |



| <b>UMVOTI LOCAL MUNICIPALITY</b>                           |             |                     |                     |
|--|-------------|---------------------|---------------------|
| <b>CASH FLOW STATEMENT</b>                                 |             |                     |                     |
| <b>for the year ending 30 June 2013</b>                    |             |                     |                     |
|  | <b>Note</b> | <b>2013</b>         | <b>2012</b>         |
|  |             | <b>R</b>            | <b>R</b>            |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                 |             |                     |                     |
| Cash receipts from ratepayers, government and other        |             | 146 851 951         | 134 372 196         |
| Cash paid to suppliers and employees                       |             | (127 523 396)       | (109 404 711)       |
| Cash generated from (utilised in ) operations              | 28          | 19 328 555          | 24 967 485          |
| Interest received  |             | 3 885 545           | 3 261 260           |
| Interest paid  | 24          | (16 137)            | (22 561)            |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                  |             | <b>23 197 963</b>   | <b>28 206 184</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |             |                     |                     |
| Purchase of property, plant and equipment                  |             | (39 274 123)        | (12 299 359)        |
| Proceeds on disposal of property, plant and equipment      |             | 209 704             |                     |
| (Increase) decrease in investment properties               |             |                     |                     |
| (Increase) decrease in non - current receivables           |             | 31                  | 34 266              |
| (Increase) decrease in non - current investments           |             |                     |                     |
| (Increase) decrease in call investments                    |             |                     |                     |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>                  |             | <b>(39 064 388)</b> | <b>(12 265 093)</b> |
| <b>CASH FLOWS FROM FROM FINANCING ACTIVITIES</b>           |             |                     |                     |
| New loans raised (repaid )                                 |             | (81 542)            | (125 020)           |
| Increase (decrease ) in consumer deposits                  |             | 151 036             | 139 148             |
| Increase (decrease ) in short term loans                   |             |                     |                     |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>                  |             | <b>69 494</b>       | <b>14 128</b>       |
| Net increase / (decrease) in net cash and cash equivalents |             | (15 796 931)        | 15 955 221          |
| Cash and cash equivalents at the beginning of the year     |             | 64 315 199          | 48 359 978          |
| <b>Net cash and cash equivalents at end of period</b>      | <b>2</b>    | <b>48 518 268</b>   | <b>64 315 199</b>   |



**ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013**

**1. Presentation of Annual Financial Statements**

**BASIS OF PRESENTATION**

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

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

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

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

**Standards, amendments to standards and interpretations effective for financial periods commencing on or after 1 April 2012.**

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

|         |   |
|---------|---|
| GRAP 1  | Presentation of Financial Statements                            |
| GRAP 2  | Cash Flow Statements  |
| GRAP 3  | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4  | The Effects of Changes in Foreign Exchange Rates                |
| GRAP 5  | Borrowing Cost  |
| GRAP 6  | Consolidated and Separate Financial Statements                  |
| GRAP 7  | Investment in Associates  |
| GRAP 8  | Investment in Joint Ventures                                    |
| GRAP 9  | Revenue From Exchange Transactions                              |
| GRAP 10 | Financial Reporting in Hyperinflationary Economies              |
| GRAP 11 | Construction Contracts  |
| GRAP 12 | Inventories   |
| GRAP 13 | Leases  |
| GRAP 14 | Events After the Reporting Date                                 |
| GRAP 16 | Investment Property   |
| GRAP 17 | Property, Plant and Equipment                                   |
| CRAP 19 | Provisions, Contingent Liabilities and Contingent Asset         |
| GRAP 21 | Impairment of Non-cash-generating Assets                        |
| GRAP 23 | Revenue from Non-exchange Transactions (Taxes and Transfers)    |





|          |  |
|----------|--|
| GRAP 24  | Presentation of Budget Information in Financial Statements   |
| GRAP 26  | Impairment of Cash-generation Assets                         |
| GRAP 100 | Non-current Assets Held for Sale and Discontinued Operations |
| GRAP 101 | Agriculture  |
| GRAP 102 | Intangible Assets  |
| GRAP103  | Heritage Assets  |
| GRAP 104 | Financial Instruments  |

The following GRAP standards have been approved but are not yet effective. Application of all the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance.

|          |  |
|----------|--|
| GRAP 25  | Employee Benefits – issued March 2009  |
| GRAP 105 | Transfer of functions between entities under common control – issued November 2010     |
| GRAP 106 | Transfer of functions between entities not under common control – issued November 2010 |
| GRAP 107 | Mergers – issued November 2010   |

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

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

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

The following GRAP standard has been approved but an effective date has not been determined.

|         |  |
|---------|--|
| GRAP 18 | Segment Reporting – issued February 2011 |
|---------|--|

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity’s past performance and to identify the resources allocated to support the major activities of the entity.

**Presentation Currency**

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

**Going Concern Assumption**

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



### **1.1 Significant judgements and sources of estimation uncertainty**

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

#### **Debtors receivable**

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

#### **Useful lives of property, plant and equipment**

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

During the year under review no significant assets have been impaired as the municipality is currently in the process of rehabilitating most of its infrastructure assets.

#### **Provisions**

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and 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 sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

#### **Impairment testing**

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



**Post retirement benefits**

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

**Long service awards**

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

**Effective interest rate**

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

**Allowances for doubtful debt**

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

**1.2 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

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

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-



| Description                        | YEARS    | OTHER                              | YEARS |
|------------------------------------|----------|------------------------------------|-------|
| <b>Infrastructure</b>              |          |                                    |       |
| Roads and Paving                   | 10 to 20 | Buildings                          | 30    |
| Pedestrian Malls                   | 30       | Air Conditioners                   | 7     |
| Major Sub Station Buildings        | 20       | Other Vehicles                     | 5     |
| Transformers and related equipment | 20       | Office equipment                   | 5     |
| Mains                              | 20       | Furniture and Fitting              | 10    |
| Housing                            | 30       | Radios                             | 5     |
| Street Lights                      | 20       | Robots                             | 10    |
|                                    |          | Other items of plant and equipment | 3     |
| <b>Community</b>                   |          |                                    |       |
| Buildings                          | 30       |                                    |       |
| Security                           | 5        |                                    |       |

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 recognized in the Statement of Financial Performance.

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

**Derecognition**

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

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

**1.3 Investment property**

Land and Buildings, which includes all properties in the ownership of the municipality, and complies with the criteria described in GRAP 16, were brought to account as Investment Properties. The values were determined by the Municipal Valuers, and the Civil engineers appointed for the purpose, and the valuation processes were completed during the financial year ending 30 June 2012.

Investment property is recognized at its initial cost.



## 1.4 Financial Instruments

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

### Classification

#### Financial assets

##### *Investments*

Investments, which include short-term deposits invested in registered commercial banks, are 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. 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.

##### *Cash and cash equivalents*

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

##### *Debtors*

Debtors are recognized at fair value less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors.

The amount of the provision is the difference between that asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognized in the Statement of Financial Performance.

An estimate is made for doubtful debts based on the categorization of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.



## **Financial liabilities**

### ***Borrowings and other financial liabilities***

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the municipality does not hold loans for trading purposes. Long term borrowings are utilized solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

### **Trade and other payables**

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

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

## **1.5 Leases**

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

### **Finance leases**

Leases of property plant and equipment are treated as finance leases if the lease transfers substantially all the risk and rewards incidental to ownership of the relevant asset to the municipality. Where a lease meets the definition of a finance lease, it is recognized in the statement of financial position as an asset and liability at the commencement of the lease term.

### **Operating lease**

Lease payments in terms of operating lease agreements are recognized as an expense in the statement of financial performance.



## 1.6 Inventories

Inventories are initially recognized 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.

### Subsequent Measurement

Consumable stores and maintenance materials are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

## 1.7 Non-current assets held for sale and disposal groups

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

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

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

## 1.8 Impairment of assets

### Cash generating assets

#### Identification

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



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

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

### **Value in use**

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

### **Discount rate**

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

### **Recognition and measurement**

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

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

An impairment loss is recognized for cash generating units if the recoverable amount is less than the carrying amount of the unit as follows:

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

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

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





## Non-cash generating assets

### Identification:

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset, the recoverable service amount of the cash generating unit to which the asset belongs is determined.

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

### Value in use:

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach.

## 1.9 Employee Benefits

### Defined contribution plans

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

A defined contribution plan is a plan under which the municipality pays affixed 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 contribution to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognized in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

### Define benefit plans

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



SALA pension fund are defined benefit funds. The Natal Provident Fund is a defined contribution fund.

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

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

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

#### **Post retirement health care benefits**

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

#### **1.10 Provisions**

Provisions are recognized when the Municipality has a present (Legal or constructive) obligation as a result of past events and 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 sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.



### **1.11 Revenue recognition**

#### **Revenue from exchange transactions**

Services charges relating to electricity are based on consumption. Meters are read monthly and recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized 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 recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognized at the point of sale.

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from the sale of goods is recognized when the risk has passed to the consumer.

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

#### **Revenue from non-exchange transactions**

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.



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

Revenue from the recovery of unauthorized, 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 recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

### **1.12 Conditional grants and receipts**

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

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

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

### **1.13 Borrowing cost**

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

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

### **1.14 Unauthorised Expenditure**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



### **1.15 Fruitless And Wasteful Expenditure**

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

### **1.16 Irregular Expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 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.

### **1.17 Housing Development Fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

### **1.18 Risk management of financial assets and liabilities**

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows :

#### ***Credit Risk:***

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



**Liquidity Risk :**

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

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

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

**Interest Risk :**

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

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

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

**Market Risk :**

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

**1.19 Commitments**

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



### **1.20 Related parties**

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

### **1.21 Budget Information**

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

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

An adjustment budget was carried out at midyear. The reason for the adjustments were as a result of reallocations within the approved budget.

The budget is compiled on an accrual basis of accounting.

### **1.22 Value Added Tax**

The Municipality is exempted from tax in terms of section 10(1) (a) of the Income Tax Act.

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



| UMVOTI LOCAL MUNICIPALITY<br>NOTES TO THE FINANCIAL STATEMENTS<br>for the year ended 30 June 2013 |                   |                   |
|---|-------------------|-------------------|
|   | 2013<br>R         | 2012<br>R         |
| <b>2 CASH AND CASH EQUIVALENTS</b>  |                   |                   |
| Cash and cash equivalents included in the cash flow statement comprise the following amounts:     |                   |                   |
| Cash on hand  | 3 530             | 3 530             |
| Bank balances and cash  | 1 023 508         | 4 291 636         |
| Short term deposits   | 47 491 230        | 60 020 033        |
|   | <u>48 518 268</u> | <u>64 315 199</u> |
| The Municipality has the following bank accounts:   |                   |                   |
| Primary Bank Account  |                   |                   |
| Absa Bank - Greytown Branch   |                   |                   |
| Account number - 4064988800   |                   |                   |
| Cash book balance at beginning of year  | 4 291 636         | 2 627 898         |
| Cash book balance at end of year  | 1 023 508         | 4 291 636         |
| Bank statement balance at beginning of year   | 4 239 214         | 2 622 856         |
| Bank statement balance at end of year   | 1 023 508         | 4 239 214         |
| Summary of cash and cash equivalents  |                   |                   |
| Primary Bank Account  | 1 023 508         | 4 291 636         |
| Call and short term deposits  | 47 491 230        | 60 020 033        |
| Petty Cash  | 3 530             | 3 530             |
|   | <u>48 518 268</u> | <u>64 315 199</u> |





| UMVOTI LOCAL MUNICIPALITY   |                   |                    |                   |
|---|-------------------|--------------------|-------------------|
| <u>NOTES TO THE FINANCIAL STATEMENTS</u>  |                   |                    |                   |
| <u>for the year ended 30 June 2013</u>  |                   |                    |                   |
|   | <u>2013</u>       | <u>2012</u>        |                   |
|   | <u>R</u>          | <u>R</u>           |                   |
| <b>3 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>   |                   |                    |                   |
| Balances at 30 June 2013  | Gross             | Provision for      | Net               |
|   | balance           | doubtful debts     | balance           |
| Service debtors   | 2 050 265         | (1 611 322)        | 438 943           |
| Rates   | 12 784 268        |                    | 12 784 268        |
| Electricity   | 5 123 871         | (1 341 844)        | 3 782 026         |
| Housing   | 203 103           | (17 264)           | 185 839           |
| Other   | 1 427 973         |                    | 1 427 973         |
| <b>Total</b>  | <b>21 589 480</b> | <b>(2 970 430)</b> | <b>18 619 050</b> |
| Balances at 30 June 2012  | Gross             | Provision for      | Net               |
|   | balance           | doubtful debts     | balance           |
| Service debtors   | 2 193 625         | (869 365)          | 1 324 260         |
| Rates   | 12 178 455        |                    | 12 178 455        |
| Electricity   | 5 128 721         | (1 433 711)        | 3 695 011         |
| Housing   | 923 912           | (276 677)          | 647 235           |
| Other   | 1 245 221         | (499 805)          | 745 416           |
| <b>Total</b>  | <b>21 669 935</b> | <b>(3 079 558)</b> | <b>18 590 376</b> |
| Rates: Ageing   |                   |                    |                   |
| Current ( 0 - 30 days)  | 2 320 308         | 1 458 589          |                   |
| 31 - 60 days  | 528 332           | 726 071            |                   |
| 61 to 90 days   | 405 563           | 569 272            |                   |
| 91 - 120 days   | 356 154           | 518 470            |                   |
| 121 days and over   | 5 109 434         | 8 906 053          |                   |
| <b>Total</b>  | <b>8 719 791</b>  | <b>12 178 455</b>  |                   |
| Electricity and other : Ageing  |                   |                    |                   |
| Current ( 0 - 30 days)  | 4 560 594         | 4 127 326          |                   |
| 31 - 60 days  | 644 202           | 402 160            |                   |
| 61 to 90 days   | 302 014           | 234 929            |                   |
| 91 - 120 days   | 256 925           | 191 210            |                   |
| 121 days and over   | 7 105 953         | 4 535 855          |                   |
| <b>Total</b>  | <b>12 869 689</b> | <b>9 491 480</b>   |                   |
| <b>GRAND TOTAL</b>  | <b>21 589 480</b> | <b>21 669 935</b>  |                   |
| Consumer debtors which are less than 3 months past due are not considered to be impaired.   |                   |                    |                   |
| During the year under review council resolved to write off debts for low income earners resulting in a higher contribution to the bad debt provision. |                   |                    |                   |



| <b>UMVOTI LOCAL MUNICIPALITY</b>  |                  |                  |
|---|------------------|------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>  |                  |                  |
| <b>for the year ended 30 June 2013</b>  |                  |                  |
|   | <b>2013</b>      | <b>2012</b>      |
|   | <b>R</b>         | <b>R</b>         |
| <b>4 TRADE RECEIVABLES FROM NON - EXCHANGE TRANSACTIONS</b>   |                  |                  |
| Accrued interest on investments   | 505 391          | 397 366          |
| UThukela Water  | 407 585          | 407 585          |
| Government subsidies (INEP and MIG Grant)   | 6 060 042        | 416 500          |
| Other   | 665 608          | 992 884          |
|   | <b>7 638 626</b> | <b>2 214 335</b> |
| Less : Provision for doubtful debts   | (407 585)        | (407 585)        |
| <b>Total</b>  | <b>7 231 041</b> | <b>1 806 750</b> |
| The fair value of other debtors approximates their carrying value   |                  |                  |
| <b>5 INVENTORY</b>  |                  |                  |
| Consumable stores at cost   | 470 390          | 354 888          |
| Maintenance materials at cost   | 363 011          | 650 974          |
| Spare Parts at authorised value   | 628 642          | 348 339          |
|   | <b>1 462 042</b> | <b>1 354 201</b> |
| Provision has been made for the write off of the short fall reflected in the year end physical stock count ( R 172 501 ) . The write off of this shortfall has been approved by Council and the stores register adjusted accordingly in July 2013 |                  |                  |
| <b>6 CALL INVESTMENT DEPOSITS</b>   |                  |                  |
| Call and short term deposits with banks   | 47 491 230       | 60 020 033       |
| Transferred to Cash and Cash Equivalents - refer note 2   | -47 491 230      | -60 020 033      |
|   | <b>-</b>         | <b>-</b>         |
| Deposits of R 6 562 421 are ring fenced and relate to unutilised conditional government grants  |                  |                  |
| <b>7 VAT</b>  |                  |                  |
| VAT refund due ( payable )  | 3 799 714        | (11 544)         |
| Vat provision   | (701 490)        | (705 606)        |
| VAT is payable on the receipts basis  |                  |                  |
|   | <b>3 098 224</b> | <b>(717 150)</b> |
| The vat provision represents vat raised ( Debtors) not yet received   |                  |                  |
| <b>8 LONG TERM RECEIVABLES</b>  |                  |                  |
| Housing selling scheme loans  |                  | 26 180           |
| Land sales  | 932              | 4 733            |
|   | <b>932</b>       | <b>30 913</b>    |
| Less: Current portion transferred to current receivables  | (932)            | (30 882)         |
|   | <b>0</b>         | <b>31</b>        |
| <b>HOUSING AND LAND SALE LOANS</b>  |                  |                  |
| These loans were granted in accordance with the National Housing regulations. The monthly instalments are subsidised in terms of previous regulations.  |                  |                  |
| These subsidised loans were granted by the council to individuals to assist them to purchase dwellings  |                  |                  |



**UMVOTI LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2013**

**9.1 PROPERTY, PLANT AND EQUIPMENT**

|                    | 2013               |                          |                    |            | 2012               |                          |                    |
|--------------------|--------------------|--------------------------|--------------------|------------|--------------------|--------------------------|--------------------|
|                    | Cost               | Accumulated depreciation | Carrying value     | adjustment | Cost               | Accumulated depreciation | Carrying value     |
| Community          | 39 181 574         | (6 967 293)              | 32 214 281         |            | 35 162 839         | (5 352 146)              | 29 810 693         |
| Heritage           | 313 956            |                          | 313 956            |            | 313 956            |                          | 313 956            |
| Infrastructure     | 275 486 158        | (40 160 521)             | 235 325 637        |            | 249 042 777        | (27 782 735)             | 221 260 042        |
| Land and Buildings | 113 688 555        | (5 690 772)              | 107 997 783        |            | 108 041 204        | (3 440 648)              | 104 600 556        |
| Other              | 16 833 176         | (7 257 078)              | 9 576 098          |            | 13 746 143         | (6 018 519)              | 7 727 624          |
| <b>Total</b>       | <b>445 503 419</b> | <b>(60 075 664)</b>      | <b>385 427 755</b> |            | <b>406 306 919</b> | <b>(42 594 048)</b>      | <b>363 712 871</b> |

Property, plant and equipment (continued)

|                    | 2013               |                  |                 |            |                  |                     |                    |
|--------------------|--------------------|------------------|-----------------|------------|------------------|---------------------|--------------------|
|                    | Opening Balance    | Additions        | Disposals       | Adjustment | Work-in-progress | Depreciation        | Total              |
| Community          | 29 810 693         |                  |                 |            | 4 018 735        | (1 615 146)         | 32 214 282         |
| Heritage           | 313 956            |                  |                 |            |                  |                     | 313 956            |
| Infrastructure     | 221 260 042        | 39 585           |                 |            | 26 403 797       | (12 377 783)        | 235 325 641        |
| Land and Buildings | 104 600 555        | 3 045 884        |                 |            | 2 601 467        | (2 250 123)         | 107 997 783        |
| Other              | 7 727 622          | 3 165 855        | (78 820)        |            |                  | (1 317 384)         | 9 576 093          |
| <b>Total</b>       | <b>363 712 868</b> | <b>6 251 324</b> | <b>(78 820)</b> |            | <b>-</b>         | <b>(17 560 436)</b> | <b>385 427 755</b> |

|                    | 2012               |                   |           |           |                  |                     |                    |
|--------------------|--------------------|-------------------|-----------|-----------|------------------|---------------------|--------------------|
|                    | Opening Balance    | Additions         | Disposals | Transfers | Work-in-progress | Depreciation        | Total              |
| Community          | 29 989 702         | 93 067            |           |           | 1 344 715        | (1 616 791)         | 29 810 693         |
| Heritage           | 313 956            |                   |           |           |                  |                     | 313 956            |
| Infrastructure     | 226 260 235        | 6 559 675         |           |           | 794 122          | (12 353 990)        | 221 260 042        |
| Land and Buildings | 104 865 091        | 1 438 108         |           |           |                  | (1 702 644)         | 104 600 555        |
| Other              | 6 806 950          | 2 069 671         |           |           |                  | (1 148 999)         | 7 727 622          |
| <b>Total</b>       | <b>368 235 934</b> | <b>10 160 521</b> | <b>-</b>  | <b>-</b>  | <b>2 138 837</b> | <b>(16 822 424)</b> | <b>363 712 868</b> |

Refer to Appendix B for more detail on property, plant and equipment  
Heritage assets relates to the Bambata Statue erected at the Municipality

**9.2 Intangible assets**

|                          | 2013    |                          |                | 2012    |                          |                |
|--------------------------|---------|--------------------------|----------------|---------|--------------------------|----------------|
|                          | Cost    | Accumulated Depreciation | Carrying value | Cost    | Accumulated Depreciation | Carrying Value |
| Computer software, other | 737 163 | 588 909                  | 148 254        | 737 163 | 588 020                  | 149 143        |



| <b>UMVOTI LOCAL MUNICIPALITY</b>   |                          |                          |
|--|--------------------------|--------------------------|
| <b><u>NOTES TO THE FINANCIAL STATEMENTS</u></b>                                |                          |                          |
| <b>for the year ended 30 June 2013</b>   |                          |                          |
|  | <b><u>2013</u></b>       | <b><u>2012</u></b>       |
|  | <b>R</b>                 | <b>R</b>                 |
| <b>10 INVESTMENT PROPERTY</b>  |                          |                          |
| Carrying value of plantation land at cost                                      | 12 250 000               | 12 250 000               |
| Other land at cost   | 8 634 000                | 8 634 000                |
| <b>total Investment Property</b>   | <b><u>20 884 000</u></b> | <b><u>20 884 000</u></b> |
| Plantation land relates to plantations being leased to Mondi                   |                          |                          |
| Net income derived from this property amounts to                               | 2 183 117                | 2 089 170                |
| <b>11 TRADE AND OTHER PAYABLES</b>   |                          |                          |
| Trade creditors  | 6 371 023                | 5 839 739                |
| Payments received in advance   | 5 247 596                | 4 135 279                |
| Retention  | 4 783 585                | 3 095 660                |
| Staff leave and bonus  | 3 921 620                | 2 908 715                |
| Deposits other   | 1 393 969                | 1 115 920                |
| Other creditors  | 251 634                  | 307 925                  |
|  | <b><u>21 969 427</u></b> | <b><u>17 403 238</u></b> |
| The fair value of trade and other creditors approximates their carrying value. |                          |                          |
| <b>12 CONSUMER DEPOSITS</b>  |                          |                          |
| Electricity  | 2 139 181                | 1 988 145                |
|  | <b><u>2 139 181</u></b>  | <b><u>1 988 145</u></b>  |
| Guarantees held in lieu of electricity deposits ( R 322 900 )                  |                          |                          |



| <b>UMVOTI LOCAL MUNICIPALITY</b>  |                  |                  |
|---|------------------|------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>  |                  |                  |
| <b>for the year ended 30 June 2013</b>  |                  |                  |
|   | <b>2013</b>      | <b>2012</b>      |
|   | <b>R</b>         | <b>R</b>         |
| <b>13 PROVISIONS AND DEFINED BENEFITS</b>   |                  |                  |
| <b>13.1</b>   |                  |                  |
| Performance bonus   | 250 000          | 250 000          |
| Provision for Long Service awards   | 210 868          | 89 278           |
|   | <u>460 868</u>   | <u>339 278</u>   |
| The movement in provisions is reconciled as follows:  |                  |                  |
| Balance at beginning of year  | 339 278          | 361 902          |
| Contributions to provisions   | 121 590          | 89 278           |
| Expenditure   |                  | (111 902)        |
| Transfer from non - current provisions  |                  |                  |
| Balance at end of year  | <u>460 868</u>   | <u>339 278</u>   |
| <b>13.2 Defined Benefit Obligations - Long Service Awards</b>   |                  |                  |
| Movement in the defined benefit obligation is as follows:   |                  |                  |
| Balance at beginning of year  | 1 321 000        | 1 321 000        |
| Current service cost  | 161 846          |                  |
| Interest cost   | 93 769           |                  |
| Benefit vestings  | (86 218)         |                  |
| Actuarial loss / ( gain )   | 89 101           |                  |
| Adjustment of previously recognised defined benefit liability   | 51 809           |                  |
|   | 1 631 307        | 1 321 000        |
| Less: transferred to current provisions   | (210 868)        | (89 278)         |
| Balance at end of year  | <u>1 420 439</u> | <u>1 231 722</u> |
| In estimating the unfunded liability for LSA of Umvoti Municipality a number of assumptions are required. IAS19/GRAP25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors such as return on assets and inflation rates) |                  |                  |
| It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19/GRAP25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.                       |                  |                  |
| <b>Discount Rate:</b> IAS19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.                 |                  |                  |



**UMVOTI LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2013**

Consequently, a discount rate of 7.29% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 0.96%. These rates do not reflect any adjustment for taxation

This rate was deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 28 June 2013.

**Salary Inflation Rate:** This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.

The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

**General Salary Inflation:** This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 5.78% was obtained from the differential between market yields on index-linked bonds (0.96%) consistent with the estimated term of the liabilities and those of nominal bonds (7.29%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $((1+7.29\%-0.50\%)/(1+0.96\%))-1$ .

Thus, a general salary inflation rate of 6.78% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.48%

Employees receive additional leave in respect of long service awards, as follows:

|                  |         |         |
|------------------|---------|---------|
| 10 years service | 10 days | 10 days |
| 15 years service | 20 days | 20 days |
| 20 years service | 30 days | 30 days |
| 25 years service | 30 days | 30 days |
| 30 years service | 30 days | 30 days |
| 35 years service | 30 days | 30 days |
| 40 years service | 30 days | 30 days |
| 45 years service | 30 days | 30 days |



| <b>UMVOTI LOCAL MUNICIPALITY</b>   |                   |                   |
|--|-------------------|-------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>   |                   |                   |
| <b>for the year ended 30 June 2013</b>   |                   |                   |
|  | <b>2013</b>       | <b>2012</b>       |
|  | <b>R</b>          | <b>R</b>          |
| <b>13.3 Retirement Benefits</b>  |                   |                   |
| <b>13.3.1. Post Retirement Medical Plan</b>  |                   |                   |
| The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes (Bonitas, Keyhealth, LA Heath, SAMWU Med), most of which offer a range of options pertaining to levels of cover. The post employment Health care benefit actuarial valuation was conducted by Arch Actuarial Consulting. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme |                   |                   |
| <b>13.3.2 Contribution Rate Structure</b>  |                   |                   |
| Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.  |                   |                   |
| <b>13.3.3. Subsidy Policy</b>  |                   |                   |
| Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement   |                   |                   |
| All continuation members and their eligible dependants receive a 60% subsidy. Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy  |                   |                   |
| The actuarial valuation method used to value the liabilities is the Projected Unit Method prescribed by IAS 19.  |                   |                   |
| The economic assumptions used in assessing the accounting provisions were as follows:  |                   |                   |
| Discount rate  | 8.06%             | 8.56%             |
| Health care cost inflation rate  | 6.52%             | 6.84%             |
| Salary increase rate   | 1.44%             | 1.61%             |
| A reconciliation of the accrued liability at 30 June is set out below:   |                   |                   |
| Balance at beginning of year   | 6 791 000         | 6 791 000         |
| Current-service cost   | 389 956           |                   |
| Interest cost  | 882 003           |                   |
| Contributions (benefits paid)  | (504 576)         |                   |
| Actuarial( gain) loss  | 1 000 603         |                   |
| Adjustment of previously recognised defined benefit liability  | 4 402 077         |                   |
| Balance at the end of the year   | <u>12 961 063</u> | <u>6 791 000</u>  |
| <b>14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>  |                   |                   |
| 14.1 Conditional grants from other spheres of government( see note 21 )  | 6 562 422         | 14 210 190        |
| Total conditional grants and receipts  | <u>6 562 422</u>  | <u>14 210 190</u> |



| <b>UMVOTI LOCAL MUNICIPALITY</b>   |                   |                   |
|--|-------------------|-------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>   |                   |                   |
| <b>for the year ended 30 June 2013</b>   |                   |                   |
|  | <b>2013</b>       | <b>2012</b>       |
|  | <b>R</b>          | <b>R</b>          |
| 14.2. Unspent conditional grants and receipts comprise:  |                   |                   |
| Grants - general   | 160               | 160               |
| MIG  |                   | 5 936 882         |
| Sport and recreation   | 434 239           | 537 365           |
| IDP grant  |                   | (15 211)          |
| Library grant  | 4 641             | 4 641             |
| Taxi Rank  | 98 264            | 113 475           |
| Finance Management Grant   | 228               | 382 864           |
| Municipal Systems Improvement  | 913 577           | 746 722           |
| LUMS   | 2 519             | 40 595            |
| Specific Program   | 101 367           | 101 367           |
| GJIMA KZN  | 12 451            | 12 451            |
| Phasiwe farm   | 17 399            | 17 399            |
| Management Assistance Project  | 100 000           | 100 000           |
| Library computer expenses  | 78 900            | 78 900            |
| Corridor development   | 2 040             | 474 043           |
| Eshane development   | 225 539           | 240 438           |
| Storm damage   | 2 821 500         | 2 821 500         |
| Rural electricity  |                   | 1 449 599         |
| Thusong centres  | 952 517           | 1 167 000         |
| Kranskop expansion plan  | 476 880           |                   |
| Woolstone greenfield plan  | 320 200           |                   |
|  | <b>6 562 421</b>  | <b>14 210 190</b> |
| movements during the year  |                   |                   |
| Balance at the beginning of the year   | 14 210 190        | 5 400 542         |
| Additions during the year  | 21 320 000        | 25 339 000        |
| Income recognition during the year   | (28 967 769)      | (16 529 352)      |
|  | <b>6 562 421</b>  | <b>14 210 190</b> |
| See note 20 for reconciliation of grants from National/Provincial Government<br>These amounts are invested in a ring-fenced investment until utilised. |                   |                   |
| refer to appendix E for further details on grant and subsidies   |                   |                   |
| <b>15 LONG TERM LIABILITIES</b>  |                   |                   |
| Finance leases   |                   | 81 542            |
| Current portion of long term liabilities   |                   | (81 542)          |
| Long term portion  | 0                 | 0                 |
| <b>16 HOUSING DEVELOPMENT FUND</b>   |                   |                   |
| Unappropriated Surplus   | 11 147 286        | 10 318 734        |
| Loans extinguished by Government on 1 April 1998   | 375 980           | 375 980           |
| Contribution to cost of services - 492 sites   | (364 560)         | (364 560)         |
|  | <b>11 158 706</b> | <b>10 330 154</b> |
| The Housing Development Fund is represented by the following assets and liabilities  |                   |                   |
| Housing selling scheme loans ( see note 8 )  |                   | 26 180            |
| Housing rental and instalment debtors  | 147 952           | 100 304           |
| Cash and cash equivalents  | 11 010 754        | 10 203 671        |
| Sub - total  | 11 158 706        | 10 330 154        |
| Creditors  |                   |                   |
| Total Housing Development Fund Assets and Liabilities  | 11 158 706        | 10 330 154        |





| <b>UMVOTI LOCAL MUNICIPALITY</b>   |                           |                           |
|--|---------------------------|---------------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>   |                           |                           |
| <b>for the year ended 30 June 2013</b>   |                           |                           |
|  | <b><u>2013</u></b>        | <b><u>2012</u></b>        |
|  | <b>R</b>                  | <b>R</b>                  |
| <b>17 ACCUMULATED SURPLUS</b>  |                           |                           |
| 17.1 The following internal reserves are ringfenced within the Accumulated Surplus :   |                           |                           |
| Capital Replacement Reserve  |                           |                           |
| Balance at 30 June 2012  | 398 893                   | 408 304                   |
| Transfer   |                           |                           |
| Property, Plant and Equipment purchased ex Capital Replacement Reserve   |                           | (9 411)                   |
| Balance at 30 June 2013  | <u>398 893</u>            | <u>398 893</u>            |
| Other reserves   | <u>139 570 929</u>        | <u>115 752 255</u>        |
| <b>TOTAL ACCUMULATED SURPLUS</b>   | <u><b>139 969 822</b></u> | <u><b>116 151 148</b></u> |
| 17.2 Change in Accounting Estimate   |                           |                           |
| Actuarial valuation of post - employment medical aid subsidy and long service award liability.   |                           |                           |
| An actuarial valuation was conducted as at the 30 June 2013 by Arch Acturial Consulting.   |                           |                           |
| The previous valuation of these liabilities was undertaken at 30 June 2010. Based on the policy information provided at this valuation, it appears that the previous report does not provide a meaningful comparison. The information and benefit policies provided now are quite different to those used in the 2010 valuation. |                           |                           |
|  | <u>6 480 370</u>          |                           |



| <b>UMVOTI LOCAL MUNICIPALITY</b>  |                      |                      |
|---|----------------------|----------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>  |                      |                      |
| <b>for the year ended 30 June 2013</b>  |                      |                      |
|   | <b>2013</b>          | <b>2012</b>          |
|   | <b>R</b>             | <b>R</b>             |
| <b>18 PROPERTY RATES</b>  |                      |                      |
| Actual  |                      |                      |
| Residential   | 9 906 237            | 9 002 219            |
| Commercial  | 6 581 725            | 8 919 791            |
| State   | 4 986 592            | 3 763 571            |
| Agricultural  | 4 882 940            | 4 347 127            |
| Municipal   |                      |                      |
| Other   | 493 458              | 469 229              |
| Sundry Adjustment   |                      |                      |
| Total assessment rates  | <u>26 850 953</u>    | <u>26 501 937</u>    |
| Rates rebates   | (8 228 155)          | (12 703 346)         |
|   | <u>18 622 798</u>    | <u>13 798 591</u>    |
| Valuations  |                      |                      |
| Residential   | 968 027 000          | 902 755 004          |
| Commercial  | 252 422 000          | 269 675 015          |
| Agricultural  | 1 067 816 000        | 1 059 994 608        |
| State   | 243 379 000          | 495 461 017          |
| Municipal   | 46 489 000           | 45 807 005           |
| Other   | 323 466 313          | 101 185 458          |
| Total property valuations   | <u>2 901 599 313</u> | <u>2 874 878 107</u> |
| Rates rebates are offset from the property rates income amount reflected in the Statement of Financial Performance.   |                      |                      |
| The following are the rate randages that were applied to the valuations in respect of various categories: Commercial and State - 1.90 cents in the rand, Agricultural and public service infrastructure 0.32cents in the rand, Residential and other 1.28 cent in the rand. All Residential property owners are exempt from paying rates on the first R50 000 of their property value. A 30 % rebate is applicable to residential, agricultural and public service infrastructure |                      |                      |
| <b>19 SERVICE CHARGES</b>   |                      |                      |
| Electricity   | 48 679 889           | 42 433 167           |
| Refuse removal  | 5 534 288            | 5 289 923            |
| Other   | 778 162              | 563 330              |
|   | <u>54 992 339</u>    | <u>48 286 420</u>    |
| <b>20 GOVERNMENT GRANTS AND SUBSIDIES</b>   |                      |                      |
| Equitable share   | 41 961 893           | 36 522 000           |
| Clinic subsidy  |                      | 1 619 500            |
| Museum subsidy  | 134 000              | 125 000              |
| Conditional grants utilised to finance property, plant and equipment  | 25 702 200           | 8 604 053            |
| Conditional grants utilised to finance operating expenses   | 9 325 610            | 6 156 839            |
| Grant - skills development  | 173 449              | 169 369              |
| Grant - library   | 422 631              | 357 983              |
|   | <u>77 719 783</u>    | <u>53 554 744</u>    |
| <b>20.1 MIG</b>   |                      |                      |
| Balance unspent at beginning of year  | 5 686 882            |                      |
| Current year receipts   | 17 870 000           | 14 732 000           |
| Conditions met - transferred to revenue   | (23 556 882)         | (9 045 118)          |
|   | <u>0</u>             | <u>5 686 882</u>     |



| <b>UMVOTI LOCAL MUNICIPALITY</b>                               |             |             |
|--|-------------|-------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>                       |             |             |
| <b>for the year ended 30 June 2013</b>                         |             |             |
| 20.2 Sport and recreation                                      |             |             |
| Balance unspent at beginning of year                           | 537 365     | 682 080     |
| Current year receipts  | 150 000     | 1 200 000   |
| Conditions met - transferred to revenue                        | (253 126)   | (1 344 715) |
|  | 434 239     | 537 365     |
| 20.3 Corridor Development                                      |             |             |
| Balance unspent at beginning of year                           | 474 041     | 488 872     |
| Current year receipts  |             |             |
| Conditions met - transferred to revenue                        | (472 001)   | (14 831)    |
|  | 2 040       | 474 041     |
| 20.4 Eshane development  |             |             |
| Balance unspent at beginning of year                           | 240 438     | 310 940     |
| Current year receipts  |             |             |
| Conditions met - transferred to revenue                        | (14 899)    | (70 502)    |
|  | 225 539     | 240 438     |
| 20.5 Rural Electrification                                     |             |             |
| Balance unspent at beginning of year                           | 1 449 599   |             |
| Current year receipts  | 4 561 361   | 6 000 000   |
| Conditions met - transferred to revenue                        | (6 010 960) | (4 550 401) |
|  | 0           | 1 449 599   |
| 20.6 Thusong Centre  |             |             |
| Balance unspent at beginning of year                           | 1 167 000   |             |
| Current year receipts  |             | 1 167 000   |
| Conditions met - transferred to revenue                        | (214 485)   |             |
|  | 952 515     | 1 167 000   |
| 20.7 Kranskop expansion plan                                   |             |             |
| Balance unspent at beginning of year                           |             |             |
| Current year receipts  | 600 000     |             |
| Conditions met - transferred to revenue                        | (123 120)   |             |
|  | 476 880     | 0           |
| 20.8 Woolstone greenfield plan Kranskop expansion plan         |             |             |
| Balance unspent at beginning of year                           |             |             |
| Current year receipts  | 400 000     |             |
| Conditions met - transferred to revenue                        | (79 800)    |             |
|  | 320 200     | 0           |
| refer to appendix E for further details on grant and subsidies |             |             |



| UMVOTI LOCAL MUNICIPALITY  |             |             |                     |          |            |   |          |
|--|-------------|-------------|---------------------|----------|------------|---|----------|
| NOTES TO THE FINANCIAL STATEMENTS  |             |             |                     |          |            |   |          |
| for the year ended 30 June 2013  |             |             |                     |          |            |   |          |
|  | 2013        | 2012        |                     |          |            |   |          |
|  | R           | R           |                     |          |            |   |          |
| 21 OTHER INCOME  |             |             |                     |          |            |   |          |
| Other income   | 288 353     | 567 705     |                     |          |            |   |          |
|  | 288 353     | 567 705     |                     |          |            |   |          |
| 22 EMPLOYEE RELATED COSTS  |             |             |                     |          |            |   |          |
| Employee related costs - salaries and wages  | 31 506 690  | 28 448 753  |                     |          |            |   |          |
| Employee related costs - contributions to UIF,pension and medical costs  | 5 933 757   | 4 698 441   |                     |          |            |   |          |
| Travel,vehicle,accommodation,subsistence and other allowances  | 2 298 419   | 2 135 479   |                     |          |            |   |          |
| Housing benefits and other allowances  | 305 882     | 257 838     |                     |          |            |   |          |
| Overtime payments  | 961 299     | 648 750     |                     |          |            |   |          |
| Service allowance  | 1 664 273   | 1 432 002   |                     |          |            |   |          |
| Sub-total  | 42 670 319  | 37 621 263  |                     |          |            |   |          |
| Less: Employee costs allocated to Property, Plant and Equipment  | (143 588)   | (281 968)   |                     |          |            |   |          |
| Less: Employee costs included in other expenses  | (1 718 162) | (2 667 951) |                     |          |            |   |          |
| Total employee related costs   | 40 808 570  | 34 671 344  |                     |          |            |   |          |
| There were no advances or loans to employees.  |             |             |                     |          |            |   |          |
| Remuneration of the Municipal Manager  |             |             |                     |          |            |   |          |
| Annual remuneration  | 658 395     | 403 912     |                     |          |            |   |          |
| Car allowance  | 319 543     | 261 669     |                     |          |            |   |          |
| Cell Phone allowance   | 18 000      | 0           |                     |          |            |   |          |
|  | 995 938     | 665 581     |                     |          |            |   |          |
| Remuneration of the Chief Financial Officer  |             |             |                     |          |            |   |          |
| Annual remuneration  | 546 016     | 87 576      |                     |          |            |   |          |
| Bonus  | 14 758      |             |                     |          |            |   |          |
| Car allowance  | 91 137      | 49 286      |                     |          |            |   |          |
| Acting Allowance   | 11 832      |             |                     |          |            |   |          |
| Housing Allowance  | 521         | 4 224       |                     |          |            |   |          |
| Leave pay  |             | 16 173      |                     |          |            |   |          |
| Contributions to Medical and Pension Funds   | 167 891     |             |                     |          |            |   |          |
| Group Life   | 11 785      |             |                     |          |            |   |          |
|  | 843 939     | 157 259     |                     |          |            |   |          |
| Remuneration of other managers   |             |             |                     |          |            |   |          |
| <b>30-Jun-2012</b>   |             |             |                     |          |            |   |          |
|  | Corporate   | Engineering | Manager<br>Physical | Manager  | Protection | Manager Good<br>Governance<br>and Legal<br>Compliance | Legal    |
|  | Services    | Services    | Environment         | Planning | Services   |   | Services |
| Annual remuneration  | 316 000     | 316 000     |                     |          | 316 000    |   | 193 598  |
| Performance bonus  | 64 742      | 77 207      |                     |          | 78 760     |   |          |
| Car allowance  | 184 418     | 165 659     |                     |          | 188 812    |   | 135 542  |
| Acting Allowance   | 37 674      | 77 312      |                     |          | 7 869      |   |          |
| Housing Allowance  | 33 579      | 17 834      |                     |          | 33 578     |   | 25 215   |
| Contributions to Medical and Pension Funds   |             | 30 810      |                     |          |            |   | 71 260   |
|  | 636 413     | 684 822     |                     |          | 625 019    | -   | 425 615  |
| <b>30-Jun-2013</b>   |             |             |                     |          |            |   |          |
| Annual remuneration  | 252 096     | 28 460      | 468 275             | 553 011  | 482 047    | 455 988   | 414 679  |
| Bonus  |             |             |                     |          |            | 19 174  |          |
| Leave pay  | 115 267     | 57 375      | 55 641              |          | 122 471    |   |          |
| Car allowance  | 127 296     | 14 283      | 125 000             | 108 000  | 95 472     | 103 678   | 178 411  |
| Acting Allowance   |             |             |                     |          |            | 80 664  |          |
| Housing Allowance  | 19 604      | 1 305       |                     |          | 14 703     | 2 085   | 34 073   |
| Contributions to Medical and Pension Funds   |             | 2 775       |                     |          |            | 135 069   | 139 037  |
| Group Life   |             |             |                     |          |            | 12 520  |          |
| Cell Phone allowance   |             |             | 12 600              | 5 000    |            |   | 4 000    |
|  | 514 263     | 104 198     | 661 516             | 666 011  | 714 694    | 809 180   | 770 200  |
| Remuneration for managers is included under employee related cost.<br>The bonus paid to the CFO was due to change in contract. |             |             |                     |          |            |   |          |



| <b>UMVOTI LOCAL MUNICIPALITY</b>  |                    |                    |
|---|--------------------|--------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>  |                    |                    |
| <b>for the year ended 30 June 2013</b>  |                    |                    |
|   | <b><u>2013</u></b> | <b><u>2012</u></b> |
|   | <b>R</b>           | <b>R</b>           |
| <b>23 REMUNERATION OF COUNCILLORS AND WARD COMMITTEES</b>   |                    |                    |
| Deputy Mayor  | 539 911            | 463 159            |
| Speaker   | 539 911            | 503 985            |
| Executive committee member  | 283 305            | 235 744            |
| MPAC Chair Person   | 264 532            |                    |
| Councillors   | 3 576 149          | 3 465 346          |
| Ward Committees   | 1 284 559          |                    |
|   | <u>6 488 367</u>   | <u>4 668 235</u>   |
| In - kind benefits  |                    |                    |
| The Mayor and the Speaker are provided with an office and secretarial support at the cost of Council. |                    |                    |
| The Mayor has use of a Council owned vehicle and security for official duties                         |                    |                    |
| <b>24 FINANCE COST</b>  |                    |                    |
| Interest Finance leases   | 16 137             | 22 562             |
|   | <u>16 137</u>      | <u>22 562</u>      |
| <b>25 BULK PURCHASES</b>  |                    |                    |
| Electricity   | 31 537 084         | 29 003 543         |
|   | <u>31 537 084</u>  | <u>29 003 543</u>  |
| <b>26 GRANTS AND SUBSIDIES PAID</b>   |                    |                    |
| Indigent support  | 1 120 853          | 976 073            |
| Widows and Elderly  | 141 435            | 30 702             |
| Disabled persons  | 6 039              | 9 060              |
| Other   |                    | 87 501             |
|   | <u>1 268 328</u>   | <u>1 103 336</u>   |



| <b>UMVOTI LOCAL MUNICIPALITY</b>                   |             |             |  |
|--|-------------|-------------|--|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>           |             |             |  |
| <b>for the year ended 30 June 2013</b>             |             |             |  |
|  | <b>2013</b> | <b>2012</b> |  |
|  | <b>R</b>    | <b>R</b>    |  |
| <b>27 GENERAL EXPENSES AND CONTRACTED SERVICES</b> |             |             |  |
| <b>27.1 GENERAL EXPENSES</b>                       |             |             |  |
| Advertisements                                     | 884 724     | 440 588     |  |
| Rural area expenses                                | 220 650     | 6 711       |  |
| Civic honour function                              | 197 780     | 94 284      |  |
| Anti rabies  | 260 996     | 240 755     |  |
| Audit fees   | 817 867     | 770 224     |  |
| Audit Committee Expenses                           | 113 502     | 49 483      |  |
| Cashier shortages and surplus                      | 2 441       | -1 128      |  |
| Stores shortages & surpluses                       | 282 382     | 172 247     |  |
| Bank charges                                       | 301 741     | 246 862     |  |
| Delivery cost                                      | 4 898       | 3 001       |  |
| Youth and sports                                   | 208 815     | 102 351     |  |
| Women upliftment                                   | 109 362     | 63 592      |  |
| Civic functions                                    | 182 004     | 112 253     |  |
| Disaster Management                                | 181 784     | 82 900      |  |
| Disconnections & reconnections                     | 17 836      | 9 237       |  |
| Community participation                            | 805 670     | 251 449     |  |
| Departmental services                              | 1 674 907   | 1 766 934   |  |
| Delegation fees                                    | 966 345     | 753 846     |  |
| Dist losses - control measures                     | 954 599     | 4 106       |  |
| Entertainment                                      | 66 608      | 70 736      |  |
| Dept services water and sewer                      | 78 096      | 343 519     |  |
| Street signs                                       | 53 478      | 19 004      |  |
| Garden Refuse                                      |             | 904         |  |
| Health campaign                                    |             | 2 292       |  |
| Insecticide & weed killer                          | 23 970      | 4 386       |  |
| Insurance  | 822 307     | 414 276     |  |



| <b>UMVOTI LOCAL MUNICIPALITY</b>                   |                   |                   |  |
|--|-------------------|-------------------|--|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>           |                   |                   |  |
| <b>for the year ended 30 June 2013</b>             |                   |                   |  |
|  | <b>2013</b>       | <b>2012</b>       |  |
|  | <b>R</b>          | <b>R</b>          |  |
| <b>27 GENERAL EXPENSES AND CONTRACTED SERVICES</b> |                   |                   |  |
| 27.1 Continued                                     |                   |                   |  |
| Fruitless expenses                                 |                   | 1 017             |  |
| Hire of equipment                                  | 135 087           | 128 427           |  |
| Legal fees   | 983 286           | 906 709           |  |
| Licences   | 450               | 876               |  |
| Commision paid - prepaid electricity               | 201 000           | 104 743           |  |
| Lost and damaged books                             |                   | 14 102            |  |
| Night soil/conservancy                             | 130 419           | 59 515            |  |
| Forensic Investigations                            | 1 172 416         | 6 399 522         |  |
| Donations  |                   | 5 868             |  |
| Machinery costs                                    | 579 427           | 292 901           |  |
| Material   | 151 591           | 212 065           |  |
| Meter reading                                      | 85 318            | 137 232           |  |
| Medical supplies                                   |                   | 38 480            |  |
| Membership fees                                    | 461 740           | 184 868           |  |
| Indigent burials                                   | 124 368           | 30 204            |  |
| Pruning  | 960               | 0                 |  |
| Postage and stamps                                 | 109 296           | 138 383           |  |
| Printing and stationary                            | 620 741           | 386 848           |  |
| Private ordinances and acts                        | 162 768           | 17 764            |  |
| Study assistance                                   | 98 798            |                   |  |
| Refreshments                                       | 38 976            | 44 841            |  |
| Reference books & periodicals                      | 31 954            | 31 698            |  |
| Refuse bags  | 236 364           | 333 134           |  |
| Photocopier rental                                 | 6 372             | 17 656            |  |
| Security   | 1 745 082         | 1 438 742         |  |
| Shrubs & Trees                                     | 12 300            | 55                |  |
| Scholar patrols                                    | 97 035            | 104 948           |  |
| Telephone  | 790 813           | 705 295           |  |
| Training   | 1 493 403         | 1 221 809         |  |
| Transport costs                                    | 2 397 441         | 2 737 963         |  |
| Internet Subscription Fee                          | 49 190            | 95 290            |  |
| Workmans Compensation                              | 814 098           |                   |  |
| Finance Management Grant expenditure               | 1 881 405         | 1 358 576         |  |
| <b>GENERAL EXPENSES</b>                            | <b>23 844 862</b> | <b>23 174 343</b> |  |
| <b>LESS RECHARGES</b>                              |                   |                   |  |
| Handling charge                                    | (253 697)         | (257 824)         |  |
| Transport: Capital                                 | (27 554)          | (43 820)          |  |
| Transport: Operating                               | (206 892)         | (507 840)         |  |
| <b>Recharges</b>                                   | <b>(488 143)</b>  | <b>(809 484)</b>  |  |
| <b>ADD</b>   |                   |                   |  |
| Contrib.leave,bonus,long service                   | 1 012 905         | 1 268 640         |  |
| <b>TOTAL GENERAL EXPENSES</b>                      | <b>24 369 624</b> | <b>23 633 499</b> |  |



| <b>UMVOTI LOCAL MUNICIPALITY</b>                            |                   |                   |
|---|-------------------|-------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>                    |                   |                   |
| <b>for the year ended 30 June 2013</b>                      |                   |                   |
|   | <b>2013</b>       | <b>2012</b>       |
|   | <b>R</b>          | <b>R</b>          |
| <b>27.2 CONTRACTED SERVICES</b>                             |                   |                   |
| Consultants/Contractors                                     | 5 372 079         | 6 951 481         |
| Grant Exp. MSIG   | 633 145           | 162 528           |
| Land use management system                                  | 38 076            |                   |
| Rural electrification                                       | 6 343 425         | 4 550 402         |
| Valuation expenses  | 160 488           | 185 758           |
| Kranskop Expansion Plan                                     | 123 120           |                   |
| Woolstone Expansion Plan                                    | 79 800            |                   |
| IEC Eshane development grant expenditure                    | 16 656            | 73 382            |
| DTLGA: Corridor development expenses                        | 472 001           | 14 831            |
| <b>TOTAL CONTRACTED SERVICES</b>                            | <b>13 238 790</b> | <b>11 938 382</b> |
| <b>28 CASH GENERATED FROM OPERATIONS</b>                    |                   |                   |
| Surplus for the year  | 11 794 982        | <b>452 463</b>    |
| Adjustment for :  |                   |                   |
| Prior year  | -120              |                   |
| Depreciation  | 17 560 244        | 16 823 316        |
| Gain on disposal of property, plant and equipment           | (209 704)         |                   |
| Contributions to provisions- non-current                    | 6 480 370         |                   |
| Reversal of Bad Debt Provision                              | (109 128)         | (250 613)         |
| Bad debts   | 3 640 647         |                   |
| Investment income   | (3 885 545)       | (3 261 260)       |
| Interest paid   | 16 137            | 22 561            |
| Operating surplus before working capital changes            | 35 287 883        | 13 786 467        |
| (Increase) decrease in consumer debtors                     | (3 560 193)       | (1 996 681)       |
| (Increase) decrease in other debtors                        | (5 424 291)       | 3 736 111         |
| Increase (decrease ) in conditional grants and receipts     | (7 647 768)       | 8 809 647         |
| Increase (decrease ) in creditors                           | 4 566 189         | 15 462            |
| (Increase ) decrease ) in Vat                               | (3 815 374)       | 723 036           |
| (Increase) decrease in inventories                          | (107 841)         | (100 135)         |
| (Increase) decrease in current portion of long term debtors | 29 950            | (6 422)           |
|   | <b>19 328 555</b> | <b>24 967 485</b> |
| <b>29 29.1 Contributions to organised local government</b>  |                   |                   |
| Opening balance   |                   |                   |
| Council contributions                                       |                   | 160 991           |
| Amount paid - current year                                  | 400 000           | 160 991           |
| Amount paid - previous years                                |                   |                   |
| Balance unpaid ( included in creditors )                    |                   |                   |
| <b>29.2 Audit fees</b>                                      |                   |                   |
| Opening balance   |                   |                   |
| Current year audit fee                                      | 817 867           | 770 224           |
| Amount paid current year                                    | 817 867           |                   |
| Amount paid - previous years                                |                   |                   |
| Balance unpaid ( included in creditors )                    |                   |                   |





| <b>UMVOTI LOCAL MUNICIPALITY</b>  |                  |                                     |                                     |
|---|------------------|-------------------------------------|-------------------------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>  |                  |                                     |                                     |
| <b>for the year ended 30 June 2013</b>  |                  |                                     |                                     |
|   | <b>2013</b>      | <b>2012</b>                         |                                     |
|   | <b>R</b>         | <b>R</b>                            |                                     |
| <b>29.3 VAT</b>   |                  |                                     |                                     |
| Opening balance   | (11 545)         | 638 531                             |                                     |
| Output VAT  | (8 262 185)      | (7 255 638)                         |                                     |
| Input VAT   | 14 091 488       | 9 547 099                           |                                     |
| Amount paid - current year  | 343 321          | 523 483                             |                                     |
| Amount refunded by SARS - current   | (2 361 366)      | (3 465 020)                         |                                     |
| Amount due by (to)SARS - included in debtors(creditors)   | <u>3 799 713</u> | <u>(11 545)</u>                     |                                     |
| All VAT returns have been submitted by the due date.  |                  |                                     |                                     |
| <b>29.4 PAYE and UIF</b>  |                  |                                     |                                     |
| Opening balance   |                  |                                     |                                     |
| Current year payroll deductions and Council UIF contributions                                     |                  |                                     |                                     |
| Amount paid - current year  | 4 852 551        | 4 015 925                           |                                     |
| Amount paid - previous years  | 4 015 925        | 3 152 200                           |                                     |
| Balance unpaid ( included in creditors )  |                  |                                     |                                     |
| <b>29.5 Pension and medical aid deductions</b>  |                  |                                     |                                     |
| Opening balance   |                  |                                     |                                     |
| Current year payroll deductions and Council contributions   |                  |                                     |                                     |
| Amount paid - current year  | 6 909 868        | 6 765 256                           |                                     |
| Amount paid - previous years  | 6 765 256        | 5 848 813                           |                                     |
| Balance unpaid ( included in creditors )  | -                | -                                   |                                     |
| <b>29.6 Councillors arrear consumer accounts</b>  |                  |                                     |                                     |
| The following Staff and Councillors had arrear accounts outstanding for more than 90 days as at : |                  |                                     |                                     |
| 30 June 2013  | Total            | Outstanding<br>more than<br>90 days | Outstanding<br>less than<br>90 days |
| Nzama NV & ZG (Staff)   |                  | 5 480                               | 1 629                               |
| Nyoka IS (Cllr)   |                  | 1 164                               |                                     |
| 30 June 2012  | Total            | Outstanding<br>more than<br>90 days | Outstanding<br>less than<br>90 days |
| MR Dlamini  |                  | 262                                 |                                     |
| IS Nyoka  |                  | 1 164                               |                                     |
| DE Mazeka   |                  | 772                                 |                                     |



| <b>UMVOTI LOCAL MUNICIPALITY</b>   |                    |                    |
|--|--------------------|--------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>   |                    |                    |
| <b>for the year ended 30 June 2013</b>   |                    |                    |
|  | <b><u>2013</u></b> | <b><u>2012</u></b> |
|  | <b>R</b>           | <b>R</b>           |
| <b>30 CAPITAL COMMITMENTS</b>  |                    |                    |
| Commitments in respect of capital expenditure:   |                    |                    |
| - approved and contracted for  |                    |                    |
| Infrastructure   | 18 028 027         | 9 466 781          |
| Buildings  | 992 500            |                    |
| - approved but not yet contracted for  |                    |                    |
| Infrastructure   | 4 900 000          | 24 145 087         |
| Buildings  | 200 000            | 8 250 063          |
| Other  | 7 464 600          | 7 073 600          |
|  | <b>31 585 127</b>  | <b>48 935 531</b>  |
| This expenditure will be financed from   |                    |                    |
| - capital replacement reserve  |                    |                    |
| - government grants  | 18 028 027         | 18 989 017         |
| - own resources  | 13 557 100         | 29 946 514         |
|  | <b>31 585 127</b>  | <b>48 935 531</b>  |
| <b>31 RETIREMENT BENEFIT INFORMATION</b>   |                    |                    |
| Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2012. The Actuary advised that the fund is 90.6% funded. The surcharge has been increased from 17% to 17.5% and the repayment period be extended from 5 to 8 years, at which time the deficit is expected to be fully funded. |                    |                    |
| <b>31.1 SUPERANNUATION FUND</b>  |                    |                    |
| The Actuary advised that the valuation disclosed that, for the fund overall, the liabilities for service to the valuation date were 96% funded. The actuarial valuation disclosed that the fund was in deficit. A surcharge of 9.5% of pensionable salaries has been imposed for 8 years from 1 July 2012 to meet the deficit.   |                    |                    |
| The actuary has recommended the following  |                    |                    |
| 31.2.2. It is recommend that the local authorities continue to pay the current contribution rate of 21.63% of pensionable salaries to be reviewed as at 31 March 2013  |                    |                    |
| <b>31.3 Provident Fund</b>   |                    |                    |
| The actuary is satisfied that the fund was in a sound financial condition as at 31 March 2012.   |                    |                    |



| <b>UMVOTI LOCAL MUNICIPALITY</b>   |                    |                    |
|--|--------------------|--------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>   |                    |                    |
| <b>for the year ended 30 June 2013</b>   |                    |                    |
|  | <b><u>2013</u></b> | <b><u>2012</u></b> |
|  | <b>R</b>           | <b>R</b>           |
| 31.4 Sala Pension Fund   |                    |                    |
| The fund has advised that the last actuary valuation was as at 1 July 2009 approved by FSB.  |                    |                    |
| The results for 1 July 2012 is currently being reviewed by the FSB   |                    |                    |
| <b>32 CONTINGENT LIABILITIES</b>   |                    |                    |
| Eight matters are currently on the roll of the high court to date values of cost is not known the estimated cost for all matters amounts to R 5 387 772.00 |                    |                    |
| 32.1 Claim in respect of professional services :- Advocate T Buthelezi   |                    |                    |
| 32.2 Alledge breach of Contract :-DDT Civils   |                    |                    |
| 32.3 Motor Vehicle damage :- N Mnyani  |                    |                    |
| 32.4 Composition of Exco :- IFP & others   |                    |                    |
| 32.5 Removal of Speaker :- ANC VS IFP & others   |                    |                    |
| 32.6 Unlawful removal of Exco : Umvoti vs ANC & Others   |                    |                    |
| 32.7 Illegal approval of Building Plans :- MAS Corporation   |                    |                    |
| 32.8 Refusal to allow PR Councillor to take up seat :- IFP, PM Ngubane   |                    |                    |
| <b>33 RELATED PARTY DISCLOSURE</b>   |                    |                    |
| Buffalo Security (Councillor SV Zondi)   |                    |                    |
| PG Mavundla Projects (Councillor PG Mavundla)  |                    |                    |
| Vula Muntu Omnyama CC (JAH Zondi staff)  |                    |                    |
| Viks Security Services and Training CC (BO Vilakazi staff)   |                    |                    |
| <b>34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>   |                    |                    |
| 34.1 Unauthorised expenditure  |                    |                    |
| Reconciliation of unauthorised expenditure   |                    |                    |
| Opening balance  |                    |                    |
| Approved by Council or condoned  |                    |                    |
| Transfer to receivables for recovery   |                    |                    |
| Unauthorised expenditure awaiting authorisation  | -                  | -                  |
| 34.2 Irregular expenditure subject to investigation  |                    |                    |
| Opening Balance  |                    | 3 920 105          |
| Irregular expenditure - Current year   |                    | (3 920 105)        |
|  | -                  | -                  |
| Forensic Investigations are concluded and diciplinary has commenced crimminal charges to follow soon   |                    |                    |
| 34.3 Deviation from SCM policy approved by Accounting Officer awaiting ratification by Council   |                    |                    |
| Opening Balance  |                    | 420 000            |
| Deviations Current year  | 352 200            |                    |
| Authorised by Council  | (99 000)           | (420 000)          |
|  | 253 200            | -                  |
| Council agreed not to condone the deviation for the MEC's visit a letter has been sent to the MEC to consider the expenditure                              |                    |                    |



UMVOTI LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2013

35 Operating revenue and expenditure variances compared to annual budget

|   | Original Budget     | Adjusted Budget     | Final Budget        | Actual outcome     | Variance           | Actual outcome As % Of Final Budget | Actual Outcome As % Of Original Budget | Explanation of significant variances  |
|---|---------------------|---------------------|---------------------|--------------------|--------------------|-------------------------------------|--|---|
|   | R                   | R                   | R                   | R                  | R                  | R                                   | R                                      |   |
| <b>REVENUE</b>  |                     |                     |                     |                    |                    |                                     |  |   |
| Property rates  | 16 870 305          | 18 850 410          | 18 850 410          | 18 622 798         | -227 612           | 98.79%                              | 110.39%                                |   |
| Property rates - penalties imposed and collection charges | 1 300 000           | 1 300 000           | 1 300 000           | 1 127 100          | -172 900           | 86.70%                              | 86.70%                                 |   |
| Service charges   | 54 197 300          | 55 162 000          | 55 162 000          | 54 922 339         | -239 661           | 99.57%                              | 101.34%                                |   |
| Rental of facilities and equipment                        | 2 928 800           | 2 879 700           | 2 879 700           | 2 881 420          | 1 720              | 100.06%                             | 98.38%                                 |   |
| Interest earned - external investments                    | 2 700 000           | 2 700 000           | 2 700 000           | 3 885 545          | 1 185 545          | 143.91%                             | 143.91%                                | Interest income was better than predicted   |
| Interest earned - outstanding debtors                     | 167 000             | 163 000             | 163 000             | 170 168            | 7 168              | 104.40%                             | 101.90%                                |   |
| Fines   | 404 000             | 804 000             | 804 000             | 846 315            | 42 315             | 105.26%                             | 209.48%                                |   |
| Licences and permits                                      | 1 993 200           | 1 963 040           | 1 963 040           | 1 989 757          | 26 717             | 101.36%                             | 99.83%                                 |   |
| Income for agency services                                | 1 010 000           | 1 082 000           | 1 082 000           | 1 053 826          | -28 174            | 97.40%                              | 104.34%                                |   |
| Government grants and subsidies                           | 93 207 000          | 70 274 727          | 70 274 727          | 77 719 783         | 7 445 056          | 110.59%                             | 83.38%                                 |   |
| Other income  | 118 400             | 119 300             | 119 300             | 288 353            | 169 053            | 241.70%                             | 243.54%                                |   |
| Gain on disposal of property, plant and equipment         |                     | 209 177             | 209 177             | 209 704            | 527                | 100.25%                             | 100.00%                                |   |
| <b>Total Revenue</b>                                      | <b>174 896 005</b>  | <b>155 507 354</b>  | <b>155 507 354</b>  | <b>163 717 108</b> | <b>8 209 754</b>   | <b>105.28%</b>                      | <b>93.61%</b>                          |   |
| <b>EXPENDITURE</b>  |                     |                     |                     |                    |                    |                                     |  |   |
| Employee related costs                                    | 45 150 327          | 39 458 805          | 39 458 805          | 40 808 570         | 1 349 765          | 103.42%                             | 90.38%                                 |   |
| Remuneration of Councillors                               | 5 857 930           | 5 971 000           | 5 971 000           | 6 488 366          | 517 366            | 108.66%                             | 110.76%                                |   |
| Retirement and long service benefits                      |                     |                     |                     | 6 480 370          | 6 480 370          |                                     |  |   |
| Bad debts   | 2 840 000           | 2 840 000           | 2 840 000           | 3 531 519          | 691 519            | 124.35%                             | 124.35%                                | Council resolved to grant relieve on outstanding debts that was more than anticipated when doing impairment |
| Depreciation  | 21 207 038          | 21 217 576          | 21 217 576          | 17 560 243         | -3 657 333         | 82.76%                              | 82.80%                                 | over provision  |
| Repairs and maintenance                                   | 7 641 400           | 8 927 900           | 8 927 900           | 6 618 835          | -2 309 065         | 74.14%                              | 86.62%                                 | over provision  |
| Interest paid   |                     |                     |                     | 16 137             | 16 137             | 100.00%                             | 100.00%                                | under provision   |
| Bulk purchases  | 40 000 000          | 34 000 000          | 34 000 000          | 31 537 084         | -2 462 916         | 92.76%                              | 78.84%                                 | Less contractors were used during the year  |
| Contracted services                                       | 53 379 000          | 28 703 615          | 28 703 615          | 13 238 790         | -15 464 825        | 46.12%                              | 24.80%                                 | under review  |
| Grants and subsidies paid                                 | 2 310 800           | 1 810 000           | 1 810 000           | 1 268 328          | -541 672           | 70.07%                              | 54.89%                                 | over provision  |
| General expenses  | 22 098 519          | 30 069 514          | 30 069 514          | 24 373 884         | -5 695 630         | 81.06%                              | 110.30%                                | under provision   |
| <b>Total Expenditure</b>                                  | <b>200 485 014</b>  | <b>172 998 410</b>  | <b>172 998 410</b>  | <b>151 922 126</b> | <b>-21 076 284</b> | <b>87.82%</b>                       | <b>75.78%</b>                          |   |
| <b>Surplus (Deficit) for the year</b>                     | <b>(25 589 009)</b> | <b>(17 491 056)</b> | <b>(17 491 056)</b> | <b>11 794 982</b>  | <b>29 286 038</b>  |                                     |  |   |



**UMVOTI LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2013**

**36 Acquisition of Property Plant and Equipment variances compared to annual budget**

|                           | 2013<br>Actual | 2013<br>Under<br>Construction | 2013<br>Total<br>Additions | 2013<br>Budget | 2013<br>Variance | 2013<br>Variance | Explanation of significant<br>variances   |
|---------------------------|----------------|-------------------------------|----------------------------|----------------|------------------|------------------|---|
| <b>LAND AND BUILDINGS</b> |                |                               |                            |                |                  |                  |   |
| Land and Buildings        | 3045884        | 2601467                       | 5647351                    | 8832101        | 3184750          | 36.06            | projects commenced late and budget has been carried over to complete work in the ensuing year |
|                           | 3 045 884      | 2 601 467                     | 5 647 351                  | 8 832 101      | (3 184 750)      | (36.06)          |   |
| <b>INFRASTRUCTURE</b>     |                |                               |                            |                |                  |                  |   |
| Electricity reticulation  |                | 793 013                       | 793 013                    | 1 750 000      | (956 987)        | (54.68)          | Kiosk have not been procured and project budgeted for in the ensuing year                     |
| Security Measures         | 4 385          |                               | 4 385                      | 4 390          | (5)              | (0.11)           |   |
| Roads                     | 35 200         | 25 610 784                    | 25 645 984                 | 30 213 016     | (4 567 032)      | (15.12)          | Savings achieved  |
|                           | 39 585         | 26 403 797                    | 26 443 382                 | 31 967 406     | (5 524 024)      | (17.28)          |   |
| <b>COMMUNITY ASSETS</b>   |                |                               |                            |                |                  |                  |   |
| Care Centres              |                | 3 765 610                     | 3 765 610                  | 3 989 952      | (224 342)        | (5.62)           |   |
| Stadiums                  |                | 253 126                       | 253 126                    | 1 224 729      | (971 603)        | (79.33)          | Additional work not carried out   |
|                           | -              | 4 018 736                     | 4 018 736                  | 5 214 681      | (1 195 945)      | (22.93)          |   |
| <b>OTHER ASSETS</b>       |                |                               |                            |                |                  |                  |   |
| Bins and Containers       |                |                               |                            | 250 000        | (250 000)        | (100.00)         | Bins were refurbished savings achieved  |
| Computer Equipment        | 107 456        |                               | 107 456                    | 140 100        | (32 644)         | (23.30)          | Over budgeted savings achieved  |
| Furniture and Fittings    | 179 921        |                               | 179 921                    | 333 624        | (153 703)        | (46.07)          | Savings achieved  |
| Motor Vehicles            | 380 015        |                               | 380 015                    | 400 000        | (19 985)         | (5.00)           |   |
| Office Equipment          | 15 753         |                               | 15 753                     | 187 000        | (171 247)        | (91.58)          | Savings achieved  |
| Plant & Equipment         | 356 644        |                               | 356 644                    | 400 000        | (43 356)         | (10.84)          |   |
| Sundry                    | 46 297         |                               | 46 297                     | 60 000         | (13 703)         | (22.84)          | Savings achieved  |
| Tools and Equipment       | 2 079 769      |                               | 2 079 769                  | 1 530 000      | 549 769          | 35.93            | Over budgeted savings achieved  |
|                           | 3 165 855      |                               | 3 165 855                  | 3 300 724      | (134 869)        | (4.09)           |   |
| Total                     | 6 251 324      | 33 024 000                    | 39 275 324                 | 49 314 912     | (10 039 588)     | (20.36)          |   |



| <b>UMVOTI LOCAL MUNICIPALITY</b>   |                    |                    |
|--|--------------------|--------------------|
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>   |                    |                    |
| <b>for the year ended 30 June 2013</b>   |                    |                    |
|  | <b><u>2013</u></b> | <b><u>2012</u></b> |
|  | <b><u>R</u></b>    | <b><u>R</u></b>    |
| <b>37 ELECTRICITY DISTRIBUTION LOSSES</b>  |                    |                    |
| The Municipality incurred Electricity distribution losses during the year. These losses are calculated as the difference between power supplies invoiced by ESCOM and amounts billed to consumers, as follows: |                    |                    |
| Units purchased (kwh )   | 47 611 756         | 49 393 191         |
| Units sold ( kwh )   | 39 364 288         | 40 969 456         |
| Units lost in distribution ( kwh )   | 8 247 468          | 8 423 735          |
| % distribution losses  | 17.32              | 17.05              |
| Average cost per unit purchased ( cents per kwh )  | 74.22              | 58.72              |
| Total cost of distribution losses ( Rand)  | <u>6 121 271</u>   | <u>4 946 417</u>   |
| Currently the Municipality is embarking on a meter sweep which will be on going for three years to curb distribution loss resulting from theft.  |                    |                    |
| <b>38 Correction of prior period error in the financial statements</b>   |                    |                    |
| During the current financial year, the Municipality corrected errors in the financial statements   |                    |                    |
| The comparative amounts have been appropriately restated as follows:   |                    |                    |
| Statement of Financial Position  |                    |                    |
| Property Plant and equipment previously disclosed  |                    | 384 746 011        |
| less: Transferred to Investment Property   |                    | -20 884 000        |
| Less: Transferred to Intangible Assets   |                    | -149 142           |
|  |                    | <u>363 712 869</u> |
| Investment Property previously disclosed   |                    | 73 620 014         |
| Add: transfer from Property Plant and Equipment  |                    | 20 884 000         |
| Less: Plantations leased to Mondi incorrectly accounted for as Investment Property.  |                    | -73 620 014        |
|  |                    | <u>20 884 000</u>  |
| Intangible assets previous disclosed   |                    | 0                  |
| Add : Transfer from Property Plant and Equipment   |                    | 149 143            |
|  |                    | <u>149 143</u>     |
| Revaluation Reserve previously disclosed   |                    | 375 219 897        |
| Less: Plantation value incorrectly brought to account  |                    | -73 620 014        |
|  |                    | <u>301 599 883</u> |



| UMVOTI LOCAL MUNICIPALITY         |             |            |                       |                          |   |                       |   |
|-----------------------------------|-------------|------------|-----------------------|--------------------------|---|-----------------------|---|
| APPENDIX A                        |             |            |                       |                          |   |                       |   |
| <u>SCHEDULE OF EXTERNAL LOANS</u> |             |            |                       |                          |   |                       |   |
| for the year ended 30 June 2013   |             |            |                       |                          |   |                       |   |
| EXTERNAL LOANS                    | Loan Number | Redeemable | Balance at 30/06/2012 | Received during the year | Redeemed or written off during the year | Balance at 30/06/2013 | Carrying value of property plant & equip. |
|                                   |             |            | R                     | R                        | R                                       | R                     | R   |
| Lease - Technologies Acceptances  | 1           | 2013       | 81 542                |                          | 81542                                   | 0                     |   |
| <b>TOTAL</b>                      |             |            | 81 542                |                          | 81542                                   | 0                     |   |



| UMVOTI LOCAL MUNICIPALITY<br>APPENDIX B<br>ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT<br>for the year ended 30 June 2013 |                      |                            |                  |                         |                |                          |                      |                   |                |                   |                      |
|---|----------------------|----------------------------|------------------|-------------------------|----------------|--------------------------|----------------------|-------------------|----------------|-------------------|----------------------|
| Description   | Cost/ Revaluation    |                            |                  |                         |                | Accumulated Depreciation |                      |                   |                | Carrying Value    |                      |
|   | Opening Balance<br>R | Prior Year Adjustment<br>R | Additions<br>R   | Under Construction<br>R | Disposals<br>R | Closing Balance<br>R     | Opening Balance<br>R | Additions<br>R    | Disposals<br>R |                   | Closing Balance<br>R |
| <b>LAND AND BUILDINGS</b>   |                      |                            |                  |                         |                |                          |                      |                   |                |                   |                      |
| Land and Buildings  | 108 041 204          |                            | 3 045 884        | 2 601 467               |                | 113 688 555              | 3 440 649            | 2 250 123         |                | 5 690 772         | 107 997 783          |
|   | 108 041 204          |                            | 3 045 884        | 2 601 467               | 0              | 113 688 555              | 3 440 649            | 2 250 123         | 0              | 5 690 772         | 107 997 783          |
| <b>INFRASTRUCTURE</b>   |                      |                            |                  |                         |                |                          |                      |                   |                |                   |                      |
| Bridges and subways   | 10 532 787           |                            |                  |                         |                | 10 532 787               | 2 457 908            | 298 238           |                | 2 756 146         | 7 776 641            |
| Electricity reticulation  | 60 474 080           |                            |                  | 793 013                 |                | 61 267 093               | 3 745 812            | 2 014 542         |                | 5 760 354         | 55 506 739           |
| Security Measures   | 16 116               |                            | 4 385            |                         |                | 20 501                   | 11 260               | 2 135             |                | 13 395            | 7 106                |
| Stormwater  | 25 389 018           |                            |                  |                         |                | 25 389 018               | 1 890 113            | 1 140 872         |                | 3 030 985         | 22 358 033           |
| Roads   | 152 630 776          |                            | 35 200           | 25 610 784              |                | 178 276 760              | 19 677 645           | 8 921 995         |                | 28 599 640        | 149 677 120          |
|   | 249 042 777          |                            | 39 585           | 26 403 797              | 0              | 275 486 159              | 27 782 738           | 12 377 783        | 0              | 40 160 521        | 235 325 638          |
| <b>COMMUNITY ASSETS</b>   |                      |                            |                  |                         |                |                          |                      |                   |                |                   |                      |
| Care Centres  | 7 453 512            |                            |                  | 3 765 610               |                | 11 219 122               | 1 169 152            | 200 417           |                | 1 369 569         | 9 849 553            |
| Community Assets  | 14 736 384           |                            |                  |                         |                | 14 736 384               | 2 093 680            | 1 114 321         |                | 3 208 001         | 11 528 383           |
| Community Centres   | 8 352 214            |                            |                  |                         |                | 8 352 214                | 1 459 253            | 222 911           |                | 1 682 165         | 6 670 049            |
| Stadiums  | 4 620 729            |                            |                  | 253 126                 |                | 4 873 855                | 630 063              | 77 496            |                | 707 559           | 4 166 295            |
|   | 35 162 839           |                            | 0                | 4 018 735               | 0              | 39 181 574               | 5 352 147            | 1 615 146         | 0              | 6 967 293         | 32 214 281           |
| <b>HERITAGE ASSETS</b>  |                      |                            |                  |                         |                |                          |                      |                   |                |                   |                      |
| Heritage Assets   | 313 956              |                            |                  |                         |                | 313 956                  |                      |                   |                |                   | 313 956              |
|   | 313 956              |                            | 0                | 0                       | 0              | 313 956                  | 0                    | 0                 | 0              | 0                 | 313 956              |
| <b>Investment Property</b>  |                      |                            |                  |                         |                |                          |                      |                   |                |                   |                      |
| Land  | 20 884 000           | -20 884 000                |                  |                         |                | 0                        | 0                    |                   |                | 0                 | 0                    |
|   | 20 884 000           | -20 884 000                | 0                | 0                       | 0              | 0                        | 0                    | 0                 | 0              | 0                 | 0                    |
| <b>OTHER ASSETS</b>   |                      |                            |                  |                         |                |                          |                      |                   |                |                   |                      |
| Bins & Containers   | 63 902               |                            |                  |                         |                | 63 902                   | 51 066               | 18                |                | 51 084            | 12 818               |
| Clinic Equipment  | 53 776               |                            |                  |                         |                | 53 776                   | 37 719               | 4 003             |                | 41 722            | 12 054               |
| Computer Equipment  | 2 063 232            |                            | 107 456          |                         |                | 2 170 687                | 806 502              | 239 222           |                | 1 045 724         | 1 124 963            |
| Emergency Equipment   | 56 929               |                            |                  |                         |                | 56 929                   | 45 471               | 24                |                | 45 495            | 11 434               |
| Furniture and Fittings  | 966 039              |                            | 179 921          |                         |                | 1 145 960                | 479 997              | 62 181            |                | 542 178           | 603 782              |
| Motor Vehicles  | 5 763 856            |                            | 380 015          |                         | 78 820         | 6 065 050                | 2 351 236            | 548 093           | 78 820         | 2 820 510         | 3 244 541            |
| Office Equipment  | 1 545 728            |                            | 15 753           |                         |                | 1 561 481                | 1 036 649            | 124 022           |                | 1 160 671         | 400 810              |
| Plant & Equipment   | 1 675 379            |                            | 356 644          |                         |                | 2 032 023                | 539 622              | 115 001           |                | 654 623           | 1 377 399            |
| Sundry  | 49 178               |                            | 46 297           |                         |                | 95 475                   | 39 191               | 353               |                | 39 544            | 55 930               |
| Tools and Equipment   | 1 074 275            |                            | 2 079 769        |                         |                | 3 154 043                | 391 989              | 161 427           |                | 553 416           | 2 600 627            |
| Traffic Equipment   | 432 650              |                            |                  |                         |                | 432 650                  | 239 072              | 61 956            |                | 301 028           | 131 622              |
|   | 13 744 942           |                            | 3 165 855        | 0                       | 78 820         | 16 831 976               | 6 018 514            | 1 316 302         | 78 820         | 7 255 997         | 9 575 980            |
| <b>Total Property Plant and Equipment</b>   | <b>427 189 717</b>   | <b>-20 884 000</b>         | <b>6 251 324</b> | <b>33 023 999</b>       | <b>78 820</b>  | <b>446 239 382</b>       | <b>43 182 068</b>    | <b>17 560 244</b> | <b>78 820</b>  | <b>60 663 492</b> | <b>385 427 637</b>   |
| <b>INTANGIBLE ASSETS</b>  |                      |                            |                  |                         |                |                          |                      |                   |                |                   |                      |
| Computer Software   | 737 163              |                            |                  |                         |                | 737 163                  | 588 020              | 889               |                | 588 909           | 148 254              |
|   | 737 163              |                            | 0                | 0                       | 0              | 737 163                  | 588 020              | 889               | 0              | 588 909           | 148 254              |
| <b>TOTAL</b>  | <b>427 926 880</b>   | <b>-20 884 000</b>         | <b>6 251 324</b> | <b>33 023 999</b>       | <b>78 820</b>  | <b>446 976 545</b>       | <b>43 770 088</b>    | <b>17 561 133</b> | <b>78 820</b>  | <b>61 252 401</b> | <b>385 575 891</b>   |





**UMVOTI LOCAL MUNICIPALITY  
APPENDIX C  
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
for the year ended 30 June 2013**

|                               | Cost/ Revaluation |                       |           |                    |           | Accumulated Depreciation |                 |            |           | Carrying Value |                 |
|-------------------------------|-------------------|-----------------------|-----------|--------------------|-----------|--------------------------|-----------------|------------|-----------|----------------|-----------------|
|                               | Opening Balance   | Prior Year Adjustment | Additions | Under Construction | Disposals | Closing Balance          | Opening Balance | Additions  | Disposals |                | Closing Balance |
|                               | R                 | R                     | R         | R                  | R         | R                        | R               | R          | R         |                | R               |
| Executive and Council         | 2 762 017         |                       | 186 088   | 1 364 340          |           | 4 312 444                | 456 326         | 151 867    |           | 608 193        | 3 704 251       |
| Governance and Administration | 4 291 722         |                       | 29 122    | 55 780             |           | 4 376 623                | 1 090 373       | 207 402    |           | 1 297 775      | 3 078 848       |
| Planning and Development      | 39 109 824        | -20 884 000           | 1 993 651 |                    |           | 20 219 475               | 4 149 259       | 854 340    |           | 5 003 599      | 15 215 876      |
| Health                        | 3 234 533         |                       |           |                    |           | 3 234 533                | 387 520         | 90 442     |           | 477 962        | 2 756 571       |
| Community & Social Services   | 26 327 153        |                       | 176 200   | 5 681 268          | 78 820    | 32 105 801               | 2 301 054       | 702 758    | 78 820    | 2 924 992      | 29 180 809      |
| Housing                       | 230 000           |                       |           |                    |           | 230 000                  |                 |            |           |                | 230 000         |
| Public Safety                 | 8 086 250         |                       | 3 615 927 | -2 960 232         |           | 8 741 944                | 723 476         | 746 839    |           | 1 470 315      | 7 271 629       |
| Sport and Recreation          | 3 770 274         |                       |           |                    |           | 3 770 274                | 201 486         | 100 467    |           | 301 953        | 3 468 321       |
| Corporate Services            | 42 559 515        |                       | 6 054     | 2 378 395          |           | 44 943 964               | 3 842 559       | 1 024 560  |           | 4 867 119      | 40 076 845      |
| Waste Management              | 1 400 562         |                       | 189 446   | 100 651            |           | 1 690 658                | 277 917         | 116 692    |           | 394 609        | 1 296 049       |
| Road Transport                | 235 370 482       |                       | 41 998    | 25 553 730         |           | 260 966 210              | 25 889 632      | 11 525 436 |           | 37 415 068     | 223 551 142     |
| Electricity                   | 60 785 749        |                       | 12 839    | 850 067            |           | 61 648 655               | 3 862 466       | 2 040 522  |           | 5 902 988      | 55 745 667      |
|                               | 427 928 079       | -20 884 000           | 6 251 324 | 33 023 999         | 78 820    | 446 240 582              | 43 182 068      | 17 561 325 | 78 820    | 60 664 573     | 385 576 009     |



| UMVOTI LOCAL MUNICIPALITY                    |                                    |                                    |                             |                               |                                    |                                    |
|--|------------------------------------|------------------------------------|-----------------------------|-------------------------------|------------------------------------|------------------------------------|
| APPENDIX D                                   |                                    |                                    |                             |                               |                                    |                                    |
| SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE |                                    |                                    |                             |                               |                                    |                                    |
| for the year ended 30 June 2013              |                                    |                                    |                             |                               |                                    |                                    |
| 2012<br>Actual<br>Income<br>R                | 2012<br>Actual<br>Expenditure<br>R | 2012<br>Surplus/<br>(Deficit)<br>R |                             | 2013<br>Actual<br>Income<br>R | 2013<br>Actual<br>Expenditure<br>R | 2013<br>Surplus/<br>(Deficit)<br>R |
| 36 810 933                                   | 21 242 222                         | 15 568 711                         | Executive and Council       | 215 805                       | 31 065 512                         | (30 849 707)                       |
| 42 242 898                                   | 19 334 498                         | 22 908 400                         | Budget and Treasury Office  | 103 022 653                   | 15 823 023                         | 87 199 630                         |
| 86 412                                       | 660 125                            | (573 713)                          | Planning and Development    | 731 852                       | 2 045 217                          | (1 313 365)                        |
| 1 619 500                                    | 3 909 032                          | (2 289 532)                        | Health                      |                               | 333 589                            | (333 589)                          |
| 623 285                                      | 2 828 050                          | (2 204 765)                        | Community & Social Services | 692 016                       | 3 450 192                          | (2 758 176)                        |
| 26 060                                       | 620 616                            | (594 556)                          | Housing                     | 18 817                        | 211 524                            | (192 707)                          |
| 861 721                                      | 8 789 603                          | (7 927 882)                        | Public Safety               | 1 306 833                     | 10 539 744                         | (9 232 911)                        |
| 40 559                                       | 4 153 669                          | (4 113 110)                        | Sport and Recreation        | 43 125                        | 5 072 901                          | (5 029 776)                        |
| 467 240                                      | 12 543 419                         | (12 076 179)                       | Corporate Services          | 460 957                       | 19 867 179                         | (19 406 222)                       |
| 5 299 545                                    | 8 218 668                          | (2 919 123)                        | Waste Management            | 5 542 550                     | 8 969 620                          | (3 427 070)                        |
| 2 893 867                                    | 15 885 372                         | (12 991 505)                       | Road Transport              | 3 036 690                     | 15 224 954                         | (12 188 265)                       |
| 46 983 569                                   | 41 407 022                         | 5 576 547                          | Electricity                 | 54 690 848                    | 47 546 827                         | 7 144 021                          |
| 2 089 170                                    |                                    | 2 089 170                          | Other                       | 2 183 117                     |                                    | 2 183 117                          |
| 140 044 759                                  | 139 592 296                        | 452 463                            | Sub - total                 | 171 945 263                   | 160 150 281                        | 11 794 982                         |
| 140 044 759                                  | 139 592 296                        | 452 463                            |                             | 171 945 263                   | 160 150 281                        | 11 794 982                         |



UMVOTI MUNICIPALITY  
APPENDIX E  
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003  
for the year ended 30 June 2013

| Description                   | Name of organ of State                                 | Unspent balance at 1 July 2012 | Adjustment previous year | Received 2012/2013 | Expenditure 2012/2013 | Transfer 2012/2013 | Unspent balance at 30 June 2013 | Grants delayed/ withheld | Reason for delaying/ withholding funds | Compliance with grant conditions YES/NO | Reason for non-compliance |
|-------------------------------|--|--------------------------------|--------------------------|--------------------|-----------------------|--------------------|---------------------------------|--------------------------|--|---|---------------------------|
|                               |  | R                              | R                        | R                  | R                     | R                  | R                               | R                        |  |   |                           |
| Grants - general              | Unspecified  | 160                            |                          |                    |                       |                    | 160                             | N/A                      |  | YES                                     |                           |
| MIG grant                     | Department of Traditional and Local Government Affairs | 250 000                        |                          |                    |                       | -250 000           | 0                               | N/A                      |  | YES                                     |                           |
| MIG                           | Department of Traditional and Local Government Affairs | 5 686 882                      | 1 498 681                | 17 870 000         | (25 305 563)          | 250 000            | 0                               | N/A                      |  | YES                                     |                           |
| Sport and recreation          | Department of Traditional and Local Government Affairs | 537 365                        |                          | 150 000            | (253 126)             |                    | 434 239                         | N/A                      |  | YES                                     |                           |
| Cemetery grant                | Department of Traditional and Local Government Affairs | 0                              |                          |                    |                       |                    | 0                               | N/A                      |  | YES                                     |                           |
| Grant - IDP                   | Department of Traditional and Local Government Affairs | 0                              |                          |                    |                       |                    | 0                               | N/A                      |  | YES                                     |                           |
| Equitable share               | National Treasury                                      | -15 211                        |                          |                    |                       | 15 211             | 0                               | N/A                      |  | YES                                     |                           |
| Grant - library               | Library Services                                       | 4 641                          |                          |                    |                       |                    | 4 641                           | N/A                      |  | YES                                     |                           |
| Grant - taxi rank             | Department of Traditional and Local Government Affairs | 113 475                        |                          |                    |                       | -15 211            | 98 264                          | N/A                      |  | YES                                     |                           |
| Finance Management            | National Treasury                                      | 382 636                        |                          | 1 500 000          | (1 882 636)           |                    | 0                               | N/A                      |  | YES                                     |                           |
| Municipal Systems Improvement | Department of Traditional and Local Government Affairs | 746 722                        |                          | 800 000            | (633 145)             |                    | 913 577                         | N/A                      |  | YES                                     |                           |
| LUMS                          | Department of Traditional and Local Government Affairs | 40 595                         |                          |                    | (38 076)              |                    | 2 519                           | N/A                      |  | YES                                     |                           |
| Municipal Finance Management  | National Treasury                                      | 228                            |                          |                    |                       |                    | 228                             | N/A                      |  | YES                                     |                           |
| Housing plan grant            | Department of housing                                  | 0                              |                          |                    |                       |                    | 0                               | N/A                      |  | YES                                     |                           |
| Specific program grant        | National Treasury                                      | 101 367                        |                          |                    |                       |                    | 101 367                         | N/A                      |  | YES                                     |                           |
| GIJIMA KZN grant              | Department of Traditional and Local Government Affairs | 12 451                         |                          |                    |                       |                    | 12 451                          | N/A                      |  | YES                                     |                           |
| Development of policies       | Umzinyathi District Municipality                       | 0                              |                          |                    |                       |                    | 0                               | N/A                      |  | YES                                     |                           |
| IDP grant                     | Umzinyathi District Municipality                       | 0                              |                          |                    |                       |                    | 0                               | N/A                      |  | YES                                     |                           |
| Grant - financial plan        | Umzinyathi District Municipality                       | 0                              |                          |                    |                       |                    | 0                               | N/A                      |  | YES                                     |                           |
| Grant - Phasiwe farm          | Department of Traditional and Local Government Affairs | 17 399                         |                          |                    |                       |                    | 17 399                          | N/A                      |  | YES                                     |                           |
| Spatial planning              | Department of Traditional and Local Government Affairs | 0                              |                          |                    |                       |                    | 0                               | N/A                      |  | YES                                     |                           |
| Management Assistance Project | Department of Traditional and Local Government Affairs | 100 000                        |                          |                    |                       |                    | 100 000                         | N/A                      |  | YES                                     |                           |
| Library - computer expenses   | Department of Traditional and Local Government Affairs | 78 900                         |                          |                    |                       |                    | 78 900                          | N/A                      |  | YES                                     |                           |
| Corridor development          | Department of Traditional and Local Government Affairs | 474 041                        |                          |                    | (472 001)             |                    | 2 040                           | N/A                      |  | YES                                     |                           |
| Eshane development            | Department of Traditional and Local Government Affairs | 240 438                        |                          |                    | (14 899)              |                    | 225 539                         | N/A                      |  | YES                                     |                           |
| Storm damage                  | Department of housing                                  | 2 821 500                      |                          |                    |                       |                    | 2 821 500                       | N/A                      |  | YES                                     |                           |
| Hostel upgrade                | Department of housing                                  | 0                              |                          |                    |                       |                    | 0                               | N/A                      |  | YES                                     |                           |
| Rural electrification         |  | 1 449 599                      | 4 561 361                |                    | (6 010 960)           |                    | 0                               |                          |  |   |                           |
| Thusong centres               |  | 1 167 000                      |                          |                    | (214 485)             |                    | 952 515                         |                          |  |   |                           |
| Kranskop expansion plan       |  |                                |                          | 600 000            | (123 120)             |                    | 476 880                         |                          |  |   |                           |
| Woolstone greenfield plan     |  |                                |                          | 400 000            | (79 800)              |                    | 320 200                         |                          |  |   |                           |
|                               |  | 14 210 190                     | 6060042                  | 21 320 000         | (35 027 811)          | -                  | 6 562 421                       |                          |  |   |                           |