

**UMHLABUYALINGANA UMASIPALA WASEKHAYA
UMHLABUYALINGANA LOCAL MUNICIPALITY**

**FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2013**

UMHLABUYALINGANA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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UMHLABUYALINGANA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

Mayor	Clr. T.S Mkhombo
Deputy Mayor	Clr. M.N Nxumalo
Speaker	Clr. N.S Mthembu
Exco Members	Clr. N.S. Mthethwa Clr. B.T. Tembe Clr. M.S. Mabika Clr. T.A Zikhall

Capacity of Municipality

Medium Capacity Municipality

Auditors

The Auditor-General of South Africa
Private Bag X9034
PIETERMARITZBURG
3200

GENERAL INFORMATION (continued)

Bankers

First National Bank of South Africa

Registered office: Municipal Building, KwaNgwanase

Physical address: Main Street
Manguzi

Postal address: Private Bag X 901
KwaNgwanase
3973

Telephone Number: 035 - 592 0680

Fax Number: 035 - 592 0672

Municipal Manager

Mr. S.E Bukhosini

Chief Financial Officer

Mr. N.P.E Myeni

UMHLABUYALINGANA LOCAL MUNICIPALITY

REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

30 JUNE 2013

The report of the Auditor-General will be inserted after the audit.

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITY AND APPROVAL

UMHLABUYALINGANA LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate records and is responsible for the content and integrity of the annual financial statement and related financial information included therein. It is the responsibility of the accounting officer to ensure that the annual financial statement fairly present the state of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with South African Statement of General Rec Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Sta

The annual financial statements are based upon appropriate accounting policies consistently applied and support reasonable and prudent judgment and estimates.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of the current financial position, he is satisfied that the municipality has or has access to adequate resources to ensure operational existence for the foreseeable future. The external auditors are responsible for independently reviewing the municipality's annual financial statements.

The annual financial statements set out on page 1 to 39 and appendices A to E which have been prepared on the basis of the information were approved by accounting officer.

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Mr. S.E Bukhosini
Accounting Officer

31 August 2013
Date

UMHLABUYALINGANA MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2013

1 BASIS OF ACCOUNTING

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

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

GRAP 1	Presentation of Financial Statements	
GRAP 2	Cash Flow Statement	
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors	
GRAP 4	The Effects of Changes in Foreign Exchange Rates	
GRAP 5	Borrowing Costs	
GRAP 6	Consolidated and Separate Financial Statements	
GRAP 7	Investments in Associates	
GRAP 8	Investments 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 Properties	
GRAP 17	Property, Plant and Equipment	
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets	
GRAP 21	Impairment of Non-Cash-generating-assets - issued March 2009	
GRAP 23	Revenue from Non-Exchange Transactions - issued February 2008	
GRAP 24	Presentation of Budget Information - issued November 2007	
GRAP 25	Employee Benefits	
GRAP 26	Impairment of Cash-generating-assets - issued March 2009	
GRAP 27	Agriculture (Replaces GRAP 101)	
GRAP 31	Intangible Assets (Replaces GRAP 102)	
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations	
GRAP 101	Agriculture (Replaces GRAP 27)	
GRAP 102	Intangible Assets (Replaces GRAP 31)	
GRAP 103	Heritage Assets - issued July 2008	
GRAP 104	Financial Instruments	

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 financial statement, unless explicitly stated. The details of any changes in accounting policies are explained in relevant policy.

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7.11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Recognised Accounting Practices including any interpretations of such Statements issued by the Accounting Practices Board.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and the figures are rounded off to the nearest rand.

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

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

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

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

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting - issued March 2005
GRAP 20	Related Party Disclosures
GRAP 105	Transfer of functions between entities under common controls
GRAP 106	Transfer of functions between entities not under common controls
GRAP 107	Mergers

2 PROPERTY, PLANT AND EQUIPMENT

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

2.1 INITIAL RECOGNITION

The cost of an items of property, plant and equipment are recognised as assets when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the cost thereof can be measured reliably.

On acquisition date assets are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.3 DEPRECIATION

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

Infrastructure Assets

Roads and Paving	30 years
Roads and Water	20 years

Community Assets

Recreational Facility	20-30 years
Security	5 years
Community Halls	30 years
Libraries	30 years
Parks and gardens	10 years

Finance Lease Assets

Office equipment	5 years
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Other Assets

Buildings	30 years
Specialist vehicles	10 years
Other vehicles	5 years
Office equipment	3-7 years
Furniture and fittings	7-10 years
Bins and containers	5 years
Specialised plant and equipment	10-15 years
Landfill sites	18 years
Computer equipment	3 years

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

2.4 IMPAIRMENT OF ASSETS

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

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

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

2.5 DERECOGNITION

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

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

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

Computer software	5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

3.4 DERECOGNITION

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

4 FINANCIAL INSTRUMENTS

4.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

4.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in accordance with GRAP 104.

4.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. 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

4.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to present value. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

4.2.3 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

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

4.2.4 CASH AND CASH EQUIVALENTS

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

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

5 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.

6 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998), Division of Revenue Act of 2008 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.

7 FRUITLESS AND WASTEFUL EXPENDITURE

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

8 PROVISIONS

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

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

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

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

- (a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; the principal locations affected - the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and when the plan will be implemented; and

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

9 LEASES

9.1 MUNICIPALITY AS LESSEE

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

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

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

9.2 MUNICIPALITY AS LESSOR

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

10 REVENUE

10.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

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

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

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

10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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

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

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

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

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

11 GRANTS, TRANSFERS AND DONATIONS

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

12 EMPLOYEE BENEFITS

The municipality provides retirement contributions for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

12.1 Short-term employee benefits

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

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

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

12.2 Defined contribution plans

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

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

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

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

12.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries

13 BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts above 10%.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

14 RELATED PARTIES

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

15 SIGNIFICANT JUDGEMENT AND SOURCES OF ESTIMATING UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and

15.1 TRADE AND OTHER RECEIVABLES/LOANS RECEIVABLES

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in

15.2 FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The entity uses

The carrying values of trade receivables and payables are assumed to approximate their fair values.

15.3 IMPAIRMENT TESTING

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to

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. If there are

15.4 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is

15.5 ALLOWANCES FOR IMPAIRMENT

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the

Umhlabuyalingana Local Municipality

Statement of financial position as at 30 June 2013

	Notes	2013	2012
		R	R
Assets			
Non-current assets		151 515 392	101 574 238
Property, plant and equipment	<u>1</u>	150 977 280	100 860 481
Intangible	<u>2</u>	522 454	667 179
Long term debtors	<u>05</u>	15 658	46 578
Current assets		71 409 313	65 705 579
Trade and other receivables from non-exchange transactions: Staff Debtors		568 467	458 257
Trade and Receivable from non exchange transactions: Rates	<u>05</u>	7 203 895	308 894
Vat receivable	<u>04</u>	3 881 132	4 154 309
Cash and cash equivalents	<u>03</u>	59 755 818	60 784 119
	<u>06</u>		
Total assets		222 924 705	167 279 817
Liabilities			
Non- Current Liabilities		4 213 381	3 747 368
Finance Lease Obligation	<u>27</u>	125 458	207 027
Non-Current Provisions	<u>10</u>	4 087 923	3 540 341
Current liabilities		12 814 091	22 733 472
Trade and other payables from exchange transactions -Trade	<u>8.1</u>	4 127 053	3 497 601
Trade and other payables from exchange transactions - Employee Related	<u>8.2</u>	3 692 227	1 238 837
Unspent Conditional Grants	<u>09</u>	4 913 242	17 931 833
Current portion of lease liability	<u>27</u>	81 568	65 201
Total liabilities		17 027 472	26 480 840
Net assets		205 897 233	140 798 977
Accumulated surplus	<u>07</u>	205 897 233	140 798 978
Total net assets		205 897 233	140 798 978

Umhlabuyalingana Local Municipality

Statement of financial performance for the year ended 30 June 2013

	Notes	2013	2012
		R	R
Revenue			
Revenue from non-exchange transactions			
Property rates	11	10 698 487	3 305 952
Interest earned Main bank	12.1	633 270	765 311
Interest earned Investment	12.2	1 183 593	759 231
Traffic Fines	13	99 320	113 750
Licences and permits	14	3 425 833	1 574 315
Government grants and subsidies	15	103 844 592	87 752 807
Gain of Sale of asset		-	20 000
Revenue from exchange transactions			
Other revenue	16.1	779 708	71 390
Rental revenue	16.2	39 833	33 232
Total Revenue (A)		120 704 637	94 395 989
Expenditure (classified by nature)			
Employee related costs	17	15 372 874	10 380 952
Councillor remunerations	18	7 541 917	6 756 297
Contracted Services	19	81 047	68 307
Depreciation	1	6 844 060	4 148 551
Repairs and maintenance	20	2 898 772	1 013 573
Provision for bad debt	04	22 651	2 502 796
Asset impairment		3 348 577	1 743 760
Provision for Rehabilitation of Site	10	250 249	-
Leave Expense		471 228	84 619
Interest and Penalties		156 374	64 440
General expenses	21	18 618 427	13 727 323
Loss on the disposal of property, plant and equipment		207	-
Total Expenditure (B)		55 606 383	40 490 618
Surplus for the year (A-B)		65 098 254	53 905 371

UMHLABUYALNGANA LOCAL MUNICIPALITY

Cash flow statement for the year ended 30 June 2013

	Note	2013	2012
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		9 753 695	1 759 455
Grants		90 826 000	71 519 284
Interest Receipts		1 816 864	1 524 543
Other Receipts		5 799 136	2 126 909
		108 195 694	75 170 736
Payments			
Employee related costs		22 617 458	17 137 249
Suppliers		26 048 589	18 173 712
Interest paid		156 374	64 440
		48 822 421	35 375 401
Net cash flow from operating activities	29	59 373 273	39 795 335
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	3	(60 350 058)	(33 357 633)
Additions to intangible assets		(17 236)	(601 104.04)
Decrease in long term debtor		30 920	
Net cash flow from investing activities		(60 336 373)	(33 958 737)
Cash flow from financing activities			
Non-current liabilities raised		(65 201)	52 286
Decrease in short-term loans			
Net cash flow from financing activities		(65 201)	52 286
Net cash flows for the year		(1 028 301)	5 888 884
Cash and cash equivalents beginning of year		60 784 120	54 895 236
Cash and cash equivalents end of year		59 755 819	60 784 120

UMHLABUYALNGANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON WITH THE BUDGET VS ACTUAL FOR THE PERIOD ENDING 30 JUNE 2013

Description	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)		Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget	Reasons for material fluctuation above 10% margin
	Original Budget	2								
	1	2	3	4	5	6	7	8	9	
	R	R	R	R	R	R	R	R	R	
Financial Performance										
Property Rates	5 971 000.00	(2 349 196.00)	-	3 621 804.00	10 698 486.71	-	7 076 682.71	195%	79%	The reconciliation between the VR and the billing system was conducted at year end, as a result there were new properties added onto the billing system
Service Charges	-	170 000.00	-	170 000.00	170 000.00	-	-	0%	100%	
Investment Revenue	833 000.00	567 520.00	-	1 400 520.00	1 816 863.56	-	416 343.56	30%	118%	Funds on call accounts yielded more interest revenue than initially anticipated
Transfers Recognised - Operational	61 766 000.00	(2 217 334.00)	-	59 548 666.00	61 984 211.03	-	2 435 545.03	4%	0%	
Other Own Revenue	2 337 000.00	154 400.00	-	2 491 400.00	4 146 054.76	-	1 654 654.76	66%	77%	The increase is due to the demand within the traffic department
Total Revenue (Excluding Capital Transfers & Contributions)	70 907 000.00	(3 674 610.00)	-	67 232 390.00	78 815 616.06	-	11 583 226.06	296%	375%	
Employee Costs	16 162 020.00	(735 100.00)	-	15 426 920.00	15 372 873.76	-	54 046.24	-	-5%	Adjustment of depreciation incorrectly calculated in the prior years, & current year impairments
Remuneration Of Councillors	7 346 000.00	-	195 917.31	7 541 917.31	7 541 917.04	-	0.27	0%	3%	
Debt Impairment	-	-	-	-	-	-	-	0%	0%	
Depreciation & Asset Impairment	1 257 000.00	850 000.00	4 362 885.00	6 469 885.00	6 844 059.98	-	(374 174.98)	-6%	444%	
Finance Charges	-	83 319.00	323 304.24	406 623.24	406 623.24	-	-	0%	0%	
Materials & Bulk Purchases	-	-	-	-	-	-	-	0%	0%	
Transfers & Grants	-	-	-	-	-	-	-	0%	0%	
Other Expenditures	27 091 142.00	4 619 505.00	974 638.84	26 469 279.29	25 440 908.85	-	1 028 370.44	4%	-6%	
Total Expenditure	51 856 162.00	4 817 724.00	5 856 745.39	56 314 624.84	55 606 382.87	-	708 241.97	110	436%	
Surplus/(Deficit)	19 050 838.00	(6 492 334.00)	-	10 917 765.16	23 209 233.19	-	10 874 984.09	25	27	
Transfers Recognised - Capital	40 299 002.00	16 802 976.00	-	57 101 978.00	57 101 978.00	-	-	-	-	
Contributions Recognised - Capital & Contributed Assets	(55 979 002.00)	(13 015 380.00)	-	(68 994 382.00)	(40 960 267.76)	-	-	-	-	
Surplus/(Deficit) After Capital Transfers & Contributions	3 370 838.00	(4 704 738.00)	-	(974 638.84)	39 350 943.43	-	10 874 984.09	25	27	
Share Of Surplus/(Deficit) Of Associate	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) For The Year	3 370 838.00	(4 704 738.00)	-	(974 638.84)	39 350 943.43	-	10 874 984.09	25	27	
Capital Expenditure & Funds Sources										
Capital Expenditure										
Transfers Recognised - Capital	44 979 000.00	-	-	44 979 000.00	40 960 267.76	-	4 018 732.24	9%	-9%	Capital Grant rollover and Capital Projects funded from own reserves.
Public Contributions & Donations	-	-	-	-	-	-	-	0%	0	
Borrowing	-	-	-	-	-	-	-	0%	0	
Internally Generated Funds	11 000 000.00	13 015 380.00	-	24 015 380.00	-	-	24 015 380.00	100%	45	
Total Sources Of Capital Funds	55 979 000.00	13 015 380.00	-	68 994 380.00	40 960 267.76	-	17 306 811.19	75	104	
Cash flows										
Net Cash From (Used) Operating	-	-	-	-	-	-	-	100%	0	
Net Cash From (Used) Investing	-	-	-	-	-	-	-	100%	0	
Net Cash From (Used) Financing	-	-	-	-	-	-	-	100%	0	
Cash/Cash Equivalents At The Year End	0	0	0	0	0	0	0	0	0	

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Land and buildings	Roads & Water	Assets under construction	Vehicles	Finance Leased Assets	Plant & Equipment	Total
	R	R	R	R	R	R	R
01 2013 Property Plant and Equipment							
Year ended 01 July 2012							
Cost at the beginning of the year	59 020 660	33 333 185	22 337 333	2 431 802	386 090	4 853 009	122 362 079
Accumulated Depreciation	(4 872 876)	(10 434 359)	-	(542 225)	(148 100)	(2 279 853)	(18 277 413)
Accumulated Impairment	(1 628 698)	(3 911 642)				(173 482)	(5 713 822)
Carrying amount at beginning of year	52 519 086	18 987 184	22 337 333	1 889 577	237 990	2 399 674	98 370 845
Prior year correction - cost	(10 454 156)	169 068	12 742 470	129 795		84 659	2 671 836
Prior year correction - accumulated impairment	5 559	(5 559)					-
Prior year correction - accumulated depreciation	-	(110 335)		(71 865)	-	-	(182 200)
Restated carrying amount	42 070 489	19 040 358	35 079 803	1 947 507	237 990	2 484 333	100 860 481
Acquisitions	-	-	-	604 376	-	1 705 360	2 309 736
Capital Under Construction (WIP)	-	-	58 040 322	-	-	-	58 040 322
Asset Under Construction released	17 805 701	44 437 003	(62 242 704)	-	-	-	(0)
Written-off assets - cost	-	-	-	(146 324)	-	(439 071)	(585 395)
Written-off assets - accumulated depreciation	-	-	-	32 926	-	341 396	374 322
Written-off assets - accumulated impairment	-	-	-	-	-	9 200	9 200
Impairment	-	(3 348 577)	-	-	-	-	(3 348 577)
Disposals- Cost	-	-	-	-	-	-	-
Disposal Accumulated Depreciation	-	-	-	-	-	-	-
Depreciation charge	(1 937 873)	(3 623 039)	-	(370 380)	(77 218)	(674 299)	(6 682 809)
Carrying amount at end of year	57 938 318	56 505 745	30 877 421	2 068 105	160 772	3 426 919	150 977 280
At 30 June 2013							
Carrying amount	57 938 318	56 505 745	30 877 421	2 068 105	160 772	3 426 919	150 977 280
Cost at the end of the year	66 372 205	77 939 256	30 877 421	3 019 649	386 090	6 203 957	184 798 578
Accumulated impairment	(1 623 139)	(7 265 778)	-	-	-	(164 282)	(9 053 199)
Accumulated depreciation	(6 810 749)	(14 167 733)	-	(951 544)	(225 318)	(2 612 756)	(24 768 099)

No assets held as security

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (Continued)

2012

Property Plant and Equipment

	Land and buildings	Roads & Water	Assets under construction	Vehicles	Finance Leased Assets	Plant & Equipment	Total
	R	R		R	R	R	R
Year ended 01 July 2011							
Cost at the beginning of the year	26 496 498	22 852 536	31 304 886	2 062 323	276 818	3 793 275	86 786 335
Accumulated Depreciation	(3 910 922)	(7 785 101)	-	(543 973)	(63 503)	(1 831 321)	(14 134 820)
Accumulated Impairment	(1 628 698)	(2 341 363)					(3 970 061)
Prior year correction	-						-
Prior year correction	-						-
Carrying amount at beginning of year	20 956 878	12 726 072	31 304 886	1 518 350	213 315	1 961 954	68 681 455
Acquisitions	-	321 209		652 587	109 272	1 059 734	2 142 802
Capital Under Construction (WIP)	-	-	31 215 162	-	-	-	31 215 162
Land fill site	2 500 886	-					2 500 886
		(330 173)					(330 173)
Asset Under Construction released	30 023 276	10 159 440	(40 182 715)	-	-	-	-
Provision for Landfill Site	-	-	-	-	-	-	-
Imparement	-	(1 570 279)				(173 482)	(1 743 760)
Disposals- Cost				(283 108)			(283 108)
Disposal Accumulated Depreciation				283 108			283 108
Depreciation charge	(961 954)	(2 319 085)	-	(281 360)	(84 597)	(448 532)	(4 095 527)
Carrying amount at end of year	52 519 086	18 987 184	22 337 333	1 889 577	237 991	2 399 674	98 370 844
At 30 June 2012							
Carrying amount	52 519 086	18 987 184	22 337 333	1 889 577	237 991	2 399 674	98 370 844
Cost at the end of the year	59 020 659	33 333 184	22 337 333	2 431 802	386 090	4 853 009	122 362 077
Accumulated impairment	(1 628 698)	(3 911 642)	-	-	-	(173 482)	(5 713 821)
Accumulated depreciation	(4 872 876)	(10 434 359)	-	(542 225)	(148 100)	(2 279 853)	(18 277 412)

UMHLABUYALNGANA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	Accumulated surplus	Total
		R	R
Balance at 01 July 2011		85 370 832	85 370 832
Surplus for the year		53 905 371	53 905 371
Balance at 30 June 2012		139 276 203	139 276 203
Correction of prior year error	30	1 522 775	1 522 775
Restated balance at 30 June 2012		140 798 978	140 798 978
Surplus for the year		65 098 254	65 098 254
		-	-
		205 897 233	205 897 233

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

02 INTANGIBLE ASSETS

Computer Software	2013	2012
Opening balance	771 279	255 385
Prior year adjustment	(104 100)	
Restated balance as at 1 July 2012	<u>667 179</u>	<u>255 385</u>
Additions	17 237	601 105
Asset Written off	(710)	
Amortisation	(161 251)	(85 210)
Closing balance	<u><u>522 454</u></u>	<u><u>771 279</u></u>

03 VAT RECEIVABLE

	2013	2012
		Restated
VAT receivable	<u>3 881 132</u>	<u>4 154 309</u>

VAT is payable on the receipt basis. VAT is paid over to SARS only once the payment is received from debtors.

04 Trade and Receivable from non exchange transaction

	Gross Balance	Allowances for doubtful debts	Net Balance
	R	R	R
Trade receivables			
as at 30 June 2013			
Service debtors			
Rates	9 045 637	(1 841 742)	7 203 895
Total	<u>9 045 637</u>	<u>(1 841 742)</u>	<u>7 203 895</u>
as at 30 June 2012			
Service debtors			
Rates	2 360 705	(2 051 811)	308 894
Total	<u>2 360 705</u>	<u>(2 051 811)</u>	<u>308 894</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

04 Trade and Receivable from non exchange transaction (continued)

Rates: Ageing

	2013	2012
Current (0 – 30 days)	3 169 442	77 867
31 - 60 Days	637 871	56 175
61 - 90 Days	526 017	56 175
91 - 120 Days	469 496	55 342
121 - 365 Days	4 242 810	55 342
+ 365 Days		659 025
Total	9 045 637	959 925

Summary of Debtors by Customer Classification

	Industrial / Commercial	Ingonyama Trust	National and Provincial Government	Total
	R	R	R	R
as at 30 June 2013				
Current (0 – 30 days)	341 598	2 498 363	329 481	3 169 442
31 - 60 Days	213 724	84 286	370 087	668 097
61 - 90 Days	182 335	84 286	259 396	526 017
91 - 120 Days	174 435	84 286	210 775	469 496
121 - 150 Days	171 302	84 286	190 089	445 677
+ 150 Days	1 841 742	1 232 930	692 237	3 766 908
Sub-total	2 925 134	4 068 438	2 052 065	9 045 637
Debtors discounting				-
Less: Provision for doubtful debts	(1 841 742)		-	(1 841 742)
Total debtors by customer classification	1 083 393	4 068 438	2 052 065	7 203 896
as at 30 June 2012				
Current (0 – 30 days)		-	(91 000)	(91 000)
31 - 60 Days		77 867	90 066	167 932
61 - 90 Days		56 175	90 063	146 238
91 - 120 Days		56 175	90 063	146 238
121 - 150 Days		55 342	92 212	147 554
+ 150 Days		714 367	1 129 378	1 843 745
Sub-total		959 925	1 400 781	2 360 706
Debtors discounting		(163 349)		(163 349)
Less: Provision for doubtful debts		(1 888 462)	-	(1 888 462)
Total debtors by customer classification		(1 091 886)	1 400 781	308 895

04 Bad debt provision reconciliation

	2013	2012
Opening balance	2 739 448	236 651.69
Current year charge	22 651	2 502 796
Closing balance	2 762 099	2 739 448

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

05	Receivables from non-exchange transactions	2013	2012
	<u>Short Term</u>		
	Re-imbursive overpayments	382 932	382 932
	Salary control account	90 974	
	Medical Aid	7 386	15 654
	PMU Debtors	244 448	200 820
	Creditor overpayment (Nashua)	118 383	610
	Other debtors	113 191	-
	Debtors overpayment Cllrs	547 168	618 148
	Payroll garnish		292
	Accrued Income	-	8 479
		<u>1 504 482</u>	<u>1 226 935</u>
	Less	-	-
	Total receivables	<u>1 504 482</u>	<u>1 226 935</u>
	Less Long-term portion	<u>(936 015)</u>	<u>(768 678)</u>
	Short term portion	<u>568 467</u>	<u>458 257</u>
	<u>Long term</u>		
	Long term portion	936 015	768 678
	Less: Provision	<u>(920 357)</u>	<u>(722 100)</u>
	Net Amount	<u>15 658</u>	<u>46 578</u>
06	Cash and Cash equivalent	2013	2012
	Petty Cash	608	2 436
	Current account: First National Bank Hluhluwe branch	14 906 449	46 863 925
	Call account : First National Bank Hluhluwe branch	913 877	894 391
	Money Market account : First National Bank Hluhluwe branch	1 234 871	1 193 620
	Money Market account : First National Bank Hluhluwe branch	698 430	675 440
	32 Days Notice account : First National Bank Hluhluwe branch	11 656 252	11 114 102
	32 Days Notice account : Standard Bank. Empangeni branch	15 647	15 290
	32 Days Notice account : Ned Bank Richards Bay	25 882	24 915
	Money Market : First National Bank Hluhluwe branch 74406541041	30 303 803	-
		<u>59 755 818</u>	<u>60 784 119</u>
06.1	Current account (Primary Account)		
	First National Bank Hluhluwe branch - 62025236408		
	Cash book balance at beginning of year	46 863 925	46 863 925
	Cash book balance at end of year	<u>14 906 449</u>	<u>46 863 925</u>
	Bank statement balance at beginning of year	55 589 961	
	Bank statement balance at end of year	<u>43 068 634</u>	
	Call Account		
	First National Bank Hluhluwe branch - 62055161146		
	Cash book balance at beginning of year	894 391	870 963
	Cash book balance at end of year	<u>913 877</u>	<u>894 391</u>
	Bank statement balance at beginning of year	894 391	870 963
	Bank statement balance at end of year	<u>913 877</u>	<u>894 391</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

06	Cash and Cash equivalent (continued)	2013	2012
	Call Account		
	First National Bank Hluhluwe branch - 62217154351		
	Cash book balance at beginning of year	1 193 620	1 193 620
	Cash book balance at end of year	1 234 871	-
	Bank statement balance at beginning of year	1 193 620	1 193 620
	Bank statement balance at end of year	<u>1 234 871</u>	<u>-</u>
	Call Account		
	First National Bank Hluhluwe branch - 62266899825		
	Cash book balance at beginning of year	675 440	
	Cash book balance at end of year	692 560	675 440
	Bank statement balance at beginning of year	675 440	
	Bank statement balance at end of year	<u>698 429</u>	<u>675 440</u>
	Call Account		
	First National Bank Hluhluwe branch - 74275256516		
	Cash book balance at beginning of year	1 114 102	-
	Cash book balance at end of year	11 501 086	1 114 102
	Bank statement balance at beginning of year	11 114 102	
	Bank statement balance at end of year	<u>11 656 252</u>	<u>1 114 102</u>
	Call Account		
	Standard Bank - Empangeni Branch - 068824491		
	Cash book balance at beginning of year	15 290	15 290
	Cash book balance at end of year	15 549	
	Bank statement balance at beginning of year	15 290	15 290
	Bank statement balance at end of year	<u>15 680</u>	<u>-</u>
	Call Account		
	Ned Bank - Richards Bay Branch - 28702097		
	Cash book balance at beginning of year	24 915	24 915
	Cash book balance at end of year	25 639	
	Bank statement balance at beginning of year	24 915	24 915
	Bank statement balance at end of year	<u>25 882</u>	<u>-</u>
07	Accumulated Surplus/Deficit	2013	2012
	Accumulated surplus (deficit) at the begning of the year	139 276 204	85 370 849
	Operating surplus (deficit) for the year	65 098 254	53 905 371
	Grants used to purchase PPE	-	-
	Appropriations for the year:-	-	-
	Donations and Public ,Government grant and Captilisation Reserve Transfer to Accumulated Surplus	-	-
	Prior year Adjustments	1 522 775	-
	Accumulated Surplus / (deficit) before transfers	<u>205 897 233</u>	<u>139 276 220</u>
	Depreciation	-	-
	Accumulated surplus / (deficit) for the year	<u>205 897 233</u>	<u>139 276 204</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
08 Trade and other Payables		
8.1 Trade and other Payables from Exchange Transactions - Trade		
Creditors control	131 952	100
Accrued expenses	395 442	170 192
Creditors sundry	3 481 671	2 756 103
Deferred income - Consumer deposit	117 989	117 989
Accrued income	-	453 216
	4 127 053	3 497 601
8.2 Trade and other Payables from exchange transactions - Employee Related		
Pay as you earn (PAYE)	84 307	7 666
Pension	10 486	15 654
Payroll Sundry Account	658	-
Medical Aid	25	-
Retentions	2 682 309	636 750
Leave accrual	914 441	578 767
	3 692 227	1 238 837
09 Unspent Conditional Grants		
MIG	0	11 473 212
Department of energy	2 437 062	2 437 062
MSIG	-	-
FMG	-	303 560
Project Consolidate Manguzi	17 307	919 420
Department of sport	123 663	111 719
Project Consolidate Khiphimbazo	-	(0)
Urban Development Grant	907 195	907 195
Cogta: Small Town Rehabilitation	162 260	342 380
Spatial Development	-	-
Library Grant	474 776	648 307
Manzengwenya Grant	7 500	7 500
Nhlange Lake Restaurant	5 600	5 600
Phelandaba Development Grant	178 600	178 600
KwaTembe Concrete Project	86 111	86 111
Municipal Assistant Programme	251 168	251 168
Mbazwana and Manguzi Hubs	160 000	160 000
Cogta Ground Nuts	-	-
Land Used Management Grant	-	-
Community Participation Grant	2 000	-
Arts and culture grant	100 000	100 000
Extended Public Works Grant	-	-
TOTAL UNSPENT	4 913 242	17 931 833

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

09 Unspent Conditional Grants (continued)

National Government Grants Capital

Municipal Infrastructure

Opening balance	11 473 212	10 117 188
Add receipt during the year	24 149 000	19 908 000
Less transfer to operating income	(35 622 212)	(18 551 976)
Closing balance	<u>0</u>	<u>11 473 212</u>

Department of Energy : Electricity

Opening balance	2 437 062	9 000 000
Add receipt during the year	5 000 000	-
Less transfer to operating income	(5 000 000)	(6 562 938)
Closing balance	<u>2 437 062</u>	<u>2 437 062</u>

National Government Grants Operating

Municipal Systems Improvement Grant

Opening balance	-	95 918
Add receipt during the year	800 000.00	790 000
Less transfer to operating income	(800 000)	(885 918)
Closing balance	<u>-</u>	<u>-</u>

Financial Management Grant

Opening balance	303 560	1 328 792
Add receipt during the year	1 500 000	1 450 000
Less transfer to operating income	(1 803 560)	(2 475 232)
Closing balance	<u>-</u>	<u>303 560</u>

Unspent grants continued

Provincial Government Grants Capital

Project Consolidate Manguzi

Opening balance	919 420	665 669
Add receipt during the year	-	700 000
Less transfer to operating income	(902 113)	(446 249)
Closing balance	<u>17 307</u>	<u>919 420</u>

Department of Sport

Opening balance	111 719	809 868
Add receipt during the year	150 000	150 000
Less transfer to operating income	(138 056)	(848 149)
Closing balance	<u>123 663</u>	<u>111 719</u>

Project Consolidate Khiphimbazo

Opening balance	-	213 345
Add receipt during the year	-	-
Less transfer to operating income	-	(213 345)
Closing balance	<u>-</u>	<u>(0)</u>

Urban Development Grant

Opening balance	907 195	907 195
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>907 195</u>	<u>907 195</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

09 Unspent Conditional Grants (continued)

COGTA: Small town rehabilitation

	2013	2012
Opening balance	342 380	5 738 586
Add receipt during the year	-	1 000 000
Less transfer to operating income	(180 120)	(6 396 206)
Closing balance	<u>162 260</u>	<u>342 380</u>

Provincial Government Grants Operating

Spatial Development

Opening balance	-	43 000
Add receipt during the year	-	-
Less transfer to operating income	-	(43 000)
Closing balance	<u>-</u>	<u>-</u>

Library Grant

Opening balance	648 307	354 209
Add receipt during the year	1 334 000	1 502 193
Less transfer to operating income	(1 507 531)	(1 208 095)
Closing balance	<u>474 776</u>	<u>648 307</u>

Manzengwenya Project

Opening balance	7 500	7 500
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>7 500</u>	<u>7 500</u>

Phelandaba Development Grant

Opening balance	178 600	364 600
Add receipt during the year	-	-
Less transfer to operating income	-	(186 000)
Closing balance	<u>178 600</u>	<u>178 600</u>

Nhlange Lake Restaurant

Opening balance	5 600	5 600
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>5 600</u>	<u>5 600</u>

KwaTembe Concrete Project

Opening balance	86 111	86 111
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>86 111</u>	<u>86 111</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

09 Unspent Conditional Grants (continued)

	2013	2012
Municipal Assistance Programme		
Opening balance	251 168	564 486
Add receipt during the year	-	-
Less transfer to operating income	-	(313 318)
Closing balance	<u>251 168</u>	<u>251 168</u>
Mbazwana and Manguzi Hubs		
Opening balance	160 000	160 000
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>160 000</u>	<u>160 000</u>
COGTA: Ground Nuts		
Opening balance	-	1 476 381
Add receipt during the year	-	-
Less transfer to operating income	-	(1 476 381)
Closing balance	<u>-</u>	<u>-</u>
Land Use Management Grant		
Opening balance	-	100 000
Receipt during the year	-	-
Transfer to operating income	-	(100 000)
Closing balance	<u>-</u>	<u>-</u>
Community Participation grant		
Opening balance	-	-
Receipt during the year	200 000	-
Transfer to operating income	(200 000)	-
Closing balance	<u>-</u>	<u>-</u>
Arts and Culture grant		
Opening balance	100 000	-
Receipt during the year	-	100 000
Transfer to operating income	-	-
Closing balance	<u>100 000</u>	<u>100 000</u>
Extended Public Works Programme		
Opening balance	-	-
Add receipt during the year	1 000 000	-
Less transfer to operating income	(1 000 000)	-
Closing balance	<u>-</u>	<u>-</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10 Non- Current Provisions

Provision on rehabilitation of Landfill Sites	3 194 354	2 944 105
Provision on Long Service Award	893 569	596 236
	4 087 923	3 540 341

Provision for Landfill site Reconciliation

		Restated
Opening balance	2 944 105	2 713 461
Movement	250 249	230 644
Closing balance	3 194 354	2 944 105

Provision for Long service award provision

Opening balance	596 236	-
Current year provision charge	297 333	596 236
Closing balance	893 569	596 236

Refer to note 26 for details

11 Revenue from non exchange transactions: Property Rates

	2013	2012
Actual Revenue Recognises		
Business, Commercial and Industrial.	2 380 350	934 400
State owned properties	5 199 813	674 168
Ingonyama Trust	3 118 324	1 668 056
Agricultural	-	29 328
Total property rates	10 698 487	3 305 952

Valuations (01 July 2009 to 30 June 2013)

Residential

Residential	26 558 000	-
Business, Commercial and Industrial.	159 670 000	93 440 000
State owned properties	430 123 528	177 205 000
State trust Land	330 849 976	67 349 976
Agricultural	2 100 000	93 548 528
Other	600 000	-
Total property Valuations as per the roll	949 901 504	431 543 504

The Valuation came into effect on: 01/07/2010

	2013	2012
Rebates		
Agricultural Properties	25%	50%
Pensioners	25%	50%
Public Benefit Organisation	25%	50%
Sporting Bodies	25%	50%

Developed residential properties Value of R 55 000 and less.

Land tenure rights reflected in a valuation roll states that for this valuation cycle, only the commercial and institutional units be identified, valued and rated.

Supplementary Valuations Roll prepared by BPG Appraisals valuer Finley Hamilton, Diploma in Property Valuation

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12 Interest earned		
12.1 Interest earned Banks	633 270	765 311
12.2 Investment Revenue	1 183 593	759 231
13 Fines		
Traffic Fines	99 320	113 750
	99 320	113 750
14 Revenue from Non Exchange Transactions: Licences and Permits		
Learns Licence income	3 425 833	1 574 315
	3 425 833	1 574 315
15 Government grants and Subsidies	2013	2012
Equitable Share	56 693 000	48 046 000
MIG	35 622 212	18 551 976
Financial Management Grant	1 803 560	2 475 232
Municipal Systems Improvement Grant	800 000	885 918
Electrification Grant	5 000 000	6 562 938
EPWP	1 000 000	-
Khiphimbazo Project Consolidate	-	213 345
Spatial development	-	43 000
Library Grant	1 507 531	1 208 095
Phelandaba Development	-	186 000
Municipal Assistant Programme	-	313 318
Project consolidated Manguzi Roads	902 113	446 249
Department of Sport (Sport Ground)	138 056	848 149
Small Town Rehabilitation	180 120	6 396 206
COMMUNITY PARTICIPATION	198 000	-
LUMS	-	100 000
Ground Nuts	-	1 476 381
	103 844 592	87 752 807
16 Rental revenue and other revenues		
16.1 Other Revenue	2013	2012
Library income	39 312	18 232
Tender Monies	43 226	53 158
Sundry income	697 170	-
	779 708	71 390
16.2 Rental Revenue		
IEC	24 833	22 232
Parkhomes	15 000	11 000
	39 833	33 232

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

17 Employee Related Cost	2013	2012
Salaries and Wages	11 339 127	8 701 728
Travel Allowance	221 092	16 000
13th Cheque bonus	996 422	281 738
Overtime	222 698	141 394
Subsistence and Travelling	759 550	369 857
Contributions: UIF	86 356	66 572
: Group Life	294 455	218 008
: Medical Aid	288 952	266 943
: Pension	735 775	685 213
: Salga Levies	5 801	3 358
; Skill Levies	125 313	93 706
Less cost included in other expenses		(463 563)
Provision for long service award	297 333	-
	15 372 874	10 380 953
Remuneration fo the Municipal Manager		
Annual remuneration	672 544	747 271
Travel Allowance	121 067	-
Re-imbursive Travel	88 859	103 453
Cellphone allowance	20 400	20 400
Less cost included in other expenses		(131 306)
Uif, Levies & sdi contribution	25 739	8 999
	928 610	748 817
Remuneration of the Chief Financial Officer		
Annual Remuneration	523 787	505 340
Annual bonus	12 774	-
Travel Allowance	93 467	-
Re-imbursive Travel	49 046	34 173
Cellphone allowance	13 200	9 900
Leave Payout	54 769	
PMU	6 000	
Less cost included in other expenses		(49 149)
Uif, Levies and Sdi contribution	22 890	6 622
	775 933	506 886

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

17 Employee Related Cost (continued)	2013	2012
Remuneration of Director Corporate Services		
Annual remuneration	368 259	-
Travel	80 155	-
Re-imbursive Travel	39 050	-
Cellphone allowance	11 000	-
S & T Allowance	4 800	-
PMU	4 800	-
Less cost included in other expenses	-	-
Uif contribution	11 508	-
	<u>519 572</u>	<u>-</u>
Remuneration of Director Technical Services		
Annual remuneration	383 498	145 936
Travel Allowance	40 872	-
Re-imbursive Travel	54 919	8 032
Cellphone allowance	13 200	5 500
Medical Allowance	161	-
PMU	33 000	-
Less cost included in other expenses	-	(15 496)
Uif contribution	69 975	2 609
	<u>595 625</u>	<u>146 580</u>
18 Remuneration of councillors		
Mayor's allowance	337 466	326 869
Deputy mayor's allowance	324 736	263 845
Speaker's allowance	345 385	263 845
Exco allowance	1 087 170	992 356
Councillors allowance	5 447 161	4 909 382
	<u>7 541 917</u>	<u>6 756 297</u>
19 Contracted Services		
Contracted Services	81 047	68 307
	<u>81 047</u>	<u>68 307</u>
20 Repairs and Maintenance		
Computers	6 360	20 904
Financial system	125 990	157 939
Buildings	237 260	97 350
Park Homes	8 415	-
Municipal access roads	1 840 561	421 923
Vehicles	653 503	248 913
Civil and engineering	26 683	66 544
	<u>2 898 772</u>	<u>1 013 573</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

21 General expenses	2013	2012
Advertising	220 693	305 939
Committee expense	979 800	493 355
Entertainment and Function	90 854	27 885
Audit committee Fees	416 332	348 417
External Audit	1 121 982	1 095 864
Internal Audit	1 184 130	538 176
Skills Development Levies	-	157 974
Substance and Travel	-	747 620
Cellphone expense	60 200	53 800
Bank Charges	70 635	45 350
Printing and Stationery	366 922	226 523
News letter	8 750	-
Interest Expense	-	64 440
Rental software	60 048	232 129
Financial Management	414 591	50 362
Property rates	-	23 239
Insurance	331 404	216 873
Legal Fees	245 934	789 209
Membership and Subscription	400 000	117 684
Postage and telephone	461 026	451 767
Trainings	355 517	166 580
office machine rental	55 279	65 806
Security	851 239	491 400
Financial systems and support	48 317	-
Cleaning Expenses	93 928	9 325
Website	480 422	-
Water and Electricity	258 438	201 127
PMU	598 880	1 373 867
Small Town Mbazwana	57 191	-
Conferences	5 014	18 377
Uniform	15 212	19 095
Library rental	59 189	-
Refuse removal	23 035	97 537
Fuel and Oil	1 188 937	750 273
Transit costs	198 108	36 780
Spatial Development	529 957	345 756
Phelandaba Development	-	60 175
Marketing and advertising	182 716	134 801
Fixed asset expense	307 335	116 946
Review of policies	387 284	288 750
Library Promotions	9 746	164 244
Disaster Management	48 740	48 343
Relocation cost	-	66 219
Card Production	265 180	157 508
IDP review	235 077	215 678
HIV Aids	41 926	-
Youth Programme	126 798	-
Waste management plan	2 321 081	-
Sports and Recreation	91 918	-
Arts and Culture	18 600	-
EPWP	1 419 616	-
Indegenous Nursery	14 978	-
Community Participation	638 124	509 577
Ground Nuts	601 157	2 466 993
Professional fees	103 428	-
DTI Learnership	306 000	-
Indigent support	50 624	-
Agricultural Project	99 820	-
Poverty alleviation	96 316	-
Total	18 618 427	13 791 763

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22 Capital Commitment	2013	2012
Contracted		
Sports Ground Mseleni	132 760	7 113 727.31
Manguzi Market stalls	6 040 359	4 197 236.20
Zamazama Sportsfield	1 128 889	190 745.32
Manaba Electrification	853 045	857 611.87
Madonela electrification	1 459 464.00	2 437 062.00
Total	9 614 517.00	14 796 382.70
Funding source:		
The expenditure will be financed from grants and reserves.		

23 23.1 Fruitless & Wasteful Expenditure	2013	2012
Reconciliation of fruitless and wasteful expenditure		
Opening balance	5 815 134	5 472 925
Fruitless and wasteful expenditure current year	99 732	342 209
Condoned or written off by Council	-	-
Balance	5 914 866	5 815 134

Incident	Investigation/Dis Outcome was that the occurrence was as a result of the	Status
Various creditors paid late thus incurring interest charges		Awaiting condonement

23.2 Unauthorized expenditure	2013	2012
Opening balance	1 317 215	-
Unauthorised expenditure for the current year	-	-
Unauthorized expenditure for the current year (FMG)	-	1 317 215
Unauthorized expenditure for the current year (MAP)	-	-
Condoned or written off by council	-	-
Virement	-	-
Balance	1 317 215	1 317 215

Incident	Investigation/Dis Outcome was that the occurrence was as a result of the	Status
FMG Grant used to pay CFOs salary		Payments made not in accordance with the business plan and budget Awaiting condonement

23.3 Deviations	2013	2012
Opening balance	-	-
Deviations for the current year	1 240 517	-
Condoned or written off by council	-	-
Balance	1 240 517	-

Incident	Investigation/Dis Deviation Register Updated	Status
SCM process not followed but qualified as deviation		Noted by Council

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

24 Reconciliation of irregular expenditure

Opening balance	14 696 387	11 933 747
Irregular expenditure (Capital) Current	28 206 394	-
Irregular expenditure (Other) Current	4 765 006	-
Irregular expenditure previous year	-	584 520
Irregular expenditure previous year (Anderson & Voigt)	-	3 384 573
Irregular expenditure current year (Seethal Attorneys)	-	346 405
Condoned or written off by Council	-	(1 552 858)
Balance	<u>47 667 787</u>	<u>14 696 387</u>

Incident	Investigation/Dis does not have four Senior Managers hence	Status Awaiting Condonement
Contravention of SCM Policy and Regulations on bid committees		

25 ADDITIONAL DISCLOSURE IN TERMS OF THE FINANCE MANAGEMENT ACT

25.1 Audit Fess

Opening Balance	-	-
Current year audit fees	1 121 982	1 095 864
Amount paid	(1 121 982)	(1 095 864)
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

25.2 PAYE, UIF and SDL

Opening balance	7 666	40 346
Current year payroll deduction	1 844 067	3 382 384
Amount paid- current year	(1 767 426)	(3 415 064)
Balance unpaid (included in payables)	<u>84 307</u>	<u>7 666</u>

25.3 Pension and Medical Aid Deductions

Opening balance	(0)	-
Current year payroll deduction and Council Contribution	1 663 482	1 040 381
Amount paid - current year	(1 660 381)	(1 040 381)
Balance unpaid (included in payables)	<u>3 100</u>	<u>(0)</u>

25.4 VAT

VAT input and VAT output payables are shown in note 3. All VAT returns have been submitted by the due date throughout the year.

26 EMPLOYEE BENEFIT INFORMATION

26.1 Defined contribution plan

All municipal employees belong to The Natal Joint Municipal Pension Fund (Superannuation) and The Natal Joint Municipal Pension Fund (Retirement) which are administered by the Province.

These schemes cannot be broken down per municipality, as they are considered to be multi-employer schemes and hence are treated as defined contribution schemes by the municipality.

Municipal employees are also members of the KwaZulu Natal Municipal Provident Fund. All contributions have been included in the employee related cost note.

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

26 EMPLOYEE BENEFIT INFORMATION (continued)

26.2 Long Service Awards

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 30 June 2013 by Independent Actuarial ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate per annum	7.25%	8.25%
General Inflation	6.25%	6.00%
Salary inflation	7.15%	6.90%
Real rate	0.09%	1.26%

Examples of mortality rates used were as follows:

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

Members withdrawn from services: (Average for males and females)

Age 20	12%	12%
Age 25	7%	7%
Age 30	5%	5%
Age 35	4%	4%
Age 40	3%	3%
Age 45	2%	2%
Age 50	1%	1%
Age 55+	0%	0%

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

Present value of funded obligations	893 569	596 236
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	893 569	596 236

Movements in the defined benefit obligation is as follows:

Balance at beginning of the year	596 236	283 766
Current service & Interest cost	227 714	153 563
Benefit payments	(40 432)	-
Actuarial (gains)/losses	110 051	158 907
Missaleniuous	-	-
Balance at end of year	893 569	596 236

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

Current service & Interest cost	227 714	153 563
Benefit payments	(40 432)	-
Actuarial (gains)/losses	110 051	158 907
Total Employee Benefit included in Employee Related Costs	297 333	312 470

In conclusion:

Statement of Financial Position obligation for:

Post-employment medical benefits	N/A	N/A	
Long Services Award.	893 569	596 236	
	893 569	596 236	

Statement of Financial performance obligation for:

Post-employment medical benefits loss	N/A	N/A	
Long Service Award loss	110 051	158 907	
	110 051	158 907	
Additional retirement costs.	-	-	
	110 051	158 907	

27 FINANCE LEASE OBLIGATION

2013

Amounts payable under finance leases

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	134 844	(53 276)	81 568
Within two to five years	157 657	(32 199)	125 458
	292 502	(85 475)	207 027
Less: Amount due for settlement within 12 months (current portion)			<u>81 568</u>
			125 458

The average lease term is 5 years and the average effective borrowing rate is 2.4%.

2012

Amounts payable under finance leases

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	127 131	(61 930)	65 201
Within two to five years	292 502	(85 475)	207 027
	419 633	(147 405)	272 228
Less: Amount due for settlement within 12 months (current portion)			<u>65 201</u>
			207 027

The average lease term is 5 years and the average effective borrowing rate is 4%.

28

CONTINGENT LIABILITY

The Municipality is involved in a civil case against Manqele and Luthuli.

	2013	2012
Rehabilitation of Skhemelele Dumpsite	218 080	218 080
Rehabilitation of Mbazwana dumpsite	80 032	80 032
Malevu Labour Hire dispute	538 124	-
Canon Copiers	94 940	
Umkhumbi Plan Hire	795 416	
	1 726 592	648 112

Contingent liability relating to wage curve agreement

The Job valuations were not done by the municipality and the employees were not paid according to the wage scales and rate as per the wage curve agreement.

Enhance there is a possibility that the municipality owes the employees and uncertain amount.

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

29 Note to the cashflow statement

	2013	2012
Surplus for the year	65 098 254	53 905 370
Adjustment for:		
Depreciation	6 682 359	4 063 431
Impairment of assets	3 348 577	(1 743 760)
Provision for doubtful debts	22 651	-
Leave expense	471 228	2 522 886
Provision for landfill site	250 249	
Provision for long service awards	297 333	
Loss on disposal	207	
Amortization of intangible assets	161 701	85 210
	76 332 559	58 833 137
Changes in working capital		
Trade and other receivables from non-exchange transactions	(110 211)	(8 424)
Trade and Receivable from exchange transactions	(6 895 001)	1 790 244
Vat receivable	273 177	(2 785 506)
Trade payables from exchange transactions	629 454	(3 927 504)
Unspent grant	(13 018 592)	(14 106 613)
Trade payables from non-exchange transactions	1 728 033	-
Prior year adjustment	433 854	-
	59 373 274	39 795 335

30 CORRECTION OF ERROR

30.1 Vat receivables

During the year it was discovered that the prior year balance of VAT receivable did not agree to the VAT 201's submitted to SARS, hence a correction to the prior year

2013

Balance as previously recorded on financial statement	3 673 888
Difference between VAT 201's and the balance on AFS	480 421
Restated balance	4 154 309

30.2 Provision for Landfil Site

During the year it was recovered that the movement on landfil site for the 2011 and 2012 was not accounted for on the financial statement for each respective year

Balance as previously reported in 2011	2 500 886
2011 movement	212 575
Restated balance as at 30 June 2011	2 713 461
2012 Movement	230 644
Restated balance as at 30 June 2012	2 944 105

30.3 Finance Lease Liability

There was a difference noted between the amortisation table balance and the balance as per 2012 financial statement

Balance as previously reported	286 649
Adjustment	(14 421)
Restated balance as at 30 June 2012	272 228

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 CORRECTION OF ERROR (continued)

30.4 Property, Plant and Equipment

During the year it was noted that there was a difference between the fixed asset register and the financial statements, hence an adjustment

2013

Land and Buildings

Balance as previously reported	52 519 086
Council chambers capital expenditure incorrectly transferred to land and buildings prior to completion	(11 451 243.00)
Retention liability incorrectly omitted from prior year financial statements	141 360.00
Completed assets incorrectly retained in "assets under construction" in the financial statements	762 363.00
Acquisitions not reflected in AFS	93 363.00
Impairment incorrectly recorded in the AFS (as impairment of land and buildings)	<u>5 559.00</u>
Restated Balance 30 June 2012	<u>42 070 487.75</u>

Roads Infrastructure

Balance as previously reported	18 987 184
Assets under construction incorrectly classified on AFS	169 068.00
Depreciation incorrectly charged in prior period	689 899.00
Depreciation catchup on water tanks	(639 629.00)
Depreciation catchup on Mazibomvu Access Road	(160 605.00)
Impairment incorrectly recorded in the AFS (as impairment of land and buildings)	<u>(5 559.00)</u>
Restated Balance 30 June 2012	<u>19 040 358</u>

Assets under construction

Balance as previously reported	22 337 333
Reversal of transfer of council chambers capital expenditure to land and buildings prior to completion	12 608 567.33
Corridor development expense incorrectly capitalised	(104 100.00)
Completed assets incorrectly retained in "assets under construction" in the financial statements	(931 432.00)
Expenditure incorrectly capitalised	(290 000.00)
Assets under construction not on AFS	<u>1 459 435.00</u>
Restated Balance 30 June 2012	<u>35 079 803</u>

Vehicles

Balance as previously reported	1 889 577
Fair value additions not on AFS	129 795
Disposed vehicle not fully depreciated	<u>(71 865)</u>
Restated Balance 30 June 2012	<u>1 947 507</u>

Plant and Equipment

Balance as previously reported	2 399 674
Correctional journal not passed prior year	(330)
Acquisitions not on AFS prior year	<u>84 989</u>
Restated Balance 30 June 2012	<u>2 484 333</u>

Reconciliation for PPE

Balance as previously reported	98 370 846
Adjustments:	
Land and Building	(10 448 598)
Roads and Water	53 174
Assets under construction	12 742 470
Vehicles	57 930
Plant and Equipment	<u>84 659</u>
Restated Balance 30 June 2012	<u>100 860 481</u>

30.5 Trade payables

There were errors noted during the year that relates to trade payables and were adjusted as a prior year error

Balance as previously reported	3 857 048
Accrued expenses	(57 530)
Sundry creditors	(44 961)
Payroll sundry	(66 050)
Retentions	1 173 481
Reclassification of staff leave accrual	(578 767)
Sundry income	<u>453 216</u>
Restated balance as at 30 June 2012	<u>4 736 437</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 CORRECTION OF ERROR (continued)

30.6 Provision for long service awards

Balance as previously reported	-
Charge not recognised in the prior year	596 236
Restated balance as at 30 June 2012	<u>596 236</u>

30.7 Intangible Assets

Balance as previously reported	771 279
Reversal of overstatement of intangible assets	(104 100)
Restated balance as at 30 June 2012	<u>667 179</u>

Reconciliation of correction of error accumulated surplus on statement of changes in net assets

Balance as at 30 June 2012	139 276 203
Errors corrected in prior year error	2 654 895
Landfill site provision not included for 2011 & 2012 financial years	(443 219)
Finance lease liability overstated in 2012	14 421
VAT adjustment	480 420
Payroll sundry	66 050
PPE adjustment	2 537 223
Restated balance at 30 June 2012 as per TB	141 931 098
Prior year error corrected in current year	(1 132 120)
Credit over accumulated income	(9 089)
Accumulated surplus - retentions	636 750
Accumulated surplus - provision for long service award	(596 236)
Accrued expense	57 530
Sundry creditors	44 961
Sundry income	230 636
PPE adjustment	(1 496 673)
Restated balance at 30 June 2012	<u>140 798 979</u>

31 IN - KIND DONATIONS AND ASSISTANCE

The Municipality received the following assistance

Description

Financial Support and Review of Annual Financial Statements

Provincial Treasury - KZN

COGTA KZN

MUNICIPAL FINANCE PROGRAM

Provincial Treasury - KZN

32 EVENTS AFTER THE REPORTING DATE - NON ADJUSTING

Settlement dispute between Only If Management Solutions CC and Umhlabuyalingana Municipality as a result of the cancellation of the Waste Management contract concluded between the two parties.

3 900 000

UMHLABUYALINGANA LOCAL MUNICIPALITY
APPENDIX D
DEPARTMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

Actual Income 2013	Actual expenditure 2013	Surplus / (Deficit) 2013		Actual Income 2012	Actual expenditure 2012	Surplus / (Deficit) 2012
R	R	R		R	R	R
120 704 637	55 606 383	65 098 254	Departments	94 395 989	40 490 619	53 905 370
-	7 726 545	(7 726 545)	Executive & Council	-	7 202 915	(7 202 915)
56 693 000	6 213 225	50 479 775	Management	48 046 000	4 434 908	43 611 092
15 899 140	15 637 745	261 395	Finance	8 611 352	11 430 072	(2 818 720)
-	5 409 092	(5 409 092)	Corporate Services	-	4 232 395	(4 232 395)
41 860 381	7 327 176	34 533 205	Technical	26 951 657	4 648 461	22 303 196
3 525 153	3 127 130	398 023	Traffic Department	1 688 065	1 837 291	239 931
1 546 843	1 197 869	348 974	Library	1 226 327	1 147 962	78 365
-	6 350 348	(6 350 348)	Community Services	-	2 775 173	(2 775 173)
1 180 120	2 617 253	(1 437 133)	Local Economic Development	7 872 588	2 781 442	5 091 146
-	-	-	Subsidised Services	-	-	-
-	-	-	Economic Services	-	-	-
-	-	-	Trading Services	-	-	-
120 704 637	55 606 383	65 098 254	Total	94 395 989	40 490 619	53 905 370