



UMKHANYAKUDE DISTRICT MUNICIPALITY

**Annual Financial Statements
for the year ended 30 June 2013**

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

General Information

Executive Council	Vilane SJ
Mayor	
Deputy Mayor	Swartz CG
Speaker	Mavimbela HGS
	Nxumalo SH
Members of the Executive Committee	
	Moodley GP
	Zungu MC
Councillors	Gumbi DL
	Hlabisa VF
	Khumalo LV
	Khumalo SR
	Langa ML Cllr
	Mabuyakhulu PJ
	Mabika MS
	Mathenjwa M
	Mathonsi ZW
	Mdaka SF
	Mkwanazi LX
	Mngomezulu BZ
	Mthethwa B
	Mthethwa SP
	Mthethwa TP
	Msane S
	Msweli MCF
	Ngema TN
	Nxumalo MW
	Nyawo ZE
	Sangweni MB
	Tembe BT
	Zikhali AT
Chief Financial Officer (CFO)	Dlamini M S
Accounting Officer	Dubazana S N ; Gwacela P.S
Bankers	ABSA
	First National Bank
	Nedbank
	Ithala Bank
Auditors	Auditor-General South Africa

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

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
DC27	Umkhanykude District Municipality

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Annual Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The set out on pages 4 to 47, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by the accounting officer.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

S.N Dubazana
Acting Municipal Manager

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rands	Note(s)	2013	Restated 2012
ASSETS			
Current Assets			
Inventories	2	42 920 312	61 814
Receivables from exchange transactions	3	14 037 124	24 805 856
Other receivables from non-exchange transactions	4	52 207 448	139 248 524
Receivables from non-exchange transactions		-	3 108 740
VAT receivable		19 958 071	21 820 677
Cash and cash equivalents	6	141 756 771	175 660 751
		270 879 726	364 706 362
Non-Current Assets			
Property, plant and equipment	7	1 311 718 602	1 070 669 015
Intangible assets	8	29 626	37 108
		1 311 748 228	1 070 706 123
Total Assets		1 582 627 954	1 435 412 485
LIABILITIES			
Current Liabilities			
Other current financial liabilities	9	18 038 171	9 653 487
Trade And Other Payables From Exchange Transactions	10	108 019 559	47 135 661
Consumer deposits	11	4 825 329	3 222 394
Current portion of unspent conditional grants and receipts	12	61 032 905	98 099 871
Current provisions	13	3 470 000	1 724 000
Current portion of borrowings	14	821 476	1 592 234
Current portion of finance lease liability	15	220 230	274 932
		196 427 670	161 702 579
Non-Current Liabilities			
Non - current borrowings	14	9 732 083	9 805 299
Non-current finance lease liability	15	172 771	393 001
		9 904 854	10 198 300
Total Liabilities		206 332 524	171 900 879
NET ASSETS		1 376 295 430	1 263 511 606
NET ASSETS			
Accumulated surplus	45	1 376 295 430	1 263 511 606

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Statement of Financial Performance

Figures in Rands	Note(s)	2013	Restated 2012
Revenue			
Revenue from exchange transactions			
Service charges	16	41 921 356	45 792 525
Rental of facilities and equipment	19	103 940	120 592
Interest received - investment & current bank accounts	20	12 524 641	11 144 388
Interest received - outstanding receivables	21	1 538 146	4 897 670
Other income	22	679 842	430 696
Revenue from non-exchange transactions			
Government grants & subsidies	17	450 554 429	430 831 130
Public contributions and donations	18	-	11 500
Total revenue		507 322 354	493 228 501
Expenditure			
Employee Related Costs	23	(70 538 249)	(60 616 009)
Remuneration of councillors	24	(6 243 791)	(6 463 614)
Depreciation and amortisation	25	(21 016 200)	(47 910 043)
Impairment loss/ Reversal of impairments		(34 953 792)	(38 231 905)
Finance costs	26	(1 065 933)	(1 244 107)
Repairs and maintenance		(26 127 785)	(7 183 169)
Bulk purchases	27	(95 481 766)	(55 919 935)
Contracted services	28	(8 629 715)	(16 669 668)
General Expenses	29	(97 206 706)	(20 503 882)
Total expenditure		(361 263 937)	(254 742 332)
Operating surplus		146 058 417	238 486 169
Surplus for the year		146 058 417	238 486 169

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Annual Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	1 082 248 905	1 082 248 905
Adjustments		
Correction of errors	(57 223 468)	(57 223 468)
Balance at 01 July 2011 as restated	1 025 025 437	1 025 025 437
Changes in net assets		
Surplus for the 12 months	238 486 169	238 486 169
Total changes	238 486 169	238 486 169
Balance at 01 July 2012	1 263 511 606	1 263 511 606
Changes in net assets		
Surplus for the year	146 058 417	146 058 417
Adjustments	(33 274 593)	(33 274 593)
Total changes	112 783 824	112 783 824
Balance at 30 June 2013	1 376 295 430	1 376 295 430

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Annual Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rands	Note(s)	2013	Restated 2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		41 921 356	45 792 525
Grants		430 790 043	430 831 130
Interest income		12 524 641	11 144 388
Other receipts		103 940	562 789
		<u>485 339 980</u>	<u>488 330 832</u>
Payments			
Employee costs		(55 093 133)	(65 351 531)
Suppliers		(211 401 107)	(68 580 287)
Finance Cost		(1 065 933)	(1 244 107)
Interest paid		-	-
		<u>(267 560 173)</u>	<u>(135 175 925)</u>
Net cash flows from operating activities	30	<u>217 779 807</u>	<u>353 154 907</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(262 058 305)	(204 900 650)
Purchase of investments		-	26 049 520
Net cash flows from investing activities		<u>(262 058 305)</u>	<u>(178 851 130)</u>
Cash flows from financing activities			
Repayment of other current financial liabilities		8 384 684	-
Movement in non - current borrowings		(843 974)	-
Movement in non-current finance lease liability		(274 932)	751 246
Movement in receivables from non-exchange transactions		3 108 740	(3 108 740)
Repayment of borrowings		-	(1 583 406)
Net cash flows from financing activities		<u>10 374 518</u>	<u>(3 940 900)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(33 903 980)</u>	<u>170 362 877</u>
Cash and cash equivalents at the beginning of the year		175 660 751	5 297 874
Cash and cash equivalents at the end of the year	6	<u>141 756 771</u>	<u>175 660 751</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comments
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	48 226 000	(28 608 000)	19 618 000	41 921 356	22 303 356	Explanations of variances refer to Appendix E1.
Rental of facilities and equipment	42 000	105 000	147 000	103 940	(43 060)	Explanations of variances refer to Appendix E1.
Interest received - Outstanding Debtors	3 765 000	(3 765 000)	-	1 538 146	1 538 146	Explanations of variances refer to Appendix E1.
Other income	1 619 000	60 599 000	62 218 000	679 842	(61 538 158)	Explanations of variances refer to Appendix E1.
Government grants & subsidies	410 850 000	94 048 000	504 898 000	450 554 429	(54 343 571)	Explanations of variances refer to Appendix E1.
Interest recieved - investment	2 300 000	2 843 000	5 143 000	12 524 641	7 381 641	Explanations of variances refer to Appendix E1.
Total revenue from exchange transactions	466 802 000	125 222 000	592 024 000	507 322 354	(84 701 646)	
Expenditure						
Employee Related Costs	(72 427 000)	(15 229 000)	(87 656 000)	(70 538 249)	17 117 751	Explanations of variances refer to Appendix E1.
Remuneration of councillors	(4 966 000)	(273 000)	(5 239 000)	(6 243 791)	(1 004 791)	Explanations of variances refer to Appendix E1.
Depreciation and amortisation	(2 408 000)	(27 592 000)	(30 000 000)	(21 016 200)	8 983 800	Explanations of variances refer to Appendix E1.
Debt Impairments	(23 254 000)	-	(23 254 000)	(34 953 792)	(11 699 792)	
Finance costs	(1 771 000)	928 000	(843 000)	(1 065 933)	(222 933)	Explanations of variances refer to Appendix E1.
Repairs and maintenance	(9 684 000)	(7 388 000)	(17 072 000)	(26 127 785)	(9 055 785)	Explanations of variances refer to Appendix E1.

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Annual Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comments
Bulk purchases	(53 637 000)	27 883 000	(25 754 000)	(95 481 766)	(69 727 766)	Explanations of variances refer to Appendix E1.
Contracted Services	(2 800 000)	(3 355 000)	(6 155 000)	(8 629 715)	(2 474 715)	Explanations of variances refer to Appendix E1.
General Expenses	(90 104 000)	(6 146 000)	(96 250 000)	(97 206 706)	(956 706)	Explanations of variances refer to Appendix E1.
Total expenditure	(261 051 000)	(31 172 000)	(292 223 000)	(361 263 937)	(69 040 937)	
(Surplus)/Deficit	(261 051 000)	(31 172 000)	(292 223 000)	146 058 417	438 281 417	

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) including 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).

Accounting policies for material transactions, 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 applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 5	Borrowing costs
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after reporting date
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, contingent liabilities and contingent assets
GRAP 102	Intangible Assets

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

GRAP 18	Segment Reporting
GRAP 105	Transfers of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control
GRAP 107	Mergers

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

1.1 Significant judgements and sources of estimation 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 related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgment includes:

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

1.2 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.

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

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

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

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

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

Land shall be recorded in the municipality's fixed asset register at historical cost and shall not be depreciated .

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

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

Item	Average useful life
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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Property, plant and equipment (continued)

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Computer software, internally generated	3 years

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Intangible assets (continued)

Intangible assets are derecognised:

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

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

1.4 Financial instruments

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.5 Leases

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

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Accounting Policies

1.5 Leases (continued)

Finance leases - lessee

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

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

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

1.6 Inventories

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

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

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

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

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

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

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

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

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

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

1.7 Impairment of assets

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Impairment of assets (continued)

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill 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 other than goodwill 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 other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

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

Pension Obligations

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

1.9 Provisions and contingencies

Contingent liabilities are disclosed unless the possibility of occurrence is remote. Provisions are recognised when:

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the 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
- 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.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.10 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Revenue from non-exchange transactions

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

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

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

Measurement

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

Government grants

Government grants are recognised as revenue when:

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

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

1.12 Investment income

Interest and rentals are recognised on a time-proportion basis .

1.13 Borrowing costs

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

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

1.14 Comparative figures

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

1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.16 Fruitless and wasteful expenditure

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

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.17 Irregular expenditure

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

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

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

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

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

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

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

1.18 Conditional grants and receipts

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

1.19 Going concern assumption

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

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Offsetting

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

1.22 Segmental information

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

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.23 Budget information

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

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

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

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
2. Inventories		
Materials	42 857 798	-
Water	62 514	61 814
	42 920 312	61 814
3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Gross balances		
Electricity	2 629 037	3 391 265
Water	134 393 306	133 476 763
Sewerage	8 007 385	7 468 610
	145 029 728	144 336 638
Less: Allowance for impairment		
Rates	-	(124 907 694)
Electricity	(1 787 468)	-
Water	(126 682 140)	(124 907 693)
Sewerage	(7 522 042)	-
	(135 991 650)	(249 815 387)
Net balance		
Electricity	841 569	3 391 264
Water	7 711 166	8 569 070
Sewerage	485 343	7 468 610
Debtors Prepayments	4 999 046	5 376 912
	14 037 124	24 805 856
Electricity, Water and Sewerage: Ageing		
Current (0 -30 days)	(2 735 823)	12 064 177
31 - 60 days	2 733 941	3 734 601
61 - 90 days	2 396 802	3 345 526
91 - 120 days	2 424 174	2 774 008
121+ days	140 210 634	122 418 326
	145 029 728	144 336 638
Electricity		
Current (0 -30 days)	239 988	18 300
31 - 60 days	75 845	127 651
61 - 90 days	75 981	100 495
91 - 120 days	38 294	99 416
121+ days	2 198 929	3 045 402
	2 629 037	3 391 264
Water		
Current (0 -30 days)	(2 573 725)	10 315 877
31 - 60 days	2 591 369	2 976 814
61 - 90 days	2 257 150	2 779 999
91 - 120 days	2 321 513	2 275 307
121+ days	129 796 998	115 128 766
	134 393 305	133 476 763

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
Sewerage		
Current (0 -30 days)	(402 086)	280 808
31 - 60 days	66 727	181 521
61 - 90 days	63 671	63 155
91 - 120 days	64 366	66 062
121+ days	8 214 708	6 877 065
	8 007 386	7 468 611

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

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

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	406 951	8 332 810
31 - 60 days	2 749 384	1 688 613
61 - 90 days	1 640 473	1 641 446
91 - 120 days	1 557 616	1 224 234
121+ days	111 020 000	89 215 449
	<u>117 374 424</u>	<u>102 102 552</u>
Less: Allowance for impairment	(116 075 013)	(101 002 819)
	1 299 411	1 099 733

Industrial/ commercial

Current (0 -30 days)	(470 816)	2 679 790
31 - 60 days	1 583 506	949 097
61 - 90 days	342 027	844 398
91 - 120 days	259 760	787 765
121+ days	20 147 236	22 960 465
	<u>21 861 713</u>	<u>28 221 515</u>
Less: Allowance for impairment	(19 916 637)	(23 907 730)
	1 945 076	4 313 785

National and provincial government

Current (0 -30 days)	(330 430)	335 416
31 - 60 days	1 323 903	738 017
61 - 90 days	414 303	547 546
91 - 120 days	606 797	518 526
121+ days	8 778 062	14 981 806
	<u>10 792 635</u>	<u>17 121 311</u>

Total Debtors

Current (0 -30 days)	(394 295)	11 348 016
31 - 60 days	5 656 794	3 375 727
61 - 90 days	2 396 802	3 033 390
91 - 120 days	2 424 174	2 530 525
121+ days	139 945 299	127 157 720
	<u>150 028 774</u>	<u>147 445 378</u>

Less: Provision for debt impairment

31 - 60 days	(2 291 979)	(12 473 153)
61 - 90 days	(2 478 146)	(2 569 723)
91 - 120 days	(2 172 550)	(2 143 723)
121+ days	(129 048 975)	(107 721 094)
	<u>(135 991 650)</u>	<u>(124 907 693)</u>

Total

Current (0 -30 days)	3 857 242	8 374 379
31 - 60 days	10 179 882	19 540 217
	<u>14 037 124</u>	<u>27 914 596</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	124 907 693	86 675 789
Contributions to allowance	28 422 206	20 893 655
Debt impairment written off against allowance	(17 338 249)	17 338 249
	135 991 650	124 907 693

Consumer debtors past due but not impaired

Consumer debtors which are less than 2 months past due are not considered to be impaired. At 30 June 2013, R 10 179 882 (2012: R 27 914 596) were past due but not impaired.

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

1 month past due	3 857 242	8 374 379
2 months past due	10 179 882	19 540 217

Consumer debtors impaired

As of 30 June 2013, consumer debtors of R 150 028 774 (2012: R 147 445 378) were impaired and provided for.

The amount of the provision was R 135 991 650 as of 30 June 2013 (2012: R 124 907 693).

4. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Housing loans	-	-
Vehicle loans	69 939	69 939
Avis loan - Mthombeni LM	242 792	242 792
Loan to Umhlabuyalingana	108 762	108 762
Public contributions and subsidies	1 166 289	1 166 289
Debtor Fraud	3 805 917	3 805 917
Debtor Shemula	2 730	2 730
Sundry Debtors - Water Mtuba	4 022 951	4 022 951
Sundry Debtors - Umhlathuze Water	345 633	345 633
Pre - Paid Expense	51 735 370	134 892 326
Ocilwane Water	1 553 317	1 553 317
Other Debtors	3 045 108	435 928
Provision for Bad Debts	(13 891 360)	(7 398 060)
	52 207 448	139 248 524

5. VAT RECEIVABLE

VAT	19 958 071	21 820 677
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	13 526	13 026
Bank balances	11 600 969	51 414 156
Call Account Deposits	130 142 276	124 233 569
	141 756 771	175 660 751

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances			
	30 June 2013	30 June 2012	30 June 2013	30 June 2012		
ABSA BANK - Mkuze Branch Account Number : 4053107423	154 281	23 100 171	-	154 281	23 100 171	-
First National Bank - Mkuze Branch Account Number : 62026865321	11 509 215	27 402 772	-	10 419 051	27 402 772	-
First National Bank - Mkuze Branch Account Number : 62092993809	520 440	505 714	-	520 440	505 714	-
First National Bank - Mkuze Branch Account Number : 62027696478	82 207	81 043	-	82 207	81 043	-
Nedbank Fixed Deposit - Branch Account Number 7881085762	96 627 046	98 156 880	-	96 627 046	98 156 880	-
Ithala Bank - Mkuze Branch Account Number - 23247671	411 844	324 453	-	411 844	324 453	-
ABSA BANK - Call Account Number : 91-1531-5268	346 989	16 313 542	-	346 989	16 313 542	-
First National Bank - Call Account Number : 62309788498	2 879 352	9 735 978	-	2 879 352	9 735 978	-
FNB Business Fixed Maturity - 74298425031	30 261 370	-	-	30 261 370	-	-
FNB Money Market Transactor - 62263733258	27 542	27 270	-	27 519	27 270	-
Total	142 820 286	175 647 823	-	141 730 099	175 647 823	-

7. PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 157 250	-	1 157 250	1 157 250	-	1 157 250
Buildings	35 878 244	(7 494 131)	28 384 113	35 878 244	(6 241 920)	29 636 324
Infrastructure	740 596 995	(58 854 155)	681 742 840	739 430 009	(42 407 271)	697 022 738
Other property, plant and equipment	31 145 604	(11 083 120)	20 062 484	16 566 862	(8 029 568)	8 537 294
Work In Progress	580 034 757	-	580 034 757	333 722 180	-	333 722 180
Leased Assets	887 714	(550 556)	337 158	887 714	(294 485)	593 229
Total	1 389 700 564	(77 981 962)	1 311 718 602	1 127 642 259	(56 973 244)	1 070 669 015

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2013

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

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Opening Accumulated Depreciation	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	1 157 250
Buildings	34 434 537	1 443 706	(5 078 812)	(1 163 107)	-	29 636 324
Infrastructure	670 669 788	68 760 221	(28 653 215)	(13 754 056)	-	697 022 738
Other property, plant and equipment	15 248 079	1 318 784	(6 589 323)	(1 429 637)	(10 609)	8 537 294
Work In Progress	200 933 201	132 788 979	-	-	-	333 722 180
Leased Assets	298 755	588 960	-	(294 486)	-	593 229
	922 741 610	204 900 650	(40 321 350)	(16 641 286)	(10 609)	1 070 669 015

8. INTANGIBLE ASSETS

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	37 434	(7 808)	29 626	37 434	(326)	37 108

Reconciliation of intangible assets - 2013

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

Reconciliation of intangible assets - 2012

	Opening balance	Depreciation	Total
Computer software	37 434	(326)	37 108

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
9. OTHER FINANCIAL LIABILITIES		
At amortised cost		
Retention creditors	(16 169 060)	(7 002 990)
Other	(1 869 111)	89 802
Cogta - Rural Metro	-	2 740 299
	18 038 171	9 653 487
Total other financial liabilities	18 038 171	9 653 487
Current liabilities		
Other Financial Liabilities	18 038 171	9 653 487
10. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	(29 094 586)	(32 802 120)
Debtors Prepayments	-	(5 376 912)
Accrued expenses	(67 412 389)	-
13th Cheque Accrual	(3 944 436)	(2 221 218)
Leave Pay Accrual	(7 568 148)	(6 735 411)
Total creditors	(108 019 559)	(47 135 661)
The fair value of trade and other payables approximate their carrying amounts.		
11. CONSUMER DEPOSITS		
Electricity and Water	(1 350 634)	(895 731)
Unallocated Deposits	(3 474 695)	(2 326 663)
Total consumer deposits	(4 825 329)	(3 222 394)

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

Bazaneni River Water Purification Grant	(756 400)	(756 400)
Capacity Building: Asset Management	(153 814)	(438 028)
Corridor Development	(269 717)	(702 917)
Debt Collection Grant	(420 907)	(420 907)
Disaster Management	(4 790 878)	(463 038)
Environmental Management Grant	(800 268)	(1 308 991)
Expanded Public Works Programme (EPWP)	(1 164 094)	(82 094)
FMG	-	(560 451)
Growth and Development Summit	(458 944)	(100 000)
Intergovernmental Relations Implementation Grant (IRIG)	(77 520)	(917 000)
KwaJobe-Cezwana Water Purification Grant	(787 880)	(787 880)
KwaJobe-Nongowoza Water Purification Grant	(915 000)	(915 000)
Kwadapha	(578 891)	(578 891)
Kwazibi National Lottery	(122 667)	(166 667)
Kwazibi Water Purification Grant	(915 000)	(915 000)
Lake Tete	(267 001)	(267 001)
MSIG Grant	-	(189 771)
Mabibi National Lottery	(166 667)	(166 667)
Massification Grant	(18 043 888)	(17 939 009)
Mig Reserves	(1 748 302)	(27 448 165)
Mqobela National Lottery	(166 666)	(166 666)
Mtuba Water Conservation and Demand Management	(524 310)	(524 310)
Municipal Government Administration	(800 000)	(800 000)
Ndumo Learners Shelter	(19 473 262)	(35 000 000)
Nyezi Community HIV Centre	(303 570)	(303 570)
Other	(911 670)	(911 670)
PIMMS/ NDT Operational	(300)	(300)
Rural Transport Infrastructure and System Grant	-	(1 687 000)
Shared Services Grant	-	(308 232)
Umkhombe Tours	(908 690)	(908 690)
Umnqobokazi Sportfield	(258 244)	(258 244)
Ndumo Groundnuts	(2 000 000)	-
Corridor Development 2	(1 948 550)	(1 948 550)
Ingwavuma	(941 043)	-
Councillors Training	(200 000)	-
Mtuba Bulk Water Supply	(13 197)	(13 197)
Waste Management	(145 565)	(145 565)
	(61 032 905)	(98 099 871)

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

13. PROVISIONS

Reconciliation of current provisions - 2013

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

Reconciliation of current provisions - 2012

	Opening Balance	Reversed during the year	Total
Provision for Back Pay	780 955	(780 955)	-
Provision for long service awards	1 724 000	-	1 724 000
	2 504 955	(780 955)	1 724 000

The movement in current provisions are reconciled as follows: -

Long Service Awards

Independent valuers, Diverse Expertise, One Solution, carried out a statutory valuation on an annual basis. The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate per annum	8.25%	7.25%
General Inflation	6.00%	6.25%
Salary inflation	6.90%	7.15%
Real rate	1.26%	0.09%
Examples of mortality rates used were as follows:		
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90
Members withdrawn from services: (Average for males and females)		
Age 20	16.5%	16.5%
Age 25	6.6%	6.6%
Age 30	5.1%	5.1%
Age 35	3.6%	3.6%
Age 40	2.6%	2.6%
Age 45	1.8%	1.8%
Age 50	1.1%	1.1%
Age 55+	0%	0%

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

Present value of funded obligations	3 470 000	1 724 000
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	3 470 000	1 724 000

Movements in the defined benefit obligation is as follows:

Balance at beginning of the year	1 724 000	1 365 000
Current service & Interest cost	423 000	423 000
Benefit payments	(64 000)	(64 000)
Actuarial (gains)/losses	1 387 000	-
Miscellaneous	-	-

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
13. PROVISIONS (continued)		
Balance at end of year	3 470 000	1 724 000
In conclusion:		
Statement of Financial Position obligation for:		
Long Services Award	3 470 000	1 724 000
Statement of Financial performance obligation for:		
Long Service Award loss/ Gain	1 387 000	-
14. BORROWINGS		
DBSA Loans	(10 553 559)	(11 397 632)
Less : Current portion transferred to current liabilities	821 476	1 592 234
	(9 732 083)	(9 805 398)

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
15. FINANCE LEASE LIABILITY		
2013		
	Minimum lease payments	Future Finance Charges
		Present value of minimum lease payments
Within one year	263 052	(42 822)
Within two to five years	183 748	(10 977)
	446 800	(53 799)
		393 001
2012		
	Minimum lease payments	Future Finance Charges
		Present value of minimum lease payments
Repayable within one year	353 529	(79 119)
Payable within two to five years	447 322	(53 799)
	800 851	(132 918)
		667 933
<p>The average lease term is 5 years and the average effective borrowing rate is 3.3%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.</p>		
16. SERVICE CHARGES		
Sale of electricity	4 379 880	3 386 833
Sale of water	36 454 062	39 784 516
Sewerage and sanitation charges	1 087 414	2 621 176
Total Services Charges	41 921 356	45 792 525
17. GOVERNMENT GRANTS AND SUBSIDIES		
Operating grants		
Equitable share	174 928 000	188 916 098
	174 928 000	188 916 098
Capital grants		
MIG	236 303 803	233 333 429
Other Grant	39 322 626	6 986 155
Government grant (capital) 6	-	1 595 448
	275 626 429	241 915 032
	450 554 429	430 831 130
PIMMS / NDT Operational		
Balance unspent at beginning of year	(300)	(300)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(300)	(300)

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

	2013	2012
17. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
FMG		
Balance unspent at beginning of year	(560 452)	(483 130)
Current-year receipts	(1 250 000)	(1 250 000)
Conditions met - transferred to revenue	1 327 322	895 491
Unspent portion forfeited by National Treasury	483 130	277 187
	-	(560 452)
Capacity Building:Asset Management		
Balance unspent at beginning of year	(438 028)	(784 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	284 215	345 972
	(153 813)	(438 028)
Massification Grant		
Balance unspent at beginning of year	(17 748 000)	(1 792 000)
Current-year receipts	(17 127 000)	(15 956 000)
Conditions met - transferred to revenue	16 831 112	-
	(18 043 888)	(17 748 000)
Shared Service Grant		
Balance unspent at beginning of year	(308 232)	(1 982 004)
Current-year receipts	-	-
Conditions met - transferred to revenue	308 232	2 134 540
Adjustment	-	(460 768)
	-	(308 232)
Debt Management Grant		
Balance unspent at beginning of year	(420 908)	(560 520)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	139 612
Adjustment prior year	-	-
	(420 908)	(420 908)
Umnqobokazi		
Balance unspent at beginning of year	(258 244)	(258 244)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(258 244)	(258 244)
Kwazibi National Lottery		
Balance unspent at beginning of year	(166 667)	(166 667)
Conditions met - transferred to revenue	44 000	-
	(122 667)	(166 667)

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
17. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Mqobela National Lottery		
Balance unspent at beginning of year	(166 666)	(166 666)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(166 666)	(166 666)
Mabibi National Lottery		
Balance unspent at beginning of year	(166 667)	(166 667)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(166 667)	(166 667)
Mtuba Water Conservation and Demand Management		
Balance unspent at beginning of year	(524 309)	(524 309)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(524 309)	(524 309)
Kwazibi Water Purification		
Balance unspent at beginning of year	(915 000)	(915 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(915 000)	(915 000)
Kwajobe Cezwane Water Purification		
Balance unspent at beginning of year	(787 880)	(787 880)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(787 880)	(787 880)
Kwajobe Nongowoza Water Purification		
Balance unspent at beginning of year	(915 000)	(915 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(915 000)	(915 000)
Bazaneni River Water Purification		
Balance unspent at beginning of year	(756 400)	(756 400)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(756 400)	(756 400)

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
17. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Disaster Management		
Balance unspent at beginning of year	(463 039)	(2 491 709)
Current-year receipts	(5 000 000)	-
Expenditure claimed in accordance with grant conditions	672 161	2 028 670
	(4 790 878)	(463 039)
Growth and Development Summit Grant		
Balance unspent at beginning of year	(100 000)	(100 000)
Current-year receipts	(400 000)	-
Conditions met - transferred to revenue	41 056	-
	458 944	100 000
Corridor Development		
Balance unspent at beginning of year	(702 917)	(704 800)
Current-year receipts	-	-
Conditions met - transferred to revenue	433 200	1 883
	269 717	702 917
MSIG		
Balance unspent at beginning of year	(189 771)	(566 784)
Current-year receipts	(1 000 000)	(790 000)
Conditions met - transferred to revenue	622 987	1 167 013
Unspent portion forfeited by National Treasury	566 784	-
	-	(189 771)
Intergovernmental Relations Implementation Grant		
Balance unspent at beginning of year	(917 000)	(917 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	839 480	-
	77 520	917 000
Mseleni Groundnuts		
Balance unspent at beginning of year	-	-
Current-year receipts	(2 000 000)	-
Conditions met - transferred to revenue	-	-
	(2 000 000)	-
Expanded Public Works Programme (EPWP)		
Balance unspent at beginning of year	(82 094)	(82 094)
Current-year receipts	(1 082 000)	-
Conditions met - transferred to revenue	-	-
	1 164 094	82 094

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
17. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Lake Tete		
Balance unspent at beginning of year	(267 001)	(267 001)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	267 001	267 001
Kwadapha		
Balance unspent at beginning of year	(578 891)	(578 891)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	578 891	578 891
Nyezi Community Hiv Centre		
Balance unspent at beginning of year	(303 570)	(303 570)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	303 570	303 570
Umkhombe Tours		
Balance unspent at beginning of year	(908 690)	(908 690)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(908 690)	(908 690)
Waste Management Grant		
Balance unspent at beginning of year	(145 565)	(145 565)
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	(145 565)	(145 565)
Environmental Management Grant		
Balance unspent at beginning of year	(1 308 991)	(1 500 000)
Current-year receipts	-	-
Conditions met - transferred to revenue	508 723	191 009
	(800 268)	(1 308 991)
Rural Transport Infrastructure and System Grant		
Balance unspent at beginning of year	(1 687 000)	-
Current-year receipts	(1 776 000)	(1 687 000)
Conditions met - transferred to revenue	1 776 000	-
Unspent portion forfeited by National Treasury	1 687 000	-
	-	(1 687 000)
Municipal Government Administration		

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
17. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Balance unspent at beginning of year	800 000	-
Current-year receipts	-	(800 000)
Conditions met - transferred to revenue	-	-
	(800 000)	(800 000)
Ndumo Learners Shelter		
Balance unspent at beginning of year	(35 000 000)	-
Current-year receipts	-	(35 000 000)
Conditions met - transferred to revenue	15 526 729	-
	(19 473 271)	(35 000 000)
MIG Grant		
Balance unspent at beginning of year	(27 448 175)	110 557 287
Current-year receipts	(226 773 000)	(153 137 422)
Conditions met - transferred to revenue	236 303 803	235 342 200
Other	-	904 334
	(17 917 372)	(27 448 175)
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of water services to community members and also municipal operations.		
Councillors Training		
Current-year receipts	(200 000)	-
Ingwavuma Prison Electrical Upgrade		
Balance unspent at beginning of year	941 043	-
Other Grants		
Balance unspent at beginning of year	(924 867)	(924 867)
Total Conditional And Other Grants		
Balance Unspent at beginning of year	(97 908 864)	(128 764 583)
Current Year Receipts	(257 549 043)	(209 524 756)
Conditions met - transferred to revenue	275 519 018	242 437 400
Other Adjustment	2 736 913	(2 056 925)
	(77 201 976)	(97 908 864)
18. PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations	-	(11 500)
19. RENTAL OF FACILITIES		
Rental of Buildings	103 940	120 592

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
19. RENTAL OF FACILITIES (continued)		
	103 940	120 592
20. INTEREST EARNED		
Investments	(9 642 336)	(9 415 567)
Other	(2 882 305)	(1 728 821)
Total interest	(12 524 641)	(11 144 388)
21. INTEREST EARNED -OUTSTANDING RECEIVABLES		
Interest received - outstanding receivables	1 538 146	4 897 670
22. OTHER INCOME		
Tender Sales	113 445	18 621
Connection Fees	99 623	-
Other income	466 774	412 075
Total Other Income	679 842	430 696

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
23. EMPLOYEE RELATED COSTS		
Employee related costs- Salaries and Wages	48 726 984	34 209 853
Contributions for UIF, pensions and medical aids	10 327 108	7 571 257
Travel, motor car, accommodation, subsistence and other allowances	6 534 667	6 715 831
Housing benefits and allowances	641 056	6 346 682
Overtime payments	2 671 157	2 017 951
Other employee related costs	1 637 277	3 754 435
Employee Related Costs	70 538 249	60 616 009

Remuneration of Municipal Manager

Annual Remuneration	917 343	632 491
Performance - and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	77 309	140 178
Contributions to UIF, Medical and Pension Funds	11 926	160 617
Other	-	49 600
Leave Payout	75 899	-
	1 082 477	982 886

The former Municipal Manager Mr KM Moodley received a leave payout of R 75 898.92 in November 2012, Mr PS Gwacela (Acting Municipal Manager) earned an amount of R 908 236.75 for the ten months period until his contract expired. Mr S.N Dubazana was appointed Acting Municipal Manager in June 2013.

Remuneration of the Chief Finance Officer

Annual Remuneration	440 580	203 917
Performance - and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	548 813	1 043 091
Contributions to UIF, Medical and Pension Funds	10 612	66 535
	1 000 005	1 313 543

Remuneration of executive directors

	Corporate Services	Community Services	Corporate Services	Community Services
	2013	2013	2012	2012
Annual Remuneration	490 376	360 979	672 366	569 933
Performance- and other bonuses	-	-	90 872	90 872
Travel, motor car, accommodation, subsistence and other allowances	84 227	97 083	99 411	282 102
Contributions to UIF, Medical and Pension Funds	85 485	8 296	-	-
Leave Payout	150 577	-	-	-
Acting Allowance	136 121	-	-	-
Total	946 786	466 358	862 649	942 907
	SED	Technical	SED	Technical
	2013	2013	2012	2012
Annual Remuneration	247 881	300 181	562 009	579 552
Acting Allowance	93 620	39 625	-	-
Travel, motor car, accommodation, subsistence and other allowances	40 463	59 102	167 200	187 739

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013		2012	
23. EMPLOYEE RELATED COSTS (continued)				
Contributions to UIF, Medical and Pension Funds	8 455	42 323	151 109	158 812
Other Earnings	-	-	205 804	90 872
Leave payment	9 195	106 615	-	-
	399 614	547 846	1 086 122	1 016 975

The contract for Executive Director : SED expired in September 2012 and an Acting Director was appointed and served in the capacity up to May 2013. A substantive Executive Director : SED was appointed in May 2013.

The contract for Executive Director : Technical Services expired in September 2012 and an Acting Director was appointed and served in the capacity for the months April and May 2013. A substantive Executive Director : Technical Services was appointed in May 2013.

24. REMUNERATION OF COUNCILLORS

Mayor	655 561	447 431
Deputy Mayor	714 257	370 617
Speaker	764 192	370 617
Executive Committee Members	1 581 374	998 108
Councillors	969 353	4 252 187
Allowances	1 559 054	24 654
	6 243 791	6 463 614

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor and the Speaker are provided with offices and secretarial support at the cost of the Council.

All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.

The Deputy Mayor and other Executive Committee Members each have an office and share secretarial support at the cost of the Council.

Only the Mayor has the use of Council owned vehicle for official duties.

The Mayor has 2 full-time bodyguards and 1 relief bodyguard.

25. DEPRECIATION AND AMORTISATION

Property, plant and equipment	21 016 200	47 910 043
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26. FINANCE COST

Current borrowings	1 065 933	1 244 107
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27. BULK PURCHASES

Electricity	59 532 479	21 700 463
Water	35 949 287	34 219 472
Total Bulk Purchases	95 481 766	55 919 935

28. CONTRACTED SERVICES

Specialist Services	8 629 715	16 669 668
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UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
29. General expenses		
Audit Committee fees	105 097	-
Advertising	456 072	406 500
Bank charges	464 313	342 968
Cleaning	161 803	121 891
Audit Fees	2 833 417	2 438 481
Consulting and professional fees	11 032 889	-
Entertainment	472 117	297 941
Legal Fees	2 272 017	566 202
Insurance	137 608	2 844 977
Community development and training	1 113 467	485 010
Conferences and seminars	-	3 860
Fleet	72 950	444 941
Licences	211 665	176 135
Lease rentals on operating lease	1 729 790	-
Other Expenses	39 337 789	5 872 607
Hire of Plant & Equipment	14 888 165	248 932
Levies	742 807	10 500
Mayoral Descretionary Fund	30	48 182
Medical expenses	38 572	-
Fuel and oil	2 078 818	44 209
Publicity	3 531 747	156 450
Postage and courier	2 593	7 763
Printing and stationery	181 328	293 648
Internal Audit Fees	1 927 761	1 162 167
Purchase of Books	3 730	6 383
Sports DC27	2 948 034	1 025 256
Small Tools	109 267	10 766
System Support	1 565 913	254 401
Telephone and fax	870 884	818 810
Training	648 608	205 845
Team Building	5 000	16 000
Water Analysis	779 324	246 300
Youth Celebrations	-	10 000
Old Age Pensioners	161 507	121 367
Uniforms	54 000	186 750
Burial Aid	-	5 500
Arts & Culture	763 785	214 970
Nordale Extensions	1 253 775	-
Civic Receptions	78	67 053
Disability	448 729	26 700
Business Plans	3 869	15 869
Operation Turn Around	121 575	881 706
Events Organisations	-	6 900
Accommodation	2 469 870	4 109
HIV & AIDS Prevention	1 205 943	405 833
	97 206 706	20 503 882

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
30. CASH GENERATED FROM OPERATIONS		
Surplus	146 058 417	238 486 169
Adjustments for:		
Depreciation and amortisation	21 016 200	47 910 043
Impairment deficit	34 953 792	38 231 905
Movements in provisions	1 746 000	-
Other non-cash items	(38 769 990)	71 425 699
Changes in working capital:		
Inventories	(42 858 498)	-
Receivables from non exchange transactions	(34 953 792)	(5 849 343)
Other receivables from non-exchange transactions	87 041 076	(141 952 398)
Consumer debtors	10 768 742	(24 805 856)
Investments	-	(1 604 454)
VAT Receivable	-	18 461 338
Current provisions	-	3 109 920
Trade And Other Payables From Exchange Transactions	60 883 901	5 719 888
VAT Payable	7 357 990	(1 743 545)
Current portion of unspent conditional grants and receipts	(37 066 966)	(33 284 592)
Consumer deposits	1 602 935	107 399
Other current financial liabilities	-	2 293 981
	217 779 807	216 506 154

31. CORRECTION OF ERRORS

Adjusting of backlog depreciation by R305 094.

Reclassification of short investments of R98 156 880 to cash and cash equivalents.

Adjusting property plant and equipment by R74 656 507 after introduction of revised assets register.

Correction of back pay provision amounting to R 780 955.17 posted into remuneration of councillors.

Reclassification of remuneration of councillors amounting to R3 907 461.57 posted into employee costs.

Correction of input VAT amounting to R575 posted into remuneration of councillors.

Reclassification of general expenses amounting to R1 129 461.01 posted to employee related expenses.

Expensing of unspent conditional grant amounting to R 2 777 678.79 with a debit balances.

Correction of prepayment amounting R134 793 561 reported under purchase of fixed assets in the cash flow.

Provision for bad debts amounting to R38 231 905 reclassified from general expenses.

Correction of borrowings for R100 that was not mapped

Reclassification of interest paid amounting to R1 223 853 not included on the cashflow.

Revision of irregular expenditure disclosed.

Revision of fruitless and wasteful expenditure disclosed.

Reversal of debtors write-off that was processed.

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

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

31. CORRECTION OF ERRORS (continued)

Statement of financial position	2011/12 As previously reported	2011/12 Re- Classification	2011/12 Correction of error	2011/12 Restated
Receivables from non-exchange transactions	-	-	3 108 739	3 108 739
Other receivables from non-exchange transactions	4 138 813 724	-	434 800	139 248 524
Investments	98 156 880	(98 156 880)	-	-
VAT receivable	18 461 338	-	3 359 339	21 820 677
Property, plant and equipment	7 1 145 362 630	-	(74 693 615)	1 070 669 015
Intangible Assets	8 -	-	37 108	37 108
Consumer deposits	11 (895 731)	(2 326 663)	-	(3 222 394)
Current provisions	13 (8 956 628)	5 471 522	1 761 106	(1 724 000)
Current portion of unspent conditional grants and receipts	12 (95 322 194)	-	(2 777 678)	(98 099 872)
Current portion of finance lease liability	15 (650 874)	-	375 942	(274 932)
Other current financial liabilities	9 (11 524 854)	2 326 663	(455 296)	(9 653 487)
Non-current borrowings	14 (9 805 398)	100	-	(9 805 298)
Non-current finance lease liability	15 (31 294)	-	(361 707)	(393 001)
Cash & Cash Equivalents	6 77 503 971	98 156 780	-	175 660 751
Trade and Other Payables From Exchange Transactions	10 (51 731 817)	(5 471 522)	10 067 678	(47 135 661)
Depreciation and amortisation expense	47 604 949	-	305 094	47 910 043
Employee Related Costs	62 795 378	(3 140 285)	960 916	60 616 009
Remuneration of councillors	2 556 152	3 140 285	767 177	6 463 614
Debt Impairment	-	38 231 905	-	38 231 905
Contracted Services	16 817 694	-	(148 026)	16 669 668
General Expenses	53 139 376	(32 650 194)	14 700	20 503 882
Finance Costs	1 223 853	-	20 254	1 244 107
Grants Expenditure	5 581 711	(5 581 711)	-	-
	1 489 098 866	-	(57 223 469)	1 431 875 397

Cash flow statement

Cash flow from operating activities

Interest paid	-	(1 223 853)	-	(1 223 853)
Movement in Receivables	(145 481 304)	-	145 481 304	-
Payments to suppliers	(139 865 738)	1 223 853	70 061 598	(68 580 287)
Movement in payables	(23 954 640)	-	23 954 640	-
	(309 301 682)	-	239 497 542	(69 804 140)

Cash flow from investing & financing activities

Purchase of fixed assets	(71 586 551)	-	(133 314 099)	(204 900 650)
Movement in receivables from non-exchange transactions	-	-	(3 108 740)	(3 108 740)
	(71 586 551)	-	(136 422 839)	(208 009 390)

Disclosures/Notes

Fruitless & Wasteful Expenditure	1 256 407	-	766 741	2 023 148
Irregular Expenditure	31 148 414	-	312 790 095	343 938 509
Unauthorised Expenditure	30 226 255	-	(11 428 987)	18 797 268
	62 631 076	-	302 127 849	364 758 925

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

	2013	2012
32. UNAUTHORISED EXPENDITURE		
Reconciliation of unauthorised expenditure	-	-
Opening balance	18 797 268	-
Unauthorised expenditure current year	47 627 840	18 797 268
Approved by Council or condoned	(66 425 108)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
	-	18 797 268

Unauthorised expenditure was incurred as a result of over expenditure on the approved budget and will be taken into account in the 2013/14 adjustment budget per Council Resolution.

33. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure	-	-
Opening balance	1 983 573	1 086 000
Fruitless and wasteful expenditure current year	25 225	-
Condoned or written off by Council	(2 008 798)	766 741
To be recovered - contingent assets (see note 55)	-	170 407
Fruitless and wasteful expenditure awaiting condonement	-	-
	-	2 023 148

34. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure	-	-
Opening balance	343 938 509	3 236 000
Irregular Expenditure - current year	248 608 307	338 517 255
Condoned or written off by Council	-	-
Transfer to receivables for recovery (not condoned)	-	2 185 254
Irregular expenditure awaiting condonment	-	-
	592 546 816	343 938 509

The forensic investigation per Council Resolution should continue even though the condonation was approved.

35. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Audit fees

Opening balance	46 578	-
Current year audit fee	3 211 504	2 444 205
Amount paid - current year	(3 128 802)	(2 397 627)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	129 280	46 578

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
35. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)		
Pension		
Opening balance	-	-
Current year pension fees	4 810 950	4 281 261
Amount paid - current year	(3 987 104)	(4 281 261)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	823 846	-
Medical Aid		
Opening balance	-	-
Current year medical aid fees	2 214 032	1 897 731
Amount paid - current year	(1 857 930)	(1 897 731)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	356 102	-
PAYE		
Opening balance	-	-
Current year PAYE	8 053 047	7 762 132
Amount paid - current year	(7 216 475)	(7 762 132)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	836 572	-
UIF		
Opening balance	-	-
Current year UIF	369 784	295 012
Amount paid - current year	(280 857)	(295 012)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	88 927	-

VAT

VAT input receivables and VAT output payables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.

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

The Municipality is a process of developing a supply chain management policy

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Gumbi DL	1 415	6 997	8 412
Councillor Nyawo Z	-	17	17
Councillor Zungu MC	-	20 859	20 859
	1 415	27 873	29 288

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
36. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for		
• Infrastructure	363 749 382	191 206 923
•	-	-
	363 749 382	191 206 923
Approved but not yet contracted for		
•	-	-
	-	-
Total	-	191 206 923
This expenditure will be financed from:		
Government Grants (MIG)	363 749 382	191 206 923

These commitments include commitments for outer years.

37. RETIREMENT BENEFIT INFORMATION

Defined contribution plan

The municipality contributes to the Municipal Joint Pension Fund.

38. ITEMS UNDER INVESTIGATION

On 29 February 2012 the wing of finance department in the main offices of uMkhanyakude District Municipality was attacked by incidence of fire. Such incidence was reported to the South African Police Service (SAPS) at Mkhuzi Police Station per case number 03/02/2012. No arrest has taken place to date of which the case is currently under investigation. The fire incidence destroyed some of the financial records of the municipality which made difficult to support all transactions occurred during 2011/2012 financial year for audit purposes. In addition to the fire incidence Auditor-General has been unable to obtain sufficient and appropriate audit evidence to support some of the items disclosed in the Annual Financial Statements of the municipality in the previous years which resulted in the negative audit outcomes.

Therefore an account called " ITEMS UNDER INVESTIGATIONS" has been created to ring fence these items in the Financial Systems through Council Resolution and disclosed as such in the Annual Financial Statements to account for all those items that could not be supported in the previous years. The National Treasury shall be engaged to solicit advice through Provincial Treasury for the purpose of condonation.

The items under investigation are as follows:

Prior years expenditure vouchers	2 792 150	2 792 150
2011/12 financial year expenditure vouchers	231 682	231 619
Journals and payment vouchers destroyed by fire	6 724 168	6 724 168
Unsupported creditors balances	(13 552 788)	(13 552 788)
	(3 804 788)	(3 804 851)

39. CONTINGENCIES

Claim on Insurance Excess

The municipality an excess amount of R154 672 on the municipal building that was destroyed during the fire accident was paid during the financial year.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

39. CONTINGENCIES (continued)

Contingent Liabilities

The Municipality had the following contingent liabilities as at 30 June 2013.

Matters	Source of Funding	Interest	Amount
The High Court instructed Umkhanykude District Municipality (DC27) to withhold the amount of R2 227 245.70 owed to Amanzi Earthmoving (Pty) Ltd over the matter with Old Mill Investments CC t/a Richmond Build It until a subsequent order was granted to pay the amount over. The amount of R1 624 253.14 was available to be paid over from Amanzi Earthmoving (Pty) Ltd resources. Legal fees are amounting to R54 416.51.	Amanzi Earthmoving (Pty) Ltd	15.5%	1 624 253
Umkhanykude District Municipality in its capacity as garnishee was ordered by the courts to pay the amount of R246 462.52 (principal debt) plus costs of R6 390.52 to be paid on behalf of Circle Reinforcing (Pty) Ltd/Amanzi Earthmoving (Pty) Ltd. Outstanding legal fees amounted to R16 868.98.	DC27	6 390.92	246 463
Legal fees amounting to R1 360.89 are due to the lawyers (Shepstone and Wylie).	DC27		1 361
Total contingents			<u>1 872 077</u>

Contigent Liability as a result of Wage Curve Agreement:

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

40. RELATED PARTIES

Relationships

Umhlosinga Development Agency (100% Ownership)

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

Transfers paid to Umhlosinga Development Agency	2 618 724	-
Expenses paid on behalf of Umhlosinga Development Agency:		
Telephone Costs paid on behalf of Umhlosinga Development Agency	-	101 701
Salaries - staff seconded to Umhlosinga Development Agency by Umkhanyakude District Municipality	-	443 660
	<u>-</u>	<u>545 361</u>

41. EVENTS AFTER THE REPORTING DATE

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

42. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2013 2012

42. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS (continued)

Useful lives and residual values of property, plant, and equipment	-	-
Provision for doubtful debts	-	-
Impairment of assets	-	-
Water Losses	-	-
The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:	-	-
Impairment of assets	-	-
Provisions	-	-
Other	-	-
	<u>-</u>	<u>-</u>

43. RISK MANAGEMENT

Liquidity risk

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

Interest rate risk

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

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

- Call deposits
- Notice deposits
- Loan from Development Bank of South Africa

Maximum credit risk exposure

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

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

44. EXCEPTIONAL ITEMS

Water Losses

The municipality incurred 64.9% water losses for the 2012/13 financial year 88.16% (2012). The value of the losses incurred amounted to R25 119 747.85 (2013) R3 919 254.58 (2012)

45. ACCUMULATED SURPLUS

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

	Accumulated Surplus	Total
Current year balance	(1 372 490 631)	(1 372 490 631)
Items under investigation	(3 804 788)	(3 804 788)
	<u>-</u>	<u>-</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
46. REVENUE		
Service charges	41 921 356	45 792 525
Rental of facilities and equipment	103 940	120 592
Interest received (trading)	1 538 146	4 897 670
Other income - (rollup)	679 842	430 696
Interest received - investment	12 524 641	11 144 388
Government grants & subsidies	450 554 429	430 831 130
Public contributions and donations	-	11 500
	507 322 354	493 228 501
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	41 921 356	45 792 525
Rental of facilities and equipment	103 940	120 592
Interest received (trading)	1 538 146	4 897 670
Other income - (rollup)	679 842	430 696
Interest received - investment	12 524 641	11 144 388
	56 767 925	62 385 871
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation Revenue		
Grants Revenue		
Government grants & subsidies	450 554 429	430 831 130
Public contributions and donations	-	11 500
	450 554 429	430 842 630
47. INVESTMENT REVENUE		
Interest revenue		
Bank	12 524 641	11 144 388

Appendix A

June 2013

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA -D6100191 @ 6,76%	61 000 191	31/03/2025	9 927 720	684 329	1 458 738	9 153 311	-
DBSA -D6100800 @6,75%	61 000 800	30/09/2025	1 469 810	98 956	168 522	1 400 244	-
DBSA- D61002406	61 002 406	30/06/2009	-	-	-	-	-
			11 397 530	783 285	1 627 260	10 553 555	-
Finance Lease liability							
GESTETNER SERVER & SOFTWARE		31/08/2013	118 726	-	100 769	17 957	-
Photocopier (W421KC00604)	MP2851	28/02/2015	43 129	-	13 682	29 447	-
Photocopier (W421KC00720)	MP2851	28/02/2015	43 129	-	13 682	29 447	-
Photocopier (W421KC00797)	MP2851	28/02/2015	43 129	-	13 682	29 447	-
Photocopier (W421KC00838)	MP2851	28/02/2015	50 906	-	16 149	34 757	-
Photocopier (V5110800035)	PRO1170EX	28/02/2015	193 188	-	61 287	131 901	-
Photocopier (S7214300276)	MPC300	28/02/2015	56 500	-	17 924	38 576	-
Photocopier (S7214400158)	MPC300	28/02/2015	56 500	-	17 924	38 576	-
Photocopier (W3119500069)	MP201F	28/02/2015	31 344	-	9 944	21 400	-
Photocopier (W3018711449)	MP201SPF	28/02/2015	31 479	-	9 986	21 493	-
			668 030	-	275 029	393 001	-
Total external loans			12 065 560	783 285	1 902 289	10 946 556	-

Appendix B

June 2013

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

Cost/Revaluation	Accumulated depreciation
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	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance - Accumulated Depreciation	Opening Balance - Impairment loss	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land (Separate for AFS purposes)	1 157 250	-	-	-	-	-	1 157 250	-	-	-	-	-	-	1 157 250
Buildings (Separate for AFS purposes)	35 878 244	-	-	-	-	-	35 878 244	(6 241 920)	-	-	(1 252 211)	-	(7 494 131)	28 384 113
	37 035 494	-	-	-	-	-	37 035 494	(6 241 920)	-	-	(1 252 211)	-	(7 494 131)	29 541 363
Infrastructure														
Electricity	12 029 974	399 996	-	-	-	-	12 429 970	(923 638)	-	-	(312 610)	-	(1 236 248)	11 193 722
Roads	31 229	-	-	-	-	-	31 229	(3 747)	-	-	(624)	-	(4 371)	26 858
Airports	4 973 883	-	-	-	-	-	4 973 883	(1 890 994)	-	-	(248 085)	-	(2 139 079)	2 834 804
Water	699 847 337	578 985	-	-	-	-	700 426 322	(38 474 994)	-	-	(14 277 357)	(22 095)	(52 774 446)	647 651 876
Sanitation	22 547 585	188 005	-	-	-	-	22 735 590	(1 113 899)	-	-	(420 467)	(1 165 645)	(2 700 011)	20 035 579
	739 430 008	1 166 986	-	-	-	-	740 596 994	(42 407 272)	-	-	(15 259 143)	(1 187 740)	(58 854 155)	681 742 839
Assets Under Construction														
Buildings	18 494 724	11 683 536	-	-	-	-	30 178 260	-	-	-	-	-	-	30 178 260
Electricity	-	5 825 061	-	-	-	-	5 825 061	-	-	-	-	-	-	5 825 061
Water	264 319 321	186 121 022	-	-	-	-	450 440 343	-	-	-	-	-	-	450 440 343
Sanitation	50 908 135	42 682 959	-	-	-	-	93 591 094	-	-	-	-	-	-	93 591 094
	333 722 180	246 312 578	-	-	-	-	580 034 758	-	-	-	-	-	-	580 034 758

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June 2013

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

Cost/Revaluation	Accumulated depreciation
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	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance - Accumulated Depreciation	Opening Balance - Impairment loss	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Leased Assets														
Leased Assets	887 714	-	-	-	-	-	887 714	(294 485)	-	-	(256 071)	-	(550 556)	337 158
	887 714	-	-	-	-	-	887 714	(294 485)	-	-	(256 071)	-	(550 556)	337 158
Other assets														
Motor vehicles	5 701 571	4 710 192	-	-	-	-	10 411 763	(3 068 317)	-	-	(769 311)	(166 807)	(4 004 435)	6 407 328
Plant & equipment	5 850 063	8 802 399	-	-	-	-	14 652 462	(2 321 416)	-	-	(835 164)	(419 253)	(3 575 833)	11 076 629
Computer Equipment	1 528 550	900 046	-	-	-	-	2 428 596	(492 329)	(2 646)	-	(335 591)	(87 965)	(918 531)	1 510 065
Furniture & Fittings	3 486 680	166 105	-	-	-	-	3 652 785	(2 136 898)	(7 963)	-	(421 616)	(17 847)	(2 584 324)	1 068 461
	16 566 864	14 578 742	-	-	-	-	31 145 606	(8 018 960)	(10 609)	-	(2 361 682)	(691 872)	(11 083 123)	20 062 483

Appendix B

June 2013

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

Cost/Revaluation	Accumulated depreciation
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	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance - Accumulated Depreciation	Opening Balance - Impairment loss	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	37 035 494	-	-	-	-	-	37 035 494	(6 241 920)	-	-	(1 252 211)	-	(7 494 131)	29 541 363
Infrastructure	739 430 008	1 166 986	-	-	-	-	740 596 994	(42 407 272)	-	-	(15 259 143)	(1 187 740)	(58 854 155)	681 742 839
Assets Under Construction	333 722 180	246 312 578	-	-	-	-	580 034 758	-	-	-	-	-	-	580 034 758
Leased Assets	887 714	-	-	-	-	-	887 714	(294 485)	-	-	(256 071)	-	(550 556)	337 158
Other assets	16 566 864	14 578 742	-	-	-	-	31 145 606	(8 018 960)	(10 609)	-	(2 361 682)	(691 872)	(11 083 123)	20 062 483
	1 127 642 260	262 058 306	-	-	-	-	1 389 700 566	(56 962 637)	(10 609)	-	(19 129 107)	(1 879 612)	(77 981 965)	1 311 718 601
Intangible assets														
Computers - software	37 434	-	-	-	-	-	37 434	(326)	-	-	(7 482)	-	(7 808)	29 626
	37 434	-	-	-	-	-	37 434	(326)	-	-	(7 482)	-	(7 808)	29 626
Total														
Land and buildings	37 035 494	-	-	-	-	-	37 035 494	(6 241 920)	-	-	(1 252 211)	-	(7 494 131)	29 541 363
Infrastructure	739 430 008	1 166 986	-	-	-	-	740 596 994	(42 407 272)	-	-	(15 259 143)	(1 187 740)	(58 854 155)	681 742 839
Assets Under Construction	333 722 180	246 312 578	-	-	-	-	580 034 758	-	-	-	-	-	-	580 034 758
Leased Assets	887 714	-	-	-	-	-	887 714	(294 485)	-	-	(256 071)	-	(550 556)	337 158
Other assets	16 566 864	14 578 742	-	-	-	-	31 145 606	(8 018 960)	(10 609)	-	(2 361 682)	(691 872)	(11 083 123)	20 062 483
Intangible assets	37 434	-	-	-	-	-	37 434	(326)	-	-	(7 482)	-	(7 808)	29 626
	1 127 679 694	262 058 306	-	-	-	-	1 389 738 000	(56 962 963)	(10 609)	-	(19 136 589)	(1 879 612)	(77 989 773)	1 311 748 227

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Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	1 157 250	-	-	-	-	-	1 157 250	-	-	-	-	-	-	1 157 250
Buildings (Separate for AFS purposes)	34 434 537	1 443 706	-	-	-	-	35 878 243	(5 078 814)	-	-	(1 163 107)	-	(6 241 921)	29 636 322
	35 591 787	1 443 706	-	-	-	-	37 035 493	(5 078 814)	-	-	(1 163 107)	-	(6 241 921)	30 793 572
Infrastructure														
Electricity	12 029 974	-	-	-	-	-	12 029 974	(615 759)	-	-	(307 879)	-	(923 638)	11 106 336
Roads	31 229	-	-	-	-	-	31 229	(3 122)	-	-	(624)	-	(3 746)	27 483
Airports	4 973 883	-	-	-	-	-	4 973 883	(1 642 909)	-	-	(248 085)	-	(1 890 994)	3 082 889
Water	633 631 984	66 215 353	-	-	-	-	699 847 337	(25 648 936)	-	-	(12 826 058)	-	(38 474 994)	661 372 343
Sanitation	20 002 717	2 544 868	-	-	-	-	22 547 585	(742 489)	-	-	(371 410)	-	(1 113 899)	21 433 686
	670 669 787	68 760 221	-	-	-	-	739 430 008	(28 653 215)	-	-	(13 754 056)	-	(42 407 271)	697 022 737
Assets Under Construction														
Buildings	17 957 629	537 095	-	-	-	-	18 494 724	-	-	-	-	-	-	18 494 724
Water	144 187 714	120 131 607	-	-	-	-	264 319 321	-	-	-	-	-	-	264 319 321
Sanitation	38 787 858	12 120 277	-	-	-	-	50 908 135	-	-	-	-	-	-	50 908 135
	200 933 201	132 788 979	-	-	-	-	333 722 180	-	-	-	-	-	-	333 722 180

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets

Leased Assets

Leased Assets	298 755	588 960	-	-	-	-	887 715	(294 485)	-	-	-	-	(294 485)	593 230
	298 755	588 960	-	-	-	-	887 715	(294 485)	-	-	-	-	(294 485)	593 230

Other assets

Motor vehicles	5 087 537	614 034	-	-	-	-	5 701 571	(2 588 038)	-	-	(480 279)	-	(3 068 317)	2 633 254
Plant & equipment	5 807 175	42 886	-	-	-	-	5 850 061	(1 922 680)	-	-	(398 736)	-	(2 321 416)	3 528 645
Computer Equipment	956 503	572 048	-	-	-	-	1 528 551	(341 547)	-	-	(150 781)	(2 646)	(494 974)	1 033 577
Furniture & Fittings	3 396 866	89 815	-	-	-	-	3 486 681	(1 737 058)	-	-	(399 841)	(7 963)	(2 144 862)	1 341 819
	15 248 081	1 318 783	-	-	-	-	16 566 864	(6 589 323)	-	-	(1 429 637)	(10 609)	(8 029 569)	8 537 295

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June 2013

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	35 591 787	1 443 706	-	-	-	-	37 035 493	(5 078 814)	-	-	(1 163 107)	-	(6 241 921)	30 793 572
Infrastructure	670 669 787	68 760 221	-	-	-	-	739 430 008	(28 653 215)	-	-	(13 754 056)	-	(42 407 271)	697 022 737
Assets Under Construction	200 933 201	132 788 979	-	-	-	-	333 722 180	-	-	-	-	-	-	333 722 180
Leased Assets	298 755	588 960	-	-	-	-	887 715	(294 485)	-	-	-	-	(294 485)	593 230
Other assets	15 248 081	1 318 783	-	-	-	-	16 566 864	(6 589 323)	-	-	(1 429 637)	(10 609)	(8 029 569)	8 537 295
	922 741 611	204 900 649	-	-	-	-	1 127 642 260	(40 615 837)	-	-	(16 346 800)	(10 609)	(56 973 246)	1 070 669 014
Intangible assets														
Computers - software	37 434	-	-	-	-	-	37 434	-	-	-	(326)	-	(326)	37 108
	37 434	-	-	-	-	-	37 434	-	-	-	(326)	-	(326)	37 108
Total														
Land and buildings	35 591 787	1 443 706	-	-	-	-	37 035 493	(5 078 814)	-	-	(1 163 107)	-	(6 241 921)	30 793 572
Infrastructure	670 669 787	68 760 221	-	-	-	-	739 430 008	(28 653 215)	-	-	(13 754 056)	-	(42 407 271)	697 022 737
Assets Under Construction	200 933 201	132 788 979	-	-	-	-	333 722 180	-	-	-	-	-	-	333 722 180
Leased Assets	298 755	588 960	-	-	-	-	887 715	(294 485)	-	-	-	-	(294 485)	593 230
Other assets	15 248 081	1 318 783	-	-	-	-	16 566 864	(6 589 323)	-	-	(1 429 637)	(10 609)	(8 029 569)	8 537 295
Intangible assets	37 434	-	-	-	-	-	37 434	-	-	-	(326)	-	(326)	37 108
	922 779 045	204 900 649	-	-	-	-	1 127 679 694	(40 615 837)	-	-	(16 347 126)	(10 609)	(56 973 572)	1 070 706 122

Appendix D

June 2013

Segmental Statement of Financial Performance for the year ended 2012 2013

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
189 201 196	22 942 225	166 258 971	Executive & Council/Mayor and Council	174 928 000	40 956 417	133 971 583
18 952 489	62 843 372	(43 890 883)	Finance & Admin/Finance	16 977 152	35 142 995	(18 165 843)
1 863 935	14 880 251	(13 016 316)	Corporate services	107 402	8 384 823	(8 277 421)
2 136 423	6 809 550	(4 673 127)	Community & Social Services	17 648 893	11 214 387	6 434 506
239 319 264	10 349 502	228 969 762	Planning & Development	238 132 347	6 799 852	231 332 495
2 074 244	16 337 862	(14 263 618)	Community & Social Services/Other Community	672 161	38 370 162	(37 698 001)
39 659 423	118 117 374	(78 457 951)	Water/Water Distribution	58 847 864	219 835 733	(160 987 869)
21 527	542 081	(520 554)	Other/Air Transport	8 535	559 568	(551 033)
493 228 501	252 822 217	240 406 284		507 322 354	361 263 937	146 058 417
Municipal Owned Entities Other charges						
493 228 501	252 822 217	240 406 284	Municipality	507 322 354	361 263 937	146 058 417
493 228 501	252 822 217	240 406 284	Total	507 322 354	361 263 937	146 058 417

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Forecast # 3 2013 Act. Bal.	Forecast # 3 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	41 921 355	19 618 000	22 303 355	113.7	The municipality under budgeted based on the actual service charges that was received during the the adjustment period. It also improved on the collection of revenue.
Rental of facilities and equipment	103 940	147 000	(43 060)	(29.3)	The municipality over budgeted for the rentals.
Interest received - outstanding receivables	1 538 146	-	1 538 146	-	The municipality did not budget for the interest on outstanding debtors.
Other income	679 842	62 218 000	(61 538 158)	(98.9)	The municipality included the VAT refund budget on other income.
Government grants & subsidies	450 554 429	504 898 000	(54 343 571)	(10.8)	The budget figure is the Equitable Share plus other operational grant that was gazetted. The municipality have unspent grants, that will be used in the 2013-2014. The MIG received had unspent opening balance was used up to 93%, but during the adjustment the municipality redeemed from the saving R84 million which lead to R299 million capital budget.
Interest received - investment & bank	12 524 642	5 143 000	7 381 642	143.5	The interest on investment depends on the actual amount invested during the year, this means we invested more that what we budgeted.
	<u>507 322 354</u>	<u>592 024 000</u>	<u>(84 701 646)</u>	<u>(14.3)</u>	
Expenses					
Employee Related Costs	(70 538 249)	(87 656 000)	17 117 751	(19.5)	The municipality over budgeted on employee related, there are vacant post that were not filled but budgeted for.
Remuneration of councillors	(6 243 791)	(5 239 000)	(1 004 791)	19.2	The over expenditure on the council remuneration is based on the S & T claims for the councillors
Depreciation	(21 016 200)	(30 000 000)	8 983 800	(29.9)	
Impairments	-	-	-	-	
Finance costs	(1 065 933)	(843 000)	(222 933)	26.4	The finance cost was on the interest paid for the loan with DBSA and on outstanding creditors.
Debt impairment	(34 953 792)	(23 254 000)	(11 699 792)	50.3	Increase was due to high risk debtors that were identified from the debtors data cleansing exercise that was done.
Repairs and maintenance - General	(26 127 785)	(17 072 000)	(9 055 785)	53.0	The repairs and maintenance is very high due to regular maintenance of old infrastructure on the water schemes. A replacement and repairs and maintenance plan is going to be developed to ensure that repairs are done when the water scheme.
Bulk purchases	(95 481 766)	(25 754 000)	(69 727 766)	270.7	The municipality engaged WSSA for bulk water treatment of which on average per month R3,5m is paid. The performance of WSSA be monitored by the relevant department to ensure that the value is yielded in this contract. The municipality under budgeted for bulk water purchases and bulk electricity.
Contracted Services	(8 629 715)	(6 155 000)	(2 474 715)	40.2	The municipality engaged too many contracts. The expenditure for petrol cards, 3G cards, Nashua (i.e. office automation, telephone, PABX etc). All contracts engaged by the municipality be reviewed to determine any value for money received by the municipality on them.
General Expenses	(97 206 706)	(96 250 000)	(956 706)	1.0	Over budgeted for general expenditure.
	<u>(361 263 937)</u>	<u>(292 223 000)</u>	<u>(69 040 937)</u>	<u>23.6</u>	
Net surplus/ (deficit) for the year	146 058 417	299 801 000	(153 742 583)	(51.3)	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2013

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure				
		Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun	
Equitable Share		73 493 000	55 652 000	44 096 000	-	-	-	-	-	-	-
MIG		93 887 000	84 231 000	48 655 000	-	-	19 042 859	55 746 084	50 416 074	111 098 787	-
FMG		1 250 000	-	-	-	-	312 500	312 500	312 500	312 500	-
MSIG		1 000 000	-	-	-	-	250 000	250 000	250 000	250 000	-
Rural Roads and Transport Management		17 760 000	-	-	-	-	444 000	444 000	444 000	444 000	-
		187 390 000	139 883 000	92 751 000	-	-	20 049 359	56 752 584	51 422 574	112 105 287	-

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