UMSHWATHI MUNICIPALITY
(KZN221)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2014

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GENERAL INFORMATION

SPEAKER OF COUNCIL : Cllr. N.M.N. Gabela

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S. Zondi	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	A.T. Thusi	:	Exco Member
Councillor	V.M. Mncwabe	:	Exco Member

CATEGORY OF LOCAL AUTHORITY

CATEGORY TWO (2)

AUDITORS

AUDITOR-GENERAL SOUTH AFRICA

BANKERS

FIRST NATIONAL BANK

REGISTERED OFFICE

Main Road
New Hanover
3230

TELEPHONE

033 - 8152242

ACTING MUNICIPAL MANAGER

Mr. B.T. Zondi

CHIEF FINANCIAL 0FFICER

Mr. R.M. Mani

MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	:	Cllr. N.M.N. Gabela
PR	:	Cllr. S.J. Luthuli
PR	:	Cllr. R. Mungroo
PR	:	Cllr. N.R. Khanyile
PR	:	Cllr. N.A. Thusi
PR	:	Cllr. N.P. Mdunge
PR	:	Cllr. T.A. Hlatswayo
PR	:	Cllr. M.M. de Vries
PR	:	Cllr. V.M. Mncwabe
PR	:	Cllr. Z.A. Thusi
PR	:	Cllr. N.H. Hlophe
PR	:	Cllr. T.I. Gabela
PR	:	Cllr. N.L. Shabangu
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. P.M. Dladla
W3	:	Cllr. S.S. Mbhele
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. G.H. Ngcobo
W6	:	Cllr. S.R.G. Gumede
W7	:	Cllr. S.M. Mbatha-Ntuli
W8	:	Cllr. B.M. Gwala
W9	:	Cllr. E.B. Mbongwe
W10	:	Cllr. M.J. Mkhize
W11	:	Cllr. A.T. Thusi
W12	:	Cllr. S.A. Duma
W13	:	Cllr. M. Goba

MAYOR : **Councillor B.M. Gwala**

DEPUTY MAYOR : **Councillor S.S. Zondi**

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 18 to 53 were approved by the Municipal Manager on 27 August 2014 and presented to and approved by Council on 27 August 2014.

ACTING MUNICIPAL MANAGER
(Accounting Officer)
27 August 2014

CHIEF FINANCIAL OFFICER

27 August 2014

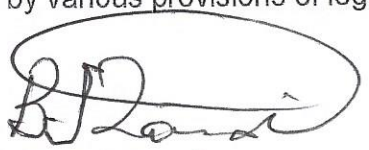
Accounting Officer's Report

As the accounting officer of uMshwathi Local Municipality, I am proud to present herewith the annual financial statement for the period ending 30 June 2014.

It is my view that the Annual financial statements fairly present the true financial position of the municipality and all the records to support the same are available for inspection.

I am of the opinion that based on the information provided to me by management and internal audit the systems of internal control provides reasonable assurance that the financial records may be relied upon for the preparation and submission of these annual financial statements.

I have reviewed the Municipality's cash forecast for the year ending 30 June 2014 and in light of this review and the current financial position I am satisfied that the Municipality has access to adequate resources to fulfil all its obligations as required by various provisions of legislations.



Mr. B.T. Zondi
Acting Municipal Manager

Date: 27 August 2014

1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The Standards comprise of the following:

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
GRAP 13	Leases
GRAP 14	Events after Balance Sheet Date
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in the Financial Statements
GRAP 25	Employee Benefits
GRAP 31	Intangible Assets
GRAP 104	Financial Instruments.

GRAP statements 4, 6, 7, 8, 10, 11, 14, 16, 100, 101 and 103 have not been implemented since they do not affect the operations of the municipality.

Details of related party transactions are disclosed as per paragraph 27 of IPSAS 20.

These accounting policies are consistent with those of the previous financial year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

3. GOING CONCERN ASSUMPTION

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

4. HOUSING DEVELOPMENT FUND

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

5. RESERVES

5.1 Revaluation Reserve

A revaluation reserve is created in the event where the values of items of property, plant and equipment are valued up. The increased amount of revaluation is credited to the revaluation reserve. Any subsequent revaluations of items of property, plant and equipment is charged against this revaluation reserve.

6. ASSETS

6.1 PROPERTY, PLANT AND EQUIPMENT

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

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

Assets under construction are recognised as such and capitalized at the cost incurred as at year end. Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired. Refer to paragraph 14.1.

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

	YEAR	OTHER	YEARS
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Air Conditioners	5
Electricity	20	Other Vehicles	5
Housing	30	Office equipment	5
Street Lights	25	Furniture and Fitting	10
		Radios	5
Community		Other items of plant and equipment	3
Buildings	30	Computers and Computer Software	5
Security	5		

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

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

Depreciation on assets under construction during the year is only provided for once the asset is brought into use.

6.2 INTANGIBLE ASSETS

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over a period of three years. Intangible assets are disclosed at cost less amortization in the financial statements.

7. FINANCIAL INSTRUMENTS

The fair value of financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are valued at cost, including interest capitalized, at the end of the reporting period.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying value of trade receivables and payables are assumed to approximate their fair values. Trade receivables (debtors) have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors and arrear accounts are charged interest on the arrear balance on a monthly basis.

7.1 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. The bulk of the outstanding debtors are made up of rates and interest raised on arrear accounts over the years. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. No bad debts were written off during the year. Amounts that are receivable within 12 months from the reporting date are classified as realisable

The impairment for trade receivables is calculated on a portfolio basis and is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date.

7.2 TRADE CREDITORS

Trade creditors are stated at their nominal value.

7.3 CASH AND CASH EQUIVALENTS

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

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

8. INVENTORIES

The only inventory held is that of consumable stores. The cost of consumable stores is expensed at the time of purchase.

9. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

10. REVENUE RECOGNITION

10.1 Revenue from exchange transactions

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

Interest and rentals are recognized on a time proportionate basis.

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

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

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

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use.

Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

10.2 Revenue from non-exchange transactions

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

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

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

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

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

11. CONDITIONAL GRANT AND RECEIPTS

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

12. PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

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

13 LEASES

Leases for photocopiers are recognised as operating leases and the contractual lease payments are recognised as expenses over the term of the lease.

The hire purchase agreement for the mayor's vehicle is classified as a finance lease and is recognised as an asset in the statement of financial position and the lessor is disclosed as a finance lease obligation.

14. IMPAIRMENT OF ASSETS

14.1 Cash Generating Assets

Cash-generating assets are those assets held by the entity 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.

Identification

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

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.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

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

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

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

Recognition and measurement (individual asset)
If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is charged against the Revaluation Reserve to the extent to a previous revaluation surplus.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.
If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable

amount of the individual asset, the entity determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised against the Revaluation Reserve.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.
- The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

Non-Cash-Generating Assets
Cash-generating assets are those assets held by the entity 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.

Non-cash-generating assets are assets other than cash-generating assets.

Identification
The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

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

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

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Re-designation
The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

15. EMPLOYEE BENEFITS

15.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus; incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

15.2 Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

16. UNAUTHORISED EXPENDITURE

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

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

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

19. COMPARATIVE INFORMATION

19.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

19.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

20. RELATED PARTIES

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

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favorable than the terms it would use to conclude transactions with another entity or person are disclosed.

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	2014 R	2013 R
ASSETS			
Non - current assets		135,161,603	117,332,719
Property , plant and equipment	6	135,161,603	117,332,719
Intangible Assets	7	0	0
Current assets		73,107,199	54,532,677
Receivables: Non-Exchange Transactions	8	33,362,621	26,078,523
Receivables: Exchange Transactions	8	27,942,052	18,099,019
Other debtors	9	2,543,861	2,877,131
Value added tax	5	3,789,134	1,573,101
Call investment deposits	10	4,746,605	5,472,448
Bank balances and cash	11/21	722,926	432,454
Total Assets		**208,268,802**	**171,865,396**
Non - current liabilities		15,764,011	18,319,519
Long term liabilities	2	14,730,238	17,294,978
Finance Lease Obligation	2	295,078	385,279
Non-current portion of Long Service Award Liability	3.1	738,695	639,262
Current liabilities		10,303,888	7,987,031
Creditors	3	7,853,704	3,348,612
Current portion of Finance Lease Obligation	2	119,460	128,426
Current portion of Long Service Award Liability	3.1	18,531	45,577
Unspent conditional grants and receipts	4	0	0
Current portion of long term liabilities	2	2,312,193	4,464,416
Total Liabilities		**26,067,899**	**26,306,550**
Net Assets		**182,200,903**	**145,558,846**
NET ASSETS			
Net assets		182,200,903	145,558,846
Housing Development Fund	1	2,818,678	2,823,670
Revaluation Reserve		4,614,902	4,614,902
Accumulated surplus		174,767,323	138,120,274
		182,200,903	**145,558,846**

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014

BUDGET				ACTUAL	
2013 R	2014 R	REVENUE	Note	2014 R	2013 R
		Revenue from Non-Exchange Transactions			
15,230,000	23,300,000	Property rates	12	23,899,302	15,562,302
800,000	1,000,000	Property rates - penalties imposed and collection charges		1,325,643	1,048,502
800,000	800,000	Interest earned - external investments		846,781	795,711
7,000,000	7,500,000	Interest earned - outstanding debtors		8,179,537	7,563,583
101,000	51,000	Fines		59,707	46,910
58,403,000	65,740,000	Government grants and subsidies	14	65,775,000	58,061,000
	22,376,000	Capital Funding		18,888,000	18,404,000
82,334,000	**120,767,000**			**118,973,970**	**101,482,008**
		Revenue from Exchange Transactions			
1,700,000	1,800,000	Service charges	13	1,801,290	1,649,791
145,000	200,000	Rental of facilities and equipment		199,718	172,800
1,900,000	2,150,000	Income for agency services		2,362,036	2,225,764
640,500	134,000	Other income	15	367,633	333,255
		Sale of Assets		0	0
4,385,500	**4,284,000**			**4,730,677**	**4,381,610**
86,719,500	**125,051,000**	**Total Revenue**		**123,704,647**	**105,863,617**
		EXPENDITURE			
31,299,500	37,625,000	Employee related costs	16	37,642,745	29,692,079
7,766,000	8,059,000	Remuneration of Councillors	17	7,366,082	6,296,071
100,000	100,000	Collection costs		112,658	0
5,500,000	7,350,000	Depreciation		6,715,960	5,371,040
6,208,000	9,333,000	Repairs and maintenance		6,946,558	3,851,107
2,500,000	2,750,000	Interest paid	18	1,838,540	2,181,478
75,000	100,000	Contracted services		27,946	153,131
22,316,000	26,216,000	General expenses	23.7	26,222,453	22,775,771
1,200,000	200,000	Contribution to Reserves/Provisions		112,271	928,771
9,755,000	33,318,000	Contribution to Capital		0	0
86,719,500	**125,051,000**	**Total Expenditure**		**86,985,214**	**71,249,448**
-	**-**	**Surplus/(Deficit) for the year**		**36,719,433**	**34,614,169**

Refer to Appendix E .1 for explanation of variances

uMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Housing Development Fund	Revaluation Reserve	Accumulated Surplus	Total
	R	R	R	R
Balance as per 30 June 2012	2,879,277.00	4,614,902.00	103,972,629	**111,466,808**
Surplus (deficit) for the year	(55,607)	-	34,614,165	34,558,558
Prior Year Adjustment	-	-	218,314	218,314
Original Balance as at 30 June 2013	**2,823,670**	**4,614,902**	**138,805,109**	**146,243,681**
Adjustment for Prior Year Adjustments			-	-
Restated Balance as at 30 June 2013	**2,823,670**	**4,614,902**	**138,805,109**	**146,243,681**
Surplus (deficit) for the year	(4,992)	-	36,719,440	36,714,448
Provision for Long Service Award	-	-	(757,226)	(757,226)
Old Suspense accounts reverse to Revenue			-	-
Balance as at 30 June 30 June 2014	**2,818,678**	**4,614,902**	**174,767,323**	**182,200,903**

uMSHWATHI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 R	2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sales of Goods and Services		26,188,060	15,023,080
Grants		65,775,000	57,942,857
Interest Received		846,781	795,711
Other Receipts		18,888,000	18,404,000
		111,697,841	**92,165,648**
Payments			
Employee Costs		45,008,827	35,988,150
Suppliers		33,309,616	30,522,287
Interest Paid		1,838,540	2,134,019
Other Payments		0	0
		80,156,983	**68,644,456**
NET CASH FROM OPERATING ACTIVITIES		**31,540,858**	**23,521,192**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property,plant and equipment		(24,544,844)	(25,569,099)
Proceeds on disposal of property,plant and equipment		-	-
Proceeds from investments		(725,844)	3,151,541
NET CASH FROM INVESTING ACTIVITIES		**(25,270,688)**	**(22,417,558)**
CASH FLOWS FROM FROM FINANCING ACTIVITIES			
Repayment of external loans		(5,837,090)	(1,120,127)
Repayment of finance lease obligations		(142,610)	(142,610)
Increase (decrease) in short term loans			
NET CASH FROM FINANCING ACTIVITIES		**(5,979,700)**	**(1,262,737)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**290,470**	**(159,103)**
Cash and cash equivalents at the beginning of the year		432,453	591,556
Cash and cash equivalents at the end of the year		722,925	432,453
		290,470	**(159,102)**

	2014 R	2013 R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund		
Unappropriated Surplus		
Loans extinguished by Government on 1 April 1998	2,818,678	2,823,670
	2,818,678	2,823,670
The Housing Development Fund is represented by the following assets and liabilities		
Housing rental and instalment debtors	1,925,734	1,824,757
Debtors - Department of Housing	165,332	165,332
Bank and cash	727,612	833,582
Sub - total	2,818,678	2,823,670
Creditors		
Total Housing Development Fund Assets and Liabilities	2,818,678	2,823,670
2 LONG TERM LIABILITIES		
Capitalised lease liability		
External loans	17,042,431	21,759,394
	17,042,431	21,759,394
Less current portion transferred to current liabilities	-2,312,193	-4,464,416
	14,730,238	17,294,978

External loans are made up of loans from the Development Bank of SA and First National Bank as detailed in Appendix A

Finance Lease Obligation

Minimum Lease Payment Due		
- within 1 year	157,344	157,419
- within 2nd and 3rd year inclusive	314,772	472,257
	472,116	629,676
Less future finance costs	(57,578)	(115,971)
	414,538	513,705

	2014 R	2013 R
Present Value of minimum lease payments		
- within 1 year	119,460	128,426
- within 2nd and 5th year inclusive	295,078	385,279
	414,538	513,705

The lease term is 5 years. The finance charges is recognised as an expense in the statement of financial performance.
The leased asset, the Jeep Grand Cherokee, is included in Property Plant and equipment in Note 6

Net Long Term Liabilities		
External Loans	14,730,238	17,294,978
Finance Lease Obligation	295,078	385,279
	15,025,316	17,680,257

3 CREDITORS

Trade creditors	3,755,934	1,362,049
Staff leave	2,402,894	1,619,477
VAT on Debtors	186,339	159,356
National Lottery	144,979	163,557
Other creditors	1,363,559	44,173
	7,853,704	3,348,613

3.1 Provision for Long Service Award

Non Current Liability for Long Service Award	738,695	639,262
Current Liability for Long Service Award	18,531	45,577
	757,226	684,839

An actural valuation was done for the provision for Long Service Awards in terms of GRAP 25 and a liability raised accordingly.
The comparative amounts have been restated accordingly

	2014 R	2013 R
4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
4.1 Conditional grants from other spheres of government	0	0
Total conditional grants and receipts	**0**	-
MIG		
Opening Balance	0	0
Received During the year	13,888,000	18,404,000
Expended During the year	-13,888,000	-18,404,000
Closing Balance	**0**	**0**
FMG		
Opening Balance	0	0
Received During the year	1,650,000	1,500,000
Expended During the year	-1,650,000	-1,500,000
Closing Balance	**0**	**0**
MSIG		
Opening Balance	0	0
Received During the year	890,000	800,000
Expended During the year	-890,000	-800,000
Closing Balance	**0**	**0**
DoE Funding		
Opening Balance	0	0
Received During the year	5,000,000	0
Expended During the year	-5,000,000	0
Closing Balance	**0**	**0**

	2014 R	2013 R
General Grant		
Opening Balance	0	58,025
Received During the year	0	0
Expended During the year	0	-58,025
Closing Balance	**0**	**0**
Housing Plan		
Opening Balance	0	60,118
Received During the year	0	0
Expended During the year	0	-60,118
Closing Balance	**0**	**0**
5 VAT	3,789,134	1,573,101
VAT refundable	**3,789,134**	**1,573,101**

VAT is payable on the receipts basis

	2014 R	2013 R

6 PROPERTY,PLANT AND EQUIPMENT

Reconciliation of carrying value	Land and Buildings	Infrastr-ucture	Furniture & Equipment	Vehicles	Machinery & Tools	Total
Carrying value at 1 July 2013						
Cost	68,796,303	80,908,770	3,377,999	6,707,696	864,267	160,655,036
Accumulated depreciation - Cost	(9,411,754)	(29,071,542)	(2,084,930)	(2,021,068)	-733,023	(43,322,318)
	59,384,549	51,837,228	1,293,069	4,686,628	131,244	117,332,719
Acquisitions	175,647	10,225,667	1,792,939	36,197	163,751	12,394,201
Capital under construction		12,150,643				12,150,643
Disposal: Cost						-
Disposal: Depreciation						-
Depreciation - based on cost	(2,246,722)	(3,059,934)	-	(879,858)	(529,446)	(6,715,960)
Carrying value at 30 JUNE 2014						
Cost	68,971,950	103,285,080	5,170,938	6,743,894	1,028,018	185,199,880
Revaluation	-	-	-			-
Accumulated depreciation - Cost	(11,658,476)	(32,131,476)	(2,319,380)	(2,900,926)	-1,028,019	(50,038,277)
	57,313,474	71,153,604	2,851,558	3,842,967	0	135,161,603

Reconciliation of carrying value	Land and Buildings	Infrastr-ucture	Furniture & Equipment	Vehicles	2014 R Machinery & Tools	2013 R Total
Carrying value at 1 July 2012						
Cost	59,364,625	70,017,009	2,677,795	2,194,717	831,792	135,085,938
Accumulated depreciation - Cost	(7,502,379)	(26,533,271)	(1,854,767)	(1,400,088)	-660,773	- (37,951,278)
	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Acquisitions	228,992	1,666,274	700,204	4,512,979	32,475	7,140,925
Capital under construction	9,202,687	9,225,487				18,428,174
Depreciation - based on cost	(1,909,375)	(2,538,271)	(230,163)	(620,980)	-72,250	(5,371,040)
Carrying value at 30 JUNE 2013						
Cost	68,796,303	80,908,770	3,377,999	6,707,696	864,267	160,655,036
Accumulated depreciation - Cost	(9,411,754)	(29,071,542)	(2,084,930)	(2,021,068)	(733,023)	- (43,322,318)
	59,384,549	51,837,228	1,293,069	4,686,628	131,244	117,332,719

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

	2014 R	2013 R
Assets Under Construction:		
Office Extension	0	501,260
Thusong Centre	0	6,138,620
Staff Facilities	0	470,902
Thokozane Creche	0	123,533
D708	1,229,473	947,825
Dumela Bridge	562,986	137,397
D1006	576,462	201,741
D599	1,129,150	751,199
Rehablitation of Trust Feed Road	0	2,601,757
Construction of Shalkeni Road	0	491,235
Gqugquma Road	0	130,806
Construction of Kwantanzi Rd	95,844	799,539
Upgrade of New Hanover Ext Roads	0	784,398
Rehablitation of Thokozane Road	0	1,185,220
Upgrading of Efaye Road	0	1,194,370
Cool Air Sports Field	0	1,177,005
Mpolweni Sports Track	0	791,366
D1012	450,574	0
Regravelling of Roads	1,063,064	0
Ndlavenleni Road	926,509	0
Okhalweni Road	598,650	0
Cool Air Bus Route	692,724	0
High Mast Lighting	31,132	0
Mbava Electrification	3,064,503	0
Community Hall Ward 5	219,166	0
Sxandini Sports Field	132,646	0
Nkwalini Sports Field	124,200	0
New Hanover Sports Field	17,640	0
Masijabule Sports Field	1,235,919	0
	12,150,643	**18,428,174**

Zero balances against projects indicate that those project that carried over from 2013 were completed during the 2014 year.

	2014 R	2013 R

7 INTANGIBLE ASSETS

Software Licences and LAN Network		
Cost	321,844	321,844
Amortisation	-321,844	-321,844
Carrying Amount	0	0

The software and network is being amortised over 5 years being its useful life

8 CONSUMER DEBTORS

Balances at 30 June 2014	Gross balance	Provision for doubtful debts	Net balance
Receivables from Exchange Transactions			
Service debtors	3,094,507	-1,157,054	1,937,453
Housing	727,612		727,612
Sundry (Interest)	35,707,210	-10,430,223	25,276,987
	39,529,330	**(11,587,277)**	**27,942,052**
Receivables from Non-Exchange Transactions			
Rates	33,362,621	0	33,362,621
Total	**72,891,951**	**(11,587,277)**	**61,304,673**

Ageing

	Curent (0 - 30 (	31 - 60 days	61 to 90 days	91 - 120 days	121 days and over	
Receivables from Non-Exchange Transactions						
Rates	3,268,155	1,765,923	1,809,996	1,567,707	24,950,840	**33,362,621**
Agriculture	846,812	419,211	522,706	330,431	1,339,911	**3,459,071**
Commercial	257,329	132,177	71,574	63,816	1,039,460	**1,564,356**
Government	1,260,375	702,932	683,784	694,143	12,119,016	**15,460,250**
Residential	903,639	511,603	531,932	479,317	10,452,453	**12,878,944**

	2014 R	2013 R
Receivables from Exchange Transactions		
Refuse Services and other		
Commercial		
Government		
Residential		
Mixed		

	694,693	1,826,144	1,061,141	1,034,634	34,912,718	**39,529,330**
	40,338	23,090	10,303	10,303	149,543	**233,577**
	4,774	4,092	4,092	3,417	54,047	**70,422**
	97,464	229,742	57,211	55,082	2,351,010	**2,790,509**
	552,117	1,569,220	989,535	965,832	32,358,118	**36,434,822**
						72,891,951

	Gross balance	Provision for doubtful debts	Net balance
Balances at 30 June 2013			
Receivables from Exchange Transactions			
Service debtors	2,572,783	-1,300,418	1,272,365
Housing	566,252		566,252
Other	27,982,970	-11,722,567	16,260,403
	31,122,004	**(13,022,985)**	**18,099,019**
Receivables from Non-Exchange Transactions			
Rates	26,078,523	0	26,078,523
Total	**57,200,527**	**(13,022,985)**	**44,177,542**

Ageing

	Curent (0 - 30 d	31 - 60 days	61 to 90 days	91 - 120 days	121 days and over	
Receivables from Non-Exchange Transactions						
Rates	2,569,282	1,610,644	1,300,983	1,150,293	19,447,321	**26,078,523**
Receivables from Exchange Transactions						
Refuse Services and other	697,559	926,878	893,125	856,339	27,748,104	**31,122,005**
						57,200,528

	2014 R	2013 R

The carrying value of debtors is assumed to approximate its fair value since interest is charged on accounts once gone into arreaars.
An estimate is made of doubtful debts based on a review of all outstanding debtors at year end. The current provision is considered adequate since the bulk of the debtors are rates debtors and Government Departments. The amount owing by government departments is R 29 736738. debtors have not been discounted since interest is charged on arrear balalnces on a monthly basis.

Impairment loss on debtors is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired.
The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

9 OTHER DEBTORS

District Municipality	404,244	404,244
Thokazane housing	1,438,744	1,438,744
Department of Housing	165,332	165,332
Debtors: Traffic Fines	17,623	0
Fines Issued	586,730	488,913
Payments Received	-41,050	-46,910
Imoairment based on Historical payment rate	-528,057	-442,003
Accrued Interest	45,414	49,180
Unallocated Receipts	26,022	259,356
Other	446,482	560,275
Total other debtors	2,543,861	2,877,130
less: Provision for doubtful debts	-	-
	2,543,861	**2,877,130**

10 CALL INVESTMENT DEPOSITS

32 day/90 day deposits	4,746,605	5,472,448
	4,746,605	5,472,448

Investments are 32 day and /or 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.

Bank	Account No.	2014 R Amount	2013 R
Standard	0536 -1443-4-14	13,839	13,144
Nedbank			
Investment 1	1461827	15,117	14,562
Investment 2	0635053	16,456	15,852
Investment 3	1679521	84,356	81,256
FNB			
Investment 1	62101572081	826,878	406,250
Investment 2	62101572172	102,935	11,072
Call Account	62101571710	232,750	1,647,222
Call Account: Housing	62214429799	63,854	61,917
ABSA *			
Investment 1	20- 66260264	3,390,420	3,221,173
		4,746,605	**5,472,448**

* The ABSA investment is ceded to DBSA as security for the loan taken from the DBSA. (Refer to Appendix "A").

11 BANK BALANCES AND CASH

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank -
Account number - 62025429232

Cash book balance at beginning of year (overdrawn)	430,109	589,210
Cash book balance at end of year	720,580	430,109
Bank statement balance at beginning of year	380,093	485,147
Bank statement balance at end of year	661,347	380,093

	2014 R	2013 R
12 REVENUE FROM NON EXCHANGE TRANSACTIONS - PROPERTY RATES		
Actual		
Agricultural	7,405,530	4,822,195
Residential	5,901,241	3,842,660
Commercial	2,718,589	1,770,240
Public service infrastructure	6,504,098	4,235,217
State	1,369,845	891,990
Other		
Total assessment rates	23,899,302	15,562,302
Gross Rates	70,561,738	63,595,624
Rebates	(46,662,436)	(48,033,322)
Net Rates	23,899,302	15,562,302
Valuations as at 01 July 2012		
Agricultural	2,522,223,000	2,522,223,000
Residential	888,496,000	888,496,000
Commercial	261,436,000	261,436,000
Public service infrastructure	1,128,196,000	1,128,196,000
State	155,243,000	155,243,000
Other	82,963,000	82,963,000
Total property valuations	5,038,557,000	5,038,557,000
13 REVENUE FROM EXCHANGE TRANSACTIONS - SERVICE CHARGES		
Refuse removal	1,801,290	1,649,791
	1,801,290	1,649,791

	2014 R	2013 R
14 GOVERNMENT GRANTS AND SUBSIDIES	61,423,000	55,307,000
Equitable share	23,240,000	21,158,000
	23,240,000	21,158,000
Conditional grants utilised		
MSIG	890,000	800,000
FMG	1,650,000	1,500,000
Provincial Grant: Finance	35,000	-
Department of Public Works: EPWP	1,000,000	-
Department of Arts and Culture	777,000	454,000
Operational Conditional Grants	4,352,000	2,754,000
MIG	13,888,000	18,404,000
Department of Energy	5,000,000	-
Capital Conditional Grants	18,888,000	18,404,000
Total Conditional Grants	23,240,000	21,158,000
Refer Appendix F		
15 OTHER INCOME	8,376	19,350
Fees: Photocopies	18,246	12,193
Fees: Rates Clearance	0	840
Library Fines	39,736	13,822
Interest: Current Account	8,473	7,677
Fees	39,504	32,656
Community Hall	195,252	192,292
Maintenance	4,970	6,109
Cemetery	53,075	48,316
Postal Service	367,633	333,255

	2014 R	2013 R
16 EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	27,716,065	21,272,404
Employee related costs - contributions to UIF,pension and medical costs	5,195,617	4,533,611
Travel,vehicle,accommodation,subsistence and other allowances	1,960,556	1,447,575
Housing benefits and allowances	91,860	114,728
Overtime payments	719,105	713,728
Bonus	1,184,223	1,147,832
Skills Levy/Protective Clothing/Bargaining Council	775,319	462,200
Sub-total	37,642,745	29,692,079
Less:Employee costs allocated to Property.Plant and Equipment		
Less:Employee costs included in other expenses		
Total employee related costs	37,642,745	29,692,079
There were no loans to employees.		
Included in Employee Related costs:		
Remuneration of the Municipal Manager		
Rremuneration - 4 months	235,333	786,651
Car allowance - 4 months	48,000	135,468
Contributions to Medical and Pension Funds and UIF	0	0
	283,333	922,119
Remuneration of the Chief Financial Officer		
Annual remuneration	644,057	540,462
Acting Allowance (Acting as MM for 7 months)	40,833	0
Bonus	15,000	15,000
Car allowance	120,000	102,240
Contributions to Medical and Pension Funds	943	943
	820,833	658,645

	2014 R	2013 R

Remuneration of other managers

30-Jun-2014	Technical Services	Corporate Services	Community Services
Annual remuneration	538,000	580,000	538,000
Acting Allowance (Acting as MM for 1 month)			12,500
Bonus	0	0	-
Car allowance	162,000	120,000	162,000
Contributions to Medical and Pension Funds	0	0	-
	700,000	700,000	712,500
30-Jun-2013			
Annual remuneration	0	523,462	455,544
Bonus	0	0	13,250
Car allowance	0	69,319	79,655
Contributions to Medical and Pension Funds	0	0	44,332
	-	592,781	592,781

17 REMUNERATION OF COUNCILLORS

Mayor	698,694	630,734
Deputy Mayor	563,129	362,329
Speaker	563,129	362,329
Executive committee members	901,416	1,021,671
Councillors	4,639,713	3,919,008
	7,366,082	6,296,071

Being a full time councillor the Mayor has the use of an office and a mayoral vehicle for official duties

	2014 R	2013 R
18 INTEREST PAID		
External loans	1,794,676	2,134,019
Finance leases	43,865	47,460
	1,838,541	2,181,479

Operating Leases - Rental: Copiers

The municipality has recognised the leases on photocopiers as operating leases and recognised the contractual payments as expenses.

Operating Lease Commitments:		
- within 1 year	157,344	321,902
- within 2nd and 5th year inclusive	314,772	201,240
19 PRIOR PERIOD ERRORS	-	-
20 CASH GENERATED BY OPERATIONS		
Surplus (deficit) for the year	36,719,433	34,614,169
Deficit - Housing operating account		
Ajjustment for :		
Prior year	6,715,960	5,371,040
Depreciation	0	0
Reversal of Water Debtors	112,271	
Contributions to provisions- non-current	-846,781	-795,711
Investment income	1,838,540	2,181,478
Interest paid		
	44,539,423	41,370,977
Operating deficit before working capital changes	-12,980,942	-17,877,906
Change in Working Capital	31,558,481	23,493,071

21 BANK BALANCES AND CASH

	2014 R	2013 R
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Cash on Hand	2,346	2,346
Bank balances and cash	720,580	430,109
	722,926	432,454

22 RELATED PARTY TRANSACTIONS

23.1 There were no related party transactions in the current year.

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

23 23.1 Audit fees

Amount paid current year	932,774	590,860

23.2 VAT

Opening balance	1,731,840	359,359
Current year output VAT	-777,604	-668,981
Current year input VAT	4,348,725	5,016,342
Amount paid - current year	-1,594,199	-2,974,881
Amount refunded by SARS - current	3,708,761	1,731,840
Amount due from SARS - included in debtors		

23.3 PAYE and UIF

Current year payroll deductions and Council UIF contributions	5,241,045	4,131,434
Amount paid - current year	5,241,045	4,131,434

	2014 R	2013 R
23.4 Pension and medical aid deductions		
Current year payroll deductions and Council contributions	3,957,134	4,356,797
Amount paid - current year	3,957,134	4,356,797
23.5 Councillors arrear consumer accounts		
No Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2014		
23.6 General Expenses: Detail		
Advertisements	315,850	290,179
Arts and Culture	111,286	74,242
Audit Fee: External	932,774	590,860
Bank Charges	72,890	68,925
Bursaries	190,401	103,114
Chemicals and Oil Dispersants	1,312	0
Communication: Budget Process	187,657	593,774
Conferences & Semnars	267,680	498,907
Crime Prevention	14,050	3,290
EAP	387,799	593,026
FBS & FBE	1,209,205	1,231,448
HIV/AIDS	526,270	96,467
Hospitality/Mayor's Outreach Program	16,930	135,812
Housing Plan	199,500	13,500
IDP Review	1,060,366	747,157
Information Technology	2,596,041	1,853,630
Insurance	262,253	444,595
Internal Audit	478,260	351,484
Law Enforcement	60,556	52,925
LED Projects	895,285	421,886
Legal Expenses	65,465	192,696
Materials	327,648	217,848
Medical Supplies	0	35,111
Pauper Burials	73,751	29,180
Plant Hire	53,892	376,412

	2014	2013
	R	R
Postage & Stamps	157,115	133,390
Pound	363,360	360,000
Printing and Stationery	455,301	354,948
Purchases: Electricity	1,095,581	1,095,904
Refreshments	162,833	174,872
Refuse Removal	195,553	718,012
Rental: Copiers	778,627	566,642
Road Signs	5,932	11,720
Security	1,634,346	1,224,899
Senior Citizena	119,376	190,802
Small Scale Disasters	70,893	197,078
Social Empowerment	321,715	488,640
Special Projects	498,089	207,723
Sports Promotion	887,321	820,993
Subscriptions	502,007	429,384
Subsistance and Travelling	2,043,539	1,763,970
Sundries	11,557	10,052
Telephones	1,520,393	1,333,472
Town Planning	100,725	107,758
Training	991,487	540,818
Transport/Vehicle Cost	1,955,409	1,487,249
Valuation Fees	180,663	209,993
Ward Committees	791,182	923,181
Woman Empowerment	730,635	282,942
Workmans Compensation	700	1,947
Youth Desk	340,993	122,915
	26,222,453	**22,775,771**

	2014 R	2013 R

23.7 Bank Accounts held by the Municipality

Bank	Type	A/C No.	2014 Opening	2014 Closing	2013 Opening	2013 Closing
FNB - Primary Bank Account	Chq	62025459232	380,093	661,347	485,147	380,093
Standard Bank	Inv	0536-1443-4-14	13,144	13,365	12,498	13,144
Nedbank	Inv	1461827	14,562	14,699	14,017	14,562
Nedbank	Inv	0635053	15,852	16,002	15,259	15,852
Nedbank	Inv	1679521	81,256	82,026	78,217	81,256
FNB	Inv	62101572081	406,250	826,878	1,586,324	406,250
FNB	Inv	62101572172	11,072	102,935	10,962	11,072
FNB	Inv	62101571710	1,647,222	232,750	3,783,291	1,647,222
FNB	Inv	62214429799	61,907	63,854	60,118	61,907
ABSA	Inv	20-6626-0264	3,221,173	3,390,420	3,063,302	3,221,173

24 CAPITAL COMMITMENTS

	2014 R	2013 R
Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure	11,988,616	7,796,522
	11,988,616	**7,796,522**
This expenditure will be financed from		
Revenue	1,831,054	7,796,522
Government Grants	10,157,562	0
	11,988,616	**7,796,522**

	2014 R	2013 R
- approved but not yet contracted for		
Infrastructure	17,500,000	10,103,478
Land and buildings	7,200,000	8,618,000
Community	4,000,000	3,300,000
Plant	2,000,000	1,000,000
Vehicles	1,000,000	1,700,000
Furniture and Equipment	1,000,000	800,000
	32,700,000	**25,521,478**
This expenditure will be financed from		
- government grants	28,698,000	22,296,000
Revenue	4,002,000	11,022,000
	32,700,000	**33,318,000**

25 RETIREMENT BENEFIT INFORMATION

Certain Councillors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and theMunicipal Councillors'Pension Fund. Employees of uMshwathi make up less 1 % of the total members of the funds. uMshwathi's liability in these funds could not be determined owing mainly to the the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial acturial valuation. The last valuation was performed in 2010.

Current Year's Contribution	5,468,937	4,486,559

	2014 R	2013 R

25.1 SUPERANNUATION FUND

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

25.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
25.1.2. deficit of R 88,3 million in respect of members (funding level 95 %)
25.1.3. the fund was thus 104,3% funded
25.1.4. the fund did not hold an investment reserve.
25.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
25.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit.This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

25.2 RETIREMENT FUND

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

25.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)
25.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
25.2.3. the fund was thus 87,7% funded
25.2.4. the fund did not hold an investment reserve
25.2.5. the total contirbution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments.This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

	2014 R	2013 R

26 CONTINGENT LIABILITIES

The following cases are still pending involving the municipality:

Siyabonga Protection		
This is for an objection raised by Siyabonga Protection on the award of a security tender.	0	60,000
The matter will be prescribed in the 2014/15 financial year		

27 RISK MANAGEMENT

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk and cash flow interest rate risk) credit risk and liquidity risk. The municipality has deveeloped a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

Liquidity risk
The entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Interest rate risk
As the municipaality has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk
Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Note 28

Reconciliation of Actual and Budget Information

Details	Original Budget	Adjustments (S 28)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actual as % of Final Budget	Actual as % of Original Budget
Revenue								
Property Rates	22,000,000	1,300,000	23,300,000	23,899,302		599,302	102.57%	108.63%
Service Charges	1,800,000	0	1,800,000	1,801,290		1,290	100.07%	100.07%
Investment Revenue	800,000	0	800,000	846,781		46,781	105.85%	105.85%
Grants: Operational	65,620,000	120,000	65,740,000	65,775,000		35,000	100.05%	100.24%
Other Revenue	10,457,000	658,000	11,115,000	12,476,652		1,361,652	112.25%	119.31%
	100,677,000	**2,078,000**	**102,755,000**	**104,799,025**	**0**	**2,044,025**	**5.21**	**5.34**
Expenditure								
Employee Costs	36,705,000	920,000	37,625,000	37,642,745		17,745	100.05%	102.55%
Councillor Allowances	8,059,000	0	8,059,000	7,366,082		-692,918	91.40%	91.40%
Depreciation	7,350,000	0	7,350,000	6,702,736		-647,264	91.19%	91.19%
Interest Paid	2,500,000	250,000	2,750,000	1,838,541		-911,459	66.86%	73.54%
Repairs and Maintenance	10,203,000	-870,000	9,333,000	6,946,558		-2,386,442	74.43%	68.08%
Other Expenditure	24,638,000	1,778,000	26,416,000	26,363,058		-52,942	99.80%	107.00%
Contribution to Reserves	200,000	0	200,000	112,271		-87,729	56.14%	56.14%
Contribution to Capital	11,022,000	0	11,022,000			-11,022,000		
	100,677,000	**2,078,000**	**102,755,000**	**86,971,992**	**0**	**-15,783,008**	**5.80**	**5.90**
Surplus/Deficit	**0.00**	**0.00**	**0.00**	**17,827,034**	**0.00**	**17,827,034**		

Capital Funding Recognised (Included in Other Revenue)	18,888,000	Budgeted Surplus	0
Internal Funding for Capex	5,656,844		
Total Capex	**24,544,844**		

KZN221 uMshwathi - Reconciliation of Table A1 Budget Summary

Description	2013/14								2012/13			
R thousands	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Financial Performance												
Property rates	22,800	1,500	24,300	25,225		925	103.8%	110.6%				–
Service charges	1,800	–	1,800	1,801		1	100.1%	100.1%				–
Investment revenue	800	–	800	847		47	105.8%	105.8%				–
Transfers recognised - operational	65,620	120	65,740	65,775		35	100.1%	100.2%				–
Other own revenue	9,657	458	10,115	11,151		1,036	110.2%	115.5%				–
Total Revenue (excluding capital transfers and contributions)	**100,677**	**2,078**	**102,755**	**104,799**		**2,044**	**102.0%**	**104.1%**				**–**
Employee costs	36,705	920	37,625	37,643	–	18	100.0%	102.6%	–	–	–	–
Remuneration of councillors	8,059	–	8,059	7,366	–	(693)	91.4%	91.4%	–	–	–	–
Debt impairment	–	–	–	–	–	–	-	-	–	–	–	–
Depreciation & asset impairment	8,850	(1,500)	7,350	6,703	–	(647)	91.2%	75.7%	–	–	–	–
Finance charges	2,500	250	2,750	1,839	–	(911)	66.9%	73.5%	–	–	–	–
Materials and bulk purchases	–	–	–	–	–	–	-	-	–	–	–	–
Transfers and grants	–	–	–	–	–	–	-	-	–	–	–	–
Other expenditure	44,563	2,408	46,971	33,422	–	(13,549)	71.2%	75.0%	–	–	–	–
Total Expenditure	**100,677**	**2,078**	**102,755**	**86,972**	**–**	**(15,783)**	**84.6%**	**86.4%**	**–**	**–**	**–**	**–**
Surplus/(Deficit)	**–**	**–**	**–**	**17,827**		**17,827**	**#DIV/0!**	**#DIV/0!**				**–**
Transfers recognised - capital	27,296	–	27,296	18,888		(8,408)	69.2%	69.2%				–
Contributions recognised - capital & contributed assets	–	–	–	–		–	-	-				–
Surplus/(Deficit) after capital transfers & contributions	**27,296**	**–**	**27,296**	**36,715**		**9,419**	**134.5%**	**134.5%**				**–**
Share of surplus/ (deficit) of associate	–	–	–	–		–	-	-				–
Surplus/(Deficit) for the year	**27,296**	**–**	**27,296**	**36,715**		**9,419**	**134.5%**	**134.5%**				**–**
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	22,296	–	22,296	18,888		(3,408)	84.7%	84.7%				–
Public contributions & donations	–	–	–	–		–	-	-				–
Borrowing	–	–	–	–		–	-	-				–
Internally generated funds	11,022	11,385	22,407	5,657		(16,750)	25.2%	51.3%				–
Total sources of capital funds	**33,318**	**11,385**	**44,703**	**24,545**		**(20,158)**	**54.9%**	**73.7%**				**–**
Cash flows												
Net cash from (used) operating	29,607	(408)	29,199	31,541		2,342	108.0%	106.5%				–
Net cash from (used) investing	(33,318)	4,998	(28,320)	(25,271)		3,050	89.2%	75.8%				–
Net cash from (used) financing	–	–	–	(5,980)		(5,980)	#DIV/0!	#DIV/0!				–
Cash/cash equivalents at the year end	**(3,279)**	**–**	**1,311**	**723**		**(588)**	**55.1%**	**-22.1%**				**432**

KZN221 uMshwathi - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2013/14								2012/13			
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	96,670	1,923	98,593	100,301		1,708	101.7%	103.8%				-
Executive and council	65,795	170	65,965	65,992		27	100.0%	100.3%				
Budget and treasury office	30,875	1,753	32,628	34,309		1,681	105.2%	111.1%				
Corporate services			-			-	-	-				
Community and public safety	87	(5)	82	99		17	120.2%	113.3%				-
Community and social services	87	(5)	82	99		17	120.2%	113.3%				
Sport and recreation			-			-	-	-				
Public safety			-			-	-	-				
Housing			-			-	-	-				
Health			-			-	-	-				
Economic and environmental services	2,120	160	2,280	2,598		318	114.0%	122.6%				-
Planning and development	120	(40)	80	195		115	244.1%	162.7%				
Road transport	2,000	200	2,200	2,403		203	109.2%	120.2%				
Environmental protection			-			-	-	-				
Trading services	1,800	-	1,800	1,801		1	100.1%	100.1%				-
Electricity			-			-	-	-				
Water			-			-	-	-				
Waste water management			-			-	-	-				
Waste management	1,800		1,800	1,801		1	100.1%	100.1%				
Other			-			-	-	-				
Total Revenue - Standard	100,677	2,078	102,755	104,799		2,044	102.0%	104.1%				-
Expenditure - Standard												
Governance and administration	58,512	1,483	59,995	59,870	(125)	(125)	99.8%	102.3%	-	-	-	-
Executive and council	27,627	323	27,950	28,290	340	340	101.2%	102.4%			-	
Budget and treasury office	19,256	160	19,416	16,994	(2,422)	(2,422)	87.5%	88.3%			-	
Corporate services	11,629	1,000	12,629	14,586	1,957	1,957	115.5%	125.4%			-	
Community and public safety	9,369	545	9,914	7,797	(2,117)	(2,117)	78.6%	83.2%	-	-	-	-
Community and social services	9,369	545	9,914	7,797	(2,117)	(2,117)	78.6%	83.2%			-	
Sport and recreation			-		-	-	-	-			-	
Public safety			-		-	-	-	-			-	
Housing			-		-	-	-	-			-	
Health			-		-	-	-	-			-	
Economic and environmental services	32,211	50	32,261	19,040	(13,221)	(13,221)	59.0%	59.1%	-	-	-	-
Planning and development	31,004	50	31,054	15,333	(15,721)	(15,721)	49.4%	49.5%			-	
Road transport	77		77	2,895	2,818	2,818	3759.8%	3759.8%			-	
Environmental protection	1,130		1,130	811	(319)	(319)	71.8%	71.8%			-	
Trading services	585	-	585	266	(319)	(319)	45.5%	45.5%	-	-	-	-
Electricity			-		-	-	-	-			-	
Water			-		-	-	-	-			-	
Waste water management			-		-	-	-	-			-	
Waste management	585		585	266	(319)	(319)	45.5%	45.5%			-	
Other			-		-	-	-	-			-	
Total Expenditure - Standard	100,677	2,078	102,755	86,972	(15,783)	(15,783)	84.6%	86.4%	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	17,827	17,827	17,827	#DIV/0!	#DIV/0!	-	-	-	-

KZN221 uMshwathi - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2013/14								2012/13			
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Council General	74,700	618	75,318	76,441		1,123	101.5%	102.3%				
Vote 2 - Rates	22,000	1,300	23,300	23,899		599	102.6%	108.6%				
Vote 3 - Municipal Manager			–			–	-	-				
Vote 4 - Corporate Services			–			–	-	-				
Vote 5 - Community Services			–			–	-	-				
Vote 6 - Library Services	1	–	1	1		0	103.4%	103.4%				
Vote 7 - Clinic			–			–	-	-				
Vote 8 - Traffic	100	(50)	50	41		(9)	82.1%	41.1%				
Vote 9 - Motor Licencing	1,900	250	2,150	2,362		212	109.9%	124.3%				
Vote 10 - Finance	50	–	50	53		3	106.2%	106.2%				
Vote 11 - Technical Services			–			–	-	-				
Vote 12 - Public Works	120	(40)	80	195		115	244.1%	162.7%				
Vote 13 - Cemetery/Community Halls	6	–	6	5		(1)	82.8%	82.8%				
Vote 14 - Environmental Mgt/Pound Mgt			–			–	-	-				
Vote 15 - Waste/Refuse Removal	1,800	–	1,800	1,801		1	100.1%	100.1%				
Total Revenue by Vote	100,677	2,078	102,755	104,799		2,044	102.0%	104.1%				–
Expenditure by Vote *to be appropriated*												
Vote 1 - Council General	15,321	(107)	15,214	14,929		(285)	98.1%	97.4%			–	
Vote 2 - Rates			–			–	-	-			–	
Vote 3 - Municipal Manager	12,306	430	12,736	13,362		626	104.9%	108.6%			–	
Vote 4 - Corporate Services	11,629	1,000	12,629	14,586		1,957	115.5%	125.4%			–	
Vote 5 - Community Services	9,361	545	9,906	6,515		(3,391)	65.8%	69.6%			–	
Vote 6 - Library Services	8		8	488		480	6094.9%	6094.9%			–	
Vote 7 - Clinic			–			–	-	-			–	
Vote 8 - Traffic	63		63	2,087		2,024	3313.5%	3313.5%			–	
Vote 9 - Motor Licencing	14		14	808		794	5768.4%	5768.4%			–	
Vote 10 - Finance	19,256		19,256	16,994		(2,262)	88.3%	88.3%			–	
Vote 11 - Technical Services	25,552	210	25,762	14,023		(11,739)	54.4%	54.9%			–	
Vote 12 - Public Works	5,452		5,452	1,310		(4,142)	24.0%	24.0%			–	
Vote 13 - Cemetery/Community Halls	–	–	–	794		794	#DIV/0!	#DIV/0!			–	
Vote 14 - Environmental Mgt/Pound Mgt	1,130		1,130	811		(319)	71.8%	71.8%			–	
Vote 15 - Waste/Refuse Removal	585		585	266		(319)	45.5%	45.5%			–	
Total Expenditure by Vote	100,677	2,078	102,755	86,972	–	(15,783)	84.6%	86.4%	–	–	–	–
Surplus/(Deficit) for the year	–	–	–	17,827		17,827	#DIV/0!	#DIV/0!				

KZN221 uMshwathi - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2013/14								2012/13			
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	22,000	1,300	23,300	23,899		599	102.6%	108.6%				
Property rates - penalties & collection charges	800	200	1,000	1,326		326	132.6%	165.7%				
Service charges - electricity revenue			–			–	-	-				
Service charges - water revenue			–			–	-	-				
Service charges - sanitation revenue			–			–	-	-				
Service charges - refuse revenue	1,800	–	1,800	1,801		1	100.1%	100.1%				
Service charges - other			–			–	-	-				
Rental of facilities and equipment	150	50	200	200		(0)	99.9%	133.1%				
Interest earned - external investments	800	–	800	847		47	105.8%	105.8%				
Interest earned - outstanding debtors	7,250	250	7,500	8,180		680	109.1%	112.8%				
Dividends received			–			–	-	-				
Fines	101	(50)	51	42		(9)	82.5%	41.7%				
Licences and permits			–			–	-	-				
Agency services	1,900	250	2,150	2,362		212	109.9%	124.3%				
Transfers recognised - operational	65,620	120	65,740	65,775		35	100.1%	100.2%				
Other revenue	256	(42)	214	368		154	171.8%	143.6%				
Gains on disposal of PPE			–			–	-	-				
Total Revenue (excluding capital transfers and contributions)	**100,677**	**2,078**	**102,755**	**104,799**		**2,044**	**102.0%**	**104.1%**				–
Expenditure By Type			–				-	-				
Employee related costs	36,705	920	37,625	37,643		18	100.0%	102.6%			–	
Remuneration of councillors	8,059	–	8,059	7,366		(693)	91.4%	91.4%			–	
Debt impairment			–			–	-	-			–	
Depreciation & asset impairment	8,850	(1,500)	7,350	6,703		(647)	91.2%	75.7%			–	
Finance charges	2,500	250	2,750	1,839		(911)	66.9%	73.5%			–	
Bulk purchases			–			–	-	-			–	
Other materials			–			–	-	-			–	
Contracted services			–			–	-	-			–	
Transfers and grants			–			–	-	-			–	
Other expenditure	44,563	2,408	46,971	33,422		(13,549)	71.2%	75.0%			–	
Loss on disposal of PPE			–			–	-	-			–	
Total Expenditure	**100,677**	**2,078**	**102,755**	**86,972**	**–**	**(15,783)**	**84.6%**	**86.4%**	**–**	**–**	**–**	**–**
Surplus/(Deficit)	**–**	**–**	**–**	**17,827**		**17,827**	**#DIV/0!**	**#DIV/0!**				**–**
Transfers recognised - capital	27,296		27,296	18,888		(8,408)	69.2%	69.2%				
Contributions recognised - capital			–			–	-	-				
Contributed assets			–			–	-	-				
Surplus/(Deficit) after capital transfers & contributions	**27,296**	**–**	**27,296**	**36,715**		**9,419**	**134.5%**	**134.5%**				**–**
Taxation			–			–	-	-				
Surplus/(Deficit) after taxation	**27,296**	**–**	**27,296**	**36,715**		**9,419**	**134.5%**	**134.5%**				**–**
Attributable to minorities			–			–	-	-				
Surplus/(Deficit) attributable to municipality	**27,296**	**–**	**27,296**	**36,715**		**9,419**	**134.5%**	**134.5%**				**–**
Share of surplus/ (deficit) of associate			–			–	-	-				
Surplus/(Deficit) for the year	**27,296**	**–**	**27,296**	**36,715**		**9,419**	**134.5%**	**134.5%**				**–**

KZN221 uMshwathi - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2013/14								2012/13			
R thousand	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Council General			-			-	-	-			-	
Vote 2 - Rates			-			-	-	-			-	
Vote 3 - Municipal Manager			-			-	-	-			-	
Vote 4 - Corporate Services			-			-	-	-			-	
Vote 5 - Community Services			-			-	-	-			-	
Vote 6 - Library Services			-			-	-	-			-	
Vote 7 - Clinic			-			-	-	-			-	
Vote 8 - Traffic			-			-	-	-			-	
Vote 9 - Motor Licencing			-			-	-	-			-	
Vote 10 - Finance			-			-	-	-			-	
Vote 11 - Technical Services			-			-	-	-			-	
Vote 12 - Public Works			-			-	-	-			-	
Vote 13 - Cemetery/Community Halls			-			-	-	-			-	
Vote 14 - Environmental Mgt/Pound Mgt			-			-	-	-			-	
Vote 15 - Waste/Refuse Removal			-			-	-	-			-	
Capital multi-year expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure												
Vote 1 - Council General	3,800	75	3,875	1,969		(1,906)	51%	52%			-	
Vote 2 - Rates			-			-	-	-			-	
Vote 3 - Municipal Manager			-			-	-	-			-	
Vote 4 - Corporate Services			-			-	-	-			-	
Vote 5 - Community Services	11,118	2,650	13,768	8,658		(5,110)	63%	78%			-	
Vote 6 - Library Services			-			-	-	-			-	
Vote 7 - Clinic			-			-	-	-			-	
Vote 8 - Traffic			-			-	-	-			-	
Vote 9 - Motor Licencing			-			-	-	-			-	
Vote 10 - Finance			-			-	-	-			-	
Vote 11 - Technical Services	17,900	8,660	26,560	13,718		(12,842)	52%	77%			-	
Vote 12 - Public Works	500		500	200		(300)	40%	40%			-	
Vote 13 - Cemetery/Community Halls			-			-	-	-			-	
Vote 14 - Environmental Mgt/Pound Mgt			-			-	-	-			-	
Vote 15 - Waste/Refuse Removal			-			-	-	-			-	
Capital single-year expenditure	33,318	11,385	44,703	24,545	-	(20,158)	55%	74%	-	-	-	-
Total Capital Expenditure - Vote	33,318	11,385	44,703	24,545	-	(20,158)	55%	74%	-	-	-	-
Capital Expenditure - Standard												
Governance and administration	**3,000**	**75**	**3,075**	**1,969**	**-**	**(1,106)**	**64%**	**66%**	**-**	**-**	**-**	**-**
Executive and council	3,000	75	3,075	1,969		(1,106)	64%	66%			-	
Budget and treasury office			-			-	-	-			-	
Corporate services			-			-	-	-			-	
Community and public safety	**4,918**	**2,650**	**7,568**	**8,658**	**-**	**1,090**	**114%**	**176%**	**-**	**-**	**-**	**-**
Community and social services	3,418	2,650	6,068	4,931		(1,137)	81%	144%			-	
Sport and recreation	1,500		1,500	3,728		2,228	249%	249%			-	
Public safety			-			-	-	-			-	
Housing			-			-	-	-			-	
Health			-			-	-	-			-	
Economic and environmental services	**25,400**	**8,660**	**34,060**	**13,918**	**-**	**(20,142)**	**41%**	**55%**	**-**	**-**	**-**	**-**
Planning and development			-			-	-	-			-	
Road transport	24,900	8,660	33,560	13,918		(19,642)	41%	56%			-	
Environmental protection	500		500			(500)	-	-			-	
Trading services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Electricity			-			-	-	-			-	
Water			-			-	-	-			-	
Waste water management			-			-	-	-			-	
Waste management			-			-	-	-			-	
Other			-			-	-	-			-	
Total Capital Expenditure - Standard	33,318	11,385	44,703	24,545	-	(20,158)	55%	74%	-	-	-	-
Funded by:												
National Government	22,296		22,296	18,888		(3,408)	85%	85%				
Provincial Government			-			-	-	-				
District Municipality			-			-	-	-				
Other transfers and grants			-			-	-	-				
Transfers recognised - capital	**22,296**	**-**	**22,296**	**18,888**		**(3,408)**	**85%**	**85%**				**-**
Public contributions & donations			-			-	-	-				
Borrowing			-			-	-	-				
Internally generated funds	**11,022**	**11,385**	**22,407**	**5,657**		**(16,750)**	**25%**	**51%**				
Total Capital Funding	33,318	11,385	44,703	24,545		(20,158)	55%	74%				-

KZN221 uMshwathi - Reconciliation of Table A7 Budgeted Cash Flows

Description	2013/14							2012/13
R thousand	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	21,346	1,550	22,896	26,188	3,292	114.4%	122.7%	
Government - operating	65,620	120	65,740	65,775	35	100.1%	100.2%	
Government - capital	22,296		22,296	18,888	(3,408)	84.7%	84.7%	
Interest	800		800	847	47	105.8%	105.8%	
Dividends			–		–	-	-	
Payments								
Suppliers and employees	(77,955)	(1,828)	(79,783)	(78,318)	1,465	98.2%	100.5%	
Finance charges	(2,500)	(250)	(2,750)	(1,839)	911	66.9%	73.5%	
Transfers and Grants			–		–	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	**29,607**	**(408)**	**29,199**	**31,541**	**2,342**	**108.0%**	**106.5%**	–
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE			–		–	-	-	
Decrease (Increase) in non-current debtors			–		–	-	-	
Decrease (increase) other non-current receivables			–		–	-	-	
Decrease (increase) in non-current investments			–	(726)	(726)	#DIV/0!	#DIV/0!	
Payments								
Capital assets	(33,318)	4,998	(28,320)	(24,545)	3,775	86.7%	73.7%	
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(33,318)**	**4,998**	**(28,320)**	**(25,271)**	**3,050**	**89.2%**	**75.8%**	–
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans			–		–	-	-	
Borrowing long term/refinancing			–		–	-	-	
Increase (decrease) in consumer deposits			–		–	-	-	
Payments								
Repayment of borrowing			–	(5,980)	(5,980)	#DIV/0!	#DIV/0!	
NET CASH FROM/(USED) FINANCING ACTIVITIES	–	–	–	**(5,980)**	**(5,980)**	**#DIV/0!**	**#DIV/0!**	–
NET INCREASE/ (DECREASE) IN CASH HELD	(3,711)	4,590	879	290				–
Cash/cash equivalents at the year begin:	432		432	432				
Cash/cash equivalents at the year end:	(3,279)		1,311	723	(588)	55.1%	-22.1%	432

APPENDIX A (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2014

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 30-Jun-13	Received during the year	Redeemed or written off during the year	Balance at 30-Jun-14
				R	R	R	R
ANNUITY LOAN							
FIRST NATIONAL BANK	2	Prime less 1,00 %	3/31/2018	8,467,825	0	1,908,792	6,559,033
DEVELOPMENT BANK	1	9,4 %	4/30/2020	14,411,695	0	3,928,298	10,483,397
TOTAL EXTERNAL LOANS				**22,879,520**	**0**	**5,837,090**	**17,042,430**

Note:

The investment with ABSA Bank (as per note 11) is ceded to DBSA as security for the loan taken.

APPENDIX B (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2014

	Cost/ Revaluation					Accumulated Depreciation				Carrying Value	Budget Additions 2014
	Opening Balance	Additions	Under Construction	Disposal	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Land and Buildings											
Land	12,857,994				12,857,994	825,953			825,953	12,032,041	800,000
Buildings	54,355,687	4,008,658	1,729,571		60,093,916	8,585,801	2,246,722		10,832,523	49,261,393	11,118,000
	67,213,681	**4,008,658**	**1,729,571**	**0**	**72,951,911**	**9,411,754**	**2,246,722**	**0**	**11,658,476**	**61,293,434**	**11,918,000**
Infrastructure											
Electrification reticulation	10,887,545		3,095,635		13,983,180	0			0	13,983,180	0
Sewer reticulation	0				0	0			0	0	0
Construction works	71,603,846	6,392,656	7,325,436		85,321,939	29,071,542	3,059,934		32,131,476	53,190,463	17,900,000
	82,491,391	**6,392,656**	**10,421,071**	**0**	**99,305,118**	**29,071,542**	**3,059,934**	**0**	**32,131,476**	**67,173,642**	**17,900,000**
Other Assets											
Office and computer equipment	1,486,181	1,155,815			2,641,996	1,035,284	529,446		1,564,729	1,077,266	600,000
Furniture and fittings	1,752,899	637,125			2,390,024	973,448			973,448	1,416,576	200,000
Tools	71,889				71,889	68,257			68,257	3,632	0
Motor vehicles and major equipment	6,707,696	36,197			6,743,894	2,021,068	879,858		2,900,926	3,842,968	2,200,000
Machinery	654,360	163,751			818,111	524,588			524,588	293,523	500,000
Air conditioners	138,920				138,920	78,658			78,658	60,262	0
Other	138,018				138,018	137,718			137,718	300	0
	10,949,964	**1,992,888**	**0**	**0**	**12,942,851**	**4,839,021**	**1,409,303**	**0**	**6,248,324**	**6,694,527**	**3,500,000**
Total	**160,655,036**	**12,394,201**	**12,150,642**	**0**	**185,199,880**	**43,322,317**	**6,715,960**	**0**	**50,038,277**	**135,161,603**	**33,318,000**
Intangible Assets											
Computer Software	321,844				**321,844**	321,844			**321,844**	**0**	
Total	**160,976,880**	**12,394,201**	**12,150,642**	**0**	**185,521,724**	**43,644,161**	**6,715,960**	**0**	**50,360,121**	**135,161,603**	

APPENDIX C (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2014

	Cost/ Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposal	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive and Council	25,447,285	1,968,586			27,415,871	1,276,275	1,409,303		2,685,579	24,730,292
Finance and Admin	18,708,989				18,708,989	5,169,623			5,169,623	13,539,366
Health	72,820				72,820	72,819			72,819	1
Community & Social Services	38,112,786	3,833,011	4,825,206		46,771,003	7,763,115	2,246,722		10,009,837	36,761,166
Public Safety	852,806				852,806	527,040			527,040	325,766
Waste Management	2,257,827				2,257,827	82,806			82,806	2,175,021
Road Transport	73,835,955	6,592,605	7,325,436		87,753,996	27,295,971	3,059,934		30,355,905	57,398,091
Other	1,366,569				1,366,569	1,134,668			1,134,668	231,901
	160,655,036	**12,394,201**	**12,150,643**	**0**	**185,199,880**	**43,322,317**	**6,715,960**	**0**	**50,038,277**	**135,161,603**
Intangible Assets	321,844				321,844	321,844			321,844	0
	160,976,880	**12,394,201**	**12,150,643**	**0**	**185,521,724**	**43,644,161**	**6,715,960**	**0**	**50,360,121**	**135,161,603**

APPENDIX D (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	2014			2013		
	Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R	Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
Executive and Council	65,991,566	23,125,286	42,866,280	59,321,522	22,177,618	37,143,904
Finance and Admin	34,309,245	31,579,768	2,729,477	23,935,418	26,791,764	(2,856,347)
Health		-	-	-	61,569	(61,569)
Community & Social Services	2,460,620	8,604,159	(6,143,539)	2,313,684	7,156,779	(4,843,095)
Public Safety	58,673	2,087,491	(2,028,818)	46,910	314,844	(267,934)
Waste Management	1,801,290	266,047	1,535,244	1,649,791	1,919,660	(269,869)
Road Transport	19,083,252	21,322,463	(2,239,211)	18,596,292	12,827,214	5,769,079
Sub - total	**123,704,647**	**86,985,214**	**36,719,433**	**105,863,617**	**71,249,449**	**34,614,169**

APPENDIX E (1) (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014

REVENUE	2014 Actual R	2014 Budget R	2014 Variance R	2014 Variance %	Explanation of significant variances
Property rates	23,899,302	23,300,000	599,302	3	
Property rates - penalties imposed and collection charges	1,325,643	1,000,000	325,643	33	The large increase is due to the increase in rates debtors.
Service charges	1,801,290	1,800,000	1,290	0	
Rental of facilities and equipment	199,718	200,000	(282)	(0)	
Interest earned - external investments	846,781	800,000	46,781	6	
Interest earned - outstanding debtors	8,179,537	7,500,000	679,537	9	The large increase is due to the increase in debtors.
Fines	59,707	51,000	8,707	17	This is as result of non payment of traffic fines. Initiatives have been taken to recover outstanding fines
Income for agency services	2,362,036	2,150,000	212,036	10	There is a steady increase in the intake of learner licences.
Government grants and subsidies	65,775,000	65,740,000	35,000	0	
Other income	367,633	134,000	233,633	(174)	There was a major increase in hall hiring, interest on current account, Planning applications and once off service requests
DoE Funding	5,000,000	0	5,000,000	-	
MIG Funds	13,888,000	22,376,000	(8,488,000)	(38)	R 8 488 000.00 was held back by treasury
Total Revenue	**123,704,647**	**125,051,000**	**(1,346,353)**	**(1)**	
EXPENDITURE	**2014 Actual R**	**2014 Budget R**	**2014 Variance R**	**2014 Variance %**	
Employee related costs	37,642,745	37,125,000	517,745	1	
Remuneration of Councillors	7,366,082	8,259,000	(892,918)	(11)	Although the budget for EXCO members was budgeted for full time they were paid as parttime
Collection costs	112,658	100,000	12,658	13	
Depreciation	6,715,960	8,850,000	(2,134,040)	(24)	The budget for depreciation was over estimated.
Repairs and maintenance	6,946,558	9,333,000	(2,386,442)	(26)	Certain work that was budgeted as maintenance was converted to capital expenditure
Interest paid	1,838,540	2,750,000	(911,460)	(33)	The budget for finance charges was over estimated
Contracted services	27,946	100,000	(72,054)	(72)	Not much use was made of consultants
General expenses	26,222,453	25,016,000	1,206,453	5	Certain expenditure that was budgetd for were not incurred.
Contribution to Reserves	112,272	200,000	(87,728)	(44)	The leave reserve was increased to provide for the maximum leave days staff are allowed to encash.
Capital Contribution	0	33,318,000			
Total Expenditure	**86,985,214**	**125,051,000**	**(4,747,786)**	**(4)**	
Surplus (Deficit) for the year	**36,719,433**	**-**	**3,401,433**		

APPENDIX E (1) (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014

REVENUE	2014 Actual R	2014 Budget R	2014 Variance R	2014 Variance %	Explanation of significant variances
Property rates	23,899,302	23,300,000	599,302	3	
Property rates - penalties imposed and collection charges	1,325,643	1,000,000	325,643	33	The large increase is due to the increase in rates debtors.
Service charges	1,801,290	1,800,000	1,290	0	
Rental of facilities and equipment	199,718	200,000	(282)	(0)	
Interest earned - external investments	846,781	800,000	46,781	6	
Interest earned - outstanding debtors	8,179,537	7,500,000	679,537	9	The large increase is due to the increase in debtors.
Fines	59,707	51,000	8,707	17	This is as result of non payment of traffic fines. Initiatives have been taken to recover outstanding fines
Income for agency services	2,362,036	2,150,000	212,036	10	There is a steady increase in the intake of learner licences.
Government grants and subsidies	65,775,000	65,740,000	35,000	0	
Other income	367,633	134,000	233,633	(174)	There was a major increase in hall hiring, interest on current account, Planning applications and once off service requests
DoE Funding	5,000,000	0	5,000,000	-	
MIG Funds	13,888,000	22,376,000	(8,488,000)	(38)	R 8 488 000.00 was held back by treasury
Total Revenue	**123,704,647**	**125,051,000**	**(1,346,353)**	**(1)**	
EXPENDITURE	**2014 Actual R**	**2014 Budget R**	**2014 Variance R**	**2014 Variance %**	
Employee related costs	37,642,745	37,125,000	517,745	1	
Remuneration of Councillors	7,366,082	8,259,000	(892,918)	(11)	Although the budget for EXCO members was budgeted for full time they were paid as parttime
Collection costs	112,658	100,000	12,658	13	
Depreciation	6,715,960	8,850,000	(2,134,040)	(24)	The budget for depreciation was over estimated.
Repairs and maintenance	6,946,558	9,333,000	(2,386,442)	(26)	Certain work that was budgeted as maintenance was converted to capital expenditure
Interest paid	1,838,540	2,750,000	(911,460)	(33)	The budget for finance charges was over estimated
Contracted services	27,946	100,000	(72,054)	(72)	Not much use was made of consultants
General expenses	26,222,453	25,016,000	1,206,453	5	Certain expenditure that was budgetd for were not incurred.
Contribution to Reserves	112,272	200,000	(87,728)	(44)	The leave reserve was increased to provide for the maximum leave days staff are allowed to encash.
Capital Contribution	0	33,318,000			
Total Expenditure	**86,985,214**	**125,051,000**	**(4,747,786)**	**(4)**	
Surplus (Deficit) for the year	**36,719,433**	**-**	**3,401,433**		