

**UMHLABUYALINGANA UMASIPALA WASEKHAYA
UMHLABUYALINGANA LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR
THE YEAR ENDED 2014**

UMHLABUYALINGANA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 2014

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UMHLABUYALINGANA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 2014

GENERAL INFORMATION

Mayor	Cllr. T.S Mkhombo
Deputy Mayor	Cllr. M.N Nxumalo
Speaker	Cllr. N.S Mthembu
Exco Members	Cllr. N.S. Mthethwa Cllr. B.T. Tembe Cllr. M.S. Mabika (Resigned 30 May 2014) Cllr. T.A Zikhali Cllr. S.N Ntshele (Appointed 30 June 2014)

Capacity of Municipality

Medium Capacity Municipality

Auditors

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

GENERAL INFORMATION (continued)

Bankers

First National Bank of South Africa

Registered office: Municipal Building, Kwangwanase

Physical address: Main Street
Manguzi

Postal address: Private Bag X 901
KwaNgwanase
3973

Telephone Number: 035 - 592 0680

Fax Number: 035 - 592 0672

Municipal Manager

Mr. S.E Bukhosini

Chief Financial Officer

Mr. N.P.E Myeni

UMHLABUYALINGANA LOCAL MUNICIPALITY

REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

30 JUNE 2014

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

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITY AND APPROVAL

UMHLABUYALINGANA LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 2014

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

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

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Mr. S.E Bukhosini
Accounting Officer

29 August 2014
Date

UMHLABUYALINGANA MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 2014

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 1 22(3) of the Municipal Finance Management Act(Act No 56 of 2003)

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

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-Cash-generating-assets - issued March 2009
GRAP 23	Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24	Presentation of Budget Information - issued November 2007
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating-assets - issued March 2009
GRAP 27	Agriculture (Replaces GRAP 101)
GRAP 31	Intangible Assets (Replaces GRAP 102)
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture (Replaces GRAP 27)
GRAP 102	Intangible Assets (Replaces GRAP 31)
GRAP 103	Heritage Assets - issued July 2008
GRAP 104	Financial Instruments

Assets, liabilities, revenues, and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP. The accounting policies applied are consistent with those used to present the previous year's financial statement, unless explicitly stated. The details of any changes in accounting policies are explained in relevant policy.

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Recognised Accounting Practices including any interpretations of such Statements issued by the Accounting Practices Board.

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

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

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

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

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

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

2 PROPERTY, PLANT AND EQUIPMENT

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

2.1 INITIAL RECOGNITION

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

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

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

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

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

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

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.3 DEPRECIATION

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

INFRASTRUCTURE ASSETS

Roads and Paving	30 years
Roads and Water	20 years

COMMUNITY ASSETS

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

FINANCE LEASED ASSETS

Office equipment	5 years
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OTHER ASSETS

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

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

2.4 IMPAIRMENT OF ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

2.5 DERECOGNITION

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

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

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

Computer software 5 years

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

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

3.4 DERECOGNITION

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

4 FINANCIAL INSTRUMENTS

4.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

4.2 SUBSEQUENT MEASUREMENT

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

4.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the

4.2.2 TRADE AND OTHER RECEIVABLES

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

4.2.3 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

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

4.2.4 CASH AND CASH EQUIVALENTS

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

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

5 UNAUTHORISED EXPENDITURE

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

6 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998), Division of Revenue Act of 2008 or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 FRUITLESS AND WASTEFUL EXPENDITURE

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

8 PROVISIONS

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

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

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

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

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

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

9 LEASES

9.1 MUNICIPALITY AS LESSEE

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease. Difference between the amount recognized as expense and contractual payments are recognized as lease asset or liability.

9.2 MUNICIPALITY AS LESSOR

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

10 REVENUE

10.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised on initial recognition when fines are issued. The probability of non payment on the initial recognition is a subsequent event when assessing impairment and need not restate comparative information.

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

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

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

11 GRANTS, TRANSFERS AND DONATIONS

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

12 EMPLOYEE BENEFITS

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

12.1 SHORT TERM EMPLOYEE BENEFIT

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

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

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

12.2 DEFINED CONTRIBUTION PLAN

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

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

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

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

12.2 LONG SERVICE AWARDS

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

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

13 BUDGET INFORMATION

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

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

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

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

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

14 RELATED PARTIES

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

15 SIGNIFICANT JUDGEMENT AND SOURCES OF ESTIMATING UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

15.1 TRADE AND OTHER RECEIVABLES/LOANS RECEIVABLES

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables and loans and receivables is calculated on a portfolio basis on the remaining individually impaired items, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other Indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

15.2 FAIR VALUE ESTIMATION

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

15.3 IMPAIRMENT TESTING

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

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

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.

15.5 ALLOWANCES FOR IMPAIRMENT

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Umhlabuyalingana Local Municipality

Statement of financial position as at 2014

	Notes	2014	2013
		R	R
Assets			
Non-current assets		182 758 287	155 066 912
Property, plant and equipment	<u>1</u>	182 295 363	154 504 988
Intangible	<u>2</u>	462 924	546 265
Long term debtors	<u>05</u>	-	15 658
Current assets		84 167 699	71 354 568
Trade and other receivables from non-exchange transactions: Staff Debtors	<u>05</u>	204 282	473 548
Trade and Receivable from non exchange transactions: Rates	<u>04</u>	11 487 558	7 203 895
Vat receivable	<u>03</u>	1 426 200	3 921 307
Cash and cash equivalents	<u>06</u>	71 049 659	59 755 818
Total assets		266 925 986	226 421 480
Liabilities			
Non- Current Liabilities		9 547 618	9 056 748
Finance Lease Obligation	<u>27</u>	25 704	125 458
Non-Current Provisions	<u>10</u>	9 521 914	8 931 290
Current liabilities		12 238 463	12 994 840
Trade and other payables from exchange transactions -Trade	<u>8.1</u>	7 771 515	6 650 777
Trade and other payables from exchange transactions - Employee Related	<u>8.2</u>	1 333 082	1 349 253
Unspent Conditional Grants	<u>09</u>	3 034 111	4 913 242
Current portion of lease liability	<u>27</u>	99 755	81 568
Total liabilities		21 786 081	22 051 588
Net assets		245 139 905	204 369 892
Accumulated surplus	<u>07</u>	245 139 905	204 369 892
Total net assets		245 139 905	204 369 892

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

02 INTANGIBLE ASSETS

Computer Software	2014	2013
Opening balance	522 454	771 279
Prior year adjustment	23 811	(104 100)
Restated balance	546 265	667 179
Additions	87 836	17 237
Asset Written off	-	(710)
Impairment	(438)	-
Amortisation	(172 987)	(161 251)
Amortisation write-back	2 249	-
Closing balance	462 924	522 454

Fixed asset register is maintained as required by Section 36

03 VAT RECEIVABLE

	2014	2013
VAT receivable	1 426 200	3 921 307

VAT is accounted for on invoice basis, and is claimable on the receipt of the invoice, and is paid over to SARS once the invoice has been issued

04 Trade and Receivable from non exchange transaction

4.1 Trade receivables

	Gross Balance R	Allowances for doubtful debts R	Net Balance R
as at 2014			
Service debtors			
Rates	15 649 850	(4 162 292)	11 487 558
Total	15 649 850	(4 162 292)	11 487 558
as at 30 June 2013			
Service debtors			
Rates	9 045 637	(1 841 742)	7 203 895
Total	9 045 637	(1 841 742)	7 203 895

Rates: Ageing

	2014	2013
Current (0 – 30 days)	691 114	3 169 442
31 - 60 Days	673 075	668 097
61 - 90 Days	661 780	526 017
91 - 120 Days	661 780	469 496
121 - 150 Days	661 780	445 677
150 or more	12 300 320	3 766 908
Total	15 649 850	9 045 637

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

<u>Summary of Debtors by Customer Classification</u>	IEC Rental	Industrial / Commercial	Agricultural	Ingonyama Trust	National and Provincial Government	Total
	R	R		R	R	R
2014						
Current (0 – 30 days)	2 481	237 135	1 963	381 620	67 914	691 113
31 - 60 Days	2 481	219 097	1 963	381 620	67 914	673 075
61 - 90 Days		210 283	1 963	381 620	67 914	661 780
91 - 120 Days		210 283	1 963	381 620	67 914	661 780
121 - 150 Days		210 283	1 963	381 620	67 914	661 780
+ 150 Days		4 162 292	93 075	6 765 576	1 279 377	12 300 320
Sub-total	4 961	5 249 374	102 892	8 673 676	1 618 946	15 649 849
Debtors discounting						
Less: Provision for doubtful debts		(4 162 292)			-	(4 162 292)
Total debtors by customer classification	4 961	1 087 081	102 892	8 673 676	1 618 946	11 482 596

04 Trade and Receivable from non exchange transaction (continued)

<u>Summary of Debtors by Customer Classification</u>	IEC Rental	Industrial / Commercial	Agricultural	Ingonyama Trust	National and Provincial Government	Total
2013						
Current (0 – 30 days)		341 598	-	2 498 363	329 481	3 169 442
31 - 60 Days		213 724	-	84 286	370 087	668 097
61 - 90 Days		182 335	-	84 286	259 396	526 017
91 - 120 Days		174 435	-	84 286	210 775	469 496
121 - 150 Days		171 302	-	84 286	190 089	445 677
+ 150 Days		1 841 742	-	1 232 930	692 237	3 766 908
Sub-total		2 925 134	-	4 068 438	2 052 065	9 045 637
Debtors discounting						-
Less: Provision for doubtful debts		(1 841 742)			-	(1 841 742)
Total debtors by customer classification		1 083 392	-	4 068 438	2 052 065	7 203 895

4.2 Traffic Fines Debtors

	2014	2013
Fines raised for the year	475 700	-
Receipts for the year	(207 550)	-
Less: Provision for the year	(268 150)	-
Debtors recognised at year end	-	-

The above debtors are recognised in accordance with IGRAP 1 and implementation of IGRAP 1 effective from April 2013.

04 Bad debt provision reconciliation

	2014	2013
Opening balance	2 762 099	2 739 448
Current year charge	1 668 343	22 651
Closing balance	4 430 442	2 762 099

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

05	Receivables from non-exchange transactions	2014	2013
	<u>Short Term</u>		
	Re-Imbursive overpayments	-	382 932
	Medical Aid	6 403	3 441
	Pension	1 329	
	Rental accrual	2 480	-
	PMU Debtors	155 115	244 448
	Creditor overpayment (Nashua)	11 682	118 383
	Other debtors	-	113 191
	Debtors overpayment Cllrs	26 571	547 168
	SALGBC	703	-
		204 282	1 409 563
	Less	-	-
	Total receivables	204 282	1 409 563
	Less Long-term portion		(936 015)
	Short term portion	204 282	473 548
	<u>Long term</u>		
	Long term portion	-	936 015
	Less: Provision	-	(920 357)
	Net Amount	-	15 658
	5.1 Re-Imbursive overpayments		
	Opening balance	382 932	382 932
	Movement	(382 932)	-
		-	382 932
	5.2 PMU Debtor		
	Opening balance	244 448	200 820
	Movement	(89 333)	43 628
		155 115	244 448
	5.3 Debtors overpayment - Cllrs		
	Opening balance	547 168	618 148
	Movement	(521 821)	(70 980)
		25 347	547 168
	06 Cash and Cash equivalent	2014	2013
	Petty Cash	171	608
	Current account: First National Bank Hluhluwe branch	5 516 810	14 906 449
	Call account : First National Bank Hluhluwe branch	935 624	913 877
	Money Market account : First National Bank Hluhluwe branch	1 279 006	1 234 871
	Money Market account : First National Bank Hluhluwe branch	723 149	698 430
	32 Days Notice account : First National Bank Hluhluwe branch	12 272 721	11 656 252
	32 Days Notice account : Standard Bank Empangeni branch	16 109	15 647
	32 Days Notice account : Ned Bank Richards Bay	26 920	25 882
	Fixed Deposit :First National Bank Hluhluwe branch 74406541041	31 887 999	30 303 803
	Call account : First National Bank	18 391 150	-
		71 049 659	59 755 818
	06.1 Current account (Primary Account)		
	First National Bank Hluhluwe branch - 62025236408		
	Cash book balance at beginning of year	43 068 634	46 863 925
	Cash book balance at end of year	5 516 810	14 906 449
	Bank statement balance at beginning of year	43 068 634	55 589 961
	Bank statement balance at end of year	5 516 810	43 068 634

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

06	Cash and Cash equivalent (continued)	2014	2013
	Call Account		
	First National Bank Hluhluwe branch - 62055161146		
	Cash book balance at beginning of year	913 877	894 391
	Cash book balance at end of year	935 624	913 877
	Bank statement balance at beginning of year	913 877	894 391
	Bank statement balance at end of year	935 624	913 877
	Call Account		
	First National Bank Hluhluwe branch - 62217154351		
	Cash book balance at beginning of year	1 234 871	1 193 620
	Cash book balance at end of year	1 279 006	1 234 871
	Bank statement balance at beginning of year	1 234 871	1 193 620
	Bank statement balance at end of year	1 279 006	1 234 871
	Call Account		
	First National Bank Hluhluwe branch - 62266899825		
	Cash book balance at beginning of year	698 429	675 440
	Cash book balance at end of year	723 149	692 560
	Bank statement balance at beginning of year	698 429	675 440
	Bank statement balance at end of year	723 149	698 429
	Call Account		
	First National Bank Hluhluwe branch - 74275256516		
	Cash book balance at beginning of year	11 656 252	1 114 102
	Cash book balance at end of year	12 272 721	11 501 086
	Bank statement balance at beginning of year	11 656 252	11 114 102
	Bank statement balance at end of year	12 272 721	11 656 252
	Call Account		
	Standard Bank - Empangeni Branch - 068824491		
	Cash book balance at beginning of year	15 680	15 290
	Cash book balance at end of year	16 109	15 549
	Bank statement balance at beginning of year	15 680	15 290
	Bank statement balance at end of year	16 109	15 680
	Call Account		
	Ned Bank - Richards Bay Branch - 28702097		
	Cash book balance at beginning of year	25 882	24 915
	Cash book balance at end of year	26 920	25 639
	Bank statement balance at beginning of year	25 882	24 915
	Bank statement balance at end of year	26 920	25 882
	Call Account		
	First National Bank 62424086785		
	Cash book balance at beginning of year	18 391 150	-
	Cash book balance at end of year	18 391 150	-
	Bank statement balance at beginning of year	18 391 150	-
	Bank statement balance at end of year	18 391 150	-
	Fixed Deposit		
	First National Bank 74406541041		
	Cash book balance at beginning of year	31 887 999	-
	Cash book balance at end of year	31 887 999	-
	Bank statement balance at beginning of year	31 887 999	-
	Bank statement balance at end of year	31 887 999	-
	07 Accumulated Surplus/Deficit	2014	2013
	Accumulated surplus (deficit) at the beginning of the year	205 897 233	139 276 204
	Operating surplus (deficit) for the year	40 770 013	65 098 254
	Prior year Adjustments	(1 527 341)	1 522 775
	Accumulated surplus / (deficit) for the year	245 139 906	205 897 233

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

08 Trade and other Payables	2014	2013
8.1 Trade and other Payables from Exchange Transactions - Trade		
Creditors control	124 865	131 952
Accrued expenses	33 594	-
Creditors sundry	4 122 823	3 226 591
Deferred income - Consumer deposit	-	10 534
Debtors credit balances	123 373	-
Retentions	3 366 859	3 281 700
	7 771 515	6 650 777
8.2 Trade and other Payables from exchange transactions - Employee Related		
Salary control	44 708	-
Pay as you earn (PAYE)	-	38 812
Payroll Sundry Account	2 008	558
Leave accrual	784 226	914 441
Bonus accrual	502 141	395 442
	1 333 082	1 349 253
09 Unspent Conditional Grants	2 014	2013
MIG	-	-
Department of energy	175 433	2 437 062
MSIG	132 825	-
FMG	-	-
Project Consolidate Manguzi	17 307	17 307
Department of sport	525 000	123 663
Urban Development Grant	907 195	907 195
Cogta: Small Town Rehabilitation	162 260	162 260
Library Grant	323 113	474 776
Manzengwenya Grant	7 500	7 500
Nhlange Lake Restaurant	5 600	5 600
Phelandaba Development Grant	178 600	178 600
KwaTembe Concrete Project	86 111	86 111
Municipal Assistant Programme	251 168	251 168
Mbazwana and Manguzi Hubs	160 000	160 000
Community Participation Grant	2 000	2 000
Arts and culture grant	100 000	100 000
Extended Public Works Grant	-	-
TOTAL UNSPENT	3 034 111	4 913 242

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

09 Unspent Conditional Grants (continued)

National Government Grants Capital

Municipal Infrastructure

Opening balance	-	11 473 212
Add receipt during the year	23 802 000	24 149 000
Less transfer to operating income	(23 802 000)	(35 622 212)
Closing balance	-	-

Department of Energy : Electricity

Opening balance	2 437 062	2 437 062
Equitable Share	(2 437 062)	-
Add receipt during the year	7 000 000	5 000 000
Less transfer to operating income	(6 824 567)	(5 000 000)
Closing balance	175 433	2 437 062

National Government Grants Operating

Municipal Systems improvement Grant

Opening balance	-	-
Add receipt during the year	890 000	800 000
Less transfer to operating income	(757 175)	(800 000)
Closing balance	132 825	-

Financial Management Grant

Opening balance	-	303 560
Add receipt during the year	1 650 000	1 500 000
Less transfer to operating income	(1 650 000)	(1 803 560)
Closing balance	-	-

Unspent grants continued

Provincial Government Grants Capital

Project Consolidate Manguzi

Opening balance	17 307	919 420
Add receipt during the year	-	-
Less transfer to operating income	-	(902 113)
Closing balance	17 307	17 307

Department of Sport

Opening balance	123 663	111 719
Add receipt during the year	525 000	150 000
Less transfer to operating income	(123 663)	(138 056)
Closing balance	525 000	123 663

Urban Development Grant

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

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

09 Unspent Conditional Grants (continued)

	2 014	2013
COGTA: Small town rehabilitation		
Opening balance	162 260	342 380
Add receipt during the year	-	-
Less transfer to operating income	-	(180 120)
Closing balance	<u>162 260</u>	<u>162 260</u>
Library Grant		
Opening balance	474 776	648 307
Add receipt during the year	1 420 000	1 334 000
Less transfer to operating income	(1 571 662)	(1 507 531)
Closing balance	<u>323 113</u>	<u>474 776</u>
Manzengwenya Project		
Opening balance	7 500	7 500
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>7 500</u>	<u>7 500</u>
Phelandaba Development Grant		
Opening balance	178 600	178 600
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>178 600</u>	<u>178 600</u>
Nhlange Lake Restaurant		
Opening balance	5 600	5 600
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>5 600</u>	<u>5 600</u>
KwaTembe Concrete Project		
Opening balance	86 111	86 111
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>86 111</u>	<u>86 111</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

09 Unspent Conditional Grants (continued)

	2 014	2013
Municipal Assistance Programme		
Opening balance	251 168	251 168
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>251 168</u>	<u>251 168</u>
Mbazwana and Manguzi Hubs		
Opening balance	160 000	160 000
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>160 000</u>	<u>160 000</u>
Arts and Culture grant		
Opening balance	100 000	100 000
Receipt during the year	-	-
Transfer to operating income	-	-
Closing balance	<u>100 000</u>	<u>100 000</u>
Extended Public Works Programme		
Opening balance	-	-
Add receipt during the year	1 000 000	1 000 000
Less transfer to operating income	(1 000 000)	(1 000 000)
Closing balance	<u>-</u>	<u>-</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
10 Non- Current Provisions		
Provision on rehabilitation of Landfill Sites	8 720 927	8 037 721
Addition (Mbazwana and Skhemelele)	800 987	893 569
Finance costs		
	9 521 914	8 931 290
10.1 Provision for Landfill site Reconciliation		
Opening balance	8 037 721	2 944 105
Prior year error - Addition (Mbazwana and Skhemelele)	-	1 051 456
Prior year error - Finance costs	-	3 791 911
Currency year movement	683 206	250 249
Closing balance	8 720 927	8 037 721
Basis of calculations		
FV Future Value / Engineer Report	14 523 210	
i	8,5	
N	18	
Formula	FV(1+r) ⁿ	
10.2 Provision for Long service award provision		
Opening balance	893 569	596 236
Current year provision charge	(92 582)	297 333
Closing balance	800 987	893 569
Refer to note 26 for details		

	2014	2013
11 Revenue from non exchange transactions: Property Rates		
Actual Revenue Recognises		
Business, Commercial and Industrial.	3 166 530	2 380 350
State owned properties	4 603 000	5 199 813
Ingonyama Trust	6 695 213	3 118 324
Agricultural	58 468	-
Total property rates	14 523 210	10 698 487

Valuations (01 July 2009 to 30 June 2014)

	2014	2013
Residential	26 558 000	26 558 000
Business, Commercial and Industrial.	159 670 000	159 670 000
State owned properties	430 123 528	430 123 528
State trust Land	330 849 976	330 849 976
Agricultural	2 100 000	2 100 000
Other	600 000	600 000
Total property Valuations as per the roll	949 901 504	949 901 504

Valuations on Land Buildings are performed every five years. The current general valuation came into effect on 1 July 2009, and was extended for a year. Interim valuations are processed on annual basis taking into account individual property values.

Adopted Rates Tarriff

Agriculture	0.0026
Commercial	0.0211
Public Service Infrastructure	0.0026
Public Benefit Organisation	0.0126
Vacant Land	0.0528
State Trust Land	0.2112
Special non Markert Properties	0.0026
Refuse Rate	
Business Fixed Rate	R 120

The Valuation came into effect on: 01/07/2009

	2014	2013
Rebates		
Agricultural Properties	0%	0%
Residential Properties	100%	100%
Pensioners	100%	100%
Public Benefit Organisation	100%	100%
Sporting Bodies	100%	100%

Developed residential properties Value of R 55 000 and less.

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

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

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
12 Interest earned		
12.1 Interest earned Banks	<u>511 777</u>	<u>633 270</u>
12.2 Investment Revenue	<u>3 685 442</u>	<u>1 183 593</u>
13 Fines		
Traffic Fines	<u>475 700</u>	<u>99 320</u>
	<u>475 700</u>	<u>99 320</u>
<p>The above debtors are recognised in accordance with IGRAP 1 and implementation of IGRAP 1 effective from April 2013.</p>		
14 Revenue from Non Exchange Transactions: Licences and Permits		
Learners Licence income	<u>3 878 140</u>	<u>3 425 833</u>
	<u>3 878 140</u>	<u>3 425 833</u>
15 Government grants and Subsidies	2014	2013
Equitable Share	68 319 062	56 693 000
MIG	23 802 000	35 622 212
Financial Management Grant	1 650 000	1 803 560
Municipal Systems Improvement Grant	757 175	800 000
Electrification Grant	6 824 567	5 000 000
EPWP	1 000 000	1 000 000
Library Grant	1 571 662	1 507 531
Project consolidated Manguzi Roads	-	902 113
Department of Sport (Sport Ground)	123 663	138 056
Small Town Rehabilitation	-	180 120
Community Participation	-	198 000
	<u>104 048 129</u>	<u>103 844 592</u>
16 Rental revenue and other revenues		
16.1 Other Revenue	2014	2013
Library income	26 378	39 312
Tender Monies	157 939	43 226
Sundry income	555 145	697 170
Business Licencing	2 200	-
	<u>741 661</u>	<u>779 708</u>
16.2 Rental Revenue		
IEC	25 627	24 833
Parkhomes	11 500	15 000
	<u>37 127</u>	<u>39 833</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17 Employee Related Cost	2014	2013
Salaries and Wages	17 400 529	11 339 127
Standby Allowance	108 000	-
Travel Allowance	550 929	221 092
Cellphone Allowance	142 441	-
13th Cheque bonus	978 911	996 422
Overtime	410 764	222 698
Subsistence and Travelling	566 605	759 550
Contributions: UIF	139 518	86 356
: Group Life	370 909	294 455
: Medical Aid	396 432	288 952
: Pension	941 365	735 775
: Salga Levies	-	5 801
: Bargaining Council	18 311	-
: Skill Levies	208 250	125 313
Provision for long service award	(92 582)	297 333
	22 140 383	15 372 874

There were no advances to employees

17.1 Remuneration to the Municipal Manager

Annual remuneration	778 407	672 544
Travel Allowance	139 020	121 067
Re-imbursive Travel	59 312	88 859
Cellphone allowance	24 400	20 400
Bonus	41 100	-
Back-pay	45 091	-
Leave encashment	126 705	-
Uif, Levies & sdl contribution	22 623	25 739
	1 236 657	928 610

The remuneration for the Municipal Manager is for the full year

17.2 Remuneration of the Chief Financial Officer

Annual Remuneration	606 235	523 787
Annual bonus	32 009	12 774
Travel Allowance	112 809	93 467
Re-imbursive Travel	10 360	49 046
Cellphone allowance	18 200	13 200
Leave Payout	88 812	54 769
PMU	(27 000)	(6 000)
Uif, Levies and Sdl contribution	34 539	22 890
	875 964	775 933

The remuneration for the Chief Financial Officer is for the full year

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17 Employee Related Cost (continued)	2014	2013
17.3 Remuneration of Director Community Services		
Annual remuneration	335 729	368 259
Travel	77 133	80 155
Re-imbursive Travel	-	39 050
Cellphone allowance	13 749	11 000
S & T Allowance	-	4 800
PMU	-	(4 800)
Uif contribution	14 854	11 508
	441 466	509 972

The Community Services Director was appointed on the 11th November 2013
The remuneration was for seven and half months.

17.4 Remuneration of Director Corporate Services		
Annual remuneration	17 800	-
Travel	3 780	-
Re-imbursive Travel	-	-
Cellphone allowance	777	-
Uif contribution	-	-
	22 357	-

The Corporate Services Director was appointed on the 19th of June 2014.
The remuneration was only for eight days

17.5 Remuneration of Director Technical Services		
Annual remuneration	469 177	383 498
Travel Allowance	122 616	40 872
Re-imbursive Travel	19 300	54 919
Cellphone allowance	18 200	13 200
Bonus	24 750	-
Back-pay	65 457	-
Medical Allowance	-	161
PMU	(15 000)	(33 000)
Leave encashment	72 770	-
Uif contribution	47 401	69 975
	824 671	595 625

The remuneration for the Technical Services Director was for the full year.

18 Remuneration of councillors	2014	2013
Mayor's allowance	370 044	337 466
Deputy mayor's allowance	341 158	324 736
Speaker's allowance	411 345	345 385
Exco allowance	1 180 335	1 087 170
Travel Allowance	1 747 666	1 601 388
Cellphone Allowance	748 021	403 122
Data Allowance	122 400	-
Councillors allowance	3 725 981	3 442 651
	8 646 950	7 541 917

IN KIND BENEFITS

The Mayor and the Speaker are part time ,each is provided with an office and shared secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle. A municipal driver is allocated to the Mayor for official duties.

19 Contracted Services

Contracted Services	56 474	81 047
	56 474	81 047

Contracted Service are services provided by State Information Technology Agency (SITA) to Municipality and other related Web Hosting services

20 Repairs and Maintenance

Computers	525	6 360
Financial system - Server	-	125 990
Buildings	497 586	237 260
Park Homes	11 975	8 415
Municipal access roads	3 233 162	1 840 561
Vehicles	750 598	653 503
Civil and engineering	44 456	26 683
	4 538 300	2 898 772

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

21	General expenses	2014	2013
	Advertising	499 768	220 693
	Ward committee	739 175	979 800
	School Support Programme	440 730	-
	Festive Support Programme	172 870	-
	Entertainment and Function	187 617	90 854
	Accommodation	778 895	-
	Bursaries	278 385	-
	Wellness	174 425	-
	Strategic Planning	591 692	-
	Audit committee Fees	114 218	416 332
	External Audit	1 615 763	1 121 982
	Internal Audit	820 417	1 184 130
	Cellphone expense	-	60 200
	Bank Charges	97 350	70 635
	Printing and Stationery	613 558	366 922
	News letter	-	8 750
	Rental software	535 870	60 048
	Financial Management	1 324 093	414 591
	General Valuation Roll	1 031 237	-
	Insurance	230 685	331 404
	Legal Fees	524 756	245 934
	Membership and Subscription	375 562	400 000
	Postage and telephone	529 878	461 026
	Training	381 086	355 517
	office machine rental	109 136	55 279
	Security	1 693 581	851 239
	Financial systems and support	1 708 726	48 317
	Cleaning Expenses	60 817	93 928
	IT services	592 984	480 422
	Water and Electricity	331 332	258 438
	Disability Programme	73 130	-
	Women Summit	154 052	-
	Community Program	125 484	-
	PMU	-	598 880
	Small Town Mbazwana	-	57 191
	Conferences	12 092	5 014
	Uniform	76 540	15 212
	Library rental	-	59 189
	Refuse removal	483 786	23 035
	Fuel and Oil	1 507 641	1 188 937
	Transit costs	45 354	198 108
	Spatial Development	-	529 957
	Marketing and advertising	792 665	182 716
	Assets management	95 753	307 335
	Review of policies	139 451	387 284
	Library Promotions	38 330	9 746
	Disaster Management	112 795	48 740
	Card Production	394 908	265 180
	IDP review	1 132 207	235 077
	HIV Aids	221 503	41 926
	Youth Programme	225 400	126 798
	Waste management plan	3 421 053	2 321 081
	Sports and Recreation	1 182 828	91 918
	Arts and Culture	498 173	18 600
	EPWP	113 354	1 419 616
	Indegenous Nursery	-	14 978
	Community Participation	3 878 263	638 124
	Ground Nuts	-	601 157
	Professional fees	550 609	103 428
	DTI Leanership	158 500	306 000
	Indigent support	452 801	50 624
	Agricultural Project	-	99 820
	Tourism Development	131 464	-
	SMME Support	443 728	-
	Poverty alleviation	2 768 405	96 316
	Gender Awareness	82 718	-
	Total	35 867 591	18 618 427

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22	Capital Commitment	2014	2013
	Contracted		
	Mbubeni- Majola Access Road	1 297 041	Sports Ground Mseleni 132 760.00
	Manaba Mlamula Access Road	675 290	Manguzi Market stalls 6 040 359.00
	Ezangomeni Mngomezulu Access Road	668 099	Zamazama Sportsfield 1 128 889.00
	Qongwana Access Road	11 393	Manaba Electrification 853 045.00
	Mntanankosi Access Road	79 978.19	Madonela electrification 1 459 464.00
	Sbhoweni Community Centre	339 569.44	
	Manguzi Public Toilets	56 033.24	
	Mseleni Sportfield	88 269.82	
	Nyamazane Sportfield	271 573.88	
	Mseleni Electrification	427 455.33	
		3 914 703.07	- 9 614 517.00

NON CONTRACTED

All capital commitments were contracted during the year, there were no non contracted commitments at year end

FUNDING SOURCE

The expenditure will be financed from grants and reserves.

23	23.1 Fruitless & Wasteful Expenditure	2014	2013
	Reconciliation of fruitless and wasteful expenditure		
	Opening balance	5 914 866	5 815 134
	Fruitless and wasteful expenditure current year	23 631	99 732
	Expenditure current year	44 598	99732
	Recovered	(20 967)	0
	Balance	5 959 464	5 914 866

The expenditure was presented and noted by council and the application for condonation was made to MEC, further investigations are being performed to determine if the expenditure falls within the expenditure can be condoned.

Incident	Investigation/Disciplinary Outcome was that the occurrence was as a	Status
Various creditors paid late thus incurring interest charges, third party litigation result of the registry not		Awaiting condonement

23.2 Unauthorized expenditure	2014	2013
Opening balance	1 317 215	1 317 215
Unauthorised expenditure for the current year	-	-
Unauthorized expenditure for the current year (FMG)	-	-
Unauthorized expenditure for the current year (MAP)	-	-
Authorised by council to be written off	(1 317 215)	-
Virement	-	-
Balance	-	1 317 215

Incident	Investigation/Disciplinary Status
FMG Grant used to pay CFOs salary	Payments made not in accordance with the business plan and budget Awaiting condonement

23.3 Deviations	2014	2013
Opening balance	1 240 517	-
Deviations for the current year	1 683 611	1 240 517
Noted by Council	-	-
Balance	2 924 128	1 240 517

The expenditure was presented and noted by council and the application for condonation was made to MEC, further investigations are being performed to determine if the expenditure falls within the expenditure can be condoned.

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

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

24	Reconciliation of irregular expenditure	2 014	2 013
	Opening balance	47 667 787	14 696 387
	Irregular expenditure (Capital) Current	29 472 108	28 206 394
	Irregular expenditure (Other) Current	667 471	4 765 006
	Balance	77 807 366	47 667 787

The expenditure was presented and noted by council and the application for condonation was made to MEC, further investigations are being performed to determine if the expenditure falls within the expenditure can be condoned.

Incident	Investigation/Disciplinary Status
Contravention of SCM Policy and Regulations on bid committees	not have four Senior Managers hence the adjudication committee Awaiting Condonement

24.1 CASH LOSSES DUE TO THEFT	2014	2013
Traffic Department	37 600	-
Business robbery dated 30 October 2013 Case no. 101/10/2013 Subsequently written off by Council.		

25 ADDITIONAL DISCLOSURE IN TERMS OF THE FINANCE MANAGEMENT ACT

25.1 Audit Fess		
Opening Balance	-	-
Current year audit fees	1 615 763	1 121 982
Amount paid	(1 615 763)	(1 121 982)
Balance unpaid (included in payables)	-	-

25.2 PAYE, UIF and SDL		
Opening balance	84 307	7 666
Current year payroll deduction	4 955 089	1 844 067
Amount paid- current year	(4 957 226)	(1 767 426)
Balance unpaid (included in payables)	82 170	84 307

25.3 Pension and Medical Aid Deductions		
Opening balance	3 100	(0)
Current year payroll deduction and Council Contribution	2 207 042	1 663 482
Amount paid - current year	(2 211 334)	(1 660 381)
Balance unpaid (included in payables)	(1 191)	3 100

25.4 Contribution to organised local government		
Opening balance	-	-
Current year payroll deduction and Council Contribution	375 562	400 000
Amount paid - current year	(375 562)	(400 000)
Balance unpaid (included in payables)	-	-

25.5 VAT

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

26 EMPLOYEE BENEFIT INFORMATION

26.1 Defined contribution plan

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

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

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

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

26 EMPLOYEE BENEFIT INFORMATION (continued)

26.2 Long Service Awards

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 30 June 2014 by Independent Actuarial One Pangaea Financial ('OPF'), Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal actuarial assumptions used were as follows:

	2014	2013
Discount rate per annum	8.59%	7.25%
General Inflation	6.36%	6.25%
Salary inflation	7.36%	7.15%
Real rate	1.15%	0.09%

Examples of mortality rates used were as follows:

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

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

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

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

Present value of funded obligations	800 987	893 569
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	800 987	893 569

Movements in the defined benefit obligation is as follows:

Balance at beginning of the year	893 569	596 236
Current service & Interest cost	227 165	227 714
Benefit payments	(61 290)	(40 432)
Actuarial (gains)/losses	(73 293)	110 051
Missalaneous	(185 164)	-
Balance at end of year	800 987	893 569

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

Current service & Interest cost	227 165	227 714
Benefit payments	(61 290)	(40 432)
Actuarial (gains)/losses	(73 293)	110 051
Total Employee Benefit included in Employee Related Costs	92 582	297 333

In conclusion:

Statement of Financial Position obligation for:

Post-employment medical benefits	N/A	N/A
Long Services Award.	800 987	1 190 902
	800 987	1 190 902

Statement of Financial performance obligation for:

Post-employment medical benefits loss	N/A	N/A
Long Service Award loss	(73 293)	110 051
	(73 293)	110 051
Additional retirement costs.	-	-
	(73 293)	110 051

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

27 FINANCE LEASE OBLIGATION

2014

Amounts payable under finance leases	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	130 755	(31 000)	99 755
Within two to five years	26 903	(1 199)	25 704
	157 657	(32 199)	125 458
Less: Amount due for settlement within 12 months (current portion)			<u>99 755</u>
			25 704

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

2013

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

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

28

CONTINGENT LIABILITY

	2014	2013
Rehabilitation of Skhemelele Dumpsite	218 080	218 080
Rehabilitation of Mbazwana dumpsite	80 032	80 032
Malevu Labour Hire dispute	-	538 124
Canon Copiers	-	94 940
Umkhumbi Plan Hire	350 000	795 416
Evictions of traders from the main road	700 000	-
	1 348 112	1 726 592

2014

REHABILITATION OF DUMPSITES

Licence not yet secured for both sites and there is a possible legal challenge

UMKHUMBI PLANT HIRE

New letter of demand received for a court application earlier withdrawn

EVICCTIONS

Informal traders refusing to move from land earmarked for constuction.

2013

MALEVU LABOUR HIRE DISPUTE

Matter settled out of court

CANON COPIERS

Matter settled out of court

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29

Note to the cashflow statement	2014	2013
Surplus for the year	40 770 013	65 098 254
Adjustment for:		
Depreciation	10 766 879	6 682 359
Impairment of assets	686 713	3 348 577
Asset Written-off	254 500	
Provision for doubtful debts	1 400 193	22 651
Leave expense	-	471 228
Provision for landfill site	683 206	250 249
Provision for long service awards	-	297 333
Debt Impairment write-off	971 097	
Loss on disposal	178 657	207
Provision for fines debt	268 150	-
Provision for bonus accrual	-	
Amortization of intangible assets	170 738	161 701
	56 150 146	76 332 559
Changes in working capital		
Trade and other receivables from non-exchange transactions	269 265	(110 211)
Trade and Receivable from exchange transactions	(4 283 662)	(6 895 001)
Vat receivable	2 495 107	273 177
Trade payables from exchange transactions	(1 120 738)	629 454
Unspent grant	1 879 130	(13 018 592)
Trade payables from non-exchange transactions	52 574	1 728 033
Prior year adjustment	(1 240 419)	433 854
	54 201 403	59 373 273

30 CORRECTION OF ERROR

30.1 Property, Plant and Equipment

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

2014

Roads Infrastructure

Balance as previously reported	56 505 745
Retention not captured for Thandiwe Road	88 891.03
Retention not captured for Mbazwana Town Services	324 807.30
Depreciation catchup -Thandiwe Road	(2 630.20)
Depreciation catchup - Mbazwana Town Services	(21 357.17)

Restated Balance 30 June 2013

56 895 456

Assets under construction

Retention not captured in the prior period

Balance as previously reported	30 877 421
Retention not captured -Manguzi Market Stalls	(112 797.02)
Retention not captured -Manaba Electrification	298 489.50

Restated Balance 30 June 2013

31 063 114

Plant and Equipment

Balance as previously reported	3 426 919
Eye Testing Equipment Incorrectly included on FAR, GL and AFS as asset (Y0065) did not belong to the Municipality	(26 500.00)
Infrared Transmitter- Intangible Asset incorrect captured to Furniture and Fittings	(25 411.80)
Accumulated Depreciation - Infrared Transmitter- Intangible Asset incorrect captured to Furniture and Fittings	1143.78
Eye Testing Equipment Incorrectly included on FAR, GL and AFS as asset (Y0065) did not belong to the Municipality, Accumulated depreciation	17 383.74
Gym Equipment Previously recognised at incorrect price	34 390.92
Accumulated Depreciation - Gym Equipment Previously recognised at incorrect price	(21 837.30)
Gym Equipment Previously not recognised	133 788.64
Accumulated depreciation - Gym Equipment Previously not recognised	(42 702.40)

Restated Balance 30 June 2012

3 497 174

Land and Buildings

Balance as previously reported	57 938 318
Mbazwana and Skhemelele landfill sites not capitalised previously	3 791 911
Depreciation on Mbazwana and Skhemelele landfill sites not capitalised previously	(909 861)

60 820 367

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Reconciliation for PPE

Balance as previously reported	150 977 280
Adjustments:	
Roads and Water	389 711
Assets under construction	185 692
Plant and Equipment	70 256
Land and Buildings	<u>2 882 049</u>
Restated Balance 30 June 2013	<u>154 504 989</u>

30.2 Retentions

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

Balance as previously reported	2 682 309
Retention not captured for Thandwe Road	88 891.03
Retention not captured for Mbazwana Town Services	324 807.30
Additional retention - Manguzi Market Stalls	(112 797.02)
Retention not captured -Manaba Electrification	<u>298 489.50</u>
Restated balance as at 30 June 2013	<u>3 281 700</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 CORRECTION OF ERROR (Continued)

30.3 Intangible Assets

Balance as previously reported	522 454
Reclassification of tangible asset classified as furniture and fitting in prior year	25 412
Depreciation	(1 601)
Restated balance as at 30 June 2013	<u>546 265</u>

30.4 Creditors Sundry

Balance as previously reported	3 481 671
Reclassification from accrued expenses	(121 535)
Sundry creditor prior adjustment	(241 000)
Deferred income	107 455
Restated balance as at 30 June 2013	<u>3 226 591</u>

30.5 Deferred income

Balance as previously reported	117 989
Correction	(107 455)
Restated balance as at 30 June 2013	<u>10 534</u>

30.6 PAYE

Balance as previously reported	84 307
Amount paid	(45 495)
Restated balance as at 30 June 2013	<u>38 812</u>

30.7 PENSION

Balance as previously reported	10 486
Amount paid	(10 486)
Restated balance as at 30 June 2013	<u>-</u>

30.8 SALGB

Balance as previously reported	25
Amount paid	(25)
Restated balance as at 30 June 2013	<u>-</u>

30.9 SALARY CONTROL

Balance as previously reported	(90 974)
Correction	90 974
Restated balance as at 30 June 2013	<u>-</u>

30.10 MEDICAL AID

Balance as previously reported	(7 386)
Correction	10 827
Restated balance as at 30 June 2013	<u>3 441</u>

30.11 VAT

Balance as previously reported	3 881 132
Correction	40 175
Restated balance as at 30 June 2013	<u>3 921 307</u>

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

Balance as at 30 June 2013	205 897 233
Errors corrected in prior year	(1 527 341)
Retentions	(599 393)
PPE Adjustment	(264 202)
Sundry creditors	362 535
Deferred income	107 455
Creditor overpayment	(109 200)
Vat account	(42 687)
Salary control	90 974
Pension	(10 486)
SALGB	(25)
Medical Aid	10 827
PAYE	(45 495)
Finance cost - Landfil sites	(1 051 454)
Depreciation - Landfil sites	
Intangible Assets	23 811
Restated balance at 30 June 2013	<u>204 369 892</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30.13 Provision for Landfill Site

During the financial year ended the municipality discovered that the following fundamental error occurred in the prior year financial periods
An amount of R3 791 911 was not capitalised as fixed assets for dumpsites and the depreciation of R 909 861 and finance costs of R 1 051 456 was not accounted for during the prior period

Errors corrected in the prior year

Balance as previously reported	3 194 354
Prior year error - Additional provision not included	3 791 911
Prior year error - Finance Costs	1 051 454
Restated balance at 30 June 2013	<u>8 037 719</u>

31 CHANGE IN ACCOUNTING POLICY - Revenue Recognition Traffic Fines (GRAP23,IGRAP 1)

During the year the Municipality changed its accounting policy in terms of recognizing income from Traffic Fines. The reason for change in accounting policy is to comply with the requirements of IGRAP 1 on Revenue Recognition which require municipality to recognize income from Traffic Fines when they are issued while traffic fine income was previously recognised on a cash basis.

The standard has been applied prospectively and no comparatives have been adjusted.

32 IN - KIND DONATIONS AND ASSISTANCE

The Municipality received the following assistance

Description

Financial Support and Review of Annual Financial Statements
Provincial Treasury - KZN

Umhlabuyalingana Local Municipality

Statement of financial performance for the year ended 30 June 2014

	Notes	2014	2013
		R	R
Revenue			
Revenue from non-exchange transactions			
Property rates	<u>11</u>	14 523 210	10 698 487
Traffic Fines	<u>13</u>	475 700	99 320
Licences and permits	<u>14</u>	3 878 140	3 425 833
Government grants and subsidies	<u>15</u>	104 048 129	103 844 592
Gain of Sale of asset		-	-
Revenue from exchange transactions			
Other revenue	<u>16.1</u>	741 661	779 708
Rental revenue	<u>16.2</u>	37 127	39 833
Interest earned Main bank	<u>12.1</u>	511 777	633 270
Interest earned Investment	<u>12.2</u>	3 685 442	1 183 593
Total Revenue (A)		127 901 187	120 704 637
Expenditure (classified by nature)			
Employee related costs	<u>17</u>	22 140 383	15 372 874
Councillor remunerations	<u>18</u>	8 646 950	7 541 917
Contracted Services	<u>19</u>	56 474	81 047
Depreciation	<u>1</u>	10 766 879	6 844 060
Amortisation - intangible assets	<u>2</u>	170 738	-
Repairs and maintenance	<u>20</u>	4 538 300	2 898 772
Provision for bad debt	<u>04</u>	1 400 193	22 651
Asset impairment		686 713	3 348 577
Asset written-off		254 500	-
Provision for Rehabilitation of Site	<u>10</u>	683 206	250 249
Leave Expense		393 384	471 228
Interest and Penalties		107 959	156 374
General expenses	<u>21</u>	35 867 591	18 618 427
Debt Impairment Write-off		971 097	-
Provision for Fine Debts impairment	<u>04</u>	268 150	-
Loss on the disposal of property, plant and equipment		178 657	207
Total Expenditure (B)		87 131 173	55 606 383
Surplus for the year (A-B)		40 770 013	65 098 254

UMHLABUYALNGANA LOCAL MUNICIPALITY

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

	NOTE	Accumulated surplus	Total
		R	R
Balance at 30 June 2012		139 276 203	139 276 203
Correction of prior year error		1 522 775	1 522 775
		-	-
Restated balance at 1 July 2012		140 798 978	140 798 978
Surplus for the year		65 098 254	65 098 254
		-	-
Balance at 30 June 2013		205 897 233	205 897 233
Correction of prior year error	30	(1 527 341)	(1 527 341)
Restated balance at 1 July 2013		204 369 892	204 369 892
Surplus for the year		40 770 013	40 770 013
		-	-
Balance at 2014		245 139 905	245 139 905

UMHLABUYALNGANA LOCAL MUNICIPALITY

Cash flow statement for the year ended 30 June 2014

	Note	2014	2013
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		12 747 078	9 753 695
Grants		104 100 704	90 826 000
Interest Receipts		4 197 219	1 816 864
Other Receipts		5 132 628	5 799 136
		126 177 629	108 195 694
Payments			
Employee related costs		31 263 063	22 617 458
Suppliers		40 333 684	26 048 589
Interest paid		379 479	156 374
		71 976 227	48 822 421
Net cash flow from operating activities	29	54 201 403	59 373 273
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	1	(34 118 142)	(60 350 058)
Additions to intangible assets	2	(87 836)	(17 235,84)
(Increase)/ Decrease in long term debtor		(3 267 594)	30 920
Net cash flow from investing activities		(37 473 572)	(60 336 373)
Cash flow from financing activities			
Non-current liabilities raised		(5 433 991)	(65 201)
Decrease in short-term loans			
Net cash flow from financing activities		(5 433 991)	(65 201)
Net cash flows for the year		11 293 840	(1 028 301)
Cash and cash equivalents beginning of year		59 755 819	60 784 120
Cash and cash equivalents end of year		71 049 659	59 755 819

UMHLABUYALNGANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON WITH THE BUDGET VS ACTUAL FOR THE PERIOD ENDING 30 JUNE 2014

Description	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)		Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget	Reasons for material fluctuation above 10% margin
	1 Original Budget	2 R								
Financial Performance										
Property Rates	14 486 000.00	-	-	14 486 000.00	14 523 210.33	-	37 210.33	0%	0%	The reconciliation between the VR and the billing system was conducted at year end, as a result there were new properties added onto the billing system Funds on call accounts yielded more interest revenue than initially anticipated The increase is due to the demand within the traffic department Adjustment of depreciation incorrectly calculated in the prior years, & current year impairments Capital Grant rollover and Capital Projects funded from own reserves.
Service Charges	75 778.00	-	-	75 778.00	-	(75 778.00)	-100%	100%		
Investment Revenue	3 888 050.00	-	-	3 888 050.00	4 197 219.17	309 169.17	8%	8%		
Transfers Recognised - Operational	74 139 438.00	-	-	74 139 438.00	73 421 562.43	(717 875.57)	-1%	-1%		
Other Own Revenue	3 800 552.00	-	-	3 800 552.00	5 132 628.31	1 332 076.31	35%	35%		
Surplus Funds	8 116 143.00	-	-	8 116 143.00	-	(8 116 143.00)	-100%	-100%		
Total Revenue (Excluding Capital Transfers & Contributions)	104 505 961.00	-	-	104 505 961.00	97 274 620.24	(7 231 340.76)	-158%	142%		
Employee Costs	24 548 629.00	(2 163 394.38)	-	22 385 134.62	21 794 038.22	(591 096.40)	-11%	-11%		
Remuneration Of Councillors	8 061 436.00	28 003.00	-	8 089 439.00	7 930 212.93	(159 226.07)	2%	-2%		
Debt Impairment	-	971 096.85	-	971 096.85	971 096.85	-	0%	0%		
Depreciation & Asset Impairment	7 327 382.00	3 380 793.63	-	10 708 175.63	10 708 175.63	-	0%	46%		
Finance Charges	82 352.00	14 998.19	-	97 350.19	97 350.19	-	0%	0%		
Materials & Bulk Purchases	-	-	-	-	-	-	0%	0%		
Transfers & Grants	-	-	-	-	-	-	0%	0%		
Other Expenditures	50 008 058.00	(3 461 089.29)	-	46 546 968.71	44 937 226.54	(1 609 742.17)	3%	-10%		
Total Expenditure	90 027 757.00	(1 229 592.00)	-	88 798 165.00	86 438 100.36	(2 360 064.64)	110	23%		
Surplus/(Deficit)	14 478 204.00	1 229 592.00	-	15 707 796.00	10 836 519.88	(9 591 405.40)	25	27		
Transfers Recognised - Capital	35 502 000.00	(4 700 000.00)	-	30 802 000.00	30 802 000.00	-	-	-		
Contributions Recognised - Capital & Contributed Assets	-	-	-	-	-	-	-	-		
Surplus/(Deficit) After Capital Transfers & Contributions	49 980 204.00	(3 470 408.00)	-	46 509 796.00	41 638 519.88	(9 591 405.40)	25	27		
Share Of Surplus/(Deficit) Of Associate	-	-	-	-	-	-	-	-		
Surplus/(Deficit For The Year)	49 980 204.00	(3 470 408.00)	-	46 509 796.00	41 638 519.88	(9 591 405.40)	25	27		
Capital Expenditure & Funds Sources										
Capital Expenditure										
Transfers Recognised - Capital	35 502 000.00	(4 700 000.00)	-	30 802 000.00	-	30 802 000.00	100%	-100%		
Public Contributions & Donations	-	-	-	-	-	-	0%	0		
Borrowing	-	-	-	-	-	-	0%	0		
Internally Generated Funds	14 618 828.00	1 088 968.00	-	15 707 796.00	-	15 707 796.00	100%	45		
Total Sources Of Capital Funds	50 120 828.00	(3 611 032.00)	-	46 509 796.00	-	17 306 811.19	75	104		
Cash flows										
Net Cash From (Used) Operating	-	-	-	-	-	-	100%	0		
Net Cash From (Used) Investing	-	-	-	-	-	-	100%	0		
Net Cash From (Used) Financing	-	-	-	-	-	-	100%	0		
Cash/Cash Equivalents At The Year End	0	0	0	0	0	0	0	0		

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

01	2014 Property Plant and Equipment	Land and buildings	Roads & Water	Assets under construction	Vehicles	Finance Leased Assets	Plant & Equipment	Total
	Year ended 01 July 2013	R	R	R	R	R	R	R
	Cost at the beginning of the year	66 372 205	77 939 256	30 877 421	3 019 649	386 090	6 203 957	184 798 578
	Accumulated Impairment	(1 623 139)	(7 265 778)	-	-	-	(164 282)	(9 053 199)
	Accumulated Depreciation	(6 810 749)	(14 167 733)	-	(951 544)	(225 318)	(2 612 756)	(24 768 099)
	Carrying amount at beginning of year	57 938 318	56 505 745	30 877 421	2 068 105	160 772	3 426 919	150 977 280
	Prior year error correction							-
	Prior year correction - cost	3 791 911	413 698	185 692	-	-	116 268	4 507 569
	Prior year correction - accumulated depreciation	(909 861)	(23 987)	-	-	-	(46 012)	(979 861)
	Restated carrying amount	60 820 367	56 895 456	31 063 113	2 068 105	160 772	3 497 174	154 504 988
	Newly identified assets						50 751	50 751
	Acquisitions	247 000	228 306		2 525 589		745 442	3 746 338
	Capital Under Construction (WIP)			36 079 594				36 079 594
	Asset Under Construction released	17 630 881		(17 630 881)				-
	Written-off assets - cost				(135 434)		(698 167)	(833 601)
	Written-off assets - accumulated depreciation				64 829		510 029	574 858
	Written-off assets - accumulated impairment							-
	Impairment		(676 078)				(13 706)	(689 785)
	Impairment Written-off						4 241	4 241
	Impairment - write back						3 510	3 510
	Disposals- Cost				(506 263)			(506 263)
	Disposal Accumulated Depreciation				127 606			127 606
	Depreciation - write back						172 792	172 792
	Depreciation charge	(2 778 576)	(6 706 674)		(525 756)	(77 218)	(851 444)	(10 939 667)
	Carrying amount at end of year	75 919 672	49 741 010	49 511 827	3 618 677	83 554	3 420 623	182 295 363
	At 30 June 2014							
	Carrying amount	75 919 672	49 741 010	49 511 827	3 618 677	83 554	3 420 623	182 295 363
	Cost at the end of the year	88 041 997	78 581 260	49 511 827	4 903 541	386 090	6 418 251	227 842 967
	Accumulated impairment	(1 623 139)	(7 941 856)	-	-	-	(170 237)	(9 735 232)
	Accumulated depreciation	(10 499 186)	(20 898 394)	-	(1 284 865)	(302 536)	(2 827 391)	(35 812 372)

No assets held as security

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (Continued)

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

Fixed asset register is maintained as required by Section 36