

Unaudited Annual Financial Statements

for

ILEMBE DISTRICT MUNICIPALITY

As at 30 June : 2014

Province: KwaZulu Natal

AFS rounding: R (i.e. only cents)

Contact Information:

**Name of Acting Municipal
Manager:**

N G Kumalo

**Name of Chief Financial
Officer:**

Nosipho Mba

Contact telephone number: **032 437 9503**

Contact e-mail address: nosipho.mba@ilembe.gov.za

**Name of contact at provincial
treasury:**

Keneue Mofoka

Contact telephone number: **033 8974400**

Contact e-mail address: keneue.mofoka@kzntreasury.gov.za

Name of relevant Auditor:

Mrs F Makaye

Contact telephone number: **033 264 7600**

Contact e-mail address: ntombifuthim@aqsa.co.za

**Name of contact at National
Treasury:**

Matsie Sehlapelo

Contact telephone number: **012 315 5295**

Contact e-mail address: Matsie.Sehlapelo@treasury.gov.za

**ILEMBE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
As at 30 June 2014**

General information

His Worship, Councillor Sibusiso Welcome Mdabe	Mayor
Councillor Thokozani Msweli	Speaker
Councillor Amita Badul	Member of the Executive Committee
Councillor Thami Jabulani Zondo	Member of the Executive Committee
Councillor Monitha Dolly Shandu	Member of the Executive Committee
Councillor Moosa Suleman Cassim Motala	Member of the Executive Committee
Councillor Samukelisiwe Gugu Xhakaza	<i>Member</i>
Councillor Nkosinathi Vincent Chili	<i>Member</i>
Councillor Susan Molebong Cele	<i>Member</i>
Councillor Jabulisiwe Mavis Cele	<i>Member</i>
Councillor Musawenkosi Simeon Ntuli	<i>Member</i>
Councillor Faith Govender	<i>Member</i>
Councillor Makhosonke Petros Ntuli	<i>Member</i>
Councillor Rejoice Nontsikelelo Pakkies	<i>Member</i>
Councillor Gideon Njabulo Mbonambi	<i>Member</i>
Councillor Lucky Reginald Makhathini	<i>Member</i>
Councillor Musawenkosi Aubrey Maphumulo	<i>Member</i>
Councillor Colin Randles Marsh	<i>Member</i>
Councillor Leonard Mandla Ndlovu	<i>Member</i>
Councillor Fuzile Pearl Nkosi	<i>Member</i>
Councillor Zandile Sandy Thoolsi	<i>Member</i>
Councillor Cebisile Pridence Ngidi	<i>Member</i>
Councillor Velile Charline Nzama	<i>Member</i>
Councillor Lindelani Mbulelo Zondi	<i>Member</i>
Councillor Jennifer A. Vallan	<i>Member</i>
Councillor Elphas Lindelihle Dube	<i>Member</i>
Councillor Catherine Tholakele Kumalo	<i>Member</i>
Councillor Lindelihle Rodger Mdletshe	<i>Member</i>
Councillor Langelihle Roney Mbonambi	<i>Member</i>
Councillor Dumisani Jotham Zubane	<i>Member</i>

Acting Municipal Manager

N G Kumalo - Appointed as Acting Municipal Manager
in June 2014

Chief Financial Officer

Nosipho Mba - Appointed on 01 December 2011.

Grading of Local Authority

Four

Auditors

Auditor-General

Bankers

First National Bank

**ILEMBE DISTRICT MUNICIPALITY
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General information (continued)

	Ilembe House
Physical address:	Ilembe House 59/61 Mahatma Ghandhi Street KWADUKUZA 4450
Postal address:	P.O Box 1788 KWADUKUZA 4450
Telephone number:	032 437 9300
Fax number:	032 437 9584
E-mail address:	admin@ilembe.gov.za

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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 47, in terms of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office noted in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 2 read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government in accordance with this Act.

Acting Municipal Manager: NG Kumalo

DATE: 31 August 2014

Terms of Section 126(1)
the salaries, allowances
, if any, as disclosed in
219 of the Constitution,
the determination in

**ILEMBE DISTRICT MUNICIPALITY
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ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2014 R	2013 R
ASSETS			
Current Assets			
Cash and cash equivalents	3	44 838 379	21 995 406
Trade and other receivables from exch	2	110 077 074	84 292 087
Trade and other receivables from non c	4	19 446 509	46 041 693
Inventories	6	7 078 439	5 062 183
Total current assets		181 440 400	157 391 369
Non-current assets			
Non-current receivables	7	17 307	-
Long term Investments	8	21 549 063	20 115 704
Other non-current financial assets	5	100	100
Property, plant and equipment	10	1 097 852 616	1 143 555 003
Intangible assets	12	6 010 666	6 418 634
Heritage Assets	11	205 578	205 578
Total non-current assets		1 125 635 330	1 170 295 017
Total assets		1 307 075 731	1 327 686 387
LIABILITIES			
Current liabilities			
Trade and other payables from exchan	13	181 338 385	140 579 296
Trade and other payables from non - e	14	23 475 118	8 850 554
Current portion of borrowings	15	3 115 127	2 607 447
Current portion of finance lease liability	16	1 452 292	3 598 582
Current portion of employee benefits	37	571 000	279 000
Total current current liabilities		209 951 923	155 914 879
Non-current liabilities			
Non-current borrowings	15	86 268 717	89 625 927
Non-current finance lease liability	16	441 046	1 848 304
Employee benefits	37	6 114 000	3 942 000
Total non-current liabilities		92 823 764	95 416 231
Total liabilities		302 775 686	251 331 110
Net assets		1 004 300 044	1 076 355 276
NET ASSETS			
Accumulated surplus		1 004 300 044	1 076 355 276
Total net assets		1 004 300 044	1 076 355 276

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
As at 30 June 2014

	Note	2014 R	2013 R
Revenue from exchange transactions		153 909 730	127 596 237
Service charges	17	102 904 759	101 506 977
Rental of facilities and equipment	18	-	74 082
Interest earned - external investments	19	4 401 310	5 229 071
Interest earned - outstanding receivables	20	13 119 710	14 940 232
Other income	22	33 483 951	5 845 875
Revenue from non exchange transactions		565 222 234	589 173 033
Government grants and subsidies	21	565 222 234	589 173 033
Total revenue		719 131 964	716 769 270
Expenses			
Employee related costs	23	134 335 596	103 977 098
Remuneration of councillors	24	6 629 534	5 730 772
Bad debts	2	18 547 232	18 807 264
Depreciation, impairment and amortisation exp	25	340 050 903	25 032 783
Repairs and maintenance		33 074 341	33 120 881
Finance costs	26	9 266 946	9 756 882
Bulk purchases	27	72 296 236	59 636 667
Contracted services	28	65 537 666	52 060 494
Grant Expenses	29	35 317 924	45 605 916
General expenses	30	78 105 305	67 498 823
Total expenses		793 161 684	421 227 581
Gain / (loss) on sale of assets		(98 533)	(299 739)
Forex gain/(loss)		(81 899)	(262 843)
Surplus / (deficit) for the period		(74 210 152)	294 979 107

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
As at 30 June 2014

	IDM Accumulated Surplus/(Deficit) Total
Note	R
Balance at 30 June 2012	785 989 689
Prior year adjustments	31 (4 613 520)
Restated balance	781 376 169
Surplus / (deficit) for the period	<u>294 979 107</u>
Balance at 30 June 2013	<u>1 076 355 275</u>
Correction of prior period error	31 2 154 919
Restated balance	<u>1 078 510 194</u>
Surplus / (deficit) for the period	<u>(74 210 152)</u>
Balance at 30 June 2014	<u>1 004 300 044</u>

ILEMBE DISTRICT MUNICIPALITY
CASH FLOW STATEMENT
As at 30 June 2014

	Note	IDM 2014 R	IDM 2013 R
Receipts		712 854 466	621 703 639
Sales of goods and services		122 308 653	95 005 572
Grants		590 545 813	526 698 067
Payments		(378 531 823)	(319 578 594)
Employee costs		136 428 738	107 316 555
Suppliers		242 103 085	212 262 039
CASH GENERATED FROM OPERATIONS	32	334 322 643	302 125 045
Interest received		4 401 310	5 229 071
Interest paid		(9 266 946)	(9 756 882)
Net cash flows from operating activities		329 457 008	297 597 233
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(297 726 725)	(292 250 960)
Proceeds from sale of fixed assets		-	453 500
Increase in investments		(1 433 360)	(1 433 360)
Purchase of intangibles		(941 692)	(4 040 992)
Net cash flows from investing activities		(300 101 777)	(297 271 812)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(2 958 710)	(2 762 074)
Repayment of finance lease liability		(3 553 548)	(5 671 327)
Net cash flows from financing activities		(6 512 258)	(8 433 401)
Net increase / (decrease) in net cash and cash equivalents		22 842 973	(8 107 979)
Net cash and cash equivalents at beginning of period		21 995 406	30 103 385
Net cash and cash equivalents at end of period	33	44 838 379	21 995 406

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
As at 30 June 2014

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By- law)	Final Budget after Virement	Actual Income/ Expenditure	Unauthoris ed Expenditure	Variance	% Variance	Explanation of variances
	1 R	2 R	3 R	4 R	5 R	6 R	7 R	8	9
Service Charges	105 846 736	108 703 374	0	108 703 374	102 904 759		-5 798 615	-5%	Accept the variance as immaterial The variance is due to changes in average interest rates offered by the banks on investments and the total amount invested with
Investment Revenue	6 600 000	2 398 430	0	2 398 430	4 401 310		2 002 880	84%	them.
Transfers Recognised - Operational	278 320 211	282 764 052	0	282 764 052	296 649 142		13 885 090	5%	Accept the variance as immaterial Some Revenue votes are dependant on certain factors, hence the amounts will not always tally,
Other Own Revenue	72 298 634	54 882 343	0	54 882 343	46 603 661		-8 278 682	-15%	e.g. developers' contribution
Total Revenue (Excluding Capital Transfers)	463 065 581	448 748 199	0	448 748 199	450 558 872	0	1 810 673		
Employee Costs	117 981 820	130 103 702	603 403	130 707 105	134 335 596	0	3 628 491	3%	Accept the variance as immaterial
Remuneration Of Councillors	6 589 382	6 589 382	40 152	6 629 534	6 629 534		0	0%	Accept the variance as immaterial This is based on how much of debtors is impaired at the end of the financial year.
Debt Impairment	19 346 247	16 545 506	0	16 545 506	18 547 232		2 001 726	12%	The difference is due to completed projects that are to be transferred from AUC to the asset register and be depreciated
Depreciation & Asset Impairment	30 800 000	38 300 000	0	38 300 000	340 050 903		301 750 903	788%	
Finance Charges	12 100 000	10 711 715	-1 400 000	9 311 715	9 266 946		-44 769	0%	Accept the variance as immaterial
Materials & Bulk Purchases	77 618 974	92 668 414	20 665 252	113 333 666	105 370 577	0	-7 963 089	-7%	Accept the variance as immaterial
Contracted Services	59 862 793	60 066 285	6 709 716	66 776 001	65 537 666		-1 238 335	-2%	Accept the variance as immaterial Shortfall funded through MIG capital projects
Grant Expenses	25 934 211	23 684 211	0	23 684 211	35 317 924		11 633 713	49%	savings
Other Expenditures	87 922 162	108 784 274	-26 618 523	82 165 751	78 105 305	0	-4 060 446	-5%	Accept the variance as immaterial
Total Expenditure	438 155 588	487 453 489	0	487 453 489	793 161 684	0	305 708 194		
Surplus/(Deficit)	24 909 993	-38 705 290	0	-38 705 290	-342 602 812	0	-303 897 522		
Transfers Recognised - Capital	208 330 702	217 857 672	0	217 857 672	192 279 853		-25 577 819	-12%	Unspent grants due to some delays during the financial year.
Contributions Recognised - Capital & Contributed Assets	114 035 088	105 507 707	0	105 507 707	76 293 239		-29 214 468	-28%	Funding from KwaDukuza MIG not spent as the project had delays
Surplus/(Deficit) After Capital Transfers & Contributions	347 275 782	284 660 089	0	284 660 089	-74 029 720	0	-358 689 809		
Profit/(Loss)					-180 432		-180 432	100%	
Surplus/(Deficit For The Year)	347 275 782	284 660 089	0	284 660 089	-74 210 152	0	-358 870 240		
Capital Expenditure & Funds Sources									
Capital Expenditure									

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final Budget after Virement	Actual Income/ Expenditure	Unauthorised Expenditure	Variance	% Variance	Explanation of variances
Transfers Recognised - Capital	208 330 701	213 478 402	0	213 478 402	181 160 980		-32 317 422	-15%	Expenditure on grant funded projects is expected to pick up in the next month
Public Contributions & Donations	114 035 088	70 175 439	0	70 175 439	74 887 716	-4 712 277	4 712 277	7%	Discrepancy is as a result of different financial years between DWA and the municipality
Internally Generated Funds	30 089 333	38 080 325	0	38 080 325	42 619 720	-4 539 395	4 539 395	12%	Projects transferred from municipal to internal funding
Total Sources Of Capital Funds	352 455 122	321 734 166	0	321 734 166	298 668 416	-9 251 672	-23 065 750		

ILEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
As at 30 June 2014

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

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

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

1.2 BASIS OF MEASUREMENT

The annual financial statements have been prepared on the accrual basis except for the following material item in the statement of financial position:

the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

Accounting policies for material transactions, events or conditions not covered by the Standards of GRAP have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3 *Accounting policies, changes in accounting estimates and errors*. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practice (SA GAAP), including any interpretations of such statements issued by the Accounting Practices Board.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.4 OFFSETTING

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.5 GOING CONCERN ASSUMPTION

These 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.

1.6 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

1.7 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the 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 is practicable, and the prior year comparatives are restated accordingly. The municipality shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget (refer note 1.10).

1.8 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. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 18 Segment Reporting - issued February 2011

GRAP 20 Related Party Disclosures - issued June 2011

GRAP 32 Service Concession Arrangements (Grantor) - issued August 2013

GRAP 105 Transfer of Functions Between Entities Under Common Control - issued November 2010

GRAP 106 Transfer of Functions Between Entities Not Under Common Control - issued November 2010

GRAP 107 Mergers - issued November 2010

GRAP 108 Statutory Debtors - issued September 2013

1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The following GRAP standards have been issued and are effective and have been adopted by the municipality.

GRAP 25 Employee Benefits - effective 01 April 2013

The impact of the application of these standards on the municipality's annual financial statements is as follows:

GRAP 25 - Requirements of GRAP 25 are similar to the requirements of IAS 19 Employee Benefits applied by the municipality during the 2012/13 financial year except for the fact that GRAP 25 requires actuarial gains and losses to be recognised in full in the year that they occur and past service costs to be recognised as an expense in the reporting period in which the plan is amended. No material impact is expected from these changes

1.10 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The budget is mainly approved on a cash basis by functional classification. The approved budget covers the period from 1 July 2012 to 30 June 2013. The budget and accounting bases for some votes differ. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in note 41. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the period ended 30 June 2013 is presented in note 41. The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is mainly prepared on a cash basis and the financial statements on the accrual basis. The reconciliation as required by GRAP 24 is also shown in note 41. The statement of comparison of budget and actual amounts is disclosed as a statement in the annual financial statements.

Differences between budget and actual amounts are regarded as material when a more than 10% variance exists.

All material differences are explained in the notes to the annual financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and 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.

2.1.2 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.

2.1.3 DEPRECIATION AND IMPAIRMENT

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.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Infrastructure	Years	Other	Years
Water	10 - 60	Machinery and equipment	3 - 20
Sewerage	10 - 60	Furniture and equipment	3 - 50
Other	10 - 50	Motor vehicles	4 - 20

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.

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 (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 - refer to note 19 for further information on impairment of assets.

2.1.4 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.

2.1.5 LEASED ASSETS

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, 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 and websites 2 - 5 Years

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 - refer to note 19 for further information on impairment of assets. 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 HERITAGE ASSETS

4.1 INITIAL RECOGNITION AND MEASUREMENT

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

4.3 DEPRECIATION & IMPAIRMENT

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired - refer to note 18 for further information on impairment of assets.

In assessing whether there is an indication that an asset may be impaired, the municipality considers, as a minimum, the following indications:

4.3.1 External sources of information

- (a) During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) The absence of an active market for a revalued heritage asset.

4.3.2 Internal sources of information

- (a) Evidence is available of physical damage or deterioration of a heritage asset.
- (b) A decision to halt the construction of the heritage asset before it is complete or in a usable form.

4.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

5 INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory 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 the item on the date acquired.

5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

5.3 WATER INVENTORY

Water inventory represents water housed in reservoirs within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

6 INVESTMENTS IN CONTROLLED ENTITIES

In the municipality's separate annual financial statements, investments in controlled entities are measured at cost.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. A financial asset is:

A financial liability is any liability that is a contractual obligation to:

deliver cash or another financial asset to another entity; or
exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions. Financial assets are recognised using trade date accounting

7.2 INITIAL MEASUREMENT

Financial instruments are initially measured at fair value and plus transaction costs for financial instruments at amortised cost or cost. Fair value is usually the transaction cost at the date of recognition. For financial instruments at amortised cost, if the transaction cost is not market related i.e. no interest is charged for deferred payments or when the account is overdue, or interest charged is at below-market related rate: the municipality determines the fair value. The fair value is the present value of the expected future cash flows, without taking into account any future losses or the possibility of default, discounted using a market related interest rate, adjusted for credit risk over the expected life of the financial instrument. For financial instruments at fair value, the fair value is determined based on quoted prices in an active market. If there is no active market, it is determined using valuation techniques. For financial instruments at cost, the financial instrument is only measured at cost if the fair value can not be measured reliably. Where a financial instrument contains both a liability and a residual interest component, the municipality allocates the instrument into its component parts. The municipality recognises the liability at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its components

7.3 SUBSEQUENT MEASUREMENT

Financial assets and liabilities are subsequently measured either at fair value, or amortised cost or cost using the following categories:

- (a) Financial instruments at fair value
- (b) Financial instruments at amortised cost
- (c) Financial instruments at cost

7.3.1 FINANCIAL INSTRUMENTS AT FAIR VALUE

Financial instruments at fair value comprise financial assets or financial liabilities that are derivatives , combined instruments that are designated at fair value, instruments held for trading , financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost and non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition. Financial instrument at fair value are subsequently measured at fair value with changes in fair value recognised in surplus or deficit.

7.3.2 FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial instruments at amortised cost, are non-derivative financial assets or financial liabilities that have fixed or determinable payments, excluding those the municipality designates at fair value at initial recognition or are held for trading. Financial instruments at amortised cost are subsequently measured at amortised cost using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument (or in some cases a shorter period) to the net carrying amount at initial recognition. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

7.3.3 FINANCIAL INSTRUMENTS AT COST

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Financial instruments at cost are subsequently measured at cost if the fair value cannot be reliably determined. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

7.4 RECLASSIFICATIONS

The municipality does not reclassify a financial instrument when it is issued or held, except for a combined instrument that is required to be measured at fair value or an investment in residual interest subject to certain requirements.

7.5 GAINS AND LOSSES

Gains and losses on fair value measurements, reclassifications, impairment, derecognition are recognised in surplus or deficit.

7.6 IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS

Financial assets are subject to annual impairment review as follows:

7.6.1 FINANCIAL ASSETS AT AMORTISED COST

For financial assets at amortised cost; the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset, (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in surplus or deficit by reducing the carrying amount either directly or through the use of an allowance account. If, in a period after an impairment loss has been recognised, events occur or circumstances change that indicate that the impairment loss recognised in a previous period should be reversed, the municipality reverses the impairment loss previously recognised either directly or by adjusting an allowance account.

7.6.2 FINANCIAL ASSETS AT COST

For financial assets at cost; the municipality assesses whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in surplus or deficit by reducing the carrying amount directly. The impairment loss is never reversed in subsequent periods.

7.7 DERECOGNITION

7.7.1 FINANCIAL ASSETS

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality shall:
 - (i) derecognise the asset; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

7.7.2 FINANCIAL LIABILITIES

The municipality removes a financial liability from its statement of financial position when, and only, it is extinguished. A financial liability is extinguished when the debtor either:

- (a) Discharges the liability by paying the creditor, normally with cash, other financial liabilities, goods or services.
- (b) Is legally released from primary responsibility for the liability either by process (expires) of law or by the creditor (cancelled). If the debtor has given a guarantee, this condition may still be met.
- (c) Waives the debt or it is assumed by another municipality by way of a non-exchange transaction.

Interest, dividends or similar distributions, losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when, the municipality:

- (i) Currently has a legally enforceable right to set off the recognised amounts; and
- (ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

8 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

UNAUTHORISED EXPENDITURE

Unauthorised expenditure is defined in section 1 of the MFMA as follows:

"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

9.1 IDENTIFICATION AND INTERNAL REPORTING

Unauthorised expenditure is identified through the municipality's financial system application controls. On identification of the unauthorised expenditure due to overspending on specific votes, the relevant Head of department is notified, where funds are available on other votes within the directorate, virements are made within the provisions of the virement policy. If after the provisions of the virement policy are applied, the unauthorised expenditure still remains/exist, it is recorded in the unauthorised expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

9.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Unauthorised expenditure that is incurred before the adjustment budget process is finalised is condoned by council through the adjustment budget. Unauthorised expenditure that is incurred after the adjustments budget is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the unauthorised expenditure as irrecoverable and write - off, the unauthorised expenditure is disclosed in the notes to the financial statements as condoned by council. Where MPAC determines after investigation, that the unauthorised expenditure must be recovered from the relevant official, the unauthorised expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the unauthorised expenditure note as unauthorised expenditure incurred in the current financial year.

9.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any unauthorised expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such unauthorised expenditure; and
- (c) The steps that have been taken-
 - (i) To recover or rectify such expenditure; and
 - (ii) To prevent a recurrence of such expenditure

10 IRREGULAR EXPENDITURE

Irregular expenditure is defined in section 1 of the MFMA as follows:

"irregular expenditure", in relation to a municipality or municipal entity, means—

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

10.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify any instances of non-compliance with the relevant Acts and supply chain management policy of the municipality. Where an expenditure item is identified as irregular expenditure, it is recorded in the irregular expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

10.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Irregular expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the irregular expenditure as irrecoverable and write - off, the irregular expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the irregular expenditure must be recovered from the relevant official, the irregular expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the irregular expenditure note as irregular expenditure incurred in the current financial year.

10.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such irregular expenditure; and
- (c) The steps that have been taken-
 - (i) To recover or rectify such expenditure; and
 - (ii) To prevent a recurrence of such expenditure

FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows:

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

11.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify whether it meets the definition of fruitless and wasteful expenditure. Where an expenditure item is identified as fruitless and wasteful expenditure, it is recorded in the fruitless and wasteful expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

11.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Fruitless and wasteful expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the fruitless and wasteful expenditure as irrecoverable and write - off, the fruitless and wasteful expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the fruitless and wasteful expenditure must be recovered from the relevant official, the fruitless and wasteful expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the fruitless and wasteful expenditure note as fruitless and wasteful expenditure incurred in the current financial year.

11.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure; and
- (c) The steps that have been taken-
 - (i) To recover or rectify such expenditure; and
 - (ii) To prevent a recurrence of such expenditure

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:

- (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.

LEASES

13.1 MUNICIPALITY AS LESSEE

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

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

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

13.2 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 instalments 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.

REVENUE

14.1 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 water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.

Service charges from sewerage and sanitation are based on the value of the property with sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Revenue from the sale of water prepaid meter cards is recognized based on consumption except where a reliable estimate cannot be made after every reasonable effort to gather appropriate information had been made. In these instances, revenue is recognized at the point of sale.

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON - EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions are transactions where the municipality receives revenue and provide no or a nominal consideration directly in return.

A transaction can be a combination of exchange and non-exchange transactions. In these instances the municipality determines what portion of the transaction is an exchange transaction and what portion is a non-exchange transaction and then recognise it separately.

Most non-exchange transactions that the municipality enters into involve stipulations on transferred assets are in terms in laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions the municipality may be required to use the transferred asset for a particular purpose. The municipality uses substance over form to determine whether a stipulation is a condition or restriction.

14.3 RECOGNITION

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognised as an asset when all of the following criteria have been satisfied:

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow (which is the case when a stipulation is a condition).

Liabilities are recognised for conditions to be met which is attached to the transferred asset. The liability is discharged and revenue recognised as the conditions are satisfied.

The municipality does not recognise service in - kind.

The municipality recognises revenue from vat refunds on cash basis.

14.4 MEASUREMENT

Non-monetary assets such as property, plant and equipment, investment property and inventory, acquired through a non-exchange transaction, are initially measured at its fair value on acquisition date.

Monetary assets arising out of a contractual agreement, such as cash and receivables, are initially measured at fair value on acquisition date.

Revenue is measured at the amount equal to the increase in net assets (i.e. the net effect).

The amount recognised as a liability is the best estimate of the amount required to settle the present obligation at the reporting date.

Revenue from vat refunds is measured at gross amounts.

15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16 EMPLOYEES BENEFITS

16.1 SHORT-TERM EMPLOYEE BENEFITS

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

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 cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

16.2 POST- EMPLOYMENT BENEFITS

16.2.1 DEFINED CONTRIBUTION PLANS

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 surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds. The municipality contributes to various national-and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national-or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

16.2.2 DEFINED BENEFITS PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the municipality. An economic benefit is available to the municipality if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. The expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

The municipality immediately recognises all actuarial gains and losses arising from defined benefit plans directly in net assets.

16.2.3 OTHER LONG - TERM BENEFITS PLANS

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

16.2.4 TERMINATION BENEFITS

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

17 VALUE ADDED TAX (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis.

18 IMPAIRMENT OF ASSETS

Primary objective for cash generating assets is to generate a commercial return and the primary objective for non-cash generating asset is service delivery. The municipality uses the following sets of questions as a criteria to distinguish between cash generating and non-cash generating assets:

- (a) Was the asset acquired to generate a commercial return?
- (b) Does the asset operate independently from other assets?
- (c) Does the asset generate cash flows independently from other assets?

If the answer is yes to all of these questions, then the municipality accounts for the asset as a cash generating asset. If the above criteria is not met, the municipality accounts for the asset as non-cash generating asset.

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

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 non-cash generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable carrying amount is higher of its fair value less cost to sell and its value in use.

Value in use of a cash generating asset is determined as the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of a non-cash generating asset is determined as the present value of the asset's remaining service potential.

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.

The 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.

BANK AND CASH ENTRIES

AFS Item	Debit	Credit
Journal Entry 1		
Outstanding deposits	672 491.53	
ABSA Revenue Bank Account		672 491.53
Deposits on the cash book not in the B/S		
Journal Entry 2		
Outstanding payments	-	
Salaries Bank Account		-
Salaries related debit orders		
Journal Entry 3		
Salaries Bank Account	-	
Outstanding deposits		-
Direct deposit of refund from old mutual		
Journal Entry 4		
Outstanding payments	-	
Main Bank Account		-
Payments on B/S not on cashbook		
Journal Entry 5		
Main Bank Account	-	
Outstanding deposits		-
Direct deposits		
Journal Entry 6		
Main Bank Account	757 096.58	
Outstanding payments		757 096.58
Payments on cash book not B/S		
Journal Entry 7		
FNB Revenue Account	426 627.93	
Direct deposits		426 627.93
Direct deposits from consumers used to pay Utility		
Journal Entry 8		
FNB Revenue Account	-	
Direct deposits		-
Net Direct deposits from consumers		
Journal Entry 9		
Outstanding deposits	324 469.76	
FNB Revenue Account		324 469.76
Consumer receipts not on B/S		
Journal Entry 10		
Consumer debtors	5 680 840.92	
Debtors with credit balances		5 680 840.92
Reclassification of debtors with credit balances to creditors		

ABSA REVENUE ACCOUNT ANALYSIS

Amount per bank statement	3 190 449.83	<i>AFS figure</i>
Journal Entry 1	<u>672 491.53</u>	

Amount per cash book 3 862 941 *Trial balance figure*

SALARIES BANK ACCOUNT ANALYSIS

Amount per bank statement	271 644.59	<i>AFS figure</i>
Journal Entry 2	-	
Journal Entry 3	<u>-</u>	

Amount per cash book 271 645 *Trial balance figure*

MAIN BANK ACCOUNT ANALYSIS

Amount per bank statement	2 397 916.32	<i>AFS figure</i>
Journal Entry 4	-	
Journal Entry 5	-	
Journal Entry 6	<u>-757 097</u>	

Amount per cash book 1 640 820 *Trial balance figure*

FNB REVENUE BANK ACCOUNT ANALYSIS

Amount per bank statement	2 734 324.41	<i>AFS figure</i>
Journal Entry 7	-426 627.93	
Journal Entry 8	-	
Journal Entry 9	<u>324 470</u>	

Amount per cash book 2 632 166 *Trial balance figure*

CONSUMER DEBTORS ANALYSIS

Amount per Note 3	#REF!	<i>AFS figure</i>
Journal Entry 10	<u>-5 680 840.92</u>	

Amount per cash book #REF! *Trial balance figure*

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

TRADE AND OTHER RECEIVABLES FROM	Gross	Provision for	
2 EXCHANGE TRANSACTIONS	Balances	Bad debts	Net Balance
<u>Trade receivables</u>	R		
as at 30 June 2014			
Service debtors			
Water and Sewerage	166 710 220	75 655 325	91 054 895
Direct Deposits	(426 628)	-	(426 628)
Total	166 283 592	75 655 325	90 628 267
<u>Other Receivables</u>			
Umngeni water debtor	5 730 444	-	5 730 444
Accrued interest	80 137	-	80 137
Ilembe Enterprise	402 924	-	402 924
Outstanding deposits	996 961	-	996 961
Other debtors	11 748 661	-	11 748 661
AOD	489 679	-	489 679
Total other Receivables	19 448 807	-	19 448 807

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

Total Trade and other receivables	185 732 399	75 655 325	110 077 074
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at June 2013

Service debtors

Water and Sewerage	146 717 363	75 442 981	71 274 382
Direct Deposits	(597 471)	-	(597 471)
Total	146 119 892	75 442 981	70 676 911

Other receivables

Umngeni water debtor	2 187 040	-	2 187 040
Accrued interest	122 520	-	122 520
Ilembe Enterprise	179 576	-	179 576
Outstanding deposits	1 622 767	-	1 622 767
Other debtors	3 114 067	-	3 114 067
Fruitless and wasteful expenditure	68 712	68 712	0
Acknowledgement Of Debts	593 088	251 178	341 910
Vat receivable	6 047 297	-	6 047 297
Other receivables	13 935 067	319 890	13 615 177

Total Trade and other receivables	160 054 958	75 762 871	84 292 087
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Summary of Debtors by Customer Classification

	Residential	Industrial/Commercial	National and Provincial Government
	R	R	R
as at 30 June 2014			
Current (0 – 30 days)	14 935 310	476 654	1 008 243
31 - 60 Days	16 524 318	306 063	809 876
61 - 90 Days	5 754 688	386 048	468 406
91 - 120 Days	3 851 525	102 493	387 334
121 - 365 Days	5 204 140	309 096	274 236
+ 365 Days	109 146 048	2 358 672	4 407 072
Sub-total	155 416 028	3 939 025	7 355 167
Less: Provision for doubtful debts	(75 655 325)	-	-
Total debtors by customer classification	79 760 703	3 939 025	7 355 167

at 30 June 2013

Current (0 – 30 days)	7 007 629	1 617 683	806 646
31 - 60 Days	10 079 168	717 336	778 433
61 - 90 Days	9 316 077	626 460	279 085
91 - 120 Days	3 805 728	371 364	247 377
121 - 365 Days	4 280 241	273 179	195 246
+ 365 Days	99 102 584	4 523 619	2 689 509
Sub-total	133 591 427	8 129 640	4 996 295
Less: Provision for doubtful debts	(75 442 981)	-	-

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

Total debtors by customer classification	<u>58 148 446</u>	<u>8 129 640</u>	<u>4 996 295</u>
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ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

	2014 R	2013 R
<u>Water and Sewerage: Ageing</u>		
Current (0 – 30 days)	8338819	16 420 207
31 - 60 Days	9 301 437	9 431 958
61 - 90 Days		17 640 256
91 - 120 Days		6 609 142
121 - 365 Days	184319201	4 341 352
+ 365 Days		5 787 472
Total	115 911 791	111 064 378
	166 710 220	146 717 363

Reconciliation of the doubtful debt provision

Balance at beginning of the year	75 694 159	128 796 807
Contributions to provision	18 547 232	18 738 552
Bad debts recovered	3 242 654	
Doubtful debts written off against provision	(21 828 720)	(71 841 200)
Balance at end of year	75 655 325	75 694 159

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Petty cash and cash on hand	24 000	24 000
Bank statement balance	44 814 379	21 971 406
	44 838 379	21 995 406

The Municipality has the following bank accounts: -

Water Bank Account

ABSA Bank Account - Durban Branch
Account Number 4057878321 - Current Account

Cash book balance at beginning of year	11 690 566	3 978 437
Cash book balance at end of year	3 862 941	11 690 566
Bank statement balance at beginning of year	10 665 280	1 798 326
Bank statement balance at end of year	3 190 450	10 665 280

Salaries Bank Account

First National Bank - Durban Branch
Account Number 62006302385 - Current Account

Cash book balance at beginning of year	51 413	(2 686 071)
Cash book balance at end of year	271 645	51 413
Bank statement balance at beginning of year	51 403	73 125
Bank statement balance at end of year	271 645	51 403

Main Bank Account

First National Bank Account - Durban Branch
Account Number 62006302385 : Current Account

Cash book balance at beginning of year	1 251 477	4 909 914
Cash book balance at end of year	1 640 820	1 251 477
Bank statement balance at beginning of year	1 275 920	4 909 914
Bank statement balance at end of year	2 397 916	1 275 920

Revenue Bank Account

First National Bank - Durban Branch

Cash book balance at beginning of year	789 588	-
Cash book balance at end of year	2 632 166	789 588
Bank statement balance at beginning of year	819 057	-
Bank statement balance at end of year	2 734 324	819 057

Projects Bank Account

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

	2014	2013
	R	R
<i>First National Bank - Durban Branch</i>		
<i>Account Number 62046718641 - Current Account</i>		
Cash book balance at beginning of year	406 572	21 473
Cash book balance at end of year	9 063 597	406 572
Bank statement balance at beginning of year	406 572	21 473
Bank statement balance at end of year	9 063 597	406 572

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

	2014 R	2013 R
<u>Investment Current Account</u>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9114541258 : Call Account</i>		
Bank statement balance at the beginning of the year	104 539	101 269
Bank statement balance at the end of the year	107 817	104 539
<u>Investment Current Account</u>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9183363524 : Call account</i>		
Bank statement balance at the beginning of the year	19 999	19 373
Bank statement balance at the end of the year	20 565	19 999
<u>Investment Current Account</u>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9095950633 : Call Account</i>		
Bank statement balance at the beginning of the year	16 444	15 929
Bank statement balance at the end of the year	16 896	16 444
<u>Investment Current Account</u>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 2066739798 : Call account</i>		
Bank statement balance at the beginning of the year	-	883 597
Bank statement balance at the end of the year	-	
<u>Investment Current Account</u>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 2070224909 : Call Account</i>		
Bank statement balance at the beginning of the year	-	244 771
Bank statement balance at the end of the year	-	
<u>Investment Current Account</u>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 007025062 - Call Account</i>		
Bank statement balance at the beginning of the year	1 611 662	1 548 667
Bank statement balance at the end of the year	21 693 144	1 611 662
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 61085067093 : Call Account</i>		
Bank statement balance at the beginning of the year	54 884	1 149
Bank statement balance at the end of the year	1 095	54 884
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 74091301628 : Call Account</i>		
Bank statement balance at the beginning of the year	-	270 037
Bank statement balance at the end of the year	-	
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 74104346206 : Call Account</i>		
Bank statement balance at the beginning of the year	433 943	413 361
Bank statement balance at the end of the year	455 540	433 943
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 61085067093 : Call Account</i>		
Bank statement balance at the beginning of the year	-	4 462
Bank statement balance at the end of the year	669 084	

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

	2014	2013
	R	R
<u>Investment Current Account</u>		
<i>First National Bank</i>		
<i>Account Number 62313562309 : Call Account</i>		
Bank statement balance at the beginning of the year	4 521 993	1 028
Bank statement balance at the end of the year	778 933	4 521 993

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

	2014 R	2013 R
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch Account Number 62129309937 : Call Account</i>		
Bank statement balance at the beginning of the year	40 876	3 065 267
Bank statement balance at the end of the year	1 160	40 876
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch Account Number 74274097341 : Call Account</i>		
Bank statement balance at the beginning of the year	-	608 074
Bank statement balance at the end of the year	-	
<u>Investment Current Account</u>		
<i>Standard Bank Account - Durban Branch Account Number 293302 : Call Account</i>		
Bank statement balance at the beginning of the year	1 948 834	1 854 253
Bank statement balance at the end of the year	-	1 948 834
<u>Investment Current Account</u>		
<i>Investec Bank Account - Durban Branch Account Number 1100-435877 : Call Account</i>		
Bank statement balance at the beginning of the year	-	9 702 842
Bank statement balance at the end of the year	-	
<u>Investment Current Account</u>		
<i>Investec Bank Account - Durban Branch Account Number 50003105474 : Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	3 201 377	-
<u>Investment Current Account</u>		
<i>Rand Merchant Bank Account Account Number DC02E000066 : Call Account</i>		
Bank statement balance at the beginning of the year	-	4 542 368
Bank statement balance at the end of the year	210 836	-
<u>Petty cash and cash on hand</u>		
	24 000	24 000
Cash book balance at beginning of year	13 400 028	6 223 753
Cashbook balance at year end	17 495 168	13 400 028

4 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

KwaDukuza Municipality	772 426	20 619 944
Department of Water Affairs	18 674 083	25 421 749
Total Other Debtors	19 446 509	46 041 693

5 OTHER NON-CURRENT FINANCIAL ASSETS

Investments in municipal entity - Enterprise Ilembe Development Agency	100	100
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ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

	2014	2013
	R	R
6 INVENTORIES		
Opening balance of inventories:	5 062 183	5 027 831
Consumable stores - at Net Replacement Cost	4 770 977	4 749 130
Water	291 206	278 701
Movements:	2 016 256	34 352
Consumable stores	2 044 488	21 847
Water	(28 232)	12 505
Closing balance of inventories:	7 078 439	5 062 183
Consumable stores	6 815 465	4 770 977
Water	262 974	291 206

7 NON-CURRENT RECEIVABLES

Staff loans	253 801	242 917
Less: Provision for bad debts	(236 494)	(242 917)
Total	17 307	-

These loans were as a result of bursaries granted to certain staff members as part of a bursary scheme approved by council in previous financial years.

8 INVESTMENTS

Financial Instruments

ABSA zero coupon investment	21 549 063	20 115 704
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This investment has been ceded as security against the long term loan from ABSA disclosed in Note 15

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure Water & Sewer	Assets Under Construction	Other Assets	Finance lease assets	Total
	R	R	R		R	R	R
as at 1 July 2013	3 242 908	13 688 274	710 208 900	400 692 034	9 996 754	5 726 133	1 143 555 003
Cost/Revaluation	3 242 908	18 544 080	793 116 041	400 692 034	21 449 977	21 926 035	1 258 971 075
Correction of prior year error (note 31)			-		-	-	-
Accumulated depreciation and impairment losses	-	(4 855 806)	(82 907 141)	-	(11 453 223)	(16 199 903)	(115 416 072)
Acquisitions	-	-	188 377 409	-	887 392	-	189 264 801
Capital under Construction	-	-	-	296 838 018	-	-	296 838 018
Depreciation	-	(628 079)	(31 834 416)		(2 890 357)	(3 605 736)	(38 958 588)
Carrying value of disposals	-	(98 533)	(576 144)	-	(182 044)	(143 117)	(999 838)
Cost/Revaluation	-	(105 257)	(655 177)	-	(765 385)	(10 025 308)	(11 551 127)
Accumulated depreciation and impairment losses	-	6 725	79 033		583 341	9 882 191	10 551 289
Impairment loss/Reversal of impairment loss	-	-	(299 655 005)		(87 653)	-	(299 742 658)
Transfers	-	-	-	(190 696 536)	-	-	(190 696 536)
Other movements	-	-	-		-	-	-
As at 30 June 2014	3 242 908	12 961 663	565 113 160	506 833 516	7 724 092	1 977 280	1 097 852 616
Cost/Revaluation	3 242 908	18 438 823	980 838 272	506 833 516	21 571 984	11 900 727	1 542 826 231
Accumulated depreciation and impairment losses	-	(5 477 160)	(415 725 113)	-	(13 847 892)	(9 923 447)	(444 973 612)

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

10.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure Water & Sewer	Assets Under Construction	Other Assets	Finance lease assets	Total
	R	R	R		R	R	R
as at 1 July 2012	3 242 908	14 319 808	620 513 890	213 437 930	11 873 443	10 295 890	873 683 868
Cost/Revaluation	3 242 908	18 544 080	699 618 439	213 437 930	21 943 876	22 388 844	979 176 077
Correction of prior year error (note 31) - Cost	-	-	(12 207 296)		149 474	-	(12 057 822)
Correction of prior year error (note 31) - Accumulated depreciation and impairment losses	-	(17 620)	(1 046 311)	-	130	-	(1 063 801)
Accumulated depreciation and impairment losses		(4 206 652)	(65 850 942)		(10 220 037)	(12 092 955)	(92 370 586)
Acquisitions	-	-	103 119 652		1 877 204	-	104 996 856
Capital under Construction	-	-	8 188 663	187 254 104	-	-	195 442 767
Depreciation	-	(631 534)	(16 009 888)		(3 017 637)	(4 435 203)	(24 094 261)
Carrying value of disposals	-	-	(5 603 417)		(597 673)	(134 554)	(6 335 644)
Cost/Revaluation	-	-	(5 603 417)		(2 520 577)	(462 809)	(8 586 803)
Accumulated depreciation and impairment losses	-	-	-		1 922 904	328 255	2 251 159
Impairment loss/Reversal of impairment loss	-	-	-		(138 583)	-	(138 583)
Transfers	-	-	-		-	-	-
*Other movements	-	-	-		-	-	-
as at 30 June 2013	3 242 908	13 688 274	710 208 900	400 692 034	9 996 754	5 726 133	1 143 555 003
Cost/Revaluation	3 242 908	18 544 080	793 116 041	400 692 034	21 449 977	21 926 035	1 258 971 075
Accumulated depreciation and impairment losses	-	(4 855 806)	(82 907 141)	-	(11 453 223)	(16 199 903)	(115 416 072)

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

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

11 HERITAGE ASSETS

	Moveable Objects	Total
11.1 Reconciliation of carrying value		R
as at 1 July 2013	205 578	205 578
Cost	205 578	205 578
Accumulated impairment losses	-	-
 As at 30 June 2014	 205 578	 205 578
Cost	205 578	205 578
Accumulated impairment losses	-	-
 11.2 Reconciliation of carrying value	 Moveable Objects	 Total
	R	R
as at 1 July 2013	205 578	205 578
Cost	205 578	205 578
Accumulated impairment losses	-	-
 as at 30 June 2014	 205 578	 205 578
Cost	205 578	205 578
Accumulated impairment losses	-	-

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

12 INTANGIBLE ASSETS

12.1 Reconciliation of carrying value

	Licenses R	Computer Software R	Total R
as at 1 July 2013	2 124 397	4 294 237	6 418 634
Cost	2 198 894	6 882 599	9 081 493
Accumulated amortisation and impairment losses	(74 497)	(2 588 362)	(2 662 859)
Acquisitions	5 539	936 153	941 692
Amortisation	-	(1 349 662)	(1 349 662)
As at 30 June 2014	2 129 936	3 880 728	6 010 666
Cost	2 204 434	7 818 752	10 023 186
Accumulated amortisation and impairment losses	(74 497)	(3 938 024)	(4 012 521)

12.2 Reconciliation of carrying value

	Licenses R	Computer Software R	Total R
As at 1 July 2012	2 012 171	1 243 518	3 255 688
Cost	2 014 795	3 108 057	5 122 852
Accumulated amortisation and impairment losses	(2 624)	(1 864 539)	(1 867 163)
Acquisitions	261 245	3 779 747	4 040 992
Amortisation	(71 873)	(728 014)	(799 887)
Carrying value of disposals		(1 881)	(1 881)
Cost	-	(5 204)	(5 204)
Accumulated amortisation	-	3 324	3 324
Other movements	-	867	867
As at 30 June 2013	2 124 397	4 294 237	6 418 634
Cost	2 198 894	6 882 599	9 081 493
Accumulated amortisation and impairment losses	(74 497)	(2 588 362)	(2 662 859)

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

	IDM 2014 R	IDM 2013 R
13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	46 370 751	39 241 836
Debtors with credit balances	5 680 841	5 084 481
Staff leave accrual	9 951 655	8 123 433
Outstanding Payments	757 097	24 443
Other creditors	106 821 749	84 747 162
Consumer water deposits	4 723 194	3 357 941
Vat payable	7 033 098	-
Total creditors	181 338 385	140 579 296

The fair value of trade and other payables approximates their carrying amounts.

14 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Unspent Conditional Grants and Receipts

Provincial Township Establishment	1 319 805	1 881 915
Section 78	200 000	200 000
MIG	3 193 174	53 182
Melville Package Plant	-	611 118
Rural Housing Grant	4 000 000	-
Customer Satisfaction Survey	26 958	580 000
Water Services Operating Grant	9 035 267	-
IGR Grant	-	73 800
Municipal Governance & Administration	198 015	573 084
Environmental Management	24 459	307 639
Financial Management Grant	141 332	-
LG SETA	-	250 042
MWIG	517 772	-
Ndwedwe Town Development	507 707	507 707
Corridor Funding	535 864	535 864
Disaster Management - DBSA	165 477	165 476
EPWP	2 349 000	1 349 000
Rural Transport Service Grant	267 487	768 926
Grants - Other	992 800	992 800
Total Unspent Conditional Grants and Receipts	23 475 118	8 850 554

Non-current unspent conditional grants and receipts

Current portion of unspent conditional grants and receipts 23 475 118 8 863 404

See Note 21 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

15 BORROWINGS

Development Bank of South Africa	59 383 844	62 233 374
ABSA	30 000 000	30 000 000
	89 383 844	92 233 374
Less : Current portion transferred to current liabilities	3 115 127	2 607 447
Development Bank of South Africa	3 115 127	2 607 447
ABSA	-	-
Non current portion of borrowings	86 268 717	89 625 927

Development Bank of South Africa

Bear interest at rates between 9.02% and 11.04% per annum and are repayable every six months with the last repayment due on 30 September 2025.

ABSA Loan

Bears interest at 10.8% per annum, interest is paid quarterly and the loan is repayable in 2025.

Refer to Appendix A for more detail on borrowings.

16 FINANCE LEASE LIABILITY

as at 30 June 2014

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			

ILEMBE DISTRICT MUNICIPALITY
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As at 30 June 2014

	IDM 2014 R	IDM 2013 R
Within one year	1 498 707	1 452 292
Within two to five years	461 628	441 046
	1 960 335	1 893 339
Less: Amount due for settlement within 12 months (current portion)		1 452 292
		441 046

**ILEMBE DISTRICT MUNICIPALITY
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As at 30 June 2014**

IDM	IDM
2014	2013
R	R

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

as at 30 June 2013	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	4 227 170	628 588	3 598 582
Within two to five years	1 934 021	85 717	1 848 304
	<u>6 161 191</u>	<u>714 305</u>	<u>5 446 886</u>
Less: Amount due for settlement within 12 months (current portion)			<u>3 598 582</u>
			<u>1 848 304</u>

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

17 SERVICE CHARGES

Sale of water	92 768 097	90 888 559
Sewerage and sanitation charges	18 317 464	17 138 624
Revenue Forgone	(8 180 802)	(6 520 206)
Total Service Charges	<u>102 904 759</u>	<u>101 506 977</u>

18 RENTAL OF FACILITIES AND EQUIPMENT

iLembe Auditorium	-	12 168
Rental of facilities	-	61 913
Total rentals	<u>-</u>	<u>74 082</u>

19 INTEREST EARNED - BANK BALANCES

Bank	4 401 310	5 229 071
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20 INTEREST EARNED - OUTSTANDING RECEIVABLES

Interest on debtors	13 119 710	14 940 232
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21 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	253 386 000	227 576 000
MIG Grant	170 482 602	161 612 895
Other Government Grants and Subsidies	141 353 632	199 984 138
Total Government Grant and Subsidies	<u>565 222 234</u>	<u>589 173 033</u>

21.1 Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	253 386 000	227 576 000
Conditions met - transferred to revenue	(253 386 000)	(227 576 000)
Conditions met	<u>-</u>	<u>-</u>

21.2 MIG Grant

Balance unspent at beginning of year	53 182	-
Current year receipts	177 501 000	179 292 000
Conditions met - transferred to revenue	(169 871 484)	(161 612 895)
Adjustments and Transfers	(4 489 525)	(17 625 923)
Conditions still to be met - remain liabilities (see note 14)	<u>3 193 174</u>	<u>53 182</u>

21.3 VAT REFUNDS

**ILEMBE DISTRICT MUNICIPALITY
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As at 30 June 2014**

	IDM 2014 R	IDM 2013 R
Balance unspent at beginning of year	-	-
Current year receipts	-	36 589 143
Conditions met - transferred to revenue	-	(36 589 143)
Conditions met	-	-

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

	IDM 2014 R	IDM 2013 R
21.4 Other Grants		
Balance unspent at beginning of year	992 800	1 388 120
Current year receipts	-	200 727
Conditions met - transferred to revenue	-	(557 824)
Adjustments and Transfers	-	(38 223)
Conditions met	992 800	992 800
21.5 SECTION 78 GRANT		
Balance unspent at beginning of year	200 000	200 000
Conditions still to be met - remain liabilities (see note 14)	200 000	200 000
21.6 WATER SERVICE OPERATING GRANT		
Balance unspent at beginning of year	-	-
Current year receipts	11 139 000	7 642 000
Conditions met - transferred to revenue	(2 103 733)	(6 968 138)
Adjustments and Transfers	-	(673 862)
Conditions met	9 035 267	-
21.7 MAPHUMULO WATERWORKS GRANT		
Balance unspent at beginning of year	-	1 060 753
Conditions met - transferred to revenue	-	(1 060 753)
Conditions still to be met - remain liabilities (see note 14)	-	-
21.8 REFURBISHMENT OF WASTE WATER WORKS (DWA ACIP)		
Balance unspent at beginning of year	-	-
Current year receipts	-	2 436 100
Conditions met - transferred to revenue	-	(2 136 930)
Adjustments and Transfers	-	(299 170)
Conditions met	-	-
21.9 MASSIFICATION GRANT		
Balance unspent at beginning of year	-	9 824 989
Current year receipts	-	2 500 000
Conditions met - transferred to revenue	-	(10 811 394)
Adjustments and Transfers	-	(1 513 595)
Conditions still to be met - remain liabilities (see note 14)	-	-
21.10 NGCEBO/LOWER THUKELA BULK WATER SCHEME		
Balance unspent at beginning of year	-	-
Current year receipts	89 880 813	94 899 916
Conditions met - transferred to revenue	(76 293 239)	(74 822 017)
Adjustments and Transfers	(13 587 574)	(20 077 899)
Conditions met	-	-
21.11 RURAL TRANSPORT SERVICE		
Balance unspent at beginning of year	768 926	1 330 027
Current year receipts	1 807 000	1 776 000
Conditions met - transferred to revenue	(2 308 438)	(2 050 089)
Adjustments and Transfers	-	(287 012)
Conditions still to be met - remain liabilities (see note 14)	267 488	768 926
21.12 DISASTER MANAGEMENT GRANT (COGTA)		
Balance unspent at beginning of year	-	1 132 946
Conditions met - transferred to revenue	-	(993 812)
Adjustments and Transfers	-	(139 134)
Conditions still to be met - remain liabilities (see note 14)	-	-
21.13 DISASTER MANAGEMENT GRANT (DBSA)		
Balance unspent at beginning of year	165 476	784 235
Current year receipts	-	(542 771)
Conditions met - transferred to revenue	-	(75 988)

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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Conditions still to be met - remain liabilities (see note 14)

IDM 2014 R	IDM 2013 R
<u>165 476</u>	<u>165 476</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

	IDM 2014 R	IDM 2013 R
21.14 BEACH RESTORATION GRANT		
Balance unspent at beginning of year	-	4 796 072
Conditions met - transferred to revenue	-	(4 796 072)
Conditions still to be met - remain liabilities (see note 14)	-	-
21.15 OPERATING REFURBISHMENT GRANT		
Balance unspent at beginning of year	-	3 064
Adjustments and Transfers	-	(3 064)
Conditions still to be met - remain liabilities (see note 14)	-	-
21.16 SHARED SERVICES GRANT (FINANCIAL SYSTEMS)		
Balance unspent at beginning of year	-	338 435
Conditions met - transferred to revenue	-	(338 435)
Conditions still to be met - remain liabilities (see note 14)	-	-
21.17 MWIG		
Balance unspent at beginning of year	-	-
Current year receipts	49 692 000	-
Conditions met - transferred to revenue	(49 174 228)	-
Conditions met	517 772	-
21.18 PROVINCIAL TOWNSHIP ESTABLISHMENT		
Balance unspent at beginning of year	1 881 915	1 333 850
Current year receipts	-	1 200 000
Conditions met - transferred to revenue	(493 079)	(571 873)
Adjustments and Transfers	(69 031)	(80 062)
Conditions still to be met - remain liabilities (see note 14)	1 319 805	1 881 915
21.19 Municipal Governance & Admin		
Balance unspent at beginning of year	573 084	-
Current year receipts	-	800 000
Conditions met - transferred to revenue	(375 068)	(226 917)
Conditions still to be met - remain liabilities (see note 14)	198 015	573 084
21.20 CORRIDOR FUNDING		
Balance unspent at beginning of year	-	-
Current year receipts	500 000	-
Conditions met - transferred to revenue	(500 000)	-
Conditions met	-	-
21.21 CORRIDOR - NORTH URBAN DEVELOP PLAN PHASE 2		
Balance unspent at beginning of year	535 864	2 425 677
Current year receipts	-	7 400 000
Conditions met - transferred to revenue	-	(9 057 730)
Adjustments and Transfers	-	(232 083)
Conditions still to be met - remain liabilities (see note 14)	535 864	535 864
21.22 RURAL HOUSING GRANT		
Balance unspent at beginning of year	-	-
Current year receipts	4 000 000	-
Conditions met	4 000 000	-

**ILEMBE DISTRICT MUNICIPALITY
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	IDM 2014 R	IDM 2013 R
21.23 FRESH PRODUCE MARKET IN STANGER		
Balance unspent at beginning of year	-	-
Current year receipts	-	500 000
Conditions met - transferred to revenue	-	(500 000)
Conditions met	-	-
21.24 DONATIONS & GIFTS		
Balance unspent at beginning of year	-	-
Conditions met - transferred to revenue	7 337 566	18 087 670
Adjustments and Transfers	(7 337 566)	(18 087 670)
Conditions met	-	-
21.25 FMG		
Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 080 015)	(1 250 000)
Adjustments and Transfers	(28 653)	-
Conditions met	141 332	-
21.26 MSIG		
Balance unspent at beginning of year	-	-
Current year receipts	890 000	1 000 000
Conditions met - transferred to revenue	(890 000)	(1 000 000)
Conditions met	-	-
21.27 EPWP		
Balance unspent at beginning of year	1 349 000	349 000
Current year receipts	1 000 000	1 000 000
Conditions still to be met - remain liabilities (see note 14)	2 349 000	1 349 000
21.28 LGSETA		
Balance unspent at beginning of year	250 042	454 721
Current year receipts	77 800	903 320
Conditions met - transferred to revenue	(237 686)	(1 068 688)
Adjustments and Transfers	(90 156)	(39 310)
Conditions still to be met - remain liabilities (see note 14)	-	250 042
21.29 IGR GRANT		
Balance unspent at beginning of year	73 800	73 800
Conditions met - transferred to revenue	(64 737)	-
Adjustments and Transfers	(9 063)	-
Conditions still to be met - remain liabilities (see note 14)	-	73 800
21.30 ENVIRONMENTAL MANAGEMENT FRAMEWORK		
Balance unspent at beginning of year	307 639	1 038 899
Conditions met - transferred to revenue	(248 403)	(641 456)
Adjustments and Transfers	(34 777)	(89 803)
Conditions still to be met - remain liabilities (see note 14)	24 459	307 639
21.31 NDWEDWE TOWN DEVELOPMENT		
Balance unspent at beginning of year	507 707	507 707
Conditions still to be met - remain liabilities (see note 14)	507 707	507 707
21.32 Customer Satisfaction Survey		
Balance unspent at beginning of year	580 000	-
Current year receipts	-	1 130 000
Conditions met - transferred to revenue	(485 125)	(489 100)
Adjustments and Transfers	(67 917)	(60 900)
Conditions still to be met - remain liabilities (see note 14)	26 958	580 000

**ILEMBE DISTRICT MUNICIPALITY
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	IDM 2014 R	IDM 2013 R
21.33 Melville Package Plant		
Balance unspent at beginning of year	611 118	-
Current year receipts	-	5 611 000
Conditions met - transferred to revenue	(611 118)	(4 385 861)
Adjustments and Transfers	-	(614 021)
Conditions still to be met - remain liabilities (see note 14)	-	611 118

22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

22.1 Other income

Tender Documents	456 039	182 984
Telephone recovered	173 390	
Clearance certificates	572 931	358 265
Private developers	1 001 244	499 625
Siza Water Concession	1 436 000	1 058 998
Insurance proceeds	94 559	29 490
Interest on bank accounts	-	703 934
Developers Capital Contribution	22 108 970	
Shared Service	1 644 332	2 384 504
New connections	177 002	
Vat Refunds	4 837 824	-
Other income	981 660	628 075
	33 483 951	5 845 875

23 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	94 568 559	72 816 120
Employee related costs - Contributions for UIF, pensions and medical aids	17 075 150	13 853 921
Travel, motor car, accommodation, subsistence and other allowances	3 112 692	3 141 383
Housing benefits and allowances	612 857	516 004
Overtime payments	4 437 846	3 522 057
Performance and other bonuses	6 147 753	4 488 384
Long-service awards	2 775 714	1 124 080
Other employee related costs	5 605 025	4 515 150
Employee Related Costs	134 335 596	103 977 098

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	877 621	-
Contributions to UIF, Medical and Pension Funds and other allowances	92 897	-
Total	970 518	-

The position of the Municipal Manager is currently vacant. The former MM was employed for 10 months.

Remuneration of the Chief Financial Officer

Annual Remuneration	845 978	773 316
Travel, motor car, accommodation, subsistence	185 702	169 033
Contributions to UIF, Medical and Pension Funds and other allowances	1 784	8 022
Total	1 033 464	950 371

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R	Corporate Governance R
2014			
Annual Remuneration	-	621 242	853 125
Travel, motor car, accommodation, subsistence and other allowances	-	205 675	121 875
Contributions to UIF, Medical and Pension Funds	-	62 207	1 785
Total	-	889 124	976 785

The position for Director: Technical Services is currently vacant.

	Technical Services R	Corporate Services R	Corporate Governance R
2013			
Annual Remuneration	-	81 466	38 670
Travel, motor car, accommodation, subsistence and other allowances	-	32 500	9 979
Contributions to UIF, Medical and Pension Funds	-	250	125

ILEMBE DISTRICT MUNICIPALITY
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	IDM 2014 R	IDM 2013 R
Total	-	114 216
	48 774	48 774

The positions for Director Corporate Services, Director Technical Services and Director Corporate Governance are currently vacant.

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

	IDM 2014 R	IDM 2013 R
24 REMUNERATION OF COUNCILLORS		
Mayor	638 271	636 630
Deputy Mayor	564 766	46 785
Speaker	307 213	321 047
Executive Committee Members	1 333 349	1 701 759
Councillors' Allowances	3 314 287	2 366 877
Councillors' pension and medical aid contributions	471 648	657 674
Total Councillors' Remuneration	6 629 534	5 730 772

In-kind Benefits

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

The Mayor, Deputy Mayor and Speaker has use of the Council owned vehicle for official duties. The Mayor has 2 full-time bodyguards.

25 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE

Depreciation	38 958 584	24 232 896
Impairment of Assets	299 742 658	
Intangible assets	1 349 661	799 887
Total Depreciation, Impairment and Amortisation	340 050 903	25 032 783

The impairment recognized mainly relates to impairment of infrastructure assets due to significant changes in the remaining useful lives of these assets.

26 FINANCE COSTS

Borrowings	9 034 822	9 042 577
Leases	232 123	714 305
Total Finance Costs	9 266 946	9 756 882

27 BULK PURCHASES

Electricity		
Water	72 296 236	59 636 667
Total Bulk Purchases	72 296 236	59 636 667

28 CONTRACTED SERVICES

Contracted services for:

Management Contact WSSA	11 859 226	13 335 969
Lease of Machinery & Equipment	337 035	269 022
Reconnections/Disconnections	2 134 731	4 563 579
Plant Hire	11 480 723	5 811 857
Security	24 121 634	24 501 723
Salga games	4 598 163	-
Meter reading contractors	199 735	142 408
Fax & Copier rentals	2 512 344	2 625 098
Lease of Vehicles	1 436 131	-
Rental of Buildings	276 886	-
Vehicle Hire	5 411 232	-
Insurance	1 169 827	810 839
	65 537 666	52 060 494

29 GRANT EXPENSES

Grant Expenditure	35 317 924	45 605 916
	35 317 924	45 605 916
FMG Expenditure	1 080 015	1 326 954
PROVINCIAL TOWNSHIP ESTABLISHMENT	493 079	414 815
LG SETA Grant Expenditure	-	1 068 688
Corridor Grant Expenditure	500 000	7 400 000
MUNICIPAL GOV & ADMINISTRATION	375 068	-
SPATIAL DEVELOPMENT PLAN	-	1 814 788
IGR Grant Expenditure	68 204	-
EMF	248 403	641 456

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

	IDM 2014 R	IDM 2013 R
Maphumulo HH Sanitation	10 562 632	6 952 287
Mandeni Ward 16 HH Sanitation	8 514 232	8 424 989
Ndwedwe HH Sanitation	12 991 167	12 765 867
Restoration to Beaches	-	4 796 072
Citizen Satisfaction Survey	485 125	

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

	IDM 2014 R	IDM 2013 R
30 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	1 574 394	1 288 863
Audit fees	2 272 672	2 202 546
Bank charges	163 492	240 284
Cleaning	1 081 490	877 119
Conferences and delegations	253 897	189 703
Consumables	1 264 687	7 079
Entertainment	959 677	896 795
Fuel and oil	6 469 711	7 462 967
Legal expenses	471 031	602 728
LG Seta Expenditure	669 704	-
Licence fees - vehicles	14 051	64 263
Licence fees - computers	280 906	793 190
Membership fees	1 055 550	846 307
Postage	1 442 006	1 299 868
Printing and stationery	946 969	1 508 103
Professional fees	1 742 777	1 426 266
Rental of buildings	-	241 143
Rental of computer equipment	205 041	-
Special Projects	1 069 618	-
Subscription & publication	6 502	20 663
Telephone cost	3 052 335	2 713 216
Training	2 313 511	1 129 427
Travel and subsistence	1 791 448	857 242
Uniforms & overalls	1 029 735	71 029
Water and Sanitation	5 727 273	2 278 827
Electricity & Water	15 557 436	14 846 486
LED Projects	15 800 000	6 834 000
Shared Services	3 006 152	2 301 200
Public Participation	2 068 231	1 703 579
Vehicle Hire	-	2 369 803
Siza Water	1 575 735	1 238 396
Other	4 239 274	6 700 239
	78 105 305	67 498 823

31 CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY

Property, plant and equipment	1 434 393	(13 003 875)
<i>An error was discovered in the calculation of the 2013 accumulated depreciation which resulted in the overstatement of the net book value of property, plant & equipment. It was further discovered that assets under construction which were completed in the prior years were not transferred to completed assets as a result depreciation and accumulated depreciation was understated. Incorrect recognition of assets that did not exist, in some cases assets were duplicated.</i>		
Forex Loss	-	(6 004)
Unspent Grants Liabilities	(250 042)	
<i>LG Seta funding has previously been disclosed as grants and clarity was received from Treasury to say it is not a grant but rather other income.</i>		
Forex Liability	(4 784)	(1 594 691)
<i>Credit Note not accounted for at 30 June 2013 resulting in Forex Liability being overstated</i>		
Finance Lease Liability	(52 324)	
<i>Adjustment in respect of understatement of interest accounted for in the prior year. The understatement was as a result of the amortisation schedule not being updated in line with interest changes.</i>		
Stock Adjustments	(1 023 893)	
<i>Balancing of the stores module with the control account in order to correct stock balances.</i>		
Bank and Cash	(6 102)	
<i>Study fees reversed from training expense as a result of employees not completing training course</i>		
Intangible Assets	-	1 333 860
Consumer Debtors	(135 157)	9 602 816
<i>Adjustments to consumer transactions relating to prior years</i>		
Trade Creditors	(2 045 688)	1 715 600
<i>Reversal of accruals raised in the 2012/13 financial year and were not effected in the 2013/14 financial year</i>		
Correction of cash book balance	-	(158 690)
Staff Debtors	(61 869)	

**ILEMBE DISTRICT MUNICIPALITY
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As at 30 June 2014**

	IDM 2014 R	IDM 2013 R
<i>Correction of transactions recorded as training expense during 2012/13 financial year. Expenditure was reversed as a result of employees failing the training courses for which they were subsidized. Records that they had failed these training courses were only received during 2013/14 financial year</i>	(9 453)	(2 502 536)
Other	(2 154 919)	(4 613 520)

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

	IDM 2014 R	IDM 2013 R
32 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	(74 210 152)	294 979 107
Adjustment for:-		
Depreciation and amortisation	340 050 903	25 032 783
Forex Loss	81 899	299 739
Loss on disposal of PPE	98 533	262 843
Contribution to provisions - non-current	18 547 232	18 807 264
Contribution to provisions - current	2 775 714	1 124 080
Finance costs	9 266 946	9 756 882
Prior Year Adjustments	(2 154 919)	8 610 148
Investment Income	(4 401 310)	(5 229 071)
Bad debts written off	(21 828 720)	(71 841 200)
Operating surplus before working capital changes:	268 226 126	281 802 575
Increase in inventories	(2 016 256)	(34 352)
Increase/(decrease) in trade receivables	(25 784 986)	23 422 676
(Increase)/decrease in other receivables	26 595 185	(46 041 693)
Increase/(decrease) in conditional grants and receipts	14 624 564	(18 991 741)
Increase in trade payables	40 759 089	65 039 427
Other assets	11 918 922	31 044
Other liability		(3 102 892)
Cash generated by/(utilised in) operations	334 322 644	302 125 045

33 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	44 838 379	13 242 232
Net cash and cash equivalents (net of bank overdrafts)	44 838 379	13 242 232

**UNAUTHORISED, IRREGULAR, FRUITLESS AND
34 WASTEFUL EXPENDITURE DISALLOWED**

34.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Unauthorised expenditure current year	9 251 672	-
Approved by Council/Board or condoned	(9 251 672)	-
Unauthorised expenditure awaiting authorisation	-	-

Incident

Unauthorized expenditure was as a result of expenditure on internally funded capital projects that exceeded the approved budget

Action taken

Council has certified the unauthorised expenditure as irrecoverable and written it off in terms of section 32(2) of the MFMA.

34.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	68 712	
Fruitless and wasteful expenditure current year	259 160	68 875
Recovered	-	(163)
To be recovered – (see note 4)	-	(68 712)
Certified as irrecoverable and written off	(327 872)	
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident

The fruitless and wasteful expenditure relates to penalties and interest in respect of the late payment of workmens compensation.

The workmens compensation changed its method of filing returns from manual to electronic, due to number of changes experienced in submitting the written electronically, the due date passed and penalties and interest were levied accordingly by the fund.

Action taken

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

IDM
2014
R

IDM
2013
R

Council has certified the unauthorised expenditure as irrecoverable and written it off in terms of section 32(2) of the MFMA. Processes are put in place to ensure no-recurrence.

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

	IDM 2014 R	IDM 2013 R
34.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	3 081 319	30 881 207
Irregular expenditure current year	9 129 167	15 715 862
Certified by council as irrecoverable and written off	(12 210 486)	(43 515 750)
Irregular expenditure awaiting condonement	-	3 081 319

Incident

The irregular expenditure is a result of certain instances of non-compliance with the SCM policy and processes.

Action taken

Council has certified the unauthorised expenditure as irrecoverable and written it off in terms of section 32(2) of the MFMA. Disciplinary processes to be instituted against responsible officials where necessary.

34.4 Deviations

Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy:

Total value	19 926 776	6 933 491
	19 926 776	6 933 491

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL

35 FINANCE MANAGEMENT ACT

35.1 Contributions to organised local government

Opening balance		
Council subscriptions	1 030 725	833 008
Amount paid - current	(1 030 725)	(833 008)
Balance unpaid (included in payables)	-	-

35.2 Audit fees

Opening balance	-	
Current year audit fee	2 272 672	2 202 546
Amount paid - current year	(2 272 672)	(2 202 546)
Balance unpaid (included in payables)	-	-

35.3 VAT

VAT input receivables and VAT output payables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.

35.4 PAYE and UIF

Opening balance	1 268 943	1 113 644
Current year payroll deductions	16 791 372	14 541 716
Amount paid - current year	(15 203 208)	(13 272 773)
Amount paid - previous years	(1 268 943)	(1 113 644)
Balance unpaid (included in payables)	1 588 164	1 268 943

The balance represents PAYE and UIF deducted in June 2014 payroll. These amounts will be paid in July 2014

35.5 Pension and Medical Aid Deductions

Opening balance	1 878 182	1 447 132
Current year payroll deductions and Council Contributions	22 411 093	20 415 118
Amount paid - current year	(21 087 741)	(18 536 935)
Amount paid - previous years	(1 878 182)	(1 447 132)
Balance unpaid (included in payables)	1 323 352	1 878 182

The balance represents pension and medical aid contributions deducted from employees in the June 2014 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid in July 2014 except for medical aid and RA which were paid within the month of deduction in June 2014.

35.6 Councillor's arrear consumer accounts

No councillors was in arrears as at 30 June 2014

as at 30 June 2014

Total Councillor Arrear Consumer Accounts

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
Total Councillor Arrear Consumer Accounts	-	-	-

as at 30 June 2013

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

	IDM 2014 R	IDM 2013 R
Councillor EL Dube	1 372	463
Total Councillor Arrear Consumer Accounts	1 372	909

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

	IDM 2014 R	IDM 2013 R
35.7 Material losses		
35.7.1 Asset impairment losses	(299 742 658)	(138 583)
Council has incurred material infrastructure asset impairment losses in the current year due to significant deterioration in the remaining useful lives and recoverable amounts of these assets. This has resulted in the municipality realising an overall deficit in the current year.		

35.7.2 Debt impairment losses	(21 828 720)	(71 841 200)
Although the revenue collection has slightly improved compared to the prior years, council has incurred material debt impairment losses written off against the provision for bad debts. This is mainly as a result of restricted inactive accounts that are accumulating interest with no corresponding payments, pensioner accounts and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in consumer debtors and provision for bad debts.		

	Percentage distribution		
35.8 Distribution Losses			
Units lost (kilolitres)			
Illegal connections and other	29%	3 192 288	3 803 647
Main leaks	50%	5 600 745	5 685 651
Reservoir overflows	0%	40 005	40 612
Service connection leaks	21%	2 360 314	2 396 096
Units lost (kilolitres)	100%	11 193 352	11 926 006
Units lost (sales price per kilolitre - rands)		75 314 609	95 306 489
Units lost (purchase price per kilolitre - rands)		34 882 914	31 398 879
Units lost (percentage)		48%	52%

The distribution losses are mainly due to illegal connections, main leaks (ageing infrastructure), reservoir overflows and service connection leaks. A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.

35.9 Material Losses sewer revenue losses	4 592 434	3 856 212
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It was noted that there were inconsistencies between the sewer revenue charged to individual consumers and charges per the approved tariff policy. The reason for the differences is that old consumers were charged based on the 2007/2008 valuation roll instead of the 2011 valuation rolls from the Local Municipalities. This has resulted in a total loss of revenue of **R12.2million**. It has proved very expensive to use the valuation roll as basis of charging sewer hence council resolved to change the basis from valuation roll to water consumption basis in the 2014/2015 budget year. Included in the amount written off is an amount of R1.1 million in respect of 2012/2013 sewer increase of 8% that was not billed to the individual consumers. This has resulted in a decrease in debtors

36 CAPITAL COMMITMENTS

36.1 Commitments in respect of capital expenditure

- Approved and contracted for	509 444 979	343 684 676
Infrastructure	482 963 638	343 684 676
Community	26 481 341	-
- Approved but not yet contracted for	2 328 050 025	2 123 269 217
Infrastructure	2 328 050 025	2 123 269 217
Total	2 837 495 004	2 466 953 893

This expenditure will be financed from:

- External Loans	2 320 107 133	2 077 045 231
- Government Grants	46 557 683	28 580 078
- Own resources	470 830 188	361 328 584
- Funding still to be sourced	2 837 495 004	2 466 953 893

37 EMPLOYEE BENEFITS INFORMATION

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

IDM	IDM
2014	2013
R	R

37.1 Defined contribution plan

The following are defined contribution plans: Natal Joint Municipal Pension Fund, National Treasury, Government Employee Pension Fund, SALA Pension Fund and Municipal Councillors Pension Fund. These contributions have been expensed.

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

IDM 2014 R	IDM 2013 R
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37.2 Other Long-term benefit plan

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

The independent valuers carried out a statutory valuation as at 30 June 2014.

The principal actuarial assumptions used were as follows:

Discount rate per annum	8%	7%
Inflation rate	6%	6%
Net effective discount rate	1%	1%
Benchmark inflation (equal to salary inflation)	7%	7%
Average retirement age	63	65
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Percentage of in-service members withdrawing before retirement:		
Age 20	40%	40%
Age 30	25%	25%
Age 40	12%	12%
Age 50	4%	4%
Age 55+	2%	2%

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

6 685 000	4 221 000
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EMPLOYEE BENEFITS (continued)

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	4 221 000	3 430 259
Current service cost	510 000	521 826
Interest cost	320 000	214 835
Benefit payments	(311 714)	(333 339)
Actuarial (gains)/losses	1 945 714	387 419
Balance at end of year	6 685 000	4 221 000

The timing of the employee benefits is as follows:

Current portion of employee benefits	571 000	279 000
Employee benefit obligation	6 114 000	3 942 000
	6 685 000	4 221 000

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

Current service cost	510 000	521 826
Interest cost	320 000	214 835
Actuarial (gains)/losses	1 945 714	387 419
	2 775 714	1 124 080

38 RELATED PARTIES

Members of key management
Controlled Municipal Entity

*Section 57 managers
Ilembe District Municipality has a
100% holding in Ilembe
Development Enterprise (Pty) Ltd.
Refer to note 23 & 24*

Compensation to councillors and other key management

Related party balances

Amount owed by Ilembe Enterprise included in other receivables	231 964	179 576
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Related party transactions

Transactions with Enterprise Ilembe Development Agency		
Grant funding from the parent for LED projects	15 800 000	6 834 000
Rental of offices	300 433	61 193

39 EVENTS AFTER THE REPORTING DATE

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

IDM 2014 R	IDM 2013 R
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On 28 August 2014 the council of iLembe District Municipality approved debt impairment, asset impairment, inventory adjustments and certified as irrecoverable unauthorized, irregular, fruitless and wasteful expenditure and reclassification of irregular expenditure as deviations in terms of circular 68, that existed as at 30 June 2014. This resulted in adjusting post balance sheet events in terms of GRAP 14.

The effect on the reported figures is as follows:

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

	IDM 2014 R	IDM 2013 R
Statement of financial position		
Decrease in Consumer Debtors	(21 828 720)	
Decrease in carrying amount of property, plant & equipment as a result of impairment	(299 742 658)	
Decrease in inventory	(1 658 584)	
Statement of financial performance		
Increase in total depreciation, impairment and amortisation	299 742 658	
Increase in repairs and maintenance	1 658 584	
Disclosures		
Decrease in Irregular expenditure	12 210 486	
Decrease in fruitless and wasteful expenditure	327 872	
Decrease in unauthorized expenditure	9 471 167	
Increase in deviations	13 692 655	

40 RISK MANAGEMENT

40.1 Maximum credit risk exposure

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the municipality to incur a financial loss.

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

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

Financial assets exposed to credit risk at year end were as follows:

Consumer debtors	166 710 220	146 717 363
Other debtors	19 446 509	46 041 693
	186 156 728	192 759 056
Ageing of consumers		
Current (0 – 30 days)	16 420 207	9 431 958
31 - 60 Days	17 640 256	11 574 936
61 - 90 Days	6 609 142	10 221 622
91 - 120 Days	4 341 352	4 424 469
121 - 365 Days	5 787 472	111 064 378
+ 365 Days	115 911 791	-
Total	166 710 220	146 717 363
Less: Provision for bad debts	(75 655 325)	(75 694 159)
Net consumer debtors	91 054 895	71 010 079

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014**

	IDM 2014 R	IDM 2013 R
Cash and cash equivalents	44 838 379	21 995 407
Other investments	21 549 063	20 115 704
	66 387 442	42 111 110

These balances represent the maximum exposure to credit risk.

40.2 Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipalities approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due; without incurring unacceptable losses or risking damage to the Municipalities reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

The Municipalities liability are backed by appropriate assets and it has significant liquid resources.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within a year	Between 2 to 5 years	Total
2014			
Gross finance lease obligations	1 452 292	441 046	1 893 339
Borrowings	3 115 127	86 268 717	89 383 844
Trade and other payables	204 813 503	-	204 813 503
Other	571 000	6 114 000	6 685 000
	209 951 923	92 823 764	302 775 686
	Within a year	Between 2 to 5 years	Total
2013			
Gross finance lease obligations	3 598 582	1 848 304	5 446 886
Borrowings	2 607 447	89 625 927	92 233 374
Trade and other payables	149 429 850	-	149 429 850
Other	279 000	3 942 000	4 221 000
	155 914 879	95 416 231	251 331 110

40.3 Interest rate risk

The Municipality is not exposed to interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities are fixed interest loans.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The Municipality is exposed to fairvalue interest rate on its external loan liabilities , which are all fixed interest rates.

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

Cash and cash equivalents	44 838 379	21 995 406
Other investments	21 549 063	20 115 704
Gross finance lease obligations	1 893 339	5 446 886
Borrowings	89 383 844	92 233 374
Consumer debtors	166 710 220	146 717 363

40.4 Foreign Currency Risk

Municipality has a three year contract for the deployment of Microsoft share point with Microsoft, therefore the Municipality is exposed to change in Foreign currency risk.

At year end

Foreign exchange losses were:	81 899	262 843
Foreign exchange liability was:	856 454	1 622 001
Sensitivity analysis:		

The Spot rate at 30 June 2014 was 10.599, should the spot rate increase by 10% the foreign liability will be R 942 099.75 and the foreign loss will increase to R 90 088.48. Should the spot rate decrease by 10% the forex liability will be R 770 808.89 and the Forex loss will decrease to R 73 708.61.

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2014

	IDM 2014 R	IDM 2013 R
41 RESTATEMENT OF COMPARATIVE INFORMATION		
Statement of Financial Performance:	Restated Comparative	Prior Year Disclosure
The items listed below have been reclassified from general expenses to contracted services		
Contracted Services		
- Rental of buildings	232 963	-
- Vehicle Hire	5 411 232	-
General Expenses		
- Rental of buildings	-	241 143
- Vehicle Hire	-	2 369 803
The items listed below have been reclassified from general expenses and are separately disclosed		
General Expenses		
Special Projects	1 069 618	-
Other	3 945 266	7 016 643
The items listed below have been reclassified from general expenses to service charges		
Service Charges		
- Free basic water siza water	1 880 011	-
General Expenses		
- Free basic water siza water	-	1 238 396
The items listed below have been reclassified from grant expenses to general expenses		
General Expenses		
- LG Seta Expenditure	669 704	
Grant Expenses		
- LG Seta Expenditure		1 068 688
The items listed below have been reclassified from transfers and grants to other income		
Other income		
- LG Seta	268 294	-
Transfers and Grants		
- LG Seta		1 068 688
The items listed below have been reclassified from other income to investment income		
Other income		
Interest on bank accounts		703 934
Investment Income		
Interest on bank accounts	664 038	

42 RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT

	Operating	Financing	Investing	Total
Amount as present in the budget statement	333 644 789	(3 224 155)	(321 734 167)	8 686 467
Actual amount as presented in the cash flow statement	329 457 008	(6 512 258)	(300 101 777)	22 842 973
Basis difference	-122 080 508			(122 080 508)
Timing differences	-	-	-	
Entity differences	-	-	-	
Variance	126 268 289	3 288 103	(21 632 390)	107 924 002
Variance percentage	37.85%	-101.98%	0	12

ILEMBE DISTRICT MUNICIPALITY
APPENDIX A
UNAUDITED SCHEDULE OF EXTERNAL LOANS
as at 30 June 2014

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 1 July 2013	Received during the period	Redeemed / written off during the period	Balance at 30 June 2014
			R	R	R	R
LONG-TERM LOANS						
ABSA Bank @10.65%		2025	30 000 000	-	-	30 000 000
Development Bank of SA @10.80%		2025/09/30	62 233 374	-	2 849 530	59 383 844
Total long-term loans			92 233 374	-	2 849 530	89 383 844
ANNUITY LOAN						
Development Bank of SA @16.50%	13527		183 219		107 256	75 963
Development Bank of SA @13.45%	11578	2014	2 162		1 925	238
Total capital creditors			185 381	-	109 181	76 201
TOTAL EXTERNAL LOANS			92 418 755	-	2 958 710	89 460 045

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
UNAUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
As at 30 June 2014

	Cost / Revaluation						Accumulated Depreciation							Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Transfers	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R		R		R	R	R	R	R		R	R	
Land	3 242 908	-	-	-	-	-	3 242 908	-	-	-	-	-	-	3 242 908
	3 242 908	-	-	-	-	-	3 242 908	-	-	-	-	-	-	3 242 908
Buildings	18 544 081	-	-	(105 257)	-	-	18 438 824	(4 855 806)	(628 079)	6 725	-	-	(5 477 160)	12 961 663
Infrastructure														
Sewerage Mains & Purification	79 703 991	1 430 386	-	(12 276)	-	-	81 122 101	(12 699 048)	(2 720 076)	1 550	(128 106)	(22 116 365)	(37 662 046)	43 460 055
Water Mains & Purification	713 412 049	186 947 023	-	(642 901)	-	-	899 716 171	(70 208 093)	(29 114 340)	77 483	(1 279 477)	(277 538 640)	(378 063 067)	521 653 102
Under construction	400 692 034	-	-	-	(190 696 536)	296 838 018	506 833 516	-	-	-	-	-	-	506 833 516
	1 193 808 074	188 377 409	-	(655 177)	(190 696 536)	296 838 018	1 487 671 788	(82 907 141)	(31 834 416)	79 033	-	(299 655 005)	(415 725 113)	1 071 946 674
Total carried forward	1 215 595 063	188 377 409	-	(760 434)	(190 696 536)	296 838 018	1 509 353 520	(87 762 946)	(32 462 495)	85 758	-	(299 655 005)	(421 202 272)	1 088 151 245

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
As at 30 June 2014

	Cost / Revaluation						Accumulated Depreciation							Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R		R	R	R	R	R	R		R	R		
Total brought forward	1 215 595 063	188 377 409	-	(760 434)	(190 696 536)	296 838 018	1 509 353 520	(87 762 946)	(32 462 495)	85 758	-	(299 655 005)	(421 202 272)	1 088 151 245
Other Assets														
Office Equipment	3 167 069	78 286	-	(165 475)	-	-	3 079 880	(1 813 432)	(360 264)	104 793	-	(24 381)	(2 093 284)	986 596
Machinery & Equipment	2 427 013	46 228	-	(103 941)	-	-	2 369 300	(1 282 464)	(372 945)	80 943	-	(9 543)	(1 584 009)	785 292
Transport Assets	8 037 206	634 211	-	(266 810)	-	-	8 404 607	(4 135 120)	(831 415)	205 227	-	(49 269)	(4 810 578)	3 594 029
Computer Equipment	7 818 688	128 667	-	(229 159)	-	-	7 718 196	(4 222 207)	(1 325 733)	192 378	-	(4 459)	(5 360 021)	2 358 175
	21 449 976	887 392	-	(765 385)	-	-	21 571 983	(11 453 223)	(2 890 357)	583 341	-	(87 653)	(13 847 892)	7 724 092
Finance Lease Assets														
Other Assets	21 926 035	-	-	(10 025 308)	-	-	11 900 727	(16 199 903)	(3 605 736)	9 882 191	-	-	(9 923 448)	1 977 279
	21 926 035	-	-	(10 025 308)	-	-	11 900 727	(16 199 903)	(3 605 736)	9 882 191	-	-	(9 923 448)	1 977 279
Total	1 258 971 075	189 264 801	-	(11 551 127)	(190 696 536)	296 838 018	1 542 826 231	(115 416 072)	(38 958 588)	10 551 290	-	(299 742 658)	(444 973 612)	1 097 852 616

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2013

	Cost / Revaluation				Accumulated Depreciation								
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss R	Closing Balance R	Carrying Value R
Land	3 242 908	-	-	-	-	3 242 908	-	-	-	-	-	-	3 242 908
	3 242 908	-	-	-	-	3 242 908	-	-	-	-	-	-	3 242 908
Buildings	18 544 080	-	-	-	-	18 544 080	(4 206 652)	(631 534)	-	(17 620)	-	(4 855 806)	13 688 274
Infrastructure													
Sewerage Mains & Purification	84 041 332	1 798 270	(5 535 577)	(600 034)	-	79 703 991	(11 635 453)	(1 695 521)	-	631 926	-	(12 699 048)	67 004 943
Water Mains & Purification	615 577 107	101 321 382	(6 671 720)	(5 003 383)	8 188 663	713 412 049	(54 215 489)	(14 314 367)	-	(1 678 237)	-	(70 208 093)	643 203 957
Under construction	213 437 930	-	-	-	187 254 104	400 692 034	-	-	-	-	-	-	400 692 034
	913 056 369	103 119 652	(12 207 296)	(5 603 417)	195 442 767	1 193 808 074	(65 850 942)	(16 009 888)	-	(1 046 311)	-	(82 907 141)	1 110 900 934
Total carried forward	934 843 357	103 119 652	(12 207 296)	(5 603 417)	195 442 767	1 215 595 062	(70 057 594)	(16 641 422)	-	(1 063 931)	-	(87 762 946)	1 127 832 116

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2013

	Cost / Revaluation				Accumulated Depreciation								
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss R	Closing Balance R	Carrying Value R
Total brought forward	934 843 357	103 119 652	(12 207 296)	(5 603 417)	195 442 767	1 215 595 062	(70 057 594)	(16 641 422)	-	(1 063 931)	-	(87 762 946)	1 127 832 116
Other Assets													
Office Equipment	3 222 467	76 927	-	(132 325)	-	3 167 069	(1 456 195)	(405 102)	73 970	-	(26 105)	(1 813 432)	1 353 637
Machinery & Equipment	2 481 778	-	-	(54 765)	-	2 427 013	(918 077)	(398 204)	37 464	-	(3 647)	(1 282 464)	1 144 550
Transport Assets	9 077 451	698 635	149 474	(1 888 353)	-	8 037 206	(4 568 270)	(892 653)	1 395 532	-	(69 730)	(4 135 120)	3 902 086
Computer Equipment	7 162 181	1 101 642	-	(445 134)	-	7 818 689	(3 277 496)	(1 321 678)	415 937	130	(39 101)	(4 222 207)	3 596 481
	21 943 876	1 877 204	149 474	(2 520 577)	-	21 449 977	(10 220 037)	(3 017 637)	1 922 904	130	(138 583)	(11 453 223)	9 996 754
Finance Lease Assets													
Other Assets	22 388 844	-	-	(462 809)	-	21 926 035	(12 092 955)	(4 435 203)	328 255	-	-	(16 199 903)	5 726 133
	22 388 844	-	-	(462 809)	-	21 926 035	(12 092 955)	(4 435 203)	328 255	-	-	(16 199 903)	5 726 133
Total	979 176 077	104 996 856	(12 057 822)	(8 586 803)	195 442 767	1 258 971 075	(92 370 586)	(24 094 261)	2 251 159	(1 063 801)	(138 583)	(115 416 072)	1 143 555 003

ILEMBE DISTRICT MUNICIPALITY
APPENDIX C
UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
As at 30 June 2014

	Cost / Revaluation				Accumulated Depreciation					
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposal & Impairment R	Closing Balance R	Carrying value R
Executive & Council	15 855 894	762 878		(495 969)	16 122 803	(8 357 328)	(2 157 148)	343 876	(10 170 600)	5 952 203
Finance & Admin	27 381 071	124 514		(269 416)	27 236 170	(7 951 701)	(1 361 288)	53 279	(9 259 709)	17 976 460
Waste Management	79 703 991	1 430 386		(12 276)	81 122 101	(12 699 048)	(2 720 076)	(22 242 921)	(37 662 046)	43 460 055
Water	713 412 049	186 947 023	-	(642 901)	899 716 171	(70 208 093)	(29 114 340)	(278 740 635)	(378 063 067)	521 653 104
Under Construction	400 692 034	-	296 838 018	-	697 530 052		-			697 530 052
Other	21 926 035	-		(10 025 308)	11 900 727	(16 199 903)	(3 605 736)	9 882 191	(9 923 448)	1 977 280
Total	1 258 971 075	189 264 801	296 838 018	(11 445 870)	1 733 628 024	(115 416 072)	(38 958 588)	(290 704 209)	(445 078 869)	1 288 549 150

ILEMBE DISTRICT MUNICIPALITY
APPENDIX D
UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2014

2013			2014			
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)	
R	R	R	R	R	R	
38 974 882	59 974 199	(20 999 317)	Executive & Council	41 432 243	60 614 515	(19 182 272)
417 719 501	80 172 185	337 547 316	Finance & Admin	136 186 000	106 284 503	29 901 497
17 051 454	19 928 930	(2 877 476)	Planning & Development	8 371 809	20 692 246	(12 320 437)
4 796 072	4 796 072	-	Community & Social Services	1 924 930	4 185 504	(2 260 574)
52 979 765	13 367 854	39 611 911	Waste Management	66 506 893	46 323 143	20 183 750
185 235 090	255 999 002	(70 763 912)	Water	464 710 089	555 242 203	(90 532 115)
716 756 764	434 238 242	282 518 522	Total	719 131 963	793 342 113	(74 210 152)