

CHAPTER FIVE

Annual Financial Statements

General Information

Executive Committee

Mayor: Y Bhamjee (ANC)

Deputy Mayor: TR Zungu (ANC)

RP Ashe (DA)

M Schalkwyk (ANC)

SE Mkhize (ANC)

BA Mchunu (ANC)

EZ Ntombela (ANC)

BE Zuma (IFP)

JS Majola (DA)

Part Time Councillors

MS Bond (DA)

NV Duze (ANC)

ME Madlala (IFP)

PW Moon (ANC)

B M Zuma (ANC)

SN Mkhize (ANC)

N Msimang (ANC)

VM Mncwabe (IFP)

SA Mkhize (ANC)

DA Ndlela (ANC)

MD Ndlovu (DA)

P Ngidi (ANC)

BE Zuma (IFP)

BI Mncwabe (NFP)

STJ Ndlovu (ANC)

M Ngcobo (ANC)

MA Tarr (ANC)

P Jaca (ANC)

B Shozi (ANC)

GS Maseko (ANC)

SM Mbatha-Ntuli (ANC)

J Shabalala (ANC)

CD Gwala (ANC)

P Moonsamy (ANC)

M Maphumulo (ANC)

TA Gwala (ANC)

ELMN Peterson (DA)

MJ Grueneberg (DA)

N Maphumulo (NFP)

C Bradely (DA)

L Skhakhane (DA)

D Buthelezi (ANC)

G Dladla (ANC)

NJ Zungu (ANC)

Grading of local authority: Grade 5

Whip: SC Gabela (ANC)

Speaker: EM Dladla (ANC)

Management

Municipal Manager – TLS Khuzwayo
Executive Manager, Financial Services – B Ndlovu
Executive Manager, Corporate Services – M Mathe
Executive Manager, Technical Services – EB Mbambo
Executive Manager, Community Services – RM Balyoi (Appointed 2 January 2013)

Registered office

242 Langalibalele Street (Longmarket) Pietermaritzburg 3201

Postal address

PO Box 3235, Pietermaritzburg 3200

Bankers

First National Bank Auditors

Auditor-General

Website: www.umdm.gov.za

Other Information

Telephone: 033 897 6700 • Fax : 033 342 5502

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Abbreviations

ANC	African National Congress
DA	Democratic Alliance
DBSA	Development Bank of South Africa
GEPF	Government Employees Pension Fund
GRAP	Generally Recognised Accounting Practice
HOD	Head Of Department
IAS	International Accounting Standards
IFP	Inkatha Freedom Party
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEs	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
NFP	National Freedom Party
NJMP	Natal Joint Municipal Pension
PPE	Property, Plant and Equipment
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SALGA	South African Local Government Association
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Auditor-General is responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by Auditor-General and his report is presented to the speaker of the Council upon completion of the audit.

The financial statements set out on pages 79 to 108, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:



TLS Khuzwayo

Accounting Officer

Accounting Officer's Report

Liquidity ratio 1.8:1 (2.1:1)

There is an improvement in net current assets compared to prior year, we have enough short-term assets to finance short-term liabilities.

Solvency ratio 6.0 (8.92)

Assets are almost six times the liabilities – the Municipality will be able to meet all its short and long-term obligations. Cash ratio 0.94% (1.57%).

There is sufficient cash to pay short-term liabilities.

1. Going concern

We draw attention to the fact that at 30 June 2013, the Municipality had an accumulated a surplus of R20 291 712 (R56 101 925 at 30 June 2012).

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Municipality continues to secure funding for its ongoing operations

2. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

Statement of Financial Position as at 30 June 2013

	Figures in Rand	Note(s)	2013	2012
Assets				
Current Assets				
Inventories		36	2 245 112	-
Receivables from exchange transactions		3	80 818 210	52 628 845
Consumer debtors		4	42 910 986	10 301 651
Cash and cash equivalents		5	136 998 580	131 161 554
			262 972 888	194 092 050
Non-Current Assets				
Property, plant and equipment		2	681 622 315	688 134 606
Non-current assets held for sale and assets of disposal groups			-	-
Non-Current Assets			681 622 315	688 134 606
Current Assets			262 972 888	194 092 050
Non-current assets held for sale (and) (assets of disposal groups)			-	-
Total Assets			944 595 203	882 226 656
Liabilities				
Current Liabilities				
Short-term portion of Long-term liabilities		6	3 648 346	3 016 230
Payables from exchange transactions		8	47 809 427	36 522 213
VAT payable		9	12 724 063	5 504 598
Consumer deposits		10	4 527 350	4 305 858
Unspent conditional grants and receipts		7	52 133 933	42 412 602
Provisions		35	25 382 000	3 918 000
Bank overdraft		5	-	723
			146 225 119	95 680 224
Non-Current Liabilities				
Long term liabilities		6	9 953 749	13 993 016
Non-Current Liabilities			9 953 749	13 993 016
Current Liabilities			146 225 119	95 680 224
Liabilities of disposal groups			-	-
Total Liabilities			156 178 868	109 673 240
Assets			944 595 203	882 226 656
Liabilities			(156 178 868)	(109 673 240)
Net Assets			788 416 335	772 553 416
Net Assets				
Reserves				
Revaluation reserve		28	14 195 738	14 195 738
Accumulated surplus			774 220 612	758 357 679
Total Net Assets			788 416 350	772 553 417

Statement of Financial Performance

	Figures in Rand	Note(s)	2013	2012
Revenue				
Revenue from exchange transactions				
Service charges		12	118 135 897	44 282 389
Interest received from customer late payments			12 855 690	8 648 084
Rental income			288 622	334 946
Profit on disposal assets			13 706	-
Other income		14	15 048 976	2 138 262
Interest received			7 979 036	8 040 099
Gains on disposal of assets			413 458	133 909
Total revenue from exchange transactions			154 735 385	63 577 689
Revenue from non-exchange transactions				
Transfer revenue				
Government grants & subsidies			467 412 599	386 535 236
			154 735 385	63 577 689
			467 412 599	386 535 236
Total revenue		11	622 147 984	450 112 925
Expenditure				
Personnel		16	(151 410 989)	(130 233 381)
Remuneration of councillors		17	(9 466 066)	(7 201 015)
Administration			(492 076)	(538 760)
Depreciation and amortisation		20	(80 075 262)	(78 452 766)
Impairment loss			(41 255)	-
Finance costs		21	(1 919 004)	(1 459 970)
Debt impairment		18	(57 372 734)	(29 129 652)
Revision of useful life of assets			-	66 441 411
Repairs and maintenance			(1 980 505)	(2 870 221)
Bulk purchases		27	(63 345 618)	(43 384 577)
Contracted services		23	(152 157 358)	(103 835 725)
Loss on disposal of assets			(926 167)	(1 288 920)
General Expenses		15	(82 669 238)	(62 060 731)
Total expenditure			(601 856 272)	(394 014 307)
Total revenue			622 147 984	450 112 925
Total expenditure			(601 856 272)	(394 014 307)
Operating surplus			20 291 712	56 098 618
Surplus before taxation			20 291 712	56 098 618
Taxation			-	-
Surplus for the year			20 291 712	56 098 618

The supplementary information presented does not form part of the financial statements and is unaudited

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2011	18 771 738	695 844 980	714 616 718
Changes in net assets			
Surplus for the year	-	56 098 618	56 098 618
Total changes	-	56 098 618	56 098 618
Opening balance as previously reported	18 771 738	751 946 905	770 718 643
Adjustments			
Correction of errors	-	102 574	102 574
Change in accounting policy	-	7 008 200	7 008 200
Balance at 01 July 2012 as restated	18 771 738	759 057 679	777 829 417
Changes in net assets			
Prior year error	(4 576 000)	(5 128 779)	(9 704 779)
Net income (losses) recognised directly in net assets	(4 576 000)	(5 128 779)	(9 704 779)
Surplus for the year			
Total recognised income and expenses for the year	(4 576 000)	15 162 933	10 586 933
Total changes	(4 576 000)	15 162 933	10 586 933
Balance at 30 June 2013	14 195 738	774 220 612	788 416 350
Note(s)	28		

Cash Flow Statement

	Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities				
Receipts				
Sale of goods and services			27 205 119	33 800 377
Grants			467 412 599	386 535 236
Interest income			20 834 726	16 688 183
Other receipts			14 499 027	2 476 516
			<u>529 951 471</u>	<u>439 500 312</u>
Payments				
Employee costs			(160 877 055)	(137 394 060)
Suppliers			(61 515 734)	(43 384 577)
Finance costs			(1 919 004)	(1 459 970)
Other payments			(218 854 940)	(75 526 263)
Other cash item			-	(166 265)
			<u>(443 166 733)</u>	<u>(257 931 135)</u>
Total receipts			529 951 471	439 500 312
Total payments			(443 166 733)	(257 931 135)
Net cash flows from operating activities		24	86 784 738	181 569 177
Cash flows from investing activities				
Purchase of property, plant and equipment		2	(77 953 295)	(132 312 081)
Proceeds from sale of property, plant and equipment		2	413 458	1 279 061
Purchase of financial assets			-	514 554
Proceeds from sale of financial assets			-	(514 554)
			<u>(77 539 837)</u>	<u>(131 033 020)</u>
Cash flows from financing activities				
Repayment of long-term liabilities			(3 407 151)	(3 243 347)
			<u>(3 407 151)</u>	<u>(3 243 347)</u>
Net increase/(decrease) in cash and cash equivalents			5 837 750	47 292 810
Cash and cash equivalents at the beginning of the year			131 160 831	83 864 715
Cash and cash equivalents at the end of the year		5	136 998 581	131 157 525

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	93 354 000	34 074 207	127 428 207	118 135 897	(9 292 310)	
Rental income	-	-	-	288 622	288 622	
Other income	411 000	15 298 622	15 709 622	15 048 976	(660 646)	
Government grants	495 378 000	(1 001 513)	494 376 487	467 412 599	(26 963 888)	
Interest received	5 000 000	15 719 219	20 719 219	7 979 036	(12 740 183)	
Interest received from customers	-	-	-	12 855 690	12 855 690	
Gains on disposal of assets	-	-	-	413 458	413 458	
Profit on disposal of assets	-	-	-	13 706	13 706	
Total revenue from exchange transactions	594 143 000	64 090 535	658 233 535	622 147 984	(36 085 551)	
Total revenue from exchange transactions	594 143 000	64 090 535	658 233 535	622 147 984	(36 085 551)	
Total revenue from non-exchange transactions	-	-	-	-	-	
Expenditure						
Personnel	(147 077 000)	(343 439)	(147 420 439)	(151 410 989)	(3 990 550)	
Remuneration of Councillors	(7 473 000)	(2 857 001)	(10 330 001)	(9 466 066)	863 935	
Administration	-	-	-	(492 076)	(492 076)	
Depreciation and amortisation	(50 410 000)	(30 000 167)	(80 410 167)	(80 075 262)	334 905	
Impairment loss/Reversal of impairments	-	-	-	(41 255)	(41 255)	
Finance costs	(20 393 000)	12 500 335	(7 892 665)	(1 919 004)	5 973 661	
Debt impairment	-	(48 341 600)	(48 341 600)	(57 372 734)	(9 031 134)	
Repairs and maintenance	-	-	-	(1 980 505)	(1 980 505)	
Bulk purchases	(52 800 000)	(11 000 000)	(63 800 000)	(63 345 618)	454 382	
General Expenses	(204 419 000)	(36 140 027)	(240 559 027)	(235 752 763)	4 806 264	
Total expenditure	(482 572 000)	(116 181 899)	(598 753 899)	(601 856 272)	(3 102 373)	
	111 571 000	(52 091 364)	59 479 636	20 291 712	(39 187 924)	
	-	-	-	-	-	
Surplus before taxation	111 571 000	(52 091 364)	59 479 636	20 291 712	(39 187 924)	
Deficit before taxation	111 571 000	(52 091 364)	59 479 636	20 291 712	(39 187 924)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	111 571 000	(52 091 364)	59 479 636	20 291 712	(39 187 924)	

Accounting Policies

1. Presentation of Financial Statements

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

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

1.1 Investment property

Investment property is property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services;
- administrative purposes; or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and

Accounting Policies (continued)

standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except when the asset has been fully depreciated but still has economic value, the resale value is used as the carrying amount of that property, plant and equipment.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All property, plant and equipment under work in progress are capitalised using stage of completion. Assets under work in progress get transferred infrastructure assets when they are fully completed and are depreciated from date of commissioning.

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

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

Item	Average useful life
Buildings	Fair Value (30 Years)
Furniture and fixtures	10 Year
Motor vehicles	5 Years
Plant and equipment	10 Years
IT equipment	3 Years
Computer software	3 Years
Infrastructure	
• Water	50 Years
• Sewerage	50 Years
Capital work in progress	Not depreciated (Until Completed)
Fire Engines	20 Years
Mobile Offices	20 years

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Municipality or from other rights and obligations.

An intangible asset is recognised 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.

Intangible assets are initially recognised at cost.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; or
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful

Accounting Policies (continued)

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

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

1.4 Financial instruments

Classification

The Municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit – held for trading
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets.

Classification depends on the purpose for which the financial instruments were obtained/ incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

The Municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in profit or loss. Regular way purchases of financial assets are accounted for at settlement date.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis,

and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables. We have used the method of recovery in the current year and non-recovery was then used to create a doubtful debt provision hence we did not discount the debtors because of the materiality of the provision.

Payables from exchange transactions

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

Cash and cash equivalents

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

Bank overdraft and borrowings

Derivatives

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

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively

Accounting Policies (continued)

to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Municipality has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The Municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.5 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.6 Inventories

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

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

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

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

Net realisable value is the estimated selling price in the ordinary course of operations less

Accounting Policies (continued)

the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The uMgungundlovu District Municipality recognised inventory for the first time in the current financial period 2012/2013.

1.7 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

1.8 Share capital/contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.9 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Accounting Policies (continued)

Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the change in accounting policy over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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. In the change in accounting policy, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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 reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The Municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. An annual charge to income is made to cover both these liabilities.

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The uMgungundlovu District Municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying

Accounting Policies (continued)

economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the Municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the Municipality considers that an outflow of economic resources is probable, the Municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.11 Revenue from exchange transactions

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

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

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

Rendering of services

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

- the amount of revenue can be measured reliably;

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

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the Municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Accounting Policies (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Taxes

The Municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the Municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The Municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

1.13 Revenue

Revenue comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the

nature of the expenditure to be funded i.e. capital or current.

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

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

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

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

National Treasury Practice Note No. 4 of 2008/2009, which was issued in terms of sections 76(1) to 76(4) of the PFMA, requires the following (effective from 1 April 2008):

Accounting Policies (continued)

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

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

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

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

1.20 Use of Estimates

The preparation of financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised when municipal valuation is more than carrying amount of the buildings. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the change in accounting policy.

1.22 Conditional Grants and receipts

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

1.23 Budget information

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

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

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

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

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

1.24 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Notes to the Financial Statements

	Figures in Rand					
	2013			2012		
2. Property, plant and equipment	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 905 000	-	1 905 000	6 481 000	(4 576 000)	1 905 000
Buildings	27 400 059	-	27 400 059	27 400 059	-	27 400 059
Plant and machinery	5 510 014	(3 374 490)	2 135 524	3 978 031	(2 362 204)	1 615 827
Furniture and fixtures	3 726 208	(2 099 024)	1 627 184	3 534 882	(1 733 065)	1 801 817
Motor vehicles	6 136 708	(5 171 707)	965 001	7 504 196	(6 412 284)	1 091 912
IT equipment	4 843 475	(3 564 609)	1 278 866	4 357 550	(2 334 660)	2 022 890
Infrastructure	1 637 809 522	(1 151 982 318)	485 827 204	1 622 746 494	(1 074 746 925)	547 999 569
Other property, plant and equipment	4 959 672	(502 974)	4 456 698	5 818 228	(360 546)	5 457 682
Mobile Offices	392 440	(61 067)	331 373	392 440	(41 445)	350 995
Work in Progress	155 695 406	-	155 695 406	98 488 855	-	98 488 855
Total	1 848 378 504	(1 166 756 189)	681 622 315	1 780 701 735	(1 092 567 129)	688 134 606
Reconciliation of property, plant and equipment – 2013						

Notes to the Financial Statements (continued)

Figures in Rand

2. Property, plant and equipment (continued)	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 905 000	-	-	-	-	-	1 905 000
Buildings	27 400 059	-	-	-	-	-	27 400 059
Plant and machinery	1 615 827	23 091	-	701 910	(205 304)	-	2 135 524
Furniture and fixtures	1 801 817	191 327	-	-	(365 959)	-	1 627 184
Motor vehicles	1 091 912	-	(125 000)	(1 911)	-	-	965 001
IT equipment	2 022 890	485 926	-	-	(1 229 950)	-	1 278 866
Infrastructure	547 999 569	15 917 192	-	-	(78 048 302)	(41 255)	485 827 204
Other property, plant and equipment	5 457 682	-	(801 167)	-	(199 817)	-	4 456 698
Mobile Offices	350 995	-	-	-	(19 622)	-	331 373
Work in Progress	98 488 855	61 335 760	-	(4 129 209)	-	-	155 695 406
	688 143 606	77 953 295	(926 167)	(3 429 210)	(80 068 954)	(41 255)	681 622 315

Reconciliation of property, plant and equipment – 2012

	Opening balance	Additions	Disposals	Transfers	Revision of useful life	Movements	Depreciation	Impairment loss	Total
Land	6 481 000	-	-	-	-	(4 576 000)	-	-	1 905 000
Buildings	27 400 059	-	-	-	-	-	-	-	27 400 059
Plant and machinery	5 731 705	8 450	(2 058 921)	-	-	-	(274 638)	(1 790 769)	1 615 827
Furniture and fixtures	1 750 347	236 062	-	-	112 238	-	(296 830)	-	1 801 817
Motor vehicles	2 204 602	45 000	-	-	807 143	-	(1 918 433)	(46 400)	1 091 912
IT equipment	2 052 581	464 772	(285 151)	-	209 296	-	(1 036 486)	617 878	2 022 890
Infrastructure	463 714 486	91 868 929	(90 000)	-	65 926 857	-	(73 492 993)	72 290	547 999 569
Other property, plant and equipment	3 792 774	1 886 679	-	-	-	-	(221 771)	-	5 457 682
Mobile Offices	370 585	-	-	-	-	-	(19 590)	-	350 995
Work in Progress	158 050 201	37 802 189	-	(97 363 535)	-	-	-	-	98 488 855
	671 548 340	132 312 081	(2 434 072)	(97 363 535)	67 055 534	(4 576 000)	(77 260 741)	(1 147 001)	688 134 606

Notes to the Financial Statements (continued)

Figures in Rand	2013	2012
2. Property, plant and equipment (continued)		
242 Langalibalele Street		
The property is a free hold and is used as Administration Building - Revalued amount	22 000 000	22 000 000
176 Langalibalele		
The property is a free hold and is used as second Administration Building - Revalued amount	6 600 000	6 600 000
Property, plant and equipment were not pledged as security for any overdraft facilities held by the Municipality.		
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.		
3. Receivables from exchange transactions		
Deposits	431 234	379 879
Agency agreements	1 667 638	755 086
Accrued income	35 387 682	37 001 313
Prepaid expenses	2 568 690	1 575 185
Clearing account	856 106	554 420
Other debtors	193 104	-
MIG	39 713 756	12 362 962
	80 818 210	52 628 845
Trade and other receivables pledged as security		
Trade and other receivables were not pledged as security for any overdraft facilities of the Municipality.		
4. Consumer debtors		
Gross balances		
Water	257 728 481	168 064 836
Less: Allowance for impairment		
Water	(214 817 495)	(157 763 185)
Net balance		
Water	42 910 986	10 301 651
Water		
Current (0-30 days)	11 488 618	7 248 368
31-60 days	12 944 445	2 536 419
61-90 days	23 058 982	2 006 440
91-120 days	31 970 999	2 784 217
121-365 days	4 934 819	3 689 555
>365 days	173 330 618	149 799 843
Provision	(214 817 495)	(157 763 191)
	42 910 986	10 301 651

Notes to the Financial Statements (continued)

Figures in Rand	2013	2012
4. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(157 763 185)	(135 395 513)
Contributions to allowance	(57 054 310)	(22 367 672)
	(214 817 495)	(157 763 185)
<p>The provision for bad debts has been calculated based on the individual risk profile of customers, i.e. customers have been categorised as high risk, very high risk, medium risk, low risk, and deceased customers. All government customers have been excluded from the provision from bad debts provision. No indigent consumers have been identified.</p>		
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	10 038	5 339
Bank balances	8 238 542	57 406 215
Short-term deposits	128 750 000	73 750 000
Bank overdraft	-	(723)
	136 998 580	131 160 831
Current assets	136 998 580	131 161 554
Current liabilities	-	(723)
	136 998 580	131 160 831
6. Other financial liabilities		
At amortised cost		
DBSA Loan	13 602 095	17 009 246
Non-current liabilities		
At amortised cost	9 953 749	13 993 016
Current liabilities		
At amortised cost	3 648 346	3 016 230

Notes to the Financial Statements (continued)

Figures in Rand	2013	2012
7. Unspent conditional grants and receipts (continued)		
Unspent conditional grants and receipts comprises:		
Materials recovery Grant	19 553 972	-
Water Purification Grant	2 244 800	2 244 800
IRO Municipal Excellence	1 000 000	-
GIS Grant	276 152	738 855
Corridor Development Grant	550 000	15 003 972
KZN Sports	633 776	1 333 215
Massification Grant	9 098 344	5 146 845
HIV Awareness Grant	630 842	716 038
Shared deployment	800 000	-
Expanded Public Works	793 942	-
Accredited Councillor Training Programme	200 000	-
Rural roads asset management systems	428 926	-
Water and Sewer Works	105 417	298 822
Rural Transport Grant	-	1 233 772
Water Demand Management Grant	969 333	969 333
PTP Grant	308 817	308 817
Growth & Development Summit	121 479	-
Energy Sector	150 440	150 440
Corridor Development	10 000 000	10 000 000
Camperdown Waste Water works	4 267 693	4 267 693
	52 133 933	42 412 602
Movement during the year		
Balance at the beginning of the year	42 412 602	14 662 990
Additions during the year	146 032 918	115 902 886
Income recognition during the year	(136 311 587)	(88 153 274)
	52 133 933	42 412 602
The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the Municipality has directly benefited; and		
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See Appendix G for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		

Notes to the Financial Statements (continued)

	Figures in Rand	
	2013	2012
8. Payables from exchange transactions		
Trade payables	30 817 114	19 432 032
Retention	5 778 327	5 315 894
Accrued leave pay	7 097 885	8 932 294
Accrued bonus	3 119 576	2 841 993
Other accrued expenses	996 525	-
	47 809 427	36 522 213
Trade Payable Ageing		
0-30 Days	28 968 746	12 472 632
30-60 Days	540 222	4 553 538
60-90 Days	1 308 746	2 405 862
	30 817 714	19 432 032
9. VAT payable		
Tax refunds payables	12 724 063	5 504 598
10. Consumer deposits		
Water	4 527 350	4 305 858
The water deposits relates to amounts paid by customers and are refundable as and when the customer closes their water accounts. The Municipality does not pay nor accrue any interest on these deposits.		
11. Revenue		
Service charges	118 135 897	44 282 389
Gains on disposal of assets	413 458	133 909
Interest received (trading)	12 855 690	8 648 084
Rental income	288 622	334 946
Profit on disposal of assets	13 706	-
Sundry Income	15 048 976	2 138 262
Interest received	7 979 036	8 040 099
Government grants & subsidies	467 412 599	386 535 236
	622 147 984	450 112 925

Notes to the Financial Statements (continued)

Figures in Rand	2013	2012
11. Revenue (continued)		
The amounts included in revenue arising from exchanges of goods or services are as follows:		
Service charges	118 135 897	44 282 389
Interest received (trading)	12 855 690	8 648 084
Rental income	288 622	334 946
Profit on disposal on assets	13 706	-
Sundry Income	15 048 976	2 138 262
Interest received – investment	7 979 036	8 040 099
	154 321 927	63 443 780
The amounts included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	467 412 599	386 535 236
12. Service charges		
Service charges	94 526	171 629
Sale of water	94 292 996	37 241 191
Sewerage and sanitation charges	23 748 375	6 869 569
	118 135 897	44 282 389
<p>The Municipality averages water loss to be approximately 49%. The loss is calculated by comparing quantity of water sold to quantity bought. The calculation was arrived at by comparing water bought to water sold.</p> <p>The increase in sale of water and sewerage charges is as a result of commercial customers transferred from uMngeni water. Water losses were mainly due to illegal connections and leakages as a result of ageing infrastructure.</p>		

Notes to the Financial Statements (continued)

	Figures in Rand	
	2013	2012
13. Government grants and subsidies		
Operating grants		
Equitable share	314 311 000	286 019 000
Public Works	-	431 382
MIG	131 492 794	83 781 359
FMG	1 250 000	1 250 000
Corridor Development	4 900 000	446 028
Integrated waste	-	260 000
MSIG	1 000 000	790 000
SETA Grant	584 853	487 936
Rural roads management system	1 347 074	-
Rural transport	1 233 772	453 228
DBSA	590 956	-
Disaster Management Grant	669 268	-
Drought Relief	-	387 249
Sports and Recreation	699 439	1 052 457
GIS Share Services	447 478	1 535 111
Intergovernmental Relations	153 874	144 298
Growth and Development	278 521	-
Expanded public works	206 058	-
Camperdown waste	-	1 732 307
H.I.V Grant	85 196	283 962
Water Demand Management grant	-	437 072
	458 581 015	380 160 657
Capital grants		
Massification	8 831 584	6 374 579
	8 831 584	6 374 579
	467 412 599	386 535 236
14. Other income		
Project Income	220 024	71 696
Orio	7 267 157	-
uMsunduzi	6 577 490	-
Sundry Income	984 305	2 066 566
	15 048 976	2 138 262

Notes to the Financial Statements (continued)

	Figures in Rand	
	2013	2012
15. General expenses		
Advertising	616 743	761 490
Auditors remuneration	1 401 170	1 387 812
Bank charges	215 619	179 446
Consulting and professional fees	7 643 659	4 817 995
Consumables	6 235 084	728 524
Entertainment	1 484 259	1 916 617
Hire	488 604	744 311
Insurance	724 785	336 054
Conferences and seminars	480 173	640 077
Lease rentals on operating lease	635 551	488 744
Levies	664 170	503 662
Magazines, books and periodicals	114 097	21 943
Medical expenses	50 088	97 100
Motor vehicle expenses	14 140 698	10 068 070
Postage and courier	582 539	556 270
Printing and stationery	1 272 519	1 435 312
Promotions	2 593 922	2 054 899
Protective clothing	2 731 047	563 972
Research and development costs	4 832	-
Royalties and license fees	1 472 904	1 262 158
Security (Guarding of municipal property)	6 516 462	5 541 175
Sports and recreation	7 634 325	1 669 067
Staff welfare	-	104 682
Subscriptions and membership fees	1 082 514	31 730
Telephone and fax	4 415 092	5 515 027
Training	2 002 365	186 070
Travel – local	2 114 861	1 792 728
Assets under R5 000	-	460
Electricity	3 280 690	4 760 182
Social Development	2 464 642	2 099 541
Grant Expenditure	8 532 987	8 764 982
Integrated	615 792	-
Disaster awareness	168 900	-
Organisational expense	22 145	-
Management Fee (uMngeni)	-	3 003 021
Local Economic Development	266 000	27 610
	82 669 238	62 060 731

Notes to the Financial Statements (continued)

	Figures in Rand	
	2013	2012
16. Employee related costs		
Basic	79 284 238	77 225 401
Medical aid – company contributions	12 337 786	4 943 753
UIF	618 688	479 108
WCA	1 033 691	1 348 902
SDL	1 136 695	1 064 111
Other payroll levies	29 158	19 556
Leave pay provision charge	(1 485 338)	1 983 383
Group Life insurance	2 633 885	2 314 576
Post-employment benefits – Pension – Defined contribution plan	20 045 325	18 667 118
Travel, motor car, accommodation, subsistence and other allowances	9 939 134	7 920 764
Overtime payments	4 235 953	2 898 056
Long-service awards	10 698 952	1 219 728
Acting allowances	1 547 148	1 627 575
Housing benefits and allowances	590 288	560 706
Holiday Bonus	6 513 725	6 195 261
Standby allowance	2 168 829	1 685 438
Telephone Allowance	22 030	21 600
Clothing Allowance	60 798	58 345
	151 410 985	130 233 381
Remuneration of Municipal Manager		
Annual remuneration	1 113 565	947 332
Travel allowance	90 000	90 000
Performance bonus	94 530	-
	1 298 095	1 037 332
Remuneration of SEM: Financial Services		
Annual remuneration	712 952	493 065
Travel allowance	270 395	270 395
Contribution to UIF, Medical and Pension Funds	116 580	108 618
Acting Allowance		
Performance bonus	105 152	-
Leave Pay	98 898	-
	1 303 977	1 000 928
Remuneration of SEM: Corporate Service		
Annual remuneration	862 456	802 357
Travel allowance	183 853	170 140
	1 046 309	972 498
Remuneration of SEM: Technical Services		
Annual Remuneration	579 964	521 758
Travel Allowance	270 395	270 395
Contribution to UIF, Medical and Pension Funds	220 080	191 596
Acting Allowance	15 793	13 749
Performance bonus	59 563	-
	1 145 794	997 498

Notes to the Financial Statements (continued)

Figures in Rand	2013	2012
16. Employee related costs (continued)		
Remuneration of SEM: Community Services		
Annual Remuneration	393 667	385 694
Travel Allowance	63 900	63 900
Contribution to UIF, Medical and Pension Funds	34 889	18 239
	492 456	467 833
17. Remuneration of councillors		
Mayor	823 651	654 204
Deputy Mayor	526 290	235 525
Speaker	647 983	527 114
Whip	608 720	495 346
Other Councillors	6 859 362	5 288 826
	9 466 006	7 201 015
18. Debt impairment		
Contributions to debt impairment provision	318 425	6 761 980
Debts impaired	57 372 734	29 129 652
19. Investment revenue		
Interest revenue		
Bank	7 979 036	8 040 099
	-	-
	7 979 036	8 040 099
20. Depreciation and amortisation		
Property, plant and equipment	80 075 262	78 452 766
21. Finance costs		
Interest paid (DBSA Loan)	1 919 004	1 459 970
22. Auditors' remuneration		
Fees	1 401 170	1 387 812
23. Contracted services		
Fleet Services	42 125 655	5 964 707
Operating Leases	16 814 324	39 373 115
Other Contractors	93 217 379	58 497 903
	152 157 358	103 835 725

Notes to the Financial Statements (continued)

Figures in Rand	2013	2012
24. Cash generated from operations		
Surplus	20 291 712	56 098 618
Adjustments for:		
Depreciation and amortisation	80 075 262	78 452 766
Loss on sale of assets and liabilities	512 709	1 155 011
Impairment deficit	41 255	-
Debt impairment	57 372 734	29 129 652
Movements in provisions	21 464 000	3 099 000
Impairment reversal	-	(65 926 857)
Fair value adjustment	-	(514 554)
Prior year error	(1 981 982)	537 042
Other non-cash items	976 092	96 269 912
Changes in working capital:		
Inventories	(2 245 112)	-
Receivables from exchange transactions	(28 189 365)	(157 576)
Consumer debtors	(89 982 069)	(32 423 103)
Payables from exchange transactions	11 287 214	(44 794)
VAT	7 219 465	208 768
Unspent conditional grants and receipts	9 721 331	15 386 650
Consumer deposits	221 492	298 642
	86 784 738	181 569 177
25. Employee benefit obligations		
Defined contribution plan		
It is the policy of the Municipality to provide retirement benefits to all its employees. The Municipal staff are members of the following benefit schemes: Natal Joint Municipal Pension Fund (Retirement Registration Number 12/8/6676/2) – a State and Multi Employer Defined Benefit Plan, Natal Joint Municipal Pension Fund, superannuation, (a state and multi employer defined benefit fund) and the KwaZulu-Natal Provident Fund (a state and multi employer defined contribution plan). Along with other municipalities in the province of KwaZulu-Natal, uMgungundlovu participates in a multi employer defined plan. The Plan exposes the participating entities to actuarial risks associated with the current and former employees of other municipalities participating in the plan. There is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual municipalities participating in the plan. uMgungundlovu therefore accounts for the plan as if it were a defined contribution plan. A funding valuation which is not drawn up on the basis of assumptions compatible with GRAP 25. Employee benefits as at 31 March 2012 reflected the following:		
Superannuation Fund		
Fund assets increased from R5.74 billion to R6.3 billion. The total rate of contribution required from employer, including the surcharge, is 34.22% (surcharge of 17.5%) of pensionable salaries payable for a period of eight years. The net liability decrease from R130 million to R124 million.		

Notes to the Financial Statements (continued)

Figures in Rand	2013	2012
25. Employee benefit obligations (continued)		
Retirement Fund		
Asset value increased from R2 billion to R2.4 billion. The total rate of contribution required from employer, including the surcharge is 31.13% (surcharge of 9.5%) of pensionable salaries payable for a period of eight years. The net liability increased from R66 million to R88 million.		
Provident Fund		
Asset value increased from R1.1 billion to R1.3 billion. The total rate of contribution required from employer is 18% of pensionable salaries. The net liability increased from R79 million to R90 million.		
26. Reconciliation between budget and cash flow statement		
Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:		
Operating activities		
Actual amount as presented in the budget statement	86 784 738	116 183 736
Investing activities		
Actual amount as presented in the budget statement	(77 539 837)	(65 644 273)
Financing activities		
Actual amount as presented in the budget statement	(3 407 151)	(3 243 347)
Operating activities	86 784 738	116 183 736
Investing activities	(77 539 837)	(65 644 273)
Financing activities	(3 407 151)	(3 243 347)
Net cash generated from operating, investing and financing activities	5 837 750	47 296 116
27. Bulk purchases		
Water	63 345 618	43 384 577

Notes to the Financial Statements (continued)

Figures in Rand	2013	2012
28. Revaluation reserve		
The revaluation reserve arose due to land and buildings recorded at market values. The valuation was performed by a professional valuer appointed by Local Municipalities where valued properties are situated. The Municipality used valuation roll values to revalue its land and buildings. The valuation roll was implemented on 01 July 2009.		
Opening balance	14 195 738	18 771 738
Change during the year	-	(4 576 000)
	14 195 738	14 195 738
29. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for	108 384 931	97 268 440
• Property, plant and equipment		
Contracted for operating commitments	640 728	850 328
• Office Rental	71 481	905 250
• Equipment Rental	7 159 759	7 845 916
• Security	43 995	78 432
• Communication	2 467 619	231 797
• Maintenance	8 405 712	29 322 985
• Water Tankering	18 789 294	39 234 708
This committed expenditure relates to property and will be financed by available government grant being MIG.		
30. Contingencies		
Litigations are in the process against the municipality relating to: (1) damages suffered on two individuals motor vehicles due to collision with municipal vehicles driven by municipal employees (2) The subcontractor is suing the Municipality for loss suffered when they were subcontracted by Municipal main contractor.		
Contingent assets		
The Municipality is suing former Chief Financial Officer, Municipal Manager and Amathonga Institute for payment made without services being performed. The transaction took place in 2007 and the Municipality is suing for R192 000. The Municipality also procured TLBs with service contract but the service provider did not honour the contract by not servicing the plant when it was due for service. The Municipality is suing the service provider for the amount still to be determined, currently estimated to be less than R100 000.		

Notes to the Financial Statements (continued)

Figures in Rand	2013	2012
31. Prior period errors and change in accounting policy		
The correction of the error(s) and change in accounting policy results in adjustments as follows:		
Correction of Errors – Statement of financial position		
Property, plant and equipment (infr)	-	(5 378 574)
Post-employment Benefits – Medical	5 783 000	-
Revenue adjustment	(654 194)	-
	5 128 806	6 905 626
Change in Accounting policy – Statement of financial position		
Discounting of debtors	-	7 008 200
32. Fruitless and wasteful expenditure		
Interest due to late payment of creditors	291 004	122 564
33. Irregular expenditure		
Opening balance	5 643 110	5 520 571
Add: Irregular Expenditure – current year	26 714 665	204 434
Less: Amounts condoned	(5 643 110)	-
	(81 895)	(81 895)
	26 632 770	5 643 110
34. Deviation from supply chain management regulations		
Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.		
The Municipality recorded deviations totalling to R17 145 969, in the last financial year and R19 928 726 during the current financial year, that was ratified by Full Council at the respective meetings held during the financial year ended 30 June 2013.		

Notes to the Financial Statements (continued)

Figures in Rand			
35. Provisions			
Reconciliation of provisions – 2013			
	Opening Balance	Additions	Total
Post-employment benefits	3 918 000	12 249 000	16 167 000
Long service award	-	9 215 000	9 215 000
	3 918 000	21 464 000	25 382 000
Reconciliation of provisions – 2012			
	Opening Balance	Additions	Total
Post-employment benefit	119 000	3 799 000	3 918 000
Figures in Rand			
			2013
			2012
Post-employment benefit provision			
<p>Employees and pensioners of uMgungundlovu District Municipality belong to KeyHealth, SAMWUMED, LAHealth and Bonitas medical schemes. The actuarial valuation of uMgungundlovu District Municipality's post-employment health care liability as at 30 June 2013, for the purpose of reporting under GRAP 25 was performed by One Pangaea Financial.</p> <p>The valuation basis assumes that the health care cost of inflation will be 0.47% less than the corresponding discount rate, in the long-term, therefore a 1% increase in the health care cost inflation assumption will result in a 16% increase in the accrued liability. Similarly, a 1% decrease in the health care cost inflation assumption will result in a 13.2% decrease in the accrued liability.</p> <p>A discount rate of 7.25% per annum has been used, as derived from the yield curve, without tax adjustments.</p>			
Long service award provision			
<p>The employer's long service bonus awards consist of an obligation to pay out a bonus in the year to the employee attaining the required service. This obligation represents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the employer's current policy.</p> <p>UMDM offers bonuses for every five years of completed service from 10 years to 45 years.</p> <p>For the 30 June 2013 financial year, a 1% increase in the salary cost inflation assumption will result in roughly a 10.1% increase in the accrued liability. Similarly a 1% decrease in the salary inflation assumption will result in roughly a 8.9% decrease in the accrued liability. The consumer price inflation of 6.25% p.a. rounded to the nearest 0.25% is obtained from the differential between the long-term market yields on the index-linked bond consistent with the estimated terms of liabilities and those of nominal bond.</p>			
36. Inventories			
Stores, materials and fuels		2 245 112	-

Appendix A

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 01 July 2012 Rand	Redeemed during the period Rand	Balance as at June 30, 2013 Rand
Development Bank of South Africa					
10%	10394	2016/03/31	39 572	8 492	31 080
10%	10180	2016/03/31	2 251 145	483 096	1 768 049
10%	10392	2015/09/30	214 521	53 993	160 528
10%	10158	2016/03/31	2 906 134	540 097	2 366 037
10%	10395	2017/03/31	941 091	153 326	787 765
11%	13851	2018/09/30	4 750 890	517 059	4 233 831
14.5%	12358	2015/12/31	102 674	20 357	82 317
14.5%	12359	2015/12/31	84 324	19 861	64 463
3	12360	2017/12/31	34 882	3 895	30 987
15.6%	12361	2012/12/31	40 006	40 006	-
16.32%	12363	2011/12/31	-	-	-
52 158	12698	2014/06/30	18 817	3 854	14 963
8.5%	12699	2014/06/30	18 781	2 797	15 984
10%	12700	2015/06/30	15 538	1 620	13 918
11.25%	11457	2015/06/30	-	-	-
10%	9370	2014/09/30	996 823	369 720	627 103
335 418	10181	2015/03/31	90 611	27 210	63 401
10%	10155	2015/03/31	1 654 832	498 577	1 156 255
10%	10157	2015/03/31	597 458	180 006	417 452
10%	10434	2016/03/31	2 251 146	483 096	1 768 050
			17 009 245	3 407 062	13 602 183
Total external loans			17 009 245	3 407 062	13 602 183

Appendix E(1)

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	118 135 898	127 428 207	(9 292 309)	(7.3)	Customers that were billed after year end however related to 2012/2013 financial year.
Interest received	-	-	-	-	
Rental income	288 622	-	288 622	-	There was an increase in short-term parking.
Government Grants	467 412 599	494 376 487	(26 963 888)	(5.5)	Conditional Grants unspent due to the delay in the obtaining of EIA.
Other income	15 062 682	15 709 622	(646 940)	(4.1)	International Grant and recovery of a loan from Msunduzi.
Interest received	20 834 726	20 719 219	115 507	0.6	More investments and Cash at bank in financial year.
	621 734 527	658 233 535	(36 499 008)	(5.5)	
Expenses					
Personnel	(151 410 978)	(147 420 439)	(3 990 539)	2.7	
Remuneration of Councillors	(9 466 066)	(10 330 001)	863 935	(8.4)	
Administration	(492 075)	-	(492 075)	-	
Depreciation	(80 075 262)	334 905	(80 410 167)	(0.4)	Accounting policy
Impairments	(41 255)	-	(41 255)	-	
Finance costs	(1 919 003)	(7 892 665)	5 973 662	(75.7)	Delays in the DBSA Loan draw downs.
Debt impairment	(57 372 733)	(48 341 600)	(9 031 133)	18.7	Additional customers as a result of meter audit verification exercise and taking into account the Transunion ITC risk profile.
Repairs and maintenance – General	(1 980 505)	-	(1 980 505)	-	
Bulk purchases	(63 345 618)	(63 800 000)	454 382	(0.7)	Increase in number of customers – uMgeni Water.
General Expenses	(234 826 596)	(240 559 027)	5 732 431	(2.4)	Increase from Contracted Services. More maintenance costs from Waste Water Works which experience increased number of spillages during the year and additional water tankering cost.
General Expenses	-	-	-	-	
Other revenue and costs	(600 930 091)	(598 753 899)	(2 176 192)	0.4	
Gain or loss on disposal of assets and liabilities	(512 709)	-	(512 709)	-	Vehicles were only sold in the prior year.
	(512 709)	-	(512 709)	-	
Net surplus/(deficit) for the year	20 291 727	59 479 636	(39 187 909)	(65.9)	

Appendix F – Cash and Cash Equivalents (as at 30 June 2013)

Bank balances		Current Year 2013 - Rand	Prior Year 2012 - Rand
FNB Main Account	50940026773	4 737 795.98	25 277 100.83
FNB Salaries Account	50940092196	552 302.49	59 770.44
FNB Call Account	61094008971	0.00	44 169.87
FNB Stadium Grant	62170274311	0.00	65 629.44
FNB WSA Projects	62023616462	2 251 517.08	2 642 498.72
FNB NSTD Call Account	62215748289	557 545.68	29 313 740.00
FNB Public Sector Cheque Account	62243484417	26 862.37	(722.60)
FNB Mandela Race Account	62411577193	112 519.32	0.00
Petty Cah		7 587.50	2 888.75
Cashier Float		2 450.00	2 450.00
		8 248 580.42	57 407 525.45
Short Term Deposits			
ABSA	2070530459	30 000 000.00	10 000 000.00
STD Bank	358610095-002	30 000 000.00	20 000 000.00
Investec	50003728655	30 000 000.00	20 000 000.00
NedBank	196000028	30 000 000.00	20 000 000.00
FNB Investments	71101199555	3 750 000.00	3 750 000.00
State Bank of India		5 000 000.00	0.00
		128 750 000.00	73 750 000.00
		136 998 580.42	131 157 525.45

Appendix G – Grants and Subsidies

June 30, 2013				
Name of grants	Name of organ of state or municipal entity	Amount received	Expenditure @ 30 June 2013 Rand	Balance @ 30 June 2013 Rand
Corridor Development Grant	CoGTA	5 450 000.00	4 900 000.00	550 000.00
Water Purification Grant	CoGTA	2 244 800.00	0.00	2 244 800.00
Massification Grant	CoGTA	16 657 845.11	7 559 500.69	9 098 344.42
Camperdown Waste Water Works	CoGTA	4 267 692.55	0.00	4 267 692.55
New Waste Water Works & Bulk Sewer Line	CoGTA	10 000 000.00	0.00	10 000 000.00
Energy Sector	CoGTA	150 439.76	0.00	150 439.76
Intergovernmental Relations Grant	CoGTA	298 821.89	193 405.10	105 416.79
Rural Transport Grant	National Treasury	1 233 772.14	1 233 772.14	0.00
Water Demand Management Grant	DBSA	969 333.00	0.00	969 333.00
MSIG	National Treasury	1 250 000.00	1 250 000.00	0.00
FMG	National Treasury	1 000 000.00	1 000 000.00	0.00
KZN Sports	Department of Sports	1 333 214.68	699 438.80	633 775.88
MIG	National Treasury	104 142 000.00	143 855 755.72	(39 713 755.72)
PTP Grant	CoGTA	308 816.64	0.00	308 816.64
DPSS	CoGTA	738 854.51	462 702.60	276 151.91
HIV Awareness Grant	CoGTA	716 037.73	85 196.00	630 841.73
Materials Recovery Grant	CoGTA	19 553 971.77	0.00	19 553 971.77
IRO Municipal Excellence Grant	CoGTA	1 000 000.00	0.00	1 000 000.00
Growth & Development Summit	CoGTA	400 000.00	278 521.38	121 478.62
Shared Deployment Grant	CoGTA	800 000.00	0.00	800 000.00
Accredited Councillor Training Programme	CoGTA	200 000.00	0.00	200 000.00
EPWP Grant	Public Works	1 000 000.00	206 057.66	793 942.34
Rural Roads Asset Management Systems Grant	Department of Transport	1 776 000.00	1 347 074.45	428 925.55
DBSA – Energy & Environmental Partnership	DBSA	590 956.00	590 956.00	0.00
Balance		176 082 555.78	163 662 380.54	12 420 175.24