



Amajuba District Municipality  
Financial statements  
for the year ended 30 June 2013

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## General Information

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<b>Legal Form of Entity</b>	Municipality
<b>Legislation Governing the Municipality's Operationst</b>	Municipal Fiance Management Act (Act No.56 of 2003)
<b>Executive Committee</b>	
Mayor	Councilor JCN Khumalo (Mrs)
Deputy Mayor	Councilor MN Majola (Mrs)
Executive Committee -Engineering	Councilor NA Zwane
Executive Committee -Corporate Services	Councilor EM Zungu
Executive Committee -Planning & Economic Development	Councilor SB Hlatshwayo
Speaker	Councilor EM Sigasa
<b>Grading of local authority</b>	Grade 3 Low Capacity
<b>Auditors</b>	Auditor General
<b>Bankers</b>	ABSA Public Sector
<b>Registered office</b>	B9356 Section 1 Madadeni Newcastle 2951
<b>Postal address</b>	Private Bag X6615 Newcastle 2940
<b>Members of Council</b>	
Councilor NS Matthews	Councilor TA Chonco
Councilor FS Tsotetsi	Councilor MS Mlangeni
Councilor NA Msibi	Councilor TM Mhlongo
Councilor VR Hlatshwayo	Councilor SB Harber
Councilor MA Buthelezi	Councilor MP Sithole
Councilor JME Damons	Councilor MA Gama
Councilor SD Msibi	Councilor SJ Zulu
Councilor S Kubheka	Councilor DRF Buthelezi
Councilor MN Mbokazi	
<b>Audit Committee Members</b>	Mr. Bandile Mbange - Chairperson Ms. Fathima Buckus - Member Mr. Siphwiwe Ngwenya - Member
<b>Chief Financial Officer (CFO)</b>	Mr GBVT Maseko

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Officer's Responsibilities and Approval

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The Amajuba District Municipality is situated at the Amajuba Building, B 9356, Madadeni, is a category C Municipality established in terms of section 12 (1) of the Municipal Structures Act, No.117 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government Operations of the Municipality are assigned by Section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act.

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 were 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.

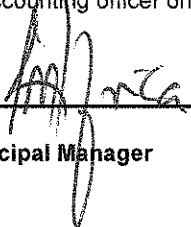
The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places 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 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.

The municipality is wholly dependent on the Provincial and National Government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Provincial and National Governments have neither the intention nor the need to liquidate or curtail materially the scale of funding of the municipality.

The financial statements set out on pages 5 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:



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**Municipal Manager**

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

	Note(s)	2013 R	2012 R
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions		2	-
Receivables from non-exchange transactions	6	64 385	231 976
VAT receivable	7	10 329 220	7 840 263
Cash and cash equivalents	8	2 662 656	7 531 720
		<u>13 056 263</u>	<u>15 603 959</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	59 493 506	62 982 737
Intangible assets	4	2 119 284	870 325
Investments in associates	5	703 143 051	744 474 666
		<u>764 755 841</u>	<u>808 327 728</u>
<b>Total Assets</b>		<u>777 812 104</u>	<u>823 931 687</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	44 785 259	47 375 551
Unspent conditional grants and receipts	9	42 376 393	40 438 960
Provisions	10	1 502 712	1 651 743
Bank overdraft	8	368 191	-
		<u>89 032 555</u>	<u>89 466 254</u>
<b>Total Liabilities</b>		<u>89 032 555</u>	<u>89 466 254</u>
<b>Net Assets</b>		<u>688 779 549</u>	<u>734 465 433</u>
<b>Net Assets</b>			
Accumulated surplus		<u>688 779 549</u>	<u>734 465 433</u>

**Amajuba District Municipality**  
Financial Statements for the year ended 30 June 2013

**Statement of Financial Performance**

	Note(s)	2013 R	2012 R
Revenue	13	177 361 918	126 748 522
Other income		492 141	303 013
Operating expenses		(189 830 922)	(139 950 557)
<b>Operating deficit</b>	17	<b>(11 976 863)</b>	<b>(12 899 022)</b>
Investment revenue	20	2 254 742	970 238
Finance costs	22	-	(32 383)
<b>Deficit for the year</b>		<b>(9 722 121)</b>	<b>(11 961 167)</b>

**Amajuba District Municipality**  
 Financial Statements for the year ended 30 June 2013

**Statement of Changes in Net Assets**

	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2011 (Restated)</b>	<b>781 463 001</b>	<b>781 463 001</b>
Changes in net assets		
Current year Adjustments	(4 146 017)	(4 146 017)
Net income (losses) recognised directly in net assets	(4 146 017)	(4 146 017)
Surplus for the year	(11 961 167)	(11 961 167)
Total recognised income and expenses for the year	(16 107 184)	(16 107 184)
Share of Loss in Associate	(30 890 384)	(30 890 384)
Total changes	(46 997 568)	(46 997 568)
<b>Balance at 01 July 2012</b>	<b>734 181 718</b>	<b>734 181 718</b>
Changes in net assets		
Prior year Adjustments	5 651 568	5 651 568
Net income (losses) recognised directly in net assets	5 651 568	5 651 568
Surplus for the year	(9 722 121)	(9 722 121)
Total recognised income and expenses for the year	(4 070 553)	(4 070 553)
Share of Loss in Associate	(41 331 616)	(41 331 616)
Total changes	(45 402 169)	(45 402 169)
<b>Balance at 30 June 2013</b>	<b>688 779 549</b>	<b>688 779 549</b>



**Amajuba District Municipality**  
Financial Statements for the year ended 30 June 2013

**Cash Flow Statement**

	Note(s)	2013 R	2012 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		185 775 430	143 351 579
Interest income		2 254 742	970 238
Other receipts		492 141	303 013
		<u>188 522 313</u>	<u>144 624 830</u>
<b>Payments</b>			
Employee costs		(40 802 230)	(38 033 788)
Suppliers		(143 081 319)	(84 221 342)
Finance costs		-	(32 383)
Other payments		(4 220 119)	(4 483 028)
		<u>(188 103 668)</u>	<u>(126 770 541)</u>
<b>Net cash flows from operating activities</b>	25	<u><b>418 645</b></u>	<u><b>17 854 289</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(5 125 808)	(3 570 790)
Proceeds from sale of property, plant and equipment	3	448 290	(102 871)
Purchase of other intangible assets	4	(1 399 687)	(548 327)
<b>Net cash flows from investing activities</b>		<u><b>(6 077 205)</b></u>	<u><b>(4 221 988)</b></u>
<b>Cash flows from financing activities</b>			
Finance lease payments		-	(17 161)
Movement in Investments		421 305	5 565 183
<b>Net cash flows from financing activities</b>		<u><b>421 305</b></u>	<u><b>5 548 022</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(5 237 255)</b></u>	<u><b>19 180 323</b></u>
Cash and cash equivalents at the beginning of the year		7 531 720	(11 648 603)
<b>Cash and cash equivalents at the end of the year</b>	8	<u><b>2 294 465</b></u>	<u><b>7 531 720</b></u>

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2013</b>											
<b>Financial Performance</b>											
Service charges	22 009 832	-	22 009 832	-	-	22 009 832	-	-	(22 009 832)	- %	- %
Investment revenue	750 000	-	750 000	-	-	750 000	2 254 742	-	1 504 742	301 %	301 %
Transfers recognised - operational	118 998 000	-	118 998 000	-	-	118 998 000	177 361 918	-	58 363 918	149 %	149 %
Other own revenue	352 500	-	352 500	-	-	352 500	492 141	-	139 641	140 %	140 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>142 110 332</b>	<b>-</b>	<b>142 110 332</b>	<b>-</b>	<b>-</b>	<b>142 110 332</b>	<b>180 108 801</b>	<b>-</b>	<b>37 998 469</b>	<b>127 %</b>	<b>127 %</b>
Employee costs	(51 648 083)	-	(51 648 083)	-	-	(51 648 083)	(40 781 370)	-	10 866 713	79 %	79 %
Remuneration of councillors	(6 331 770)	-	(6 331 770)	-	-	(6 331 770)	(4 220 119)	-	2 111 651	67 %	67 %
Depreciation and asset impairment	(1 624 873)	-	(1 624 873)	-	-	(1 624 873)	(5 161 563)	-	(3 536 690)	318 %	318 %
Materials and bulk purchases	(4 254 343)	-	(4 254 343)	-	-	(4 254 343)	-	-	4 254 343	- %	- %
Other expenditure	(79 150 277)	-	(79 150 277)	-	-	(79 150 277)	(139 667 870)	-	(60 517 593)	176 %	176 %
<b>Total expenditure</b>	<b>(143 009 346)</b>	<b>-</b>	<b>(143 009 346)</b>	<b>-</b>	<b>-</b>	<b>(143 009 346)</b>	<b>(189 830 922)</b>	<b>-</b>	<b>(46 821 576)</b>	<b>133 %</b>	<b>133 %</b>
<b>Surplus/(Deficit)</b>	<b>(899 014)</b>	<b>-</b>	<b>(899 014)</b>	<b>-</b>	<b>-</b>	<b>(899 014)</b>	<b>(9 722 121)</b>	<b>-</b>	<b>(8 823 107)</b>	<b>1 081 %</b>	<b>1 081 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>(899 014)</b>	<b>-</b>	<b>(899 014)</b>	<b>-</b>	<b>-</b>	<b>(899 014)</b>	<b>(9 722 121)</b>	<b>-</b>	<b>(8 823 107)</b>	<b>1 081 %</b>	<b>1 081 %</b>

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	87 085 383	-	87 085 383	-	-	87 085 383	-	-	(87 085 383)	- %	- %
<b>Cash flows</b>											
Net cash from (used) operating	-	-	-	-	-	-	418 645	-	418 645	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(6 077 205)	-	(6 077 205)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-	-	-	421 305	-	421 305	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	-	-	-	-	-	<b>(5 237 255)</b>	-	<b>(5 237 255)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	7 531 720	-	7 531 720	DIV/0 %	DIV/0 %
<b>Cash and cash equivalents at year end</b>	-	-	-	-	-	-	<b>2 294 465</b>	-	<b>(2 294 465)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>

## **Accounting Policies**

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### **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 which is the functional currency of the municipality.

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

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of Standards of GRAP.

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.1 Consolidation

#### Investment in associates

An associate is an entity over which the controlling entity has significant influence and which is neither a controlled entity nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the municipality's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the municipality's share of net assets of the investee. The surplus or deficit of the municipality includes the municipality's share of the surplus or deficit of the investee.

The municipality's share of the surplus or deficit of the investee is recognised in surplus or deficit.

Distributions received from an investee reduce the carrying amount of the investment.

The most recent available financial statements of the associate are used by the municipality in applying the equity method. When the reporting date's of the municipality and the associate are different, the associate prepares, for the use of the municipality, financial statements as of the same date as the financial statements of the municipality unless it is impractical to do so.

When the financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the municipality, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the municipality's financial statements. In any case, the difference between the reporting date of the associate and that of the municipality is more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

The municipality's financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Deficits in an associate in excess of the municipality's interest in that associate are recognised only to the extent that the municipality has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the municipality resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in surplus or deficit.

Surpluses and deficits on transactions between the municipality and an associate are eliminated to the extent of the municipality's interest therein.

The controlling entity discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement

### 1.2 Significant judgements and sources of estimation uncertainty

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

## Accounting Policies

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### 1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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.

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

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:

<b>Item</b>	<b>Average useful life</b>
Land	Indefinite
Buildings	30 years
Plant and machinery	10 - 15 years
Furniture and fixtures	7 - 10 years
Motor vehicles	
• Specialised Vehicles	10 - 15 years
• Other Vehicles	5 years
Office equipment	3 - 7 years
IT equipment	3 years
Computer software	3 years
Infrastructure	
• Water and Sewerage	10 years
Community	
• Recreational Facilities	20 - 30 years
• Buildings	30 years
Other property, plant and equipment	2 - 5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

## **Accounting Policies**

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### **1.3 Property, plant and equipment (continued)**

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

### **1.4 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 at no or nominal cost, 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.

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

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

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

<b>Item</b>	<b>Useful life</b>
Computer software, internally generated	3 years
Computer software, other	3 years

Intangible assets are derecognised:

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

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

## **Accounting Policies**

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### **1.5 Investments in controlled entities**

### **1.6 Investments in associates**

### **1.7 Financial instruments**

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### **Initial recognition**

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exists; and the municipality intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **1.8 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.



## **Accounting Policies**

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### **1.8 Leases (continued)**

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

#### **Finance leases - lessee**

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

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

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

#### **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 or liability.

### **1.9 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:

#### **Identification**

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

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

## **Accounting Policies**

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### **1.9 Impairment of cash-generating assets (continued)**

#### **Value in use**

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

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

#### **Basis for estimates of future cash flows**

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

#### **Discount rate**

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

#### **Recognition and measurement (individual asset)**

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

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

#### **Reversal of impairment loss**

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

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

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

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.9 Impairment of cash-generating assets (continued)

#### Redesignation

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

### 1.10 Impairment of non-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.

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

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.

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 service amount is the higher of a non-cash-generating asset's 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.

#### Identification

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.10 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

#### Redesignation

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

### 1.11 Share capital / contributed capital

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

### 1.12 Employee benefits

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries;
- short-term compensated absences (such as paid annual leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service;

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

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.13 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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

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.

Contingent assets and contingent liabilities are not recognised.

### 1.14 Revenue from exchange transactions

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

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

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

#### Measurement

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

## **Accounting Policies**

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### **1.14 Revenue from exchange transactions (continued)**

#### **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.

### **1.15 Revenue from non-exchange transactions**

#### **1.16 Investment income**

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

#### **1.17 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.

#### **1.18 Comparative figures**

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

#### **1.19 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote

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

#### **1.20 Fruitless and wasteful expenditure**

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

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

## **Accounting Policies**

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### **1.21 Irregular expenditure**

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.

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

### **1.22 Use of estimates**

The preparation of financial statements in conformity with Standards of GRAP 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.

### **1.23 Presentation of currency**

These financial statements are presented in South African Rand.

### **1.24 Offsetting**

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

### **1.25 Investments**

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

### **1.26 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.

### **1.27 Segmental information**

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

## **Accounting Policies**

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### **1.27 Segmental information (continued)**

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

### **1.28 Budget information**

Municipality 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 municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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 financial statements.

### **1.29 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.

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



**Amajuba District Municipality**  
Financial Statements for the year ended 30 June 2013

**Notes to the Financial Statements**

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2013	2012
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## Notes to the Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	
• GRAP 103: Heritage Assets	01 April 2012	
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	
• GRAP 26: Impairment of cash-generating assets	01 April 2012	
• GRAP 104: Financial Instruments	01 April 2012	

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	
• GRAP 12 (as revised 2012): Inventories	01 April 2013	
• GRAP 13 (as revised 2012): Leases	01 April 2013	
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	
• IGRAP16: Intangible assets website costs	01 April 2013	
• IGRAP1 (as revised 2012): Applying the probability test on initial recognition of revenue	01 April 2013	

#### 2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

##### GRAP 18: Segment Reporting

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

#### **GRAP 25: Employee benefits**

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

#### **GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

#### **GRAP 107: Mergers**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

## **Notes to the Financial Statements**

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### **2. New standards and interpretations (continued)**

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013 R	2012 R
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### 3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	581 918	-	581 918	581 918	-	581 918
Buildings	24 477 449	(4 258 595)	20 218 854	22 713 852	(3 204 548)	19 509 304
Plant and machinery	8 100 499	(3 975 180)	4 125 319	8 117 016	(3 311 778)	4 805 238
Furniture and fixtures	2 953 497	(1 419 328)	1 534 169	2 211 099	(1 320 346)	890 753
Motor vehicles	6 484 995	(4 452 972)	2 032 023	6 523 146	(4 107 703)	2 415 443
Office equipment	3 597 174	(2 280 783)	1 316 391	4 864 779	(3 062 496)	1 802 283
Park facilities	38 562 677	(8 877 845)	29 684 832	36 608 963	(3 631 165)	32 977 798
<b>Total</b>	<b>84 758 209</b>	<b>(25 264 703)</b>	<b>59 493 506</b>	<b>81 620 773</b>	<b>(18 638 036)</b>	<b>62 982 737</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Total
Land	581 918	-	-	-	-	-	581 918
Buildings	19 509 304	1 763 596	-	-	(1 054 046)	-	20 218 854
Plant and machinery	4 805 238	102 465	(14 555)	23 804	(791 633)	-	4 125 319
Furniture and fixtures	890 752	878 093	(74 416)	139 184	(293 590)	(5 854)	1 534 169
Motor vehicles	2 415 443	-	(45 109)	175 476	(408 359)	(105 428)	2 032 023
Office equipment	1 802 282	427 940	(314 210)	69 751	(661 236)	(8 136)	1 316 391
Park facilities	32 977 799	1 953 714	-	-	(1 801 970)	(3 444 711)	29 684 832
	<b>62 982 736</b>	<b>5 125 808</b>	<b>(448 290)</b>	<b>408 215</b>	<b>(5 010 834)</b>	<b>(3 564 129)</b>	<b>59 493 506</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	-	-	581 918	-	-	581 918
Buildings	41 458 210	47 690	(20 474 270)	(1 522 325)	-	19 509 305
Plant and machinery	5 680 562	253 829	4 113	(1 133 266)	-	4 805 238
Furniture and fixtures	1 043 480	82 189	22 825	(252 430)	(5 312)	890 752
Motor vehicles	2 450 608	754 825	10 553	(789 991)	(10 552)	2 415 443
Office equipment	2 280 945	425 302	88 136	(905 094)	(87 007)	1 802 282
Park facilities	11 721 779	2 006 955	19 874 838	(625 773)	-	32 977 799
	<b>64 635 584</b>	<b>3 570 790</b>	<b>108 113</b>	<b>(5 228 879)</b>	<b>(102 871)</b>	<b>62 982 737</b>

#### Reconciliation of Work-in-Progress 2013

	Included within Community	Included within Other PPE	Total
Opening balance	998 940	-	998 940
Additions/capital expenditure	1 569 600	1 103 580	2 673 180
	<b>2 568 540</b>	<b>1 103 580</b>	<b>3 672 120</b>

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013 R	2012 R
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### 3. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2012

	Included within Community	Total
Opening balance	998 940	998 940

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.

### 4. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 102 902	(983 618)	2 119 284	1 703 215	(832 890)	870 325

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	488 197	-	(150 728)	337 469
Intangible assets under development	382 128	1 399 687	-	1 781 815
	<b>870 325</b>	<b>1 399 687</b>	<b>(150 728)</b>	<b>2 119 284</b>

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Additions through entity combinations	Amortisation	Total
Computer software	513 065	-	166 199	(191 067)	488 197
Intangible assets under development	-	382 128	-	-	382 128
	<b>513 065</b>	<b>382 128</b>	<b>166 199</b>	<b>(191 067)</b>	<b>870 325</b>

### 5. Investments in associates

Name of entity	Listed / Unlisted	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
uThukela Water (Pty) Ltd	Unlisted	33.33 %	33.33 %	703 143 051	744 474 666

The carrying amounts of associates are shown net of impairment losses.

The annual financial statements of Uthukela Water (Pty)Ltd are prepared for the accounting period 01 July 2012 to 30 June 2013, which is the same as the Amajuba District Municipality, no adjustments were made to this effect.

No loans were made to or received from the associate. No shares were sold nor any acquired during the year..

With effect from 01 July 2013, the municipality will be taking over a portion of the assets, liabilities and staff that relate to Amajuba District Municipality from uThukela Water. The municipality will therefore be providing water and sanitation services as a water services authority.

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013 R	2012 R
<b>5. Investments in associates (continued)</b>		
<b>Movements in carrying value</b>		
Opening balance	744 474 666	775 117 384
Share of surplus/deficit	(41 331 648)	(30 642 751)
Shareholding in associate - 33%	33	33
	<u>703 143 051</u>	<u>744 474 666</u>

### Principal activities, country of incorporation and voting power

Legal name	Principal activity	Country of incorporation	Proportion of voting power
uThukela Water (Pty) Ltd	Water and Sanitation	South Africa	33% of voting power

### Summary of controlled entity's interest in associate

#### Events after reporting date

With effect from 01 July 2013, the municipality will be taking over a portion of the assets, liabilities and staff that relate to Amajuba District Municipality from uThukela Water. The municipality will therefore be providing water and sanitation services as a water services authority.

### 6. Receivables from non-exchange transactions

Sundry Debtors	64 385	231 976
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### 7. VAT receivable

VAT	10 329 220	7 840 263
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VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS.

### 8. Cash and cash equivalents

Cash and cash equivalents included in the statement of financial position comprise the following statement of amounts indicating financial position:

Petty cash	3 000	3 000
Bank balances	-	735 501
Call investment deposits	2 659 656	6 793 219
Bank overdraft	(368 191)	-
	<u>2 294 465</u>	<u>7 531 720</u>
Current assets	2 662 656	7 531 720
Current liabilities	(368 191)	-
	<u>2 294 465</u>	<u>7 531 720</u>

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash.

No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

**Amajuba District Municipality**  
Financial Statements for the year ended 30 June 2013

**Notes to the Financial Statements**

	2013 R	2012 R
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**8. Cash and cash equivalents (continued)**

**Credit quality of cash at bank and short term deposits, excluding cash on hand**

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

Although credit quality can be assessed, the municipality did not apply any methods to evaluate the credit quality

**The municipality had the following bank accounts**

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA BANK - Cheque Account - 405 347 2593	(61 036)	735 501	(13 049 866)	(368 191)	735 501	(13 049 866)
ABSA BANK - 32 Day Notice - 907 431 6117	1 363 772	1 284 101	1 284 101	1 363 772	1 284 101	1 284 101
STANDARD BANK - 32 Day Notice - 068 448 3090 02	120 016	120 016	114 156	120 016	120 016	114 156
FIRST NATIONAL BANK - Call Account - 743 545 87212	1 143 781	5 389 102	-	1 143 781	5 389 102	-
<b>Total</b>	<b>2 566 533</b>	<b>7 528 720</b>	<b>(11 651 609)</b>	<b>2 259 378</b>	<b>7 528 720</b>	<b>(11 651 609)</b>

**9. Unspent conditional grants and receipts**

**Unspent conditional grants and receipts comprises of:**

**Unspent conditional grants and receipts**

MIG Grant	11 200 695	18 137 846
Shared services grant	-	799 969
2010 Sports Stadia Grant - Monte Vista	7 338 250	7 422 040
Sports & recreation grant	1 357 058	2 310 000
National lottery grant	3 116 000	3 116 000
Inter-government relation grant	-	417 000
Governance Expert Grant	871 308	436 271
Department of Public Works grant	1 672 301	1 210 000
Massification grant	1 584 150	1 978 000
Disaster Management Centre Grant	5 000 000	-
WC/WD Management Grant	3 518 701	-
Road Asset Management System Grant	1 532 189	1 304 872
Skills Development Grant	-	226 128
Boreholes Maintenance Grant	699 837	986 651
COGTA Groundwater Maintenance Grant	3 026 568	1 089 263
Finance Management Grant	993 355	1 004 920
DWA ACIP grant - Utrecht Ponds	265 981	-
Councillors Training Grant	200 000	-
	<b>42 376 393</b>	<b>40 438 960</b>

**Movement during the year**

Balance at the beginning of the year	40 438 960	22 398 286
Additions during the year	88 146 412	143 351 579
Income recognition during the year	(86 208 979)	(125 310 905)
	<b>42 376 393</b>	<b>40 438 960</b>

Refer to Appendix G for a reconciliation of Conditional Grants and Receipts from National and Provincial Government and Other Donations and Public Contributions.



**Amajuba District Municipality**  
Financial Statements for the year ended 30 June 2013

**Notes to the Financial Statements**

	2013 R	2012 R
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**10. Provisions**

**Reconciliation of provisions - 2013**

	Opening Balance	Additions	Reversed during the year	Total
Staff leave	964 611	56 169	-	1 020 780
Performance bonuses	687 132	481 932	(687 132)	481 932
	<b>1 651 743</b>	<b>538 101</b>	<b>(687 132)</b>	<b>1 502 712</b>

**Reconciliation of provisions - 2012**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Staff leave	569 538	829 893	(434 820)	-	964 611
Performance bonuses	1 011 101	-	-	(323 969)	687 132
	<b>1 580 639</b>	<b>829 893</b>	<b>(434 820)</b>	<b>(323 969)</b>	<b>1 651 743</b>

Performance bonuses are paid to employees subject to certain conditions. The provision is a calculation of the amount due to employees at the reporting date. Performance bonuses are measured at face value as it is expected that these would normally be paid shortly after the financial year end once performance evaluations have been completed.

**11. Payables from exchange transactions**

Trade payables	38 181 654	38 549 909
Retentions	6 603 605	8 438 368
Other creditors	-	387 274
	<b>44 785 259</b>	<b>47 375 551</b>

**12. Financial liabilities by category**

The accounting policies for financial instruments have been applied to the line items below:

**2013**

	Financial liabilities at amortised cost	Total
Other financial liabilities	6 603 605	6 603 605
Trade and other payables	38 181 654	38 181 654
	<b>44 785 259</b>	<b>44 785 259</b>

**2012**

	Financial liabilities at amortised cost	Total
Other financial liabilities	8 438 368	8 438 368
Trade and other payables	38 549 909	38 549 909
Sundry Creditors	387 274	387 274
	<b>47 375 551</b>	<b>47 375 551</b>

**Amajuba District Municipality**  
 Financial Statements for the year ended 30 June 2013

**Notes to the Financial Statements**

	2013 R	2012 R
<b>13. Revenue</b>		
Rental income	265 121	-
Recoveries	127 995	135 488
Other income 1	99 025	167 525
Interest received - investment	2 254 742	970 238
Government grants & subsidies	177 361 918	126 748 522
	<b><u>180 108 801</u></b>	<b><u>128 021 773</u></b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rental income	265 121	-
Recoveries	127 995	135 488
Other income 1	99 025	167 525
Interest received - investment	2 254 742	970 238
	<b><u>2 746 883</u></b>	<b><u>1 273 251</u></b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	177 361 918	126 748 522

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013 R	2012 R
<b>14. Government grants and subsidies</b>		
Equitable share	49 508 846	44 873 000
DWAF Water Operating Subsidy	-	1 585 000
Operating Projects Grant	73 601 651	34 896 835
Levies Replacement Grant	47 630 000	43 698 000
Municipal Systems Improvement Grant	1 000 000	790 000
Financial Management Grant	1 511 565	245 080
Skills Development Grant	401 440	-
Water Demand Management Grant	626 713	235 729
Road Asset Management	1 548 683	382 128
Tourism Signage Development Grant	799 969	42 750
Shared Services Grant	733 051	-
	<u>177 361 918</u>	<u>126 748 522</u>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	18 137 846	5 095 060
Current-year receipts	49 992 000	41 211 000
Conditions met - transferred to revenue	(51 833 305)	(28 168 214)
Other	(5 095 846)	-
	<u>11 200 695</u>	<u>18 137 846</u>
Conditions still to be met - remain liabilities (see note 9).		
<b>Emadlangeni Bulk Water Supply</b>		
Balance unspent at beginning of year	-	1 333 038
Current-year receipts	4 517 915	8 746 100
Conditions met - transferred to revenue	(4 517 915)	(5 615 308)
Other	-	(4 463 830)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 9).		
<b>Tourism Signage</b>		
Balance unspent at beginning of year	799 969	799 969
Conditions met - transferred to revenue	(799 969)	-
	<u>-</u>	<u>799 969</u>
Conditions still to be met - remain liabilities (see note 9).		
<b>2010 Base Camp and Academy (Monte Vista)</b>		
Balance unspent at beginning of year	7 422 040	8 811 948
Conditions met - transferred to revenue	(83 790)	(1 389 908)
	<u>7 338 250</u>	<u>7 422 040</u>

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013 R	2012 R
<b>14. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 9).		
<b>Sports and Recreation Grant</b>		
Balance unspent at beginning of year	2 310 000	-
Current-year receipts	1 050 000	1 365 000
Conditions met - transferred to revenue	(2 002 942)	-
Other	-	945 000
	<b>1 357 058</b>	<b>2 310 000</b>
Conditions still to be met - remain liabilities (see note 9).		
<b>National Lottery</b>		
Balance unspent at beginning of year	3 116 000	3 116 000
Conditions still to be met - remain liabilities (see note 9).		
<b>Inter-Governmental Relations Grant</b>		
Balance unspent at beginning of year	417 000	417 000
Conditions met - transferred to revenue	(417 000)	-
	<b>-</b>	<b>417 000</b>
Conditions still to be met - remain liabilities (see note 9).		
<b>Governance Expert Grant</b>		
Balance unspent at beginning of year	436 271	436 271
Current-year receipts	800 000	-
Conditions met - transferred to revenue	(364 963)	-
	<b>871 308</b>	<b>436 271</b>
Conditions still to be met - remain liabilities (see note 9).		
<b>Public Works (EPWP) Grant</b>		
Balance unspent at beginning of year	1 210 000	411 000
Current-year receipts	1 000 000	799 000
Conditions met - transferred to revenue	(537 699)	-
	<b>1 672 301</b>	<b>1 210 000</b>
Conditions still to be met - remain liabilities (see note 9).		
<b>Massification Grant</b>		
Balance unspent at beginning of year	1 978 000	1 978 000
Conditions met - transferred to revenue	(393 850)	-
	<b>1 584 150</b>	<b>1 978 000</b>
Conditions still to be met - remain liabilities (see note 9).		
<b>Disaster Management Centre Grant</b>		

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013 R	2012 R
<b>14. Government grants and subsidies (continued)</b>		
Current-year receipts	5 000 000	-
Conditions still to be met - remain liabilities (see note 9).		
<b>WC/WD Management Grant</b>		
Current-year receipts	4 000 000	770 000
Conditions met - transferred to revenue	(481 299)	(770 000)
	<b>3 518 701</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 9).		
<b>DWA ACIP Grant - Utrecht Ponds</b>		
Current-year receipts	550 000	-
Conditions met - transferred to revenue	(550 000)	-
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 9).		
Provide explanations of conditions still to be met and other relevant information.		
<b>WSDP Grant</b>		
Current-year receipts	184 932	512 025
Conditions met - transferred to revenue	(184 932)	(512 025)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 9).		
<b>Road Asset Management System Grant</b>		
Balance unspent at beginning of year	1 304 872	-
Current-year receipts	1 776 000	1 687 000
Conditions met - transferred to revenue	(1 548 683)	(382 128)
	<b>1 532 189</b>	<b>1 304 872</b>
Conditions still to be met - remain liabilities (see note 9).		
<b>Skills Development Grant</b>		
Balance unspent at beginning of year	226 128	226 128
Current-year receipts	184 932	-
Conditions met - transferred to revenue	(411 060)	-
	<b>-</b>	<b>226 128</b>
Conditions still to be met - remain liabilities (see note 9).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Boreholes Refurbishment Grant</b>		
Balance unspent at beginning of year	986 651	986 651

**Amajuba District Municipality**  
Financial Statements for the year ended 30 June 2013

**Notes to the Financial Statements**

	2013 R	2012 R
<b>14. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(286 814)	-
	<b>699 837</b>	<b>986 651</b>
Conditions still to be met - remain liabilities (see note 9).		
Provide explanations of conditions still to be met and other relevant information.		
<b>COGTA Maintenance Grant</b>		
Balance unspent at beginning of year	1 089 263	1 089 263
Current-year receipts	2 870 000	-
Conditions met - transferred to revenue	(932 695)	-
	<b>3 026 568</b>	<b>1 089 263</b>
Conditions still to be met - remain liabilities (see note 9).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Finance Management Grant</b>		
Balance unspent at beginning of year	1 004 920	1 004 920
Current-year receipts	1 500 000	-
Conditions met - transferred to revenue	(1 511 565)	-
	<b>993 355</b>	<b>1 004 920</b>
Conditions still to be met - remain liabilities (see note 9).		
Provide explanations of conditions still to be met and other relevant information.		
<b>DWA ACIP Grant - Utrecht Ponds</b>		
Current-year receipts	550 000	-
Conditions met - transferred to revenue	(284 019)	-
	<b>265 981</b>	-
Conditions still to be met - remain liabilities (see note 9).		
<b>15. Other revenue</b>		
Rental income - third party	265 121	-
Recovery - Telephone	127 995	135 488
Sundry income	99 025	167 525
	<b>492 141</b>	<b>303 013</b>

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013 R	2012 R
<b>16. General expenses</b>		
Advertising	240 663	322 138
Assessment rates & municipal charges	36 748	149 786
Auditors remuneration	1 051 218	812 984
Bank charges	71 788	300 453
Cleaning	352 634	414 111
Consulting and professional fees	1 971 657	701 397
Entertainment	251 277	122 842
VIP Desludging	1 315 789	-
Insurance	384 998	345 671
Conferences and seminars	339 515	101 619
Audit Committee Costs	355 970	2 475
Audit Committee Costs	123 101	377 415
Lease rentals on operating lease	426 244	377 019
Fleet	443 863	312 943
Internal Audit Fees	559 550	842 830
Levies - SALGA	232 700	-
Levies - SALGA	400 000	208 815
Magazines, books and periodicals	41 201	4 137
Placement fees	1 250	4 050
Postage and courier	11 494	3 430
Printing and stationery	467 382	159 261
Promotions	657 987	99 338
Protective clothing	23 861	-
License fees	191 621	311 562
Telephone and fax	1 222 605	1 586 556
Training	328 082	199 835
Travel - local	2 013 769	1 297 287
Electricity	1 011 589	662 022
Other operating expenses	1 719 624	185 492
Other operating expenses	3 275 716	3 001 429
Grant Funded Expenditure	76 375 329	37 672 280
LED Projects Cost	6 477 896	631 339
Sports Development Programmes	3 005 035	2 178 826
Disaster Management Programmes	1 030 518	427 710
WSP Contributions	15 838 445	28 041 381
Social Development Programmes	5 348 482	2 210 162
	<b>127 599 601</b>	<b>84 068 595</b>

### 17. Operating deficit

Operating deficit for the year is stated after accounting for the following:

#### Operating lease charges

Equipment		
• Contractual amounts	426 244	377 019
Loss on sale of property, plant and equipment	-	(102 871)
Depreciation on property, plant and equipment	5 161 563	5 419 947
Employee costs	45 001 489	42 296 214

**Notes to the Financial Statements**

	2013 R	2012 R
<b>18. Employee related costs</b>		
Basic	26 930 469	25 504 466
Bonus	2 391 593	2 777 309
Medical aid - company contributions	1 324 450	1 159 569
UIF	138 506	127 973
WCA	225 261	465 102
SDL	392 320	346 472
Other payroll levies	152 450	147 891
Leave pay provision charge	1 020 780	829 893
Post-employment benefits - Pension - Defined contribution plan	2 671 030	2 395 532
Travel, motor car, accommodation, subsistence and other allowances	4 561 760	3 800 616
Overtime payments	810 712	292 429
Housing benefits and allowances	154 177	219 287
Bargaining council contribution	7 862	6 729
	<b>40 781 370</b>	<b>38 073 268</b>

**Remuneration of Municipal Manager**

Annual Remuneration	455 000	559 017
Car Allowance	73 500	232 160
Other	62 345	137 293
	<b>590 845</b>	<b>928 470</b>

The Municipal Manager has been in the employ of the municipality for 7 months of the financial year.

**Remuneration of Chief Financial Officer**

Annual Remuneration	280 000	462 833
Car Allowance	42 500	59 500
Other	31 667	11 671
	<b>354 167</b>	<b>534 004</b>

The Chief Financial Officer has been in the employ of the municipality for 5 months of the financial year.

**Corporate services**

Annual Remuneration	192 961	425 338
Car Allowance	40 000	181 906
Other	-	94 976
	<b>232 961</b>	<b>702 220</b>

The Director Corporate Services has been in the employ of the municipality for 4 months of the financial year.

**Director of Engineering services**

Annual Remuneration	159 361	274 940
Car Allowance	36 000	57 500
Other	37 600	-
	<b>232 961</b>	<b>332 440</b>

The Director: Engineering Services has been in the employ of the municipalit for 4 months of the financial year.

**Director of development planning**



**Amajuba District Municipality**  
Financial Statements for the year ended 30 June 2013

**Notes to the Financial Statements**

	2013 R	2012 R
<b>18. Employee related costs (continued)</b>		
Annual Remuneration	419 060	425 070
Car Allowance	217 406	215 329
Other	62 417	61 821
	<b>698 883</b>	<b>702 220</b>
<b>Director of Community Services</b>		
Annual Remuneration	519 750	-
Car Allowance	126 500	-
	<b>646 250</b>	<b>-</b>
<b>19. Remuneration of councillors</b>		
Mayor	685 377	647 583
Deputy Mayor	332 163	403 161
Executive Committee Members	563 432	728 251
Speaker	536 311	508 361
Councillors	2 102 836	1 935 590
	<b>4 220 119</b>	<b>4 222 946</b>
<b>20. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	2 254 742	970 238
<b>21. Depreciation and amortisation</b>		
Property, plant and equipment	5 161 563	5 419 947
<b>22. Finance costs</b>		
Other interest paid	-	32 383
<b>23. Auditors' remuneration</b>		
Fees	1 051 218	812 984
<b>24. Contracted services</b>		
Information Technology Services	386 358	37 249
Security Services	1 510 382	1 769 281
Water Tanker Services	9 193 781	-
Hygiene Services	19 158	19 158
Other Contractors	-	5 205 290
	<b>11 109 679</b>	<b>7 030 978</b>

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013 R	2012 R
<b>25. Cash generated from operations</b>		
Deficit	(9 722 121)	(11 961 167)
<b>Adjustments for:</b>		
Depreciation and amortisation	5 161 563	5 419 947
Profit on sale of assets	-	102 871
Impairment reversals	-	(102 871)
Movements in provisions	(149 031)	71 104
<b>Changes in working capital:</b>		
Receivables from exchange transactions	-	427 586
Other receivables from non-exchange transactions	167 591	-
Prepayments	-	2 007 140
Payables from exchange transactions	(2 590 292)	7 180 606
VAT	5 613 502	(3 331 601)
Unspent conditional grants and receipts	1 937 433	18 040 674
	<b>418 645</b>	<b>17 854 289</b>

## 26. Commitments

### Authorised capital expenditure

#### Already contracted and provided for

• Property, plant and equipment	79 088 070	66 818 000
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#### Not yet contracted for and authorised by Council

• Property, plant and equipment	22 764 000	7 500 000
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This committed expenditure relates to projects and will be financed by conditional grants and funds internally generated

## 27. Contingencies

Litigation is in the process against the municipality relating to a dispute with a service provider who alleges that the municipality has contravened a contract by terminating the contract prior to the termination and is seeking damages of R 3 000 000. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and therefore no provision has been made in the financial statements.

There was agreement reached at Bargaining Council on the implementation of the wage curve for all employees. This was however delayed on the side of the employer due to the fact that a prerequisite to the implementation of the wage curve is conducting job evaluations for all posts and benchmarking them across the province. The unions have since taken this matter to the Labour Court and the matter was decided in their favour. No provision has been made in the financial statements because the basis of calculation is not certain.

## 28. Prior period errors

During the June 2012 audit Property, Plant and Equipment were reclassified and jojo tanks to the value of R98 413 were written off. The adjusting journal entries were processed as agreed but the comparative figures were erroneously not adjusted

The correction of the error results in adjustments as follows:

### Statement of financial position

Property, plant and equipment	62 982 737	63 081 150
Opening Accumulated Surplus	(98 413)	-

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013 R	2012 R
<b>29. Risk management</b>		
<b>Capital risk management</b>		
The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.		
There are no externally imposed capital requirements.		
There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.		
<b>Liquidity risk</b>		
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.		
<b>Interest rate risk</b>		
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.		
<b>Credit risk</b>		
Credit risk consists mainly of cash deposits and cash equivalents. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
<b>30. Going concern</b>		
We draw attention to the fact that at 30 June 2013, while the municipality had total accumulated surpluses of R 688 779 549, the the current liabilities exceeded the current assets by R73 862 295 and that the available cash resouirces did not cover the commitments for unspent conditional grants with an amount of R38 158 485 uncovered .		
The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that both Provincial and National government have neither the intention nor the need to liquidate or curtail materially the scale of funding of the municipality.		
<b>31. Events after the reporting date</b>		
The Section 139 intervention that was imposed by the MEC of COGTA in the province on the water entity uThukela Water (Pty) Ltd was lifted. This means that the WSAs, of which Amajuba District Municipality is one, must now exercise full responsibilty as WSAs. There is discussion going on on dissolution of the entity and the WSAs resuming full responsibility on the water and sanitation function. This entails taking over the assets, liabilities and staff of uThukela Water (Pty) Ltd.		
<b>32. Unauthorised expenditure</b>		
Unauthorised expenditure	38 158 485	32 907 240
The unauthorised expenditure relates to the spending of conditional grants on other matters not related to the grant conditions.		
The matter is still under investigation and appropriate action will be taken when the matter is finalised		
There is currently no disciplinary action taken in respect to this unauthorised expenditure		
<b>33. Fruitless and wasteful expenditure</b>		
Fruitless and wasteful expenditure	68 925	32 383

**Notes to the Financial Statements**

	2013 R	2012 R
<b>33. Fruitless and wasteful expenditure (continued)</b>		
Fruitless and wasteful expenditure relates to penalties charged on late submission of EMP201 returns to SARS. This has been corrected and all returns have been submitted.		
<b>34. Irregular expenditure</b>		
Opening balance	79 998 761	62 844 406
Add: Irregular Expenditure - current year	11 793 307	17 154 355
Less: Amounts condoned	(16 679 934)	-
	<u>75 112 134</u>	<u>79 998 761</u>
<b>Analysis of expenditure awaiting condonation (under investigation)</b>		
Current year	11 793 307	17 154 355
Prior years	63 318 827	62 844 406
	<u>75 112 134</u>	<u>79 998 761</u>
<b>Details of irregular expenditure – current year</b>		
	Disciplinary steps taken/criminal proceedings	
Strategy Development Workshop & Teambuilding	None - Awaiting council Condonation	316 220
Emadlangeni Sanitation	None	11 477 087
		<u>11 793 307</u>
<b>Details of irregular expenditure condoned</b>		
	Condoned by (condoning authority)	
Procurement done outside PPPFA Regulations	Council	10 184 344
Procurement outside SCM not ratified	Council	6 585 590
		<u>16 769 934</u>
<b>35. Reconciliation between budget and statement of financial performance</b>		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net deficit per the statement of financial performance	<u>(9 722 121)</u>	<u>(11 961 167)</u>
<b>36. Reconciliation between budget and cash flow statement</b>		
Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:		
<b>Operating activities</b>		
Basis differences	<u>418 645</u>	<u>17 854 289</u>
<b>Investing activities</b>		
Basis differences	<u>(6 077 205)</u>	<u>(3 904 696)</u>
<b>Financing activities</b>		
Basis differences	<u>421 305</u>	<u>5 230 730</u>
<b>Net cash generated from operating, investing and financing activities</b>	<u>(5 237 255)</u>	<u>19 180 323</u>

**Amajuba District Municipality**  
 Financial Statements for the year ended 30 June 2013

**Notes to the Financial Statements**

	2013 R	2012 R
<b>37. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	-	208 815
Amount paid - current year	-	(208 815)
	<u>-</u>	<u>-</u>
<b>Audit fees</b>		
Current year subscription / fee	1 051 218	812 984
Amount paid - current year	(1 051 218)	(812 984)
	<u>-</u>	<u>-</u>
<b>PAYE and UIF</b>		
Current year subscription / fee	7 233 751	7 095 245
Amount paid - current year	(7 233 751)	(7 095 245)
	<u>-</u>	<u>-</u>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	3 995 480	3 378 586
Amount paid - current year	(3 995 480)	(3 378 586)
	<u>-</u>	<u>-</u>
<b>VAT</b>		
VAT receivable	10 329 220	7 840 263

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

# Amajuba District Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013 R	2012 R
<b>37. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Supply chain management regulations (SCM Deviations)</b>		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.		
<b>Incident</b>		
Purchase of Mayoral Vehicle	-	750 000
Emergency supply of Water - Emadlangeni	-	225 896
Assessment of Water Sources, Drilling of Production boreholes and Geological Services	-	1 122 140
IDP/Budget Roadshows Event Management	-	1 075 000
Security Services - temporary	-	494 264
Acquisition and commissioning of CaseWare	-	141 257
SALGA Games Catering and Transport	-	303 700
Extension of PABX System for new building	-	87 780
VIP toilet de-sludging	1 120 000	-
Art work decoration and display for three reception areas and pot plants	58 085	-
Upgrade of volume photocopiers: 48 months contract @ 0% escalation	14 763	-
Supply and delivery of yellow maize seeds	359 100	-
Supply and delivery of 1200 bags of 3:2:1 fertilizers	622 084	-
Implementing agent for Emadlangeni sanitation project	49 000 000	-
Other	-	32 833
	<b>51 174 032</b>	<b>4 232 870</b>

### 38. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

### 39. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

### 40. 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 services and goods as detailed above were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The deviations were reported to Council and ratified by Council as per the municipality's Supply Chain Management Policy.

**Amajuba District Municipality**  
Financial Statements for the year ended 30 June 2013

**Detailed Income statement**

	Note(s)	2013 R	2012 R
<b>Revenue</b>			
Government Grants and Subsidies		177 361 918	126 748 522
Rental income		265 121	-
Recoveries		127 995	135 488
Sundry Revenue		99 025	167 525
Interest received - investment	20	2 254 742	970 238
<b>Total Revenue</b>		<b>180 108 801</b>	<b>128 021 773</b>
<b>Expenditure</b>			
Employee Related Costs	18	(40 781 370)	(38 073 268)
Remuneration of councillors	19	(4 220 119)	(4 222 946)
Depreciation and amortisation	21	(5 161 563)	(5 419 947)
Finance costs	22	-	(32 383)
Repairs and maintenance		(977 746)	(1 031 952)
Contracted services	24	(11 090 523)	(7 030 978)
General Expenses	16	(20 524 791)	(31 825 573)
Grant Funded Expenditure		(76 375 329)	(37 259 807)
LED Projects Costs		(6 477 896)	(631 340)
Sports Development Programmes		(3 023 543)	(2 178 826)
WSP Contribution		(15 838 445)	(9 440 307)
Social Development Programmes		(5 359 597)	(2 732 742)
<b>Total Expenditure</b>		<b>(189 830 922)</b>	<b>(139 880 069)</b>
Loss on disposal of assets and liabilities		-	(102 871)
<b>Deficit for the year</b>		<b>(9 722 121)</b>	<b>(11 961 167)</b>

**AMAJUBA DISTRICT MUNICIPALITY**

**Appendix A**

June 2013

**Schedule of external loans as at 30 June 2013**

Loan Number	Redeemable Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Plant & Equip	Other Costs in accordance with the MFMA
	Rand	Rand	Rand	Rand	Rand	Rand



AMAJUBA DISTRICT MUNICIPALITY

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013  
 Cost/Revaluation  
 Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair Value Gains Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land	581 918	-	-	-	-	-	581 918	-	-	-	-	-	-	581 918
Buildings	22 713 852	650 015	-	-	-	1 103 580	24 477 447	(3 204 548)	-	-	(1 054 047)	-	(4 258 596)	20 218 852
Recreational facilities	33 164 253	354 114	-	-	-	1 569 500	35 117 957	(3 531 165)	-	-	(1 801 970)	-	(5 433 135)	29 684 832
	<b>56 460 023</b>	<b>1 044 129</b>	-	-	-	<b>2 673 180</b>	<b>60 177 332</b>	<b>(6 835 713)</b>	-	-	<b>(2 856 017)</b>	-	<b>(9 691 730)</b>	<b>50 485 602</b>

Community Assets

Land  
 Buildings  
 Recreational facilities

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

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair Value Gains Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
General vehicles	6 523 146	-	(213 627)	-	175 475	-	6 484 994	(4 107 703)	168 518	-	(408 359)	(105 428)	(4 452 972)	2 032 022
Plant & equipment	8 117 016	102 465	(142 785)	-	23 803	-	8 100 499	(3 311 778)	128 231	-	(791 633)	-	(3 975 180)	4 125 319
Furniture & Fixings	2 211 099	878 093	(274 879)	-	139 183	-	2 953 496	(1 316 072)	196 189	-	(293 590)	(5 954)	(1 419 327)	1 534 169
Office Equipment	4 864 779	427 840	(1 765 295)	-	69 751	-	3 597 175	(2 983 132)	1 371 720	-	(651 236)	(8 136)	(2 280 784)	1 316 391
	<b>21 716 040</b>	<b>1 408 498</b>	<b>(2 396 586)</b>	<b>-</b>	<b>408 212</b>	<b>-</b>	<b>21 136 164</b>	<b>(11 718 685)</b>	<b>1 864 658</b>	<b>-</b>	<b>(2 154 818)</b>	<b>(119 418)</b>	<b>(12 128 263)</b>	<b>9 007 901</b>

Other assets

General vehicles  
Plant & equipment  
Furniture & Fixings  
Office Equipment

**AMAJUBA DISTRICT MUNICIPALITY**

**Appendix B**  
June 2013

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation**

**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair Value Gains Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	78 176 063	2 452 627	(2 396 586)	-	408 212	2 673 180	81 313 496	(18 554 398)	1 864 658	-	(5 010 835)	(119 418)	(21 819 993)	59 493 503
<b>Intangible assets</b>														
Computers - software & programming	1 321 087	-	-	-	-	1 399 687	2 720 774	(450 763)	-	-	(150 728)	-	(601 491)	2 119 283
<b>Total</b>	<b>1 321 087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 399 687</b>	<b>2 720 774</b>	<b>(450 763)</b>	<b>-</b>	<b>-</b>	<b>(150 728)</b>	<b>-</b>	<b>(601 491)</b>	<b>2 119 283</b>
Community Assets	56 460 023	1 044 129	-	-	-	2 673 180	60 177 332	(6 835 713)	-	-	(2 856 017)	-	(9 691 730)	50 485 602
Other assets	21 716 040	1 408 498	(2 396 586)	-	408 212	21 138 164	(11 716 686)	1 864 658	1 864 658	-	(2 154 818)	(119 418)	(12 128 263)	9 007 901
Intangible assets	1 321 087	-	-	-	-	1 399 687	2 720 774	(450 763)	-	-	(150 728)	-	(601 491)	2 119 283
<b>Total</b>	<b>79 497 150</b>	<b>2 452 627</b>	<b>(2 396 586)</b>	<b>-</b>	<b>408 212</b>	<b>4 072 867</b>	<b>84 034 270</b>	<b>(19 006 161)</b>	<b>1 864 658</b>	<b>-</b>	<b>(5 161 563)</b>	<b>(119 418)</b>	<b>(22 421 484)</b>	<b>61 612 786</b>

**AMAJUBA DISTRICT MUNICIPALITY**

**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2013  
Cost/Revaluation Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings  
Infrastructure  
Community Assets





**AMAJUBA DISTRICT MUNICIPALITY**

**Appendix C**

June 2013

**Segmental analysis of property, plant and equipment as at 30 June 2013  
Cost/Revaluation**

**Accumulated Depreciation**

Municipality	Opening Balance		Additions		Disposals		Transfers		Revaluations		Work in Progress		Closing Balance		Opening Balance		Disposals		Transfers		Depreciation		Impairment deficit		Closing Balance		Carrying value		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Executive & Council	728 913	81 832	(116 132)	-	-	-	694 713	(504 916)	111 205	-	-	-	111 205	(468 830)	-	-	-	-	-	-	(75 119)	-	-	-	(468 830)	225 883			
Finance	1 886 639	88 074	(238 420)	-	-	-	1 736 293	(1 275 860)	196 165	-	-	-	196 165	(1 276 118)	-	-	-	-	-	-	(196 433)	-	-	-	(1 276 118)	480 175			
Planning and Development	1 513 091	523 081	(172 611)	-	-	-	1 863 561	(900 015)	144 321	-	-	-	144 321	(972 411)	-	-	-	-	-	-	(216 717)	-	-	-	(972 411)	691 150			
Municipal Manager	2 891 786	400 707	(256 482)	-	-	-	3 036 001	(1 509 632)	157 170	-	-	-	157 170	(1 759 866)	-	-	-	-	-	-	(407 364)	-	-	-	(1 759 866)	1 276 135			
Community Services	41 184 603	787 775	(1 005 824)	-	-	-	43 535 093	(6 261 220)	829 005	-	-	-	829 005	(11 205 484)	-	-	-	-	-	-	(5 773 269)	-	-	-	(11 205 484)	32 929 609			
Corporate Services	22 553 666	629 127	(498 593)	-	-	-	23 987 780	(3 924 501)	351 782	-	-	-	351 782	(4 700 681)	-	-	-	-	-	-	(1 127 962)	-	-	-	(4 700 681)	19 287 059			
Disaster Management	2 068 110	13 637	(73 410)	-	-	-	2 008 337	(931 954)	43 221	-	-	-	43 221	(1 048 056)	-	-	-	-	-	-	(159 323)	-	-	-	(1 048 056)	960 281			
Engineering Services	8 963 450	27 190	(33 876)	-	-	-	10 738 579	(3 985 080)	30 735	-	-	-	30 735	(4 703 441)	-	-	-	-	-	-	(749 116)	-	-	-	(4 703 441)	6 035 138			
Kwa-Mdikane Thusong service Centre	152 664	109 318	(1 228)	-	-	-	260 754	(74 887)	1 053	-	-	-	1 053	(113 436)	-	-	-	-	-	-	(39 602)	-	-	-	(113 436)	147 318			
<b>Municipality</b>	<b>81 942 922</b>	<b>2 860 841</b>	<b>(2 396 586)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87 861 111</b>	<b>(19 368 055)</b>	<b>1 864 657</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 864 657</b>	<b>(26 248 323)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8 744 925)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26 248 323)</b>	<b>61 612 788</b>				
<b>Municipal Owned Entities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>81 942 922</b>	<b>2 860 841</b>	<b>(2 396 586)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87 861 111</b>	<b>(19 368 055)</b>	<b>1 864 657</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 864 657</b>	<b>(26 248 323)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8 744 925)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26 248 323)</b>	<b>61 612 788</b>				

**AMAJUBA DISTRICT MUNICIPALITY**

**Appendix D**

June 2013

**Segmental Statement of Financial Performance for the year ended  
Prior Year Current Year**

<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>		<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>
<b>Municipality</b>						
44 877 412	21 149 467	20 727 945	Executive & Council/Mayor and Council	39 689 000	15 766 001	23 922 999
45 480 995	22 261 556	23 219 439	Finance & Admin/Finance	53 983 331	26 047 317	27 936 014
42 750	11 790 212	(11 747 462)	Planning and Development/Economic Development/Plan	1 516 089	23 151 237	(21 635 147)
19 191	9 981 829	(9 962 638)	Comm. & Social/Libraries and archives	2 091 391	19 599 101	(17 507 710)
2 259 536	15 267 283	(13 007 747)	Water/Water Distribution	82 828 990	104 496 967	(21 667 977)
-	3 689 578	(3 689 578)	Other/Air Transport	-	770 299	(770 299)
<b>92 679 884</b>	<b>84 139 925</b>	<b>5 539 959</b>		<b>180 108 801</b>	<b>189 830 922</b>	<b>(9 722 120)</b>
<b>Municipal Owned Entities Other charges</b>						
92 679 884	84 139 925	5 539 959	Municipality	180 108 801	189 830 922	(9 722 120)
<b>92 679 884</b>	<b>84 139 925</b>	<b>5 539 959</b>	<b>Total</b>	<b>180 108 801</b>	<b>189 830 922</b>	<b>(9 722 120)</b>



**AMAJUBA DISTRICT MUNICIPALITY**

**Appendix E(1)**

June 2013

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

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
<b>Revenue</b>					
Rendering of services	-	22 009 932	(22 009 932)	(100.0)	Revenue from Water Sales accounted for under equity
Service charges	-	-	-	-	
Government Grants - Equitable Share	49 508 846	51 689 000	(2 180 154)	(4.2)	
Government Grants - Levy Replacement Grant	47 630 000	47 630 000	-	-	
Government Grants - Operating Grants	80 223 072	71 316 311	8 906 761	12.5	Additional grant funding recognised from previous years
Rental income	265 121	270 000	(4 879)	(1.8)	
Recoveries	127 995	-	127 995	-	
Other income 1	99 025	-	99 025	-	
Interest received - investment	2 254 742	200 000	2 054 742	027.4	Additional interest receipts due to balance of investments
	<b>180 108 801</b>	<b>193 115 243</b>	<b>(13 006 442)</b>	<b>(6.7)</b>	
<b>Expenses</b>					
Personnel	(40 781 370)	(49 686 786)	8 905 416	(17.9)	
Remuneration of councillors	(4 220 119)	(6 001 678)	1 781 559	(29.7)	
Depreciation	(5 161 563)	(6 624 873)	1 463 310	(22.1)	
Finance costs	-	-	-	-	
Repairs and maintenance - General	(977 746)	(7 363 785)	6 386 039	(86.7)	
Bulk purchases	-	-	-	-	
Contracted Services	(11 090 523)	(11 644 516)	553 993	(4.8)	Additional expenditure incurred due to water shortages
General Expenses	(70 044 083)	(79 422 618)	9 378 535	(11.8)	
Other - Grant Funded Expenditure	(36 172 429)	(4 010 000)	(32 162 429)	802.1	Capital transfers not included in operational budget
Other - LED Project Costs	(631 340)	(2 650 000)	2 018 660	(76.2)	
Other - Sports Development Programmes	(2 180 564)	(2 210 000)	29 436	(1.3)	
Other - WSP Contribution	(15 838 445)	(17 409 000)	1 570 555	(9.0)	
Other - Social Development Programmes	(2 732 742)	(1 470 000)	(1 262 742)	85.9	
	<b>(189 830 924)</b>	<b>(188 493 256)</b>	<b>(1 337 668)</b>	<b>0.7</b>	
Other revenue and costs	-	-	-	-	
Net surplus/ (deficit) for the year	<b>(9 722 123)</b>	<b>4 621 987</b>	<b>(14 344 110)</b>	<b>(310.3)</b>	

**AMAJUBA DISTRICT MUNICIPALITY**

**Appendix E(2)**

June 2013

**Budget Analysis of Capital Expenditure as at 30 June  
2010**

	<b>Additions</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of significant variances from budget</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>	
<b>Municipality</b>					
Executive & Council	81 932	-	(81 932)	-	
Finance	88 074	100 000	11 926	<b>12</b>	
Planning and Development	523 081	1 000 000	476 919	<b>48</b>	
Municipal Manager	400 707	1 000 000	599 293	<b>60</b>	
Community & Social Services	3 356 314	2 575 000	(781 314)	<b>(30)</b>	
Corporate Services	1 932 707	2 158 283	225 576	<b>10</b>	
Disaster Management	13 637	-	(13 637)	-	
Kwa-Mdakane Thusong Service Centre	109 318	-	(109 318)	-	
Engineering Services	1 809 005	5 000 000	3 190 995	<b>64</b>	
	<b>8 314 775</b>	<b>1 833 283</b>	<b>3 518 508</b>	<b>30</b>	
<b>Municipal Owned Entities</b>					
<b>Other charges</b>					





**AMAJUBA DISTRICT MUNICIPALITY  
APPENDIX F**

**CONDITIONAL GRANTS AND RECEIPTS AT 30 JUNE 2013**

	UNSPENT BALANCE 01/07/2012	CURRENT YEARS RECEIPTS	TRANSFER TO REVENUE OPERATING EXPENDITURE	TRANSFER TO REVENUE CAPITAL EXPENDITURE	OTHER TRANSFERS RECEIPTS	UNSPENT BALANCE 30/06/2013
<b>NATIONAL GOVERNMENT</b>						
1. Municipal Infrastructure Grant	18,137,846	49,992,000	51,833,305	-	(5,095,846)	11,200,695
2. Municipal Systems Improvement Grant	(0)	1,000,000	1,000,000	-	-	-0
3. Financial Management Grant	1,004,920	1,500,000	1,511,565	-	-	993,355
6.DWAF Water Operating Subsidy-Refurbishment	(0)	8,360,000	8,360,000	-	-	-0
7.Boreholes Refurbishment Grant	986,651	-	286,814	1,548,683	-	699,837
8.Rural Transport Road Grant	1,304,873	1,776,000	-	-	-	1,532,190
9.Emandlangeni Bulk Water Supply	-	4,517,915	4,517,915	-	-	-
10.Department of Public Works Grant	1,210,000	1,000,000	537,699	-	-	1,672,301
11. ACIP -Utrecht Ponds -Dwaf	-	550,000	284,019	-	-	265,981
	<b>22,644,289</b>	<b>68,695,915</b>	<b>68,331,318</b>	<b>1,548,683</b>	<b>(5,095,846)</b>	<b>16,364,357</b>
<b>PROVINCIAL GOVERNMENT</b>						
1.2010 Base Camp and Academy(Monte Vista)	6,910,016	-	83,790	-	-	6,826,226
2.2010 Base Camp & Sports Academy-Purchase	512,025	-	-	-	-	512,025
3.COGTA Maintenance Grant	1,089,263	2,870,000	932,695	-	-	3,026,568
4.TOURISM SIGNAGE	799,968	-	799,968	-	-	0
5.Massification Programme	1,978,000	800,000	393,850	-	-	1,584,150
6.Government Expert Grant	436,271	-	364,963	-	-	871,308
7.Inter-governmental Relations Grant	417,000	-	417,000	-	-	-
8.Department of Sports and Recreation Grant	2,310,000	1,050,000	-	2,002,942	-	1,357,058
9. Disaster Management Centre Grant	-	5,000,000	-	-	-	5,000,000
10.Growth and Development Summit	-	400,000	400,000	-	-	200,000
11.Councillors Training	-	200,000	-	-	-	-
12.Emafusi Grant -COGTA	-	4,000,000	4,000,000	-	-	-
13.COGTA Grant-WCWDM	-	4,000,000	481,299	-	-	3,518,701
14.DIMS/MIG Integration Grant	-	74,000	316,051	-	242,051	-0
	<b>14,452,543</b>	<b>18,394,000</b>	<b>8,189,616</b>	<b>2,002,942</b>	<b>242,051</b>	<b>22,896,036</b>
<b>DONATIONS AND PUBLIC CONTRIBUTIONS</b>						
1. National Lottery Grant	3,116,000	-	-	-	-	3,116,000
2. Skills Development Grant	226,128	184,932	411,060	-	-	-
3.Rental Income -Refund	0	244,852	244,852	-	-	0
5.Gambling Board Subsidy	-	-	-	-	-	-
6.DBSA Water Infrastructure Grant	(0)	626,713	626,713	-	-	-0
	<b>3,342,128</b>	<b>1,056,497</b>	<b>1,282,625</b>	<b>-</b>	<b>-</b>	<b>3,116,000</b>
<b>Donations &amp; Public Contributions</b>						
	<b>40,438,960</b>	<b>88,146,412</b>	<b>77,803,558</b>	<b>3,551,625</b>	<b>-4,853,796</b>	<b>42,376,393</b>

