

Annual Financial Statements

for

ILEMBE DISTRICT MUNICIPALITY

As at 30 June : 2013

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:	
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**ILEMBE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
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General information

His Worship, Councillor Sibusiso Welcome Mdabe	Mayor
Councillor Thokozani Msweli	Speaker - appointed on 23 August 2012
Councillor Amita Badul	Member of the Executive Committee
Councillor Thami Jabulani Zondo	Member of the Executive Committee
Councillor Monitha Dolly Shandu	Member of the Executive Committee
Councillor Mimi Hlatshwayo	Member of the Executive Committee
Councillor Samukelisiwe Gugu Xhakaza	<i>Member</i>
Councillor Nkosinathi Vincent Chili	<i>Member</i>
Councillor Susan Molebong Cele	<i>Member</i>
Councillor Muzi Welcome Sithole	<i>Resigned 26 June 2013</i>
Councillor Musawenkosi Simeon Ntuli	<i>Member</i>
Councillor Faith Govender	<i>Member</i>
Councillor Makhosonke Petros Ntuli	<i>Member</i>
Councillor Rejoice Nontsikelelo Pakkies	<i>Member</i>
Councillor Gideon Njabulo Mbonambi	<i>Member</i>
Councillor Octovia Lindile Nhaca	<i>Member</i>
Councillor Nomonde Gloria Mthethwa	<i>Member</i>
Councillor Moosa Suleman Cassim Motala	<i>Member</i>
Councillor Colin Randles Marsh	<i>Member</i>
Councillor Leonard Mandla Ndlovu	<i>Member</i>
Councillor Fuzile Pearl Nkosi	<i>Member</i>
Councillor Zandile Sandy Thoolsi	<i>Member</i>
Councillor Cebisile Prudence Ngidi	<i>Member</i>
Councillor Nomthandazo S. Kunene	<i>Member</i>
Councillor Lindelani Mbulelo Zondi	<i>Member</i>
Councillor Thokozani Sengiphiwe Sosiba	<i>Passed away on 19 April 2013</i>
Councillor Elphas Lindelihle Dube	<i>Member</i>
Councillor Catherine Tholakele Kumalo	<i>Member</i>
Councillor Lindelihle Rodger Mdletshe	<i>Member</i>
Councillor Langelihle Roney Mbonambi	<i>Member</i>
Councillor Ncamisile Jerich Nkwanyana	<i>Resigned 23 August 2012</i>
Councillor Sandeep Oudhram	<i>Resigned 03 August 2012</i>

Municipal Manager

M A Madlala - Appointed as Municipal Manager on 01 August 2013

Chief Financial Officer

Nosipho Mba - Appointed on 01 December 2011.

Grading of Local Authority

Four

Auditors

Auditor General

Bankers

First National Bank

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General information (continued)

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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 54, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: M A Madlala

DATE: 30 August 2013

**ILEMBE DISTRICT MUNICIPALITY
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ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Note	2013 R	2012 R
ASSETS			
Current Assets			
Cash and cash equivalents	2	13 242 232	6 826 837
Trade and other receivables from exchange transactions	3	84 292 087	54 680 827
Trade and other receivables from non exchange transactions	4	46 041 693	-
Inventories	6	5 062 183	5 027 831
Investments	7	8 753 174	23 276 449
Total current assets		157 391 370	89 811 944
Non-current assets			
Non-current receivables	8	-	-
Long term Investments	9	20 115 704	18 682 344
Other non-current financial assets	5	100	100
Property, plant and equipment	10	1 156 778 670	886 805 491
Intangible assets	12	6 418 633	3 255 688
Heritage Assets	11	205 578	205 578
Total non-current assets		1 183 518 684	908 949 201
Total assets		1 340 910 054	998 761 145
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	13	140 579 296	75 539 869
Trade and other payables from non - exchange transactions	14	8 850 554	27 842 295
Current portion of borrowings	15	2 607 447	2 533 251
Current portion of finance lease liability	16	3 598 582	4 703 359
Current portion retirement benefit obligation	39	279 000	359 069
Total current current liabilities		155 914 879	110 977 843
Non-current liabilities			
Non-current borrowings	15	89 625 927	92 307 570
Non-current finance lease liability	16	1 848 304	6 414 854
Retirement benefit obligation	37	3 942 000	3 071 190
Total non-current liabilities		95 416 231	101 793 614
Total liabilities		251 331 110	212 771 457
Net assets		1 089 578 944	785 989 689
NET ASSETS			
Accumulated surplus / (deficit)		1 089 578 944	785 989 689
Total net assets		1 089 578 944	785 989 689

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
As at 30 June 2013

	Note	2013 R	2012 R
Revenue from exchange transactions		127 596 237	128 744 355
Service charges	17	101 506 977	95 732 711
Rental of facilities and equipment	18	74 082	108 413
Interest earned - external investments	19	5 229 071	6 527 455
Interest earned - outstanding receivables	20	14 940 232	20 848 410
Other income	22	5 845 875	5 527 365
Revenue from non exchange transactions		589 173 033	433 676 921
Government grants and subsidies	21	589 173 033	433 676 921
Total revenue		716 769 270	562 421 275
Expenses			
Employee related costs	23	103 977 098	91 098 375
Remuneration of councillors	24	5 730 772	5 431 497
Bad debts	3,4	18 807 264	43 601 446
Depreciation, impairment and amortisation expense	25	25 032 783	23 100 313
Repairs and maintenance		33 120 881	20 294 089
Finance costs	26	9 756 882	10 983 831
Bulk purchases	27	59 636 667	51 715 106
Contracted services	28	52 060 494	10 710 440
Grant Expenses	29	45 605 916	35 323 432
General expenses	30	67 498 823	87 416 637
Total expenses		421 227 581	379 675 165
Gain / (loss) on sale of assets		(299 739)	-
Forex gain/(loss)		(262 843)	-
Surplus / (deficit) for the period		294 979 107	182 746 110

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
As at 30 June 2013

	Note	IDM Accumulated Surplus/(Deficit) and Total R
Balance at 30 June 2011		603 016 733
Restated surplus for the year		
Prior year adjustments		16 458 503
Increase in investment in municipal entity		-
Adjustments VAT		-
Restated balance		619 475 236
Surplus / (deficit) on revaluation of property of property, plant and equipment		-
<i>Other items</i>		-
<i>Other items</i>		-
Transfers to / from accumulated surplus/(deficit)	31	(16 231 657)
Surplus / (deficit) for the period		182 746 110
Balance at 30 June 2012		785 989 689
Correction of prior period error	31	8 610 148
Restated balance		794 599 837
Net gains and losses not recognised in the statement of financial performance		-
Transfers to / from accumulated surplus/(deficit)		-
Surplus / (deficit) for the period		294 979 107
Balance at 30 June 2013		1 089 578 944

ILEMBE DISTRICT MUNICIPALITY
CASH FLOW STATEMENT
As at 30 June 2013

	Note	IDM 2013 R	IDM 2012 R
Receipts		621 703 639	515 352 008
Sales of goods and services		95 005 572	81 675 087
Grants		526 698 067	433 676 921
Payments		(319 578 594)	(322 610 624)
Employee costs		107 316 555	96 529 872
Suppliers		212 262 039	226 080 752
Cash generated from operations	32	302 125 045	192 741 384
Interest received		5 229 071	6 527 455
Interest paid		(9 756 882)	(10 983 831)
Net cash flows from operating activities		297 597 233	188 285 008
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(292 250 960)	(213 384 464)
Proceeds from sale of fixed assets		453 500	-
Increase in investments		(1 433 360)	(1 437 287)
Purchase of intangibles		(4 040 992)	(2 982 410)
Decrease/(Increase) in Loans and receivables		-	287 168
Net cash flows from investing activities		(297 271 811)	(217 516 992)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans raised - leases		-	679 507
Repayment of borrowings		(2 762 074)	(2 374 776)
Repayment of finance lease liability		(5 671 327)	(1 591 433)
Net cash flows from financing activities		(8 433 401)	(3 286 702)
Net increase / (decrease) in net cash and cash equivalents:		(8 107 978)	(32 518 686)
Net cash and cash equivalents at beginning of period		30 103 385	62 622 071
Net cash and cash equivalents at end of period	33	21 995 407	30 103 385

ILEMBE DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
As at 30 June 2013

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income/ Expenditure	Unauthorised Expenditure	Variance	% Variance	Explanation of variances
	1	2	3	4	5	6	7	8	9
	R	R	R	R	R	R	R		
Service Charges	108 624 787	110 447 604	0	110 447 604	101 506 977		-8 940 627	-8%	Accept as immaterial
Investment Revenue	6 455 545	6 455 545	0	6 455 545	5 229 071		-1 226 474	-19%	The variance is due to changes in average interest rates offered by the banks on investments and the total amount invested with them.
Transfers Recognised - Operational	275 952 000	280 487 651	0	280 487 651	276 217 238		-4 270 413	-2%	Accept as immaterial
Other Own Revenue	32 457 508	26 229 151	0	26 229 151	20 860 189		-5 368 962	-20%	The variance is due increase in the number of consumers that are maintaining/paying their current hence not increasing the amount arrears which is subject to interest charge.
Total Revenue (Excluding Capital Transfers & Contributions)	423 489 840	423 619 951	0	423 619 951	403 813 475	0	-19 806 476		
Employee Costs	102 609 090	108 812 867	847 671	109 660 538	103 977 098	0	-5 683 440	-5%	Accept the variance as immaterial
Remuneration Of Councillors	6 337 736	6 337 736	-547 671	5 790 065	5 730 772		-59 293	-1%	Accept the variance as immaterial
Debt Impairment	26 841 669	25 373 089	0	25 373 089	18 807 264		-6 565 825	-26%	The variance is due to the differences between the basis of preparation for the budget and AFS i.e. Budget based on collection rate whereas AFS are based on GRAP 104
Depreciation & Asset Impairment	33 060 000	33 060 000	0	33 060 000	25 032 783		-8 027 217	-24%	The variance is due to the fact that some projects were still under construction at year end and therefore not transferred to completed assets.
Finance Charges	9 000 000	11 000 000	-957 601	10 042 399	9 756 882		-285 517	-3%	Accept the variance as immaterial
Materials & Bulk Purchases	92 608 791	87 807 880	4 375 444	92 183 324	92 757 548	0	574 224	1%	
Contracted Services	40 729 226	54 950 594	117 979	55 068 573	52 060 494		-3 008 079		
Grant Expenses	31 550 000	47 957 651	0	47 957 651	45 605 916		-2 351 735	-5%	Accept the variance as immaterial
Other Expenditures	80 674 363	84 132 148	80 296 326	80 296 326	67 498 823	0	-12 797 503	-16%	The variance is mainly due to the fact that austerity measures have been implemented by the expenditure management committee to minimise costs
Total Expenditure	423 410 875	459 431 965	84 132 148	459 431 965	421 227 581	0	-38 204 384		
Surplus/(Deficit)	78 966	-35 812 014	-84 132 148	-35 812 014	-17 414 106	0	18 397 908		
Transfers Recognised - Capital	165 373 000	205 015 797	0	205 015 797	225 223 647		20 207 850	10%	The variance is due to multi year grant funded projects that were bridge financed by IDM to accelerate service delivery
Contributions Recognised - Capital & Cont	56 576 000	100 000 000	0	100 000 000	87 719 298		-12 280 702	-12%	
Surplus/(Deficit) After Capital Transfers & Contributions	222 027 966	269 203 783	-84132148	269 203 783	295 528 839	0	26 325 056		
Profit/(Loss)					-12 937 716		-12 937 716	100%	Loss on disposal of assets
Surplus/(Deficit For The Year)	222 027 966	269 203 783	-84132148	269 203 783	282 591 123	0	13 387 340		

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income/ Expenditure	Unauthorised Expenditure	Variance	% Variance	Explanation of variances
Capital Expenditure & Funds Sources									
Capital Expenditure									
Transfers Recognised - Capital	165 373 000	177 149 389	0	177 149 389	176 946 304		-203 085	0%	Accept variance as immaterial
Public Contributions & Donations	56 576 000	87 719 298	0	87 719 298	87 719 298		0	0%	
Internally Generated Funds	40 983 789	34 416 081	0	34 416 081	29 836 898		-4 579 183	-13%	The variance is due to budget savings
Total Sources Of Capital Funds	262 932 789	299 284 768	0	299 284 768	294 502 500	0	-4 782 268		

ILEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
As at 30 June 2013

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

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

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

1.2 BASIS OF MEASUREMENT

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

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

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

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

1.4 OFFSETTING

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

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

1.5 GOING CONCERN ASSUMPTION

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

1.6 USE OF ESTIMATES AND JUDGEMENTS

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

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

1.7 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget (refer note 1.10).

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

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 18 Segment Reporting - issued February 2011
GRAP 20 Related Party Disclosures - issued June 2011
GRAP 25 Employee Benefits - issued November 2009
GRAP 105 Transfer of Functions Between Entities Under Common Control - issued November 2010
GRAP 106 Transfer of Functions Between Entities Not Under Common Control - issued November 2010
GRAP 107 Mergers - issued November 2010

1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

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

GRAP 21 Impairment of Non-cash-generating Assets - effective 01 April 2012
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - effective 01 April 2012
GRAP 24 Presentation of Budget Information in the Financial Statements - effective 01 April 2012
GRAP 26 Impairment of Cash-generating Assets - effective 01 April 2012
GRAP 103 Heritage Assets - effective 01 April 2012
GRAP 104 Financial Instruments - effective 01 April 2012

The nature of changes in the accounting policy arising from the implementation of the standards is as follows:

GRAP 21 - Non-cash-generating assets are assets other than cash-generating assets. 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, an entity estimates the recoverable service amount of the asset. The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

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. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

GRAP 23 - Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow.

As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

GRAP 24 - The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts is required to be presented separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements.

Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

GRAP 26 - 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.

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

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipality should estimate the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality should apply the appropriate discount rate to those future cash flows.

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.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

GRAP 103 - Heritage assets are assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is recognised as an asset only if:

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

Heritage assets are recognised at cost unless it is acquired through a non-exchange transaction, in which case it is recognised at its fair value as at the date of acquisition.

The municipality has a choice between the cost and revaluation model as accounting policy for subsequent measurement and is required to apply the chosen policy to an entire class of heritage assets.

Heritage assets are subsequently carried at its cost or revalued amount less accumulated impairment. These assets are not depreciated.

GRAP 104 - The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests.

Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument.

Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

The standard contains further detailed guidance on the initial recognition, measurement and subsequent measurement of financial instruments and mainly distinguished between those financial instruments carried at fair value and those at amortised cost.

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

GRAP 21 - No material impact. The requirements of GRAP 21 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non cash-generating assets.

GRAP 23 - GRAP 23 contains additional guidance on conditions, restrictions and stipulations which result in revenue being recognised at a different stage as under GAMAP 9.

For conditional grants, a liability will only be recognised if restrictions exist on the use of the resources received and it is required to repay any funds not utilised in accordance with those restrictions, while under GAMAP 9 a liability would be recognised if restrictions existed regardless of the requirement to repay the funds if it is not utilised.

GRAP 24 - Although the municipality currently presents budget information in terms of legislation, additional disclosure is required in terms of GRAP 24.

The standard will however not impact the measurement of figures presented in the annual financial statements and will only result in additional detail being disclosed in relation to the budget.

GRAP 26 - No material impact. The requirements of GRAP 26 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non cash-generating assets.

GRAP 103 - The municipality does not own significant heritage assets and the standard is therefore not expected to have a significant impacting assets.

GRAP 104 - The categorisation of financial instruments has been simplified. Certain financial instruments may be reclassified from the IAS 39 categories and measured at amortised cost rather than fair value or vice versa.

No material impact is expected on the measurement of financial instruments as the measurement basis of the municipality's financial instruments is expected to remain unchanged (i.e., at amortised cost and at fair value).

1.10 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.1.3 DEPRECIATION AND IMPAIRMENT

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

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

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

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

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

2.1.4 DERECOGNITION

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

2.1.5 LEASED ASSETS

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

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

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

Computer software and websites 2 - 5 Years

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date - refer to note 19 for further information on impairment of assets. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

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

4 HERITAGE ASSETS

4.1 INITIAL RECOGNITION AND MEASUREMENT

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

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

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

4.3 DEPRECIATION & IMPAIRMENT

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

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

4.3.1 External sources of information

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

4.3.2 Internal sources of information

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

4.4 DERECOGNITION

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

5 INVENTORIES

5.1 INITIAL RECOGNITION

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

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

5.2 SUBSEQUENT MEASUREMENT

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

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

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

5.3 WATER INVENTORY

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

6 INVESTMENTS IN CONTROLLED ENTITIES

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

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

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

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

deliver cash or another financial asset to another entity; or

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

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

7.2 INITIAL MEASUREMENT

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

7.3 SUBSEQUENT MEASUREMENT

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

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

7.3.1 FINANCIAL INSTRUMENTS AT FAIR VALUE

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

7.3.2 FINANCIAL INSTRUMENTS AT AMORTISED COST

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

7.3.3 FINANCIAL INSTRUMENTS AT COST

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

7.4 RECLASSIFICATIONS

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

7.5 GAINS AND LOSSES

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

7.6 IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS

Financial assets are subject to annual impairment review as follows:

7.6.1 FINANCIAL ASSETS AT AMORTISED COST

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

7.6.2 FINANCIAL ASSETS AT COST

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

7.7 DERECOGNITION

7.7.1 FINANCIAL ASSETS

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

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

7.7.2 FINANCIAL LIABILITIES

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

- (a) Discharges the liability by paying the creditor, normally with cash, other financial liabilities, goods or services.
 - (b) Is legally released from primary responsibility for the liability either by process (expiries) of law or by the creditor (cancelled). If the debtor has given a guarantee, this condition may still be met.
 - (c) Waives the debt or it is assumed by another municipality by way of a non-exchange transaction.
- Interest, dividends or similar distributions, losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when, the municipality:
- (i) Currently has a legally enforceable right to set off the recognised amounts; and
 - (ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

8 FOREIGN CURRENCY TRANSACTION

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

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

9 UNAUTHORISED EXPENDITURE

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at

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

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

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

9.1 IDENTIFICATION AND INTERNAL REPORTING

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

9.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

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

9.3 EXTERNAL REPORTING

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

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

10 IRREGULAR EXPENDITURE

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

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

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

10.1 IDENTIFICATION AND INTERNAL REPORTING

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

10.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

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

10.3 EXTERNAL REPORTING

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

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

11 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

11.1 IDENTIFICATION AND INTERNAL REPORTING

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

11.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

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

11.3 EXTERNAL REPORTING

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

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

12 PROVISIONS

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

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

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

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

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13 LEASES

13.1 MUNICIPALITY AS LESSEE

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

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

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

13.2 MUNICIPALITY AS LESSOR

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

14.2 REVENUE FROM NON - EXCHANGE TRANSACTIONS

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

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

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

14.3 RECOGNITION

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

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

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

The municipality does not recognise service in - kind.

The municipality recognises revenue from vat refunds on cash basis.

14.4 MEASUREMENT

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

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

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

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

Revenue from vat refunds is measured at gross amounts.

15 BORROWING COSTS

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

16 EMPLOYEES BENEFITS

16.1 SHORT-TERM EMPLOYEE BENEFITS

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

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

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

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

16.2 POST- EMPLOYMENT BENEFITS

16.2.1 DEFINED CONTRIBUTION PLANS

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

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

16.2.2 DEFINED BENEFITS PLANS

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

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

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

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

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

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

16.2.3 OTHER LONG - TERM BENEFITS PLANS

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

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

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

16.2.4 TERMINATION BENEFITS

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

17 VALUE ADDED TAX (VAT)

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

18 IMPAIRMENT OF ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

2013	2012
R	R

2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Petty cash and cash on hand	24 000	24 000
Bank statement balance	13 218 232	6 802 837
	13 242 232	6 826 837

The Municipality has the following bank accounts: -

Water Bank Account

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

Cash book balance at beginning of year	3 978 437	3 925 170
Cash book balance at end of year	11 690 566	3 978 437
Bank statement balance at beginning of year	1 798 326	2 676 600
Bank statement balance at end of year	10 665 280	1 798 326

Salaries Bank Account

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

Cash book balance at beginning of year	(2 686 071)	(2 158 063)
Cash book balance at end of year	51 413	(2 686 071)
Bank statement balance at beginning of year	73 125	130 193
Bank statement balance at end of year	51 403	73 125

Main Bank Account

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

Cash book balance at beginning of year	4 909 914	511 426
Cash book balance at end of year	1 251 477	4 909 914
Bank statement balance at beginning of year	4 909 914	3 692 514
Bank statement balance at end of year	1 275 920	4 909 914

Revenue Bank Account

First National Bank - Durban Branch

Cash book balance at beginning of year	-	-
Cash book balance at end of year	789 588	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	819 057	-

Projects Bank Account

First National Bank - Durban Branch
Account Number 62046718641 - Current Account

Cash book balance at beginning of year	21 473	(6 956 788)
Cash book balance at end of year	406 572	21 473
Bank statement balance at beginning of year	21 473	2 422 471
Bank statement balance at end of year	406 572	21 473

Petty cash and cash on hand

	24 000	24 000
Cashbook balance at year end	14 213 615	6 223 753

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

2013 R	2012 R
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3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE	Gross Balances R	Provision for Bad debts	Net Balance
Trade receivables			
as at 30 June 2013			
Service debtors			
Water and Sewerage	146 717 363	75 442 981	71 274 382
Direct Deposits	(597 471)		(597 471)
Total	146 119 891	75 442 981	70 676 910
Other Receivables			
Umngeni water debtor	2 187 040	-	2 187 040
Accrued interest	122 520	-	122 520
Ilembe Enterprise	179 576	-	179 576
Outstanding deposits	1 622 767	-	1 622 767
Other debtors	3 114 067	-	3 114 067
Fruitless and wasteful expenditure	68 712	68 712	0
AOD	593 088	251 178	341 910
Vat receivable	6 047 297	-	6 047 297
Other Receivables	13 935 067	319 890	13 615 177
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
Total Trade and other receivables	160 054 958	75 762 871	84 292 087

as at 30 June 2012

Service debtors			
Water and Sewerage	174 241 441	128 796 807	45 444 634
Total	174 241 441	128 796 807	45 444 634
Other receivables			
RD Cheques	77 269	-	77 269
Umngeni water debtor	530 844	-	530 844
Accrued interest	34 004	-	34 004
Ilembe Enterprise	2 425 575	-	2 425 575
Outstanding deposits	2 180 112	-	2 180 112
Other debtors	3 988 389	-	3 988 389
Fruitless and wasteful expenditure	-	-	-
Other receivables	9 236 193	-	9 236 193
Total Trade and other receivables	183 477 634	128 796 807	54 680 827

Water and Sewerage: Ageing

Current (0 – 30 days)	9 431 958	11 972 334
31 - 60 Days	11 574 936	6 752 005
61 - 90 Days	10 221 622	6 825 801
91 - 120 Days	4 424 469	5 632 385
121 - 365 Days	111 064 378	143 058 916
+ 365 Days		
Total	146 717 363	174 241 441

Summary of Debtors by Customer Classification

	Residential R	Industrial/Comme rcial R	National and Provincial Government R
as at 30 June 2013			
Current (0 – 30 days)	7 007 629	1 617 683	806 646
31 - 60 Days	10 079 168	717 336	778 433
61 - 90 Days	9 316 077	626 460	279 085
91 - 120 Days	3 805 728	371 364	247 377
121 - 365 Days	4 280 241	273 179	195 246
+ 365 Days	99 102 584	4 523 619	2 689 509
Sub-total	133 591 427	8 129 640	4 996 295
Less: Provision for doubtful debts	(75 442 981)	-	-
Total debtors by customer classification	58 148 446	8 129 640	4 996 295

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

		2013 R	2012 R
as at 30 June 2012			
Current (0 – 30 days)	8 255 500	2 513 196	929 484
31 - 60 Days	5 602 375	669 875	534 849
61 - 90 Days	6 215 743	311 184	361 845
91 - 120 Days	5 109 449	223 732	348 823
121 - 365 Days	130 509 030	5 733 577	2 013 317
Sub-total	155 692 096	9 451 564	4 188 319
Less: Provision for doubtful debts	(128 796 807)		
Total debtors by customer classification	26 895 289	9 451 564	4 188 319

3 Reconciliation of the doubtful debt provision

Balance at beginning of the year	128 796 807	204 204 553
Contributions to provision	18 738 552	45 176 325
Doubtful debts written off against provision	(71 841 200)	(120 584 071)
Balance at end of year	75 694 159	128 796 807

4 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

KwaDukuza Municipality	20 619 944	-
Department of Water Affairs	25 421 749	-
Total Other Debtors	46 041 693	-

5 OTHER NON-CURRENT FINANCIAL ASSETS

Investments in municipal entity - Enterprise Ilembe Development Agency	100	100
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6 INVENTORIES

Opening balance of inventories:	5 027 831	6 140 523
Consumable stores - at Net Replacement Cost	4 749 130	5 861 822
Water	278 701	278 701
Movements:	34 352	(1 112 693)
Consumable stores	21 847	(1 112 693)
Water	12 505	-
Closing balance of inventories:	5 062 183	5 027 831
Consumable stores	4 770 977	4 749 130
Water	291 206	278 701

7 INVESTMENTS (MFMA requirement)

Total	8 753 174	23 276 449
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7.1 Investment Current Account

ABSA Bank Account - Durban Branch
Account Number 9114541258 : Call Account

Bank statement balance at the beginning of the year	101 269	97 684
Bank statement balance at the end of the year	104 539	101 269

7.2 Investment Current Account

ABSA Bank Account - Durban Branch
Account Number 9183363524 : Call account

Bank statement balance at the beginning of the year	19 373	3 639 743
Bank statement balance at the end of the year	19 999	19 373

7.3 Investment Current Account

ABSA Bank Account - Durban Branch
Account Number 9095950633 : Call Account

Bank statement balance at the beginning of the year	15 929	3 042 741
Bank statement balance at the end of the year	16 444	15 929

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

	2013 R	2012 R
7.4 Investment Current Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 2066739798 : Call account</i>		
Bank statement balance at the beginning of the year	883 597	838 308
Bank statement balance at the end of the year	<u>883 597</u>	<u>883 597</u>
7.5 Investment Current Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 2070224909 : Call Account</i>		
Bank statement balance at the beginning of the year	244 771	232 516
Bank statement balance at the end of the year	<u>244 771</u>	<u>244 771</u>
7.6 Investment Current Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9216956711 - Call Account</i>		
Bank statement balance at the beginning of the year	1 548 667	1 481 204
Bank statement balance at the end of the year	<u>1 611 662</u>	<u>1 548 667</u>
7.7 Investment Current Account		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 61085067093 : Call Account</i>		
Bank statement balance at the beginning of the year	1 149	1 080 268
Bank statement balance at the end of the year	<u>54 884</u>	<u>1 149</u>
7.8 Investment Current Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 2070508898 : Call Account</i>		
Bank statement balance at the beginning of the year	-	5 279 985
Bank statement balance at the end of the year	<u>-</u>	<u>-</u>
7.10 Investment Current Account		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 74091301628 : Call Account</i>		
Bank statement balance at the beginning of the year	270 037	255 331
Bank statement balance at the end of the year	<u>270 037</u>	<u>270 037</u>
7.11 Investment Current Account		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 74104346206 : Call Account</i>		
Bank statement balance at the beginning of the year	413 361	391 994
Bank statement balance at the end of the year	<u>433 943</u>	<u>413 361</u>
7.12 Investment Current Account		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 61085067093 : Call Account</i>		
Bank statement balance at the beginning of the year	4 462	336 824
Bank statement balance at the end of the year	<u>4 462</u>	<u>4 462</u>
7.13 Investment Current Account		
<i>First National Bank</i>		
<i>Account Number 62313562309 : Call Account</i>		
Bank statement balance at the beginning of the year	1 028	4 782 100
Bank statement balance at the end of the year	<u>4 521 993</u>	<u>1 028</u>
7.14 Investment Current Account		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 62129309937 : Call Account</i>		
Bank statement balance at the beginning of the year	3 065 267	1 170 200
Bank statement balance at the end of the year	<u>40 876</u>	<u>3 065 267</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

	2013 R	2012 R
7.15 Investment Current Account		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 74274097341 : Call Account</i>		
Bank statement balance at the beginning of the year	608 074	-
Bank statement balance at the end of the year	<u>608 074</u>	<u>608 074</u>
7.16 Investment Current Account		
<i>Standard Bank Account - Durban Branch</i>		
<i>Account Number 29302 : Call Account</i>		
Bank statement balance at the beginning of the year	1 854 253	1 765 529
Bank statement balance at the end of the year	<u>1 948 834</u>	<u>1 854 253</u>
7.17 Investment Current Account		
<i>Investec Bank Account - Durban Branch</i>		
<i>Account Number 1100-435877 : Call Account</i>		
Bank statement balance at the beginning of the year	9 702 842	22 191 247
Bank statement balance at the end of the year	<u>9 702 842</u>	<u>9 702 842</u>
7.18 Investment Current Account		
<i>Investec Bank Account - Durban Branch</i>		
<i>Account Number 50003100564 : Call Account</i>		
Bank statement balance at the beginning of the year	-	2 104 724
Bank statement balance at the end of the year	<u>-</u>	<u>-</u>
7.19 Investment Current Account		
<i>Rand Merchant Bank Account</i>		
<i>Account Number DC02E000066 : Call Account</i>		
Bank statement balance at the beginning of the year	4 542 368	4 321 412
Bank statement balance at the end of the year	<u>-</u>	<u>4 542 368</u>
7.20 Investment Current Account		
<i>NRB Curatorship</i>		
Bank statement balance at the beginning of the year	-	679 482
Bank statement balance at the end of the year	<u>-</u>	<u>-</u>
8 NON-CURRENT RECEIVABLES		
Staff loans	242 917	287 168
Less: Provision for bad debts	(242 917)	(287 168)
Total	<u>-</u>	<u>-</u>
STAFF LOANS		
Loans were granted to individuals as part of a bursary scheme in previous financial years.		
9 INVESTMENTS		
Financial Instruments		
ABSA zero coupon investment	20 115 704	18 682 344
	<u>20 115 704</u>	<u>18 682 344</u>
This investment has been ceded as security against the long term loan from ABSA disclosed in Note 17		

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure Water & Sewer	Assets Under Construction	Other Assets	Finance lease assets	Total
	R	R	R		R	R	R
as at 1 July 2012	3 242 908	14 337 428	633 719 990	213 437 930	11 873 443	10 295 889	886 907 589
Cost/Revaluation	3 242 908	18 544 080	699 618 439	213 437 930	21 943 876	22 388 844	979 176 077
Correction of prior year error (note 31)			(47 506)		149 604	-	102 098
Change in accounting policy (note 31)							
Accumulated depreciation and impairment losses	-	(4 206 652)	(65 850 942)	-	(10 220 038)	(12 092 955)	(92 370 587)
Acquisitions	-	-	103 119 652	-	1 877 204	-	104 996 856
Capital under Construction	-	-	-	187 254 104	-	-	187 254 104
Depreciation	-	(631 587)	(16 009 888)		(3 017 636)	(4 435 203)	(24 094 313)
Carrying value of disposals	-	-	(5 603 417)	-	(597 673)	(134 554)	(6 335 644)
Cost/Revaluation	-	-	-5 603 416.50	-	(2 520 577)	(462 809)	(8 586 802)
Accumulated depreciation and impairment losses	-	-	-	-	1 922 904	328 255	2 251 159
Impairment loss/Reversal of impairment loss	-	-	-	-	(138 583)	-	(138 583)
Transfers	-	-	8 188 663	-	-	-	8 188 663
Other movements	-	-	-	-	-	-	-
as at 30 June 2013	3 242 908	13 705 841	723 415 001	400 692 034	9 996 755	5 726 132	1 156 778 670
Cost/Revaluation	3 242 908	18 544 080	805 323 337	400 692 034	21 450 107	21 926 035	1 271 178 501
Accumulated depreciation and impairment losses	-	(4 838 239)	(81 908 336)	-	(11 453 353)	(16 199 903)	(114 399 831)

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

10.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure Water & Sewer	Assets Under Construction	Other Assets	Finance lease assets	Total
	R	R	R		R	R	R
as at 1 July 2011	3 242 908	14 609 234	607 381 069	59 846 465	10 170 242	14 103 865	707 277 091
Cost/Revaluation	1 296 718	18 187 452	660 292 086	59 846 465	17 281 896	21 806 403	778 711 021
Correction of prior year error (note 33)		-			41 729	88 773	
Change in accounting policy (note 33)	1 946 190						
Accumulated depreciation and impairment losses		(3 578 218)	(52 911 018)		(7 153 383)	(7 791 311)	(71 433 930)
Acquisitions	-	356 628	54 094 885		4 661 980	679 508	59 793 001
Capital under Construction	-	-	-	153 591 464	-	-	153 591 464
Depreciation	-	(628 434)	(14 447 484)		(2 599 939)	(4 390 417)	(22 066 274)
Carrying value of disposals	-	-	(13 260 973)		-	-	(13 260 973)
Cost/Revaluation	-	-	(14 768 533)		-	-	(14 768 533)
Accumulated depreciation and impairment losses	-	-	1 507 560		-	-	1 507 560
Impairment loss/Reversal of impairment loss	-	-	-		-	-	-
Transfers	-	-	-		(508 444)	-	(508 444)
*Other movements	-	-	-		-	-	-
as at 30 June 2012	3 242 908	14 337 428	633 767 497	213 437 930	11 723 839	10 295 889	886 805 491
Cost/Revaluation	3 242 908	18 544 080	699 618 439	213 437 930	21 943 876	22 388 844	979 176 077
Accumulated depreciation and impairment losses	-	(4 206 652)	(65 850 942)		(10 220 037)	(12 092 955)	(92 370 586)

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

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013**

11 HERITAGE ASSETS

Moveable Objects Total

11.1 Reconciliation of carrying value

R

	205 578	205 578
as at 1 July 2012		
Cost	205 578	205 578
Accumulated impairment losses	-	-
Acquisitions	-	-
Carrying value of disposals	-	-
Cost/Revaluation	-	-
Accumulated impairment losses on disposals	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2013	205 578	205 578
Cost	205 578	205 578
Accumulated impairment losses	-	-

11.2 Reconciliation of carrying value

Moveable Objects Total

R

R

	205 578	205 578
as at 1 July 2011		
Cost	205 578	205 578
Accumulated impairment losses	-	-
Acquisitions	-	-
Carrying value of disposals	-	-
Cost/Revaluation	-	-
Accumulated impairment losses	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2012	205 578	205 578
Cost	205 578	205 578
Accumulated impairment losses	-	-

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

12 INTANGIBLE ASSETS

12.1 Reconciliation of carrying value

	Computer Software		Total
	Licenses	R	R
as at 1 July 2012	2 012 171	1 243 518	3 255 688
Cost	2 014 795	3 108 057	5 122 852
Accumulated amortisation and impairment losses	(2 624)	(1 864 539)	(1 867 163)
Acquisitions	261 245	3 779 747	4 040 992
Amortisation	(71 873)	(728 014)	(799 887)
Carrying value of disposals		(1 881)	(1 881)
Cost	-	(5 204)	(5 204)
Accumulated amortisation	-	3 324	3 324
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	867	867
as at 30 June 2013	2 124 396	4 294 237	6 418 633
Cost	2 198 894	6 882 599	9 081 493
Accumulated amortisation and impairment losses	(74 497)	(2 588 362)	(2 662 859)

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

12.2 Reconciliation of carrying value

	Licenses	Computer Software	Total
	R	R	R
as at 1 July 2011	2 376	587 221	589 597
Cost	5 000	2 135 442	2 140 442
Accumulated amortisation and impairment losses	(2 624)	(1 548 221)	(1 550 845)
Acquisitions	2 009 795	972 615	2 982 410
Amortisation	-	(316 318)	(316 318)
Carrying value of disposals		-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2012	2 012 171	1 243 518	3 255 688
Cost	2 014 795	3 108 057	5 122 852
Accumulated amortisation and impairment losses	(2 624)	(1 864 539)	(1 867 163)

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

IDM 2013 R	IDM 2012 R
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13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	39 241 836	16 685 029
Payroll third party creditors	-	2 759 196
Debtors with credit balances	5 084 481	4 909 462
Staff leave accrual	8 123 433	6 757 034
Outstanding Payments	24 443	0
Other creditors	84 747 162	35 228 280
Consumer water deposits	3 357 941	3 037 391
Vat payable	-	6 163 477
Total creditors	140 579 296	75 539 869

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

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

14 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Unspent Conditional Grants and Receipts

Provincial Township Establishment	1 881 915	2 133 850
Shared Services (Financial Systems)	-	338 435
Section 78	200 000	200 000
Provincial Management Assistance	-	3 064
MIG	53 182	
Beach restoration Grant	-	4 796 072
Melville Package Plant	611 118	0
Maphumulo Waterworks	-	1 060 753
Disaster Management - COGTA	-	1 132 946
Customer Satisfaction Survey	580 000	0
Refurb Ops & Maint	-	
IGR Grant	73 800	73 800
Municipal Governance & Admin	573 084	
Lower Tugela Bulk	-	
Environmental Management	307 639	1 038 899
Financial Management Grant	-	0
Groutville Sanitation	-	
Municipal Systems improvement Grant	-	0
LG SETA	250 042	454 721
Operating Refurb Grant	-	0
LED Strategy	-	
Massification Grant	-	9 824 989
Ndwedwe Town Development	507 707	507 707
Corridor Funding	535 864	2 425 677
Disaster Management - DBSA	165 476	784 235
EPWP	1 349 000	349 000
Rural Transport Service Grant	768 926	1 330 027
Grants - Other	992 800	1 388 120
Total Unspent Conditional Grants and Receipts	8 850 554	27 842 295

Non-current unspent conditional grants and receipts

Current portion of unspent conditional grants and receipts	8 850 554	27 842 295
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See Note 21 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013**

IDM 2013 R	IDM 2012 R
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15 BORROWINGS

Development Bank of South Africa	62 233 374	64 840 821
ABSA	30 000 000	30 000 000
	92 233 374	94 840 821

Less : Current portion transferred to current liabilities

Development Bank of South Africa	2 607 447	2 533 251
	2 607 447	2 533 251
	-	-

Non current portion of borrowings

89 625 927	92 307 570
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Development Bank of South Africa

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

ABSA Loan

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

Refer to Appendix A for more detail on borrowings.

16 FINANCE LEASE LIABILITY

as at 30 June 2013

Amounts payable under finance leases

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

are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance

as at 30 June 2012

Amounts payable under finance leases

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	5 789 681	1 086 322	4 703 359
Within two to five years	7 055 123	640 269	6 414 854
	<u>12 844 804</u>	<u>1 726 591</u>	11 118 213
Less: Amount due for settlement within 12 months (current portion)			<u>4 703 359</u>
			<u>6 414 854</u>

are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance

**ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013**

	IDM 2013 R	IDM 2012 R
17 SERVICE CHARGES		
Sale of water	90 888 559	86 148 393
Sewerage and sanitation charges	17 138 624	16 180 913
Revenue Forgone	(6 520 206)	(6 596 595)
Total Service Charges	101 506 977	95 732 711
18 RENTAL OF FACILITIES AND EQUIPMENT		
iLembe Auditorium	12 168	26 053
Rental of facilities	61 913	82 361
Total rentals	74 082	108 413
19 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	5 229 071	6 527 455
Total interest	5 229 071	6 527 455
20 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Interest on debtors	14 940 232	20 848 410
Total interest	14 940 232	20 848 410
21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	227 576 000	206 613 000
MIG Grant	161 612 895	133 801 066
Other Government Grants and Subsidies	199 984 138	93 274 130
Total Government Grant and Subsidies	589 173 033	433 688 196
21.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	227 576 000	206 613 000
Conditions met - transferred to revenue	(227 576 000)	(206 613 000)
Conditions met	-	-
21.2 MIG Grant		
Balance unspent at beginning of year	-	-
Current year receipts	179 292 000	133 801 066
Conditions met - transferred to revenue	(161 612 895)	(133 801 066)
Adjustments and Transfers	(17 625 923)	-
Conditions still to be met - remain liabilities (see note 14)	53 182	-
21.3 VAT REFUNDS		
Balance unspent at beginning of year	-	4 750 196
Current year receipts	36 590 721	22 227 221
Conditions met - transferred to revenue	(36 590 721)	(19 260 846)
Adjustments and Transfers	-	(7 716 571)
Conditions met	-	-
<i>Provide explanations of conditions still to be met and other relevant information</i>		
21.4 WATER CONSERVATION AND DEMAND MNGT		
Balance unspent at beginning of year	1 388 120	48 620
Current year receipts	200 727	3 295 284
Conditions met - transferred to revenue	(557 824)	(1 955 784)
Adjustments and Transfers	(38 223)	-
Conditions met	992 800	1 388 120

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

	IDM 2013 R	IDM 2012 R
21.5 SECTION 78 GRANT		
Balance unspent at beginning of year	200 000	200 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	<u>200 000</u>	<u>200 000</u>
21.6 WATER SERVICE OPERATING GRANT		
Balance unspent at beginning of year	-	-
Current year receipts	7 642 000	-
Conditions met - transferred to revenue	(6 968 138)	-
Adjustments and Transfers	(673 862)	-
Conditions met	<u>-</u>	<u>-</u>
21.7 MAPHUMULO WATERWORKS GRANT		
Balance unspent at beginning of year	1 060 753	1 060 753
Current year receipts	-	-
Conditions met - transferred to revenue	(1 060 753)	-
Conditions still to be met - remain liabilities (see note 14)	<u>-</u>	<u>1 060 753</u>
21.8 REFURBISHMENT OF WASTE WATER WORKS (DWA ACIP)		
Balance unspent at beginning of year	-	-
Current year receipts	2 436 100	5 943 900
Conditions met - transferred to revenue	(2 136 930)	(5 943 900)
Adjustments and Transfers	(299 170)	-
Conditions met	<u>-</u>	<u>-</u>
21.9 MASSIFICATION GRANT		
Balance unspent at beginning of year	9 824 989	5 064 434
Current year receipts	2 500 000	17 505 000
Conditions met - transferred to revenue	(10 811 394)	(12 744 445)
Adjustments and Transfers	(1 513 595)	-
Conditions still to be met - remain liabilities (see note 14)	<u>-</u>	<u>9 824 989</u>
23.10 NGCEBO/LOWER THUKELA BULK WATER SCHEME		
Balance unspent at beginning of year	-	1 460 669
Current year receipts	94 899 916	37 077 200
Conditions met - transferred to revenue	(74 822 017)	(38 537 869)
Adjustments and Transfers	(20 077 899)	-
Conditions met	<u>-</u>	<u>-</u>
23.11 RURAL TRANSPORT SERVICE		
Balance unspent at beginning of year	1 330 027	-
Current year receipts	1 776 000	1 688 000
Conditions met - transferred to revenue	(2 050 089)	(357 973)
Adjustments and Transfers	(287 012)	-
Conditions still to be met - remain liabilities (see note 14)	<u>768 926</u>	<u>1 330 027</u>
23.12 DISASTER MANAGEMENT GRANT (COGTA)		
Balance unspent at beginning of year	1 132 946	2 500 000
Current year receipts	-	-
Conditions met - transferred to revenue	(993 812)	(1 367 054)
Adjustments and Transfers	(139 134)	-
Conditions still to be met - remain liabilities (see note 14)	<u>-</u>	<u>1 132 946</u>
23.13 DISASTER MANAGEMENT GRANT (DBSA)		
Balance unspent at beginning of year	784 235	-
Current year receipts	(542 771)	1 966 800
Conditions met - transferred to revenue	(75 988)	(1 182 564)
Conditions still to be met - remain liabilities (see note 14)	<u>165 476</u>	<u>784 236</u>

ILEMBE DISTRICT MUNICIPALITY
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As at 30 June 2013

	IDM 2013 R	IDM 2012 R
23.14 BEACH RESTORATION GRANT		
Balance unspent at beginning of year	4 796 072	4 796 072
Current year receipts	-	-
Conditions met - transferred to revenue	(4 796 072)	-
Conditions still to be met - remain liabilities (see note 14)	-	4 796 072
23.15 PROVINCIAL MANAGEMENT ASSISTANCE GRANT		
Balance unspent at beginning of year	3 064	822 066
Current year receipts	-	-
Conditions met - transferred to revenue	-	(819 002)
Adjustments and Transfers	(3 064)	-
Conditions still to be met - remain liabilities (see note 14)	-	3 064
23.16 SHARED SERVICES GRANT (FINANCIAL SYSTEMS)		
Balance unspent at beginning of year	338 435	971 395
Current year receipts	-	-
Conditions met - transferred to revenue	(338 435)	(632 960)
Adjustments and Transfers	-	-
Conditions still to be met - remain liabilities (see note 14)	-	338 435
23.17 SHARED SERVICES GRANT (DPSS)		
Balance unspent at beginning of year	-	458 661
Current year receipts	-	1 611 176
Conditions met - transferred to revenue	-	(2 069 837)
Conditions met	-	-
23.18 PROVINCIAL TOWNSHIP ESTABLISHMENT		
Balance unspent at beginning of year	1 333 850	724 048
Current year receipts	1 200 000	1 800 000
Conditions met - transferred to revenue	(571 873)	(342 579)
Adjustments and Transfers	(80 062)	(47 619)
Conditions still to be met - remain liabilities (see note 14)	1 881 915	2 133 850
23.19 Municipal Governance & Admin		
Balance unspent at beginning of year	-	-
Current year receipts	800 000	-
Conditions met - transferred to revenue	(226 917)	-
Adjustments and Transfers	-	-
Conditions still to be met - remain liabilities (see note 14)	573 084	-
23.20 CORRIDOR - NONOTI BEACH RESORT		
Balance unspent at beginning of year	-	-
Current year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(1 000 000)
Adjustments and Transfers	-	-
Conditions met	-	-
23.21 CORRIDOR - NORTH URBAN DEVELOP PLAN PHASE 2		
Balance unspent at beginning of year	2 425 677	-
Current year receipts	7 400 000	2 500 000
Conditions met - transferred to revenue	(9 057 730)	(74 323)
Adjustments and Transfers	(232 083)	-
Conditions still to be met - remain liabilities (see note 14)	535 864	2 425 677
23.22 FRESH PRODUCE MARKET IN STANGER		
Balance unspent at beginning of year	-	-
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	(500 000)	(500 000)
Adjustments and Transfers	-	-
Conditions met	-	-

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

	IDM 2013 R	IDM 2012 R
23.23 FMG		
Balance unspent at beginning of year	-	445 315
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 695 315)
Conditions met	-	-
23.24 MSIG		
Balance unspent at beginning of year	-	62 635
Current year receipts	1 000 000	790 000
Conditions met - transferred to revenue	(1 000 000)	(852 635)
Conditions met	-	-
23.25 EPWP		
Balance unspent at beginning of year	349 000	-
Current year receipts	1 000 000	349 000
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	-	-
Conditions still to be met - remain liabilities (see note 14)	1 349 000	349 000
23.26 LGSETA		
Balance unspent at beginning of year	454 721	255 602
Current year receipts	903 320	486 194
Conditions met - transferred to revenue	(1 068 688)	(287 075)
Adjustments and Transfers	(39 310)	-
Conditions still to be met - remain liabilities (see note 14)	250 042	454 721
23.27 IGR GRANT		
Balance unspent at beginning of year	73 800	417 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(343 200)
Conditions still to be met - remain liabilities (see note 14)	73 800	73 800
23.28 ENVIRONMENTAL MANAGEMENT FRAMEWORK		
Balance unspent at beginning of year	1 038 899	1 500 000
Current year receipts	-	-
Conditions met - transferred to revenue	(641 456)	(404 474)
Adjustments and Transfers	(89 803)	(56 627)
Conditions still to be met - remain liabilities (see note 14)	307 639	1 038 899
23.29 NDWEDWE TOWN DEVELOPMENT		
Balance unspent at beginning of year	507 707	3 410 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(2 902 293)
Conditions still to be met - remain liabilities (see note 14)	507 707	507 707
23.30 Customer Satisfaction Survey		
Balance unspent at beginning of year	-	-
Current year receipts	1 130 000	-
Conditions met - transferred to revenue	(489 100)	-
Adjustments and Transfers	(60 900)	-
Conditions still to be met - remain liabilities (see note 14)	580 000	-
23.31 Melville Package Plant		
Balance unspent at beginning of year	-	-
Current year receipts	5 611 000	-
Conditions met - transferred to revenue	(4 385 861)	-
Adjustments and Transfers	(614 021)	-
Conditions still to be met - remain liabilities (see note 14)	611 118	-

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

23.32 2010 WORLD CUP

IDM 2013 R	IDM 2012 R
-	459
-	-
-	-
-	(459)
-	-

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

Adjustments and Transfers

Conditions still to be met - remain liabilities (see note 14)

22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

22.1 Other income

Tender Documents	182 984	306 200
Clearance certificates	358 265	388 006
Private developers	499 625	27 096
Siza Water Concession	1 058 998	1 236 503
Insurance proceeds	29 490	5 350
Interest on bank accounts	703 934	221 664
Enterprise Ilembe		165 920
Shared Service	2 384 504	
uMngeni reimbursement	-	2 572 724
Other income	628 075	603 901
	5 845 875	5 527 365

23 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	72 816 120	63 370 183
Employee related costs - Contributions for UIF, pensions and medical aids	13 853 921	12 975 366
Travel, motor car, accommodation, subsistence and other allowances	3 141 383	3 271 514
Housing benefits and allowances	516 004	462 648
Overtime payments	3 522 057	3 108 516
Performance and other bonuses	4 488 384	3 831 200
Long-service awards	1 124 080	467 597
Other employee related costs	4 515 150	3 611 351
Employee Related Costs	103 977 098	91 098 375

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	-	675 631
Travel, motor car, accommodation, subsistence	-	45 219
Contributions to UIF, Medical and Pension Funds and other allowances	-	78 589
Other	-	13 152
Total	-	812 591

The position of the Municipal Manager is currently vacant.

Remuneration of the Chief Financial Officer

Annual Remuneration	706 996	437 962
Travel, motor car, accommodation, subsistence	154 475	96 138
Contributions to UIF, Medical and Pension Funds and other allowances	5 114	873
Total	866 585	534 973

During the 2011/12 Financial Year the Chief Financial Officer (CFO) was in office for only 7 months.

Remuneration of Individual Executive Directors

2013

	Technical Services R	Corporate Services R	Corporate Governance R
Annual Remuneration	-	81 466	38 670
Travel, motor car, accommodation, subsistence and other allowances	-	32 500	9 979
Contributions to UIF, Medical and Pension Funds	-	250	125
Total	-	114 216	48 774

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

	IDM 2013 R	IDM 2012 R
Technical Services R	Corporate Services R	Corporate Governance R
2012		
Annual Remuneration	609 898	783 889
Travel, motor car, accommodation, subsistence and other allowances	77 156	145 812
Contributions to UIF, Medical and Pension Funds	1 247	1 497
Total	688 301	931 198

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

24 REMUNERATION OF COUNCILLORS

Mayor	636 630	682 119
Deputy Mayor	46 785	542 230
Speaker	321 047	505 207
Executive Committee Members	1 701 759	1 496 409
Councillors' Allowances	2 366 877	2 035 872
Councillors' pension and medical aid contributions	657 674	169 660
Total Councillors' Remuneration	5 730 772	5 431 497

In-kind Benefits

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

The Mayor has use of the Council owned vehicle for official duties. The Mayor has 3 full-time bodyguards.

25 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE

Property, plant and equipment - Depreciation	24 232 896	22 783 994
Intangible assets	799 887	316 318
Total Depreciation and Amortisation	25 032 783	23 100 313

26 FINANCE COSTS

Borrowings	9 042 577	9 392 398
Leases	714 305	1 591 433
Total Finance Costs	9 756 882	10 983 831

27 BULK PURCHASES

Electricity		
Water	59 636 667	51 715 106
Total Bulk Purchases	59 636 667	51 715 106

28 CONTRACTED SERVICES

Contracted services for:		
Management Contact WSSA	13 335 969	10 710 440
Lease of Machinery & Equipment	269 022	-
Reconnections/Disconnections	4 492 169	-
Plant Hire	5 797 585	-
Security	24 501 723	-
Meter reading contractors	142 408	-
Fax & Copier rentals	2 625 098	-
Insurance	810 839	-
	52 060 494	10 710 440

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

	IDM 2013 R	IDM 2012 R
29 GRANT EXPENSES		
Grant Expenditure	45 605 916	35 323 432
	45 605 916	35 323 432
FMG Expenditure	1 326 954	1 784 753
PROVINCIAL TOWNSHIP ESTABLISHMENT	414 815	404 474
LG SETA Grant Expenditure	1 068 688	287 075
Corridor Grant Expenditure	7 400 000	1 000 000
Shared Services Expenditure		2 720 635
SPATIAL DEVELOPMENT PLAN	1 814 788	342 279
IGR Grant Expenditure		343 200
EMF	641 456	67 890
MSIG	0	162 828
Maphumulo HH Sanitation	6 952 287	8 190 175
MIG PMU		2 456 136
Ndwedwe Ward 16 Sanitation		384 999
Mandeni Ward 16 HH Sanitation	8 424 989	8 014 733
Ndwedwe HH Sanitation	12 765 867	9 164 254
Restoration to Beaches	4 796 072	
30 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	1 288 863	947 688
Admin fees	-	
Audit fees	2 202 546	1 989 411
Bank charges	240 284	250 902
Bursaries	-	774
Cleaning	877 119	1 209 782
Conferences and delegations	189 703	109 176
Connection charges	-	2 732 641
Consulting fees	-	
Consumables	7 079	11 865
Entertainment	896 795	1 007 692
Financial management grant	-	0
Fuel and oil	7 462 967	5 888 412
Insurance	-	1 540 835
Legal expenses	602 728	948 687
Levies paid	-	0
Licence fees - vehicles	64 263	53 185
Licence fees - computers	793 190	262 566
Membership fees	846 307	627 870
Parking	-	0
Postage	1 299 868	1 272 542
Printing and stationery	1 508 103	2 498 746
Professional fees	1 426 266	2 627 491
Rental of buildings	241 143	243 563
Lease of machinery and equipment	-	298 984
Rental of computer equipment	-	0
Other rentals	-	0
Security costs	-	5 232 845
Sewerage treatment costs	-	0
Skills development levies	-	
Stocks and material	-	9 863 574
Subscription & publication	20 663	22 718
Telephone cost	2 713 216	3 255 398
Training	1 129 427	707 581
Transport claims	-	0
Travel and subsistence	857 242	386 648
Uniforms & overalls	71 029	1 168 187
Valuation costs	-	0
Water and Sanitation	2 278 827	2 102 131
Electricity & Water	14 846 486	
LED Projects	6 834 000	
Salga games	4 487 494	
Shared Services	2 301 200	
Public Participation	1 703 579	
Vehicle Hire	2 369 803	
Siza Water	1 238 396	
Other	6 700 239	40 154 844
	67 498 823	87 416 736

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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31 CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY

Property, plant and equipment (The majority of the prior year error amount relates to certain assets that were duplicated when componentisation was done which led to overstatement of PPE in the prior year)	102 098	15 337 763
Forex Loss	(6 004)	
Forex Liability (This prior year error relates to the fact that the agreement with Microsoft was accounted for in its legal form rather than the substance of the transaction which is a financing arrangement.	(1 594 691)	-
Intangible Assets (This is debit leg of the forex liability)	1 333 860	-
Debtors (This prior year relates to understatement of certain other debtors)	9 602 816	-
Creditors (This is due to understatement of liabilities)	1 715 600	-
Correction of cash book balance	(158 690)	-
Other	(2 384 840)	893 894
	8 610 148	16 231 657

32 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	294 979 107	182 746 110
Adjustment for:-		
Depreciation and amortisation	25 032 783	23 100 313
Forex Loss/(Gain)	262 843	-
(Profit)/Loss on disposal of PPE	299 739	-
Contribution to provisions - non-current	18 807 264	43 601 446
Contribution to provisions - current	1 124 080	467 597
Finance costs	9 756 882	10 983 831
Prior Year Adjustments	8 610 148	2 970 584
Investment Income	(5 229 071)	(6 527 455)
Bad debts written off	(71 841 200)	(120 584 071)
Operating surplus before working capital changes:	281 802 576	136 758 355
(Increase)/decrease in inventories	(34 352)	1 112 693
(Increase)/decrease in trade receivables	23 422 676	73 217 898
(Increase)/decrease in other receivables	(46 041 693)	229 375
Increase/(decrease) in conditional grants and receipts	(18 991 741)	(1 105 630)
Increase/(decrease) in trade payables	65 039 427	(9 509 338)
Increase/(decrease) in VAT payable	-	(2 489 889)
Other assets	31 044	693 043
Other liability	(3 102 892)	(6 165 122)
Cash generated by/(utilised in) operations	302 125 045	192 741 384

33 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

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

Bank balances and cash	13 242 232	6 826 837
Current Investments	8 753 174	23 276 449
Net cash and cash equivalents (net of bank overdrafts)	21 995 406	30 103 286

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

34.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	-	47 933 899
Unauthorised expenditure current year	-	10 063 734
Approved by Council/Board or condoned		(57 997 633)
Transfer to receivables for recovery (Refer to note 3)	-	
Unauthorised expenditure awaiting authorisation	-	-

**ILEMBE DISTRICT MUNICIPALITY
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34.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -

Fruitless and wasteful expenditure current year

Recovered

To be recovered – (see note 3)

Fruitless and wasteful expenditure awaiting condonement

68 875	-
(163)	
(68 712)	

-	-
---	---

Incident

The fruitless and wasteful expenditure is as a result of interest, penalties and legal fees on late payment of certain creditors.

Action taken

Some of the amount has already been recovered from the responsible finance officials and the rest will be recovered from the relevant heads of departments.

34.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance

Irregular expenditure current year

Condoned or written off by Council/Board

Transfer to receivables for recovery – not condoned

Irregular expenditure awaiting condonement

30 881 207	8 697 996
15 715 862	30 881 207
(43 515 750)	(8 697 996)

-	
---	--

3 081 319	30 881 207
------------------	-------------------

Incident

All irregular expenditure is as result of non-adherence to Supply Chain Management regulations or Supply Chain Management policy and section 163 (2) of the MFMA.

Action taken

MPAC after investigations, has recommended to council that the expenditure be certified as irrecoverable and written off. With respects to the remaining expenditure, it will be referred to MPAC for investigation and recommendation.

34.4 Deviations

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

Total value

8 555 492	120 940 378
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8 555 492	120 940 378
------------------	--------------------

**ADDITIONAL DISCLOSURES IN TERMS OF
35 MUNICIPAL FINANCE MANAGEMENT ACT**

35.1 Contributions to organised local government

Opening balance

Council subscriptions

Amount paid - current

Balance unpaid (included in payables)

833 008	608 362
(833 008)	(608 362)

-	-
---	---

35.2 Audit fees

Opening balance

Current year audit fee

Amount paid - current year

Balance unpaid (included in payables)

-	
2 202 546	1 989 411
(2 202 546)	(1 989 411)

-	-
---	---

35.3 VAT

VAT input receivables and VAT output payables are shown in note 14. All VAT returns have been submitted by the due date throughout the year.

35.4 PAYE and UIF

Opening balance

Current year payroll deductions

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in payables)

1 113 644	992 568
14 541 716	13 749 772
(13 272 773)	(13 628 695)
(1 113 644)	0

1 268 943	1 113 644
------------------	------------------

The balance represents PAYE and UIF deducted from the June 2013 payroll. These amounts were paid during July 2013

**ILEMBE DISTRICT MUNICIPALITY
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IDM 2013 R	IDM 2012 R
1 447 132	1 305 494
20 370 074	16 659 966
(18 536 935)	(16 518 328)
(1 447 132)	-
1 833 138	1 447 132

35.5 Pension and Medical Aid Deductions

Opening balance	1 447 132	1 305 494
Current year payroll deductions and Council Contributions	20 370 074	16 659 966
Amount paid - current year	(18 536 935)	(16 518 328)
Amount paid - previous years	(1 447 132)	-
Balance unpaid (included in payables)	1 833 138	1 447 132

The balance represents pension and medical aid contributions deducted from employees in the June 2013 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2013.

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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37 RETIREMENT BENEFIT INFORMATION

37.1 Defined contribution plan

The following are defined contribution plans: Natal Joint Municipal Pension Fund, Government Employee Pension Fund, SALA Pension Fund and Municipal Councillors Pension Fund. These

37.2 Other Long-term benefit plan

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

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

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

The independent valuers carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	7%	7%
Inflation rate	6%	5%
Net effective discount rate	1%	1%
Benchmark inflation (equal to salary inflation)	7%	6%
Average retirement age	65	63
Mortality during employment	SA 85-90 ultimat SA 85-90 ultimate	
Percentage of in-service members withdrawing before retirement:		
Age 20	40%	40%
Age 30	25%	25%
Age 40	12%	12%
Age 50	4%	4%
Age 55+	2%	0%

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

4 221 000	3 430 259
------------------	------------------

RETIREMENT BENEFITS (continued)

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	3 430 259	3 200 623
Current service cost	521 826	501 783
Interest cost	214 835	244 229
Benefit payments	(290 114)	(185 407)
Actuarial (gains)/losses	344 194	(330 969)
Balance at end of year	4 221 000	3 430 259

The timing of the retirement benefits is as follows:

Current portion of employee benefits	279 000	359 069
Non-current portion of employee benefits	3 942 000	3 071 190
	4 221 000	3 430 259

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

Current service cost	521 826	501 783
Interest cost	214 835	244 229
Benefit Vestings	(290 114)	(185 407)
Benefit Payments	333 339	237 961
Actuarial (gains)/losses	344 194	(330 969)
	1 124 080	467 597

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

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38 RELATED PARTIES

Members of key management
Controlled Municipal Entity

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

Compensation to councillors and other key management

Related party balances

Amount owed by Ilembe Enterprise included in other receivables

179 576 2 425 575

Related party transactions

Transactions with Enterprise Ilembe Development Agency

Corridor Grant funding

- 3 500 000

Rental of offices

61 193 180 000

Other

- 23 125

39 RISK MANAGEMENT

39.1 Maximum credit risk exposure

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

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of

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

Consumer debtors

146 717 363 174 241 442

Other debtors

46 041 693 9 233 349

192 759 056 183 474 791

Ageing of consumers

Current (0 – 30 days)

9 431 958 11 972 334

31 - 60 Days

11 574 936 6 752 005

61 - 90 Days

10 221 622 6 825 801

91 - 120 Days

4 424 469 5 632 385

121 - 365 Days

111 064 378 143 058 916

+ 365 Days

-

Total

146 717 363 174 241 441

Less: Provision for bad debts

(75 694 159) (128 796 807)

Net consumer debtors

71 101 079 45 521 903

Cash and cash equivalents

13 242 232 6 826 837

Current investments

8 753 174 23 276 449

Other investments

20 115 704 18 682 344

42 111 110 48 785 630

These balances represent the maximum exposure to credit risk.

39.2 Liquidity risk

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

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

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

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

2013

	Within a year	Between 2 to 5 years	Total
Gross finance lease obligations	3 598 582	1 848 304	5 446 886
Borrowings	2 607 447	89 625 927	92 233 374
Trade and other payables	149 429 850	-	149 429 850
Other	279 000	3 942 000	4 221 000
	155 914 879	95 416 231	251 331 110

2012

	Within a year	Between 2 to 5 years	Total
Gross finance lease obligations	4 703 359	6 414 854	11 118 213
Borrowings	2 533 251	92 307 570	94 840 821
Trade and other payables	103 382 164	-	103 382 164
Other	359 069	3 071 190	3 430 259
	110 977 843	101 793 614	212 771 457

39.3 Interest rate risk

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

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

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

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

Current investments	8 753 174	23 276 449
Other investments	20 115 704	18 682 344
Gross finance lease obligations	5 446 886	11 118 213
Borrowings	92 233 374	94 840 821
Consumer debtors	146 717 363	174 241 441

39.4 Foreign Currency Risk

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

At year end

Foreign exchange losses were:	262 843	6 004
Foreign exchange liability was:	1 622 001	1 594 691

Sensitivity analysis:

The Spot rate at year end was 9.8675. Should the spot rate increase by 1% the foreign liability will be R 1 784 200.76 and the forex loss will increase by R289 127.30. Should the spot rate decrease by 1% the forex liability will be R1 459 800.62 and the forex loss decrease by R236 558.72

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

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40 RESTATEMENT OF COMPARATIVE INFORMATION

reclassified as accruals. The effect of the restatement is summarised below:

	Restated Comparative	Prior Year Disclosure
Statement of Financial Performance:		
The items listed below have been reclassified from general expenses to contracted services		
Contracted Services		
- Management Contract		10 710 440
- Lease of machinery and equipment	269 022	-
- Reconnections/Disconnections	5 100 184	-
- Plant Hire	5 797 585	-
- Security	24 501 723	-
- Meter Reading Contractors	142 408	-
- Fax & Copier Rental	2 625 098	-
- Insurance	810 839	-
General Expenses		
- Lease of machinery and equipment	-	298 984
- Reconnections/Disconnections	-	2 732 641
- Plant Hire	-	-
- Security	-	5 232 845
- Meter Reading Contractors	-	-
- Fax & Copier Rental	-	-
- Lease of vehicles	-	-
- Insurance	-	1 540 835

The items listed below have been reclassified from general expenses and are separately disclosed

General Expenses		
Electricity & Water	14 846 486	-
LED Projects	6 834 000	-
Salga games	4 487 494	-
Shared Services	2 301 200	-
Public Participation	1 703 579	-
Vehicle Hire	2 369 803	-
Siza Water	1 238 396	-
Other	7 016 343	40 154 844

Statement of Financial Position:

The category of heritage assets has been reclassified from property, plant and equipment and presented separately on the statement of financial position and note in the annual financial statements.

- Heritage Assets	205 578	-
- Property, Plant & Equipment	1 151 868 128	900 272 042

Other receivables have been reclassified to Trade and other receivables from exchange transactions

Other Receivables from Exchange Transactions

Umngeni water debtor	2 187 040	
Accrued interest	122 520	
Ilembe Enterprise	179 576	
Outstanding deposits	1 622 767	
Other debtors	3 103 567	
Fruitless and wasteful expenditure	68 712	
AOD	593 088	

Other Receivables

- Insurance Claims		21 480
- AOD's		608 119
- Debtors DR orders water a/c		1 662
- Rand for rand receipt adjustments		46 927
- Refund		1 671
- Deposits		1 815 283
- Sundry debtors		1 493 247

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
As at 30 June 2013

IDM 2013 R	IDM 2012 R
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Retirement benefit obligation has been split between current and non current liabilities as follows:

Current Liabilities

Current portion retirement benefit obligation	359 069	-
Non Current Liabilities		
Retirement benefit obligation	3 071 190	3 430 259

Current Liabilities

Consumer deposits and vat payable has been reclassified to trade and other payables from exchange transactions		
Trade and other payables from exchange transactions	140 579 296	64 744 310
Consumer water deposits	-	3 037 391
Vat payable	-	6 163 477

Unspent conditional grants and receipts has been classified as Trade and other payables from non - exchange transactions		
Unspent conditional grants and receipts		27 842 295
Trade and other payables from non - exchange transactions	8 850 554	-

41 RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT

Key	Operating	Financing	Investing	Total
Actual amount as present in the budget statement	287 359 181	(2 238 409)	(276 033 578)	9 087 194
Actual amount as presented in the cash flow statement	297 597 233	(8 433 401)	(297 271 811)	(8 107 978)
Basis difference <i>Applicable</i>	682 150			682 150
Timing differences <i>Not applicable</i>	-	-	-	
Entity differences <i>Not applicable</i>	-	-	-	
Variance	-10 920 202	6 194 992	21 238 233	16 513 022
Variance percentage	-3.80%	-276.76%	-7.69%	181.72%

42 Contingencies arising from pending litigation on wage curve agreement

On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system.

Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation

ILEMBE DISTRICT MUNICIPALITY
APPENDIX A
UNAUDITED SCHEDULE OF EXTERNAL LOANS
as at 30 June 2013

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2012	Received during the period	Redeemed / written off during the period	Balance at 30 June 2013
			R	R	R	R
LONG-TERM LOANS						
ABSA Bank @10.65%		2025	30 000 000	-	-	30 000 000
Development Bank of SA @10.80%		2025/09/30	64 840 821	-	2 607 447	62 233 374
Total long-term loans			94 840 821	-	2 607 447	92 233 374
ANNUITY LOAN						
Development Bank of SA @16.50%	13527		284 493		154 627	129 867
Development Bank of SA @13.45%	11578	2014	4 098		-	4 098
Total capital creditors			288 591	-	154 627	133 964
TOTAL EXTERNAL LOANS			95 129 412	-	2 762 074	92 367 338

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

	Cost / Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R		R	R	R	R	R	R		R	R	
Land	3 242 908	-	-	-	-	3 242 908	-	-	-	-	-	-	3 242 908
	3 242 908	-	-	-	-	3 242 908	-	-	-	-	-	-	3 242 908
Buildings	18 544 080	-	-	-	-	18 544 080	(4 206 652)	(631 587)	-	-	-	(4 838 239)	13 705 841
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure													
Sewerage Mains & Purification	84 041 332	1 798 270	-	(600 034)	-	85 239 568	(11 635 453)	(1 695 521)	-	(15 820)	-	(13 346 794)	71 892 774
Water Mains & Purification	615 577 107	101 321 382	-	(5 003 383)	8 188 663	720 083 769	(54 215 489)	(14 314 367)	-	(31 686)	-	(68 561 542)	651 522 227
Under construction	213 437 930	-	-	-	187 254 104	400 692 034	-	-	-	-	-	-	400 692 034
	913 056 369	103 119 652	-	(5 603 417)	195 442 767	1 206 015 371	(65 850 942)	(16 009 888)	-	(47 506)	-	(81 908 336)	1 124 107 035
Total carried forward	934 843 357	103 119 652	-	(5 603 417)	195 442 767	1 227 802 359	(70 057 594)	(16 641 475)	-	(47 506)	-	(86 746 576)	1 141 055 784

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

	Cost / Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R		R	R	R	R	R	R		R	R	
Total brought forward	934 843 357	103 119 652	-	(5 603 417)	195 442 767	1 227 802 359	(70 057 594)	(16 641 475)	-	(47 506)	-	(86 746 576)	1 141 055 784
Other Assets													
Office Equipment	3 222 467	76 927	-	(132 325)	-	3 167 069	(1 456 195)	(405 102)	73 970	-	(26 105)	(1 813 431)	1 353 637
Machinery & Equipment	2 481 778	-	-	(54 765)	-	2 427 013	(918 077)	(398 204)	37 464	-	(3 647)	(1 282 463)	1 144 550
Transport Assets	9 077 451	698 635	149 474	(1 888 353)	-	8 037 206	(4 568 270)	(892 653)	1 395 532	-	(69 730)	(4 135 121)	3 902 086
Computer Equipment	7 162 181	1 101 642	-	(445 134)	-	7 818 689	(3 277 496)	(1 321 678)	415 937	130	(39 101)	(4 222 207)	3 596 482
	21 943 876	1 877 204	149 474	(2 520 577)	-	21 449 977	(10 220 038)	(3 017 636)	1 922 904	130	(138 583)	(11 453 223)	9 996 755
Finance Lease Assets													
Other Assets	22 388 844	-	-	(462 809)	-	21 926 035	(12 092 955)	(4 435 203)	328 255	-	-	(16 199 903)	5 726 133
	22 388 844	-	-	(462 809)	-	21 926 035	(12 092 955)	(4 435 203)	328 255	-	-	(16 199 903)	5 726 133
Total	979 176 077	104 996 856	149 474	(8 586 802)	195 442 767	1 271 178 372	(92 370 586)	(24 094 313)	2 251 159	(47 376)	(138 583)	(114 399 701)	1 156 778 671

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R		R	R	R	R	R	R		R	R	
Land	1 296 718	-	1 946 190	-	-	3 242 908	-	-	-	-	-	-	3 242 908
	1 296 718	-	1 946 190	-	-	3 242 908	-	-	-	-	-	-	3 242 908
Buildings	18 187 452	356 628	-	-	-	18 544 080	(3 578 218)	(628 434)	-	-	-	(4 206 652)	14 337 428
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure													
Sewerage Mains & Purification	79 838 195	15 893 623	-	(11 690 487)	-	84 041 332	(11 234 637)	(1 669 183)	1 268 366	-	-	(11 635 453)	72 405 878
Water Mains & Purification	580 453 891	38 201 262	-	(3 078 046)	-	615 577 107	(41 676 381)	(12 778 302)	239 194	-	-	(54 215 489)	561 361 619
Under construction	59 846 465	-	-	-	153 591 464	213 437 930	-	-	-	-	-	-	213 437 930
	720 138 552	54 094 885	-	(14 768 533)	153 591 464	913 056 369	(52 911 018)	(14 447 484)	1 507 560	-	-	(65 850 942)	847 205 427
Total carried forward	739 622 722	54 451 513	1 946 190	(14 768 533)	153 591 464	934 843 357	(56 489 236)	(15 075 918)	1 507 560	-	-	(70 057 594)	864 785 762

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R		R	R	R	R	R	R		R	R	
Total brought forward	739 622 722	54 451 513	1 946 190	(14 768 533)	153 591 464	934 843 357	(56 489 236)	(15 075 918)	1 507 560	-	-	(70 057 594)	864 785 762
Other Assets													
Office Equipment	2 932 541	289 926	-	-	-	3 222 467	(1 058 331)	(405 198)	-	11 890	(4 556)	(1 456 195)	1 766 272
Machinery & Equipment	1 948 665	532 911	202	-	-	2 481 778	(531 529)	(369 093)	-	(17 455)	-	(918 077)	1 563 702
Transport Assets	6 566 906	2 510 544	-	-	-	9 077 451	(3 591 996)	(606 988)	-	41 729	(411 015)	(4 568 270)	4 509 180
Computer Equipment	5 833 784	1 328 598	(202)	-	-	7 162 181	(1 971 527)	(1 218 660)	-	5 564	(92 873)	(3 277 496)	3 884 685
	17 281 896	4 661 980	-	-	-	21 943 876	(7 153 383)	(2 599 939)	-	41 729	(508 444)	(10 220 038)	11 723 839
Finance Lease Assets													
Other Assets	21 806 403	679 508	(97 067)	-	-	22 388 844	(7 791 311)	(4 390 417)	-	88 773	-	(12 092 955)	10 295 890
	21 806 403	679 508	(97 067)	-	-	22 388 844	(7 791 311)	(4 390 417)	-	88 773	-	(12 092 955)	10 295 890
Total	778 711 021	59 793 001	1 849 123	(14 768 533)	153 591 464	979 176 077	(71 433 930)	(22 066 274)	1 507 560	130 502	(508 444)	(92 370 586)	886 805 491

ILEMBE DISTRICT MUNICIPALITY
APPENDIX C
UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
As at 30 June 2013

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposal & Impairment	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Executive & Council	16 239 631	1 800 277		(2 184 013)	15 855 895	(7 845 766)	(2 214 330)	1 702 769	(8 357 328)	7 498 567
Finance & Admin	27 491 233	76 927		(187 090)	27 381 070	(6 580 923)	(1 434 893)	81 682	(7 934 134)	19 446 936
Waste Management	84 041 332	1 798 270		(600 034)	85 239 568	(11 635 453)	(1 695 521)	(15 820)	(13 346 794)	71 892 774
Biological Assets	-				-		-			-
Agriculture PPE	-				-		-			-
Road Transport										
Water	615 577 107	101 321 382	8 188 663	(5 003 383)	720 083 769	(54 215 489)	(14 314 367)	(31 686)	(68 561 542)	651 522 227
Under Construction	213 437 930	-	187 254 104	-	400 692 034		-			400 692 034
Other	22 388 844	-		(462 809)	21 926 035	(12 092 955)	(4 435 203)	328 255	(16 199 903)	5 726 133
Total	979 176 077	104 996 856	195 442 767	(8 437 328)	1 271 178 372	(92 370 586)	(24 094 313)	2 065 199	(114 399 701)	1 156 778 671

ILEMBE DISTRICT MUNICIPALITY
APPENDIX D
UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2013

2012			2013			
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)	
R			R			
799 340	31 768 800	(30 969 459)	Executive & Council	38 974 882	60 031 326	(21 056 444)
239 770 214	75 095 464	164 674 749	Finance & Admin	417 719 501	80 252 452	337 467 049
4 547 706	12 294 761	(7 747 055)	Planning & Development	17 051 454	19 928 930	(2 877 476)
-	-	-	Health	-	-	-
2 236 507	3 438 028	(1 201 521)	Community & Social Services	4 796 072	4 796 072	-
-	-	-	Public Safety	-	-	-
-	-	-	Sport & Recreation	-	-	-
-	226 336	(226 336)	Environmental Protection	-	-	-
43 980 913	42 247 895	1 733 018	Waste Management	52 979 765	13 482 733	39 497 032
314 011	-	314 011	Road Transport	-	-	-
270 772 585	214 603 881	56 168 704	Water	185 235 090	243 286 145	(58 051 055)
-	-	-	Electricity	-	-	-
-	-	-	Other	-	-	-
562 421 276	379 675 165	182 746 112		716 756 764	421 777 658	294 979 106
562 421 276	379 675 165	182 746 112	Less: Inter-Department Charges			
			Total	716 756 764	421 777 658	294 979 106

Explanation of variances
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<p>The variance is due the disclosure of free basic services, which is disclosed as expenditure on the budget, whereas on monthly reports it is disclosed as reducing revenue.</p> <p>The deemed undercollection is not material at this stage, income form this category is largely dependant on grants that are received and are invested when they are not yet spent</p> <p>All grants have been received, but not all conditions have been met. These will be spent by the end of the financial year.</p> <p>This includes interest on outstanding debtors, which is largely dependant on how much of the interest charged on debtors is actually received against billing.</p>
<p>The variance is not material</p> <p>The variance is not material</p> <p>The provision for bad debts has been calculated based on the debtors impaired, whereas the budget was based on the collection rate, hence the variance. The calculation was based on the asset register, taking into account disposals/write-offs, which was less than the budgeted amount.</p> <p>The variance is not material</p> <p>The variance is not material</p> <p>The variance is not material</p> <p>Some of the projects/programmes budgeted for have not commenced due to funding not materials for those that are grant funded</p>
<p>The underspending is due to objections received on awards of approximately R60m. These objections have been resolved recently, there is an intervention in place by Technical Serices to try and capture on expenditure programme. This includes amongst other things fast tracking implementation on projects already underway</p> <p>Spending is on track.</p>
<p>Profit on disposal of assets</p>

The underspending is due to objections received on awards of approximately R60m. These objections have been resolved recently, there is an intervention in place by Technical Services to try and capture on expenditure programme. This includes amongst other things fast tracking implementation on projects already underway

Spending is on track.

Internally funded projects are dependant on revenue generation, these have had to be delayed due to the decline in collection
