



Umtshezi Municipality  
Annual Financial Statements  
for the year ended 30 June 2012

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Index

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The reports and statements set out below comprise the annual financial statements presented to the :

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### Abbreviations

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

## **Umtshezi Municipality**

Annual Financial Statements for the year ended 30 June 2012

### **Accounting Officer's Responsibilities and Approval**

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 6 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed by her on behalf of the municipality.

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**Accounting Officer**  
**Ms P.N Njoko**

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2012.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference in its Audit Committee Charter. During the current year 6 meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr LB Van Der Merwe (Chairperson)	6
Mr C Rautenbach	5
Mr Z Zulu	6

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the of the municipality during the year under review.

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the management;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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**Chairperson of the Audit Committee**

# **Umtshezi Municipality**

Annual Financial Statements for the year ended 30 June 2012

## **Audit Committee Report**

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Date: \_\_\_\_\_



## **Report of the Auditor General**

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**To the of Umtshezi Municipality**

**Report on the financial statements**

Page left blank. Auditor General Report to be included on completion of the audit.

**Auditor's/Accountant's name**

**Partner's name**

**Additional description**

**Additional description**

**31 August 2012**

## **Umtshezi Municipality**

Annual Financial Statements for the year ended 30 June 2012

### **Approval of Annual Financial Statements**

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I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 32, in terms of Section 126(1) of the Municipal Finance Management Act, 56 of 2003, 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 the notes 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 the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act

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**Accounting Officer**  
**Ms P.N Njoko**  
**31 August 2012**

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Position

	Note(s)	2012 R	2011 Restated R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	7	549,719	533,820
Loans and receivables	4	184,402	221,835
Other receivables from non exchange transactions	8	1,339,845	2,228,522
VAT receivable	9	11,493,139	6,551,983
Trade and other receivables from exchange transactions	10	36,234,895	45,501,137
Investments	6	22,347,042	5,599,316
Cash and cash equivalents	11	13,366,409	9,942,324
		<b>85,515,451</b>	<b>70,578,937</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	2	629,613,172	637,711,045
Intangible assets	3	185,775	169,780
Loans and receivables	4	722,098	1,421,128
Investments	6	96,520	97,920
		<b>630,617,565</b>	<b>639,399,873</b>
Non-current assets held for sale	12	1,228,071	2,280,702
<b>Total Assets</b>		<b>717,361,087</b>	<b>712,259,512</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	14	833,133	1,202,195
Trade and other payables from exchange transactions	18	20,415,705	21,289,811
Consumer deposits	19	2,620,285	2,398,301
Retirement benefit obligation	5	960,000	926,000
Unspent conditional grants and receipts	15	16,044,682	2,392,780
Provisions	16	7,537,796	8,629,370
Current portion of long term loan	17	991,847	562,131
		<b>49,403,448</b>	<b>37,400,588</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	14	1,811,239	2,206,304
Retirement benefit obligation	5	11,641,000	10,362,000
Long term loan	17	10,538,857	5,928,712
		<b>23,991,096</b>	<b>18,497,016</b>
<b>Total Liabilities</b>		<b>73,394,544</b>	<b>55,897,604</b>
<b>Net Assets</b>		<b>643,966,543</b>	<b>656,361,908</b>
<b>Net Assets</b>			
Reserves			
Housing operating account	13	1,095,260	1,095,260
Accumulated surplus		642,871,283	655,266,648
<b>Total Net Assets</b>		<b>643,966,543</b>	<b>656,361,908</b>

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Performance

	Note(s)	2012 R	2011 R
<b>Revenue</b>			
Rendering of services		2,658,265	1,429,187
Property rates	21	35,130,822	33,739,085
Service charges	22	147,416,913	126,514,097
Property rates - penalties imposed and collection charges		5,262,311	6,239,418
Rental of facilities and equipment		435,367	407,825
Fines		196,025	200,800
Licences and permits		4,686,611	4,238,603
Government grants & subsidies	23	46,505,370	45,049,514
Administration and management fees received		3,320	3,779
Fees earned		58,842	4,633
Discount received		-	3
Other income		868,288	1,029,092
Interest received - investment	28	1,729,259	1,069,371
<b>Total Revenue</b>		<b>244,951,393</b>	<b>219,925,407</b>
<b>Expenditure</b>			
Employee Costs	25	(56,390,941)	(50,789,238)
Remuneration of councillors	26	(4,359,576)	(3,673,041)
Depreciation and amortisation	29	(32,670,219)	(38,677,009)
Impairment loss/ Reversal of impairments	30	(62,457)	-
Finance costs	31	(953,444)	(1,012,362)
Debt impairment	27	(12,882,000)	(2,788,529)
Repairs and maintenance		(8,152,270)	(3,142,210)
Bulk purchases	34	(113,864,508)	(92,582,032)
Loss on disposal of assets		(2,161)	(33,095)
General Expenses	24	(27,697,575)	(22,460,215)
<b>Total Expenditure</b>		<b>(257,035,151)</b>	<b>(215,157,731)</b>
<b>(Deficit) surplus for the year</b>		<b>(12,083,758)</b>	<b>4,767,676</b>

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Changes in Net Assets

	Housing operating account R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1,095,260	637,124,757	638,220,017
Adjustments			
Correction of errors	-	(11,625,106)	(11,625,106)
Change in accounting policy	-	29,263,731	29,263,731
Prior year adjustments	-	1,259,971	1,259,971
<b>Balance at 01 July 2010 as restated</b>	<b>1,095,260</b>	<b>656,023,353</b>	<b>657,118,613</b>
Changes in net assets			
Prior year adjustments	-	(7,660,844)	(7,660,844)
Additions - Fair market value	-	2,136,463	2,136,463
Net income (losses) recognised directly in net assets	-	(5,524,381)	(5,524,381)
Surplus for the year	-	4,767,676	4,767,676
Total recognised income and expenses for the year	-	(756,705)	(756,705)
Total changes	-	(756,705)	(756,705)
<b>Balance at 01 July 2011</b>	<b>1,095,260</b>	<b>655,266,648</b>	<b>656,361,908</b>
Changes in net assets			
Prior period errors	-	(677,494)	(677,494)
Fair value additions of assets previously written off	-	365,887	365,887
Net income (losses) recognised directly in net assets	-	(311,607)	(311,607)
Surplus for the year	-	(12,083,758)	(12,083,758)
Total changes	-	(12,395,365)	(12,395,365)
<b>Balance at 30 June 2012</b>	<b>1,095,260</b>	<b>642,871,283</b>	<b>643,966,543</b>
Note(s)	13		

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Cash Flow Statement

	Note(s)	2012 R	2011 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from customers		203,052,556	176,701,111
Grants		60,157,272	45,049,514
Interest income		1,729,259	1,069,371
Other receipts		930,450	1,037,507
		<u>265,869,537</u>	<u>223,857,503</u>
<b>Payments</b>			
Employee costs		(56,390,941)	(50,789,238)
Suppliers		(169,898,025)	(121,490,596)
Finance costs		(953,444)	(1,012,362)
		<u>(227,242,410)</u>	<u>(173,292,196)</u>
<b>Net cash flows from operating activities</b>	35	<b><u>38,627,127</u></b>	<b><u>50,565,307</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(24,458,615)	(32,384,854)
Proceeds from sale of property, plant and equipment	2	251,842	-
Purchase of other intangible assets	3	(78,140)	-
Increase of financial investments		(16,746,326)	(5,442,967)
Decrease / (Increase) in loans and receivables		1,552,463	(837,262)
<b>Net cash flows from investing activities</b>		<b><u>(39,478,776)</u></b>	<b><u>(38,665,083)</u></b>
<b>Cash flows from financing activities</b>			
Movement in long term loan		5,039,861	4,248,736
Movement in finance lease obligation		(764,127)	(1,061,063)
<b>Net cash flows from financing activities</b>		<b><u>4,275,734</u></b>	<b><u>3,187,673</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>3,424,085</u></b>	<b><u>15,087,897</u></b>
Cash and cash equivalents at the beginning of the year		9,942,324	(5,145,573)
<b>Cash and cash equivalents at the end of the year</b>	11	<b><u>13,366,409</u></b>	<b><u>9,942,324</u></b>

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act, 56 of 2003.

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

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

#### 1.1 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for consumer debtors and loans receivable is calculated based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

##### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

##### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Notes to the Annual Financial Statements.

##### Effective interest rate

The municipality uses the prime interest rate to discount future cash flows.

##### Allowance for doubtful debts

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

#### 1.2 Property, plant and equipment

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

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.2 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

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

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

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

Item	Average useful life
Property and permanent fixtures	30 years
Plant and equipment	10 years
Vehicles	7 years
Office equipment and furniture	7 years
Leased assets - Vehicles	5 years
Other leased assets	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date.

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

### 1.3 Landfill restoration

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

### 1.4 Intangible assets

An asset is identified as an intangible asset when it:

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

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.4 Intangible assets (continued)

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no or nominal consideration (i.e. a non-exchange transaction), the cost shall be its fair value as at the date of acquisition.

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, its deemed cost is the carrying amount of the asset(s) given up.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

Item	Useful life
Computer software	5 years

### 1.5 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset 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.

#### Initial measurement

Heritage assets are measured at cost.

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

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.5 Heritage assets (continued)

#### Subsequent measurement

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

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. When the carrying amount of a heritage asset exceeds its recoverable amount, the heritage asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognised in surplus or deficit.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.6 Financial instruments

#### Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments. Financial instruments are initially recognised at fair value.

Transaction costs are included in the initial measurement of the instrument.

#### Subsequent measurement

Loans and receivables and consumer debtors are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

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

#### Cash and cash equivalents

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

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Investments

The municipality has investments that comprise of call accounts, money market investment accounts. These are treated as loans and receivables and are initially recorded at fair value and subsequently recorded at amortised cost.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Derecognition

##### Financial assets

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

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

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

##### Financial liabilities

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

##### Impairment of financial assets

The municipality assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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

### 1.7 Leases

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

#### Finance leases - lessee

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

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

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

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

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.7 Leases (continued)

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

Inventories are valued at the lower of cost and net realisable value. In general the basis of allocating cost to inventory items is the first in first out basis. Subsequent to initial recognition, the lease assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment.

### 1.9 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.10 Employee benefits

#### Short-term employee benefits

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

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

#### Post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

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

### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.11 Provisions and contingencies (continued)

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

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

### 1.12 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

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

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

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

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

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

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.12 Revenue from exchange transactions (continued)

#### Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised when:

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

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.14 Investment income

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

### 1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.16 Comparative figures

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

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.18 Fruitless and wasteful expenditure

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

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

### 1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act, No 56 of 2003, is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

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

### 1.20 Use of estimates

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

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.22 Offsetting

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

### 1.23 Housing development fund or Housing operating account

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.24 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

### 1.25 Investments

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

### 1.26 Conditional grants and receipts

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

### 1.27 Segmental information

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

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

### 1.28 Budget information

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

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

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

### 1.29 Related parties

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

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

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.29 Related parties (continued)

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

### 1.30 Going concern assumption

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

### 1.31 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been prepared but are not yet effective or effective at a date later than that of the financial statements and have not been early adopted by the municipality. Application of all the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

GRAP 18	Segment Reporting - Issued February 2011
GRAP 20	Related Party Disclosures - Issued June 2011
GRAP 21	Impairment of non-cash generating assets - Issued March 2009 - Effective 1 July 2012
GRAP 23	Revenue from non-exchange transactions - Issued February 2008 - Effective 1 July 2012
GRAP 24	Presentation of budget information - Issued November 2007 - Effective 1 July 2012
GRAP 25	Employee benefits - Issued March 2009 - Effective 1 July 2013
GRAP 26	Impairment of cash generating assets - Issued March 2009 - Effective 1 July 2012
GRAP 103	Heritage assets - Issued July 2008 - Effective 1 July 2012
GRAP 104	Financial instruments - Issued October 2009 - Effective 1 July 2012
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
IGRAP 1	Interpretation of GRAP: Applying probability test in initial recognition of exchange revenue - Issued June 2012

Management have considered all of the above-mentioned GRAP standards approved or issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012			2011		
	R			R		
<b>2. Property, plant and equipment</b>						
	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	351,521,628	(64,583,986)	286,937,642	350,531,487	(51,586,778)	298,944,709
Motor vehicles	13,305,216	(5,841,413)	7,463,803	10,876,297	(4,187,569)	6,688,728
Infrastructure	393,732,879	(106,494,366)	287,238,513	379,937,041	(91,454,854)	288,482,187
Other equipment	15,585,442	(10,582,108)	5,003,334	14,509,210	(9,239,799)	5,269,411
Work in progress	40,653,702	-	40,653,702	35,120,806	-	35,120,806
Finance leased assets	6,433,097	(4,116,919)	2,316,178	6,433,097	(3,227,893)	3,205,204
<b>Total</b>	<b>821,231,964</b>	<b>(191,618,792)</b>	<b>629,613,172</b>	<b>797,407,938</b>	<b>(159,696,893)</b>	<b>637,711,045</b>

## Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

Figures in Rand

#### 2. Property, plant and equipment (continued)

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

	Opening balance	Additions	Additions fair market value	Disposals	Transfers	Depreciation	Impairment loss	Total
Land, buildings and Infrastructure	587,226,560	3,102,832	-	-	12,740,938	(29,130,353)	-	573,939,977
Plant and machinery	1,745,409	937,362	29,008	(9,713)	-	(479,055)	-	2,223,011
Motor vehicles	6,688,728	1,943,060	-	(3,366)	-	(1,241,824)	-	7,386,598
Office equipment	3,524,002	156,141	319,607	(5,871)	-	(861,615)	(1,639)	3,130,625
Capital work in progress	35,120,806	18,273,836	-	-	(12,740,938)	-	-	40,653,704
Finance leased assets	3,205,205	45,383	-	(232,892)	-	(838,119)	(60,818)	2,118,759
Landfill site	200,335	-	-	-	-	(39,837)	-	160,498
	<b>637,711,045</b>	<b>24,458,614</b>	<b>348,615</b>	<b>(251,842)</b>	<b>-</b>	<b>(32,590,803)</b>	<b>(62,457)</b>	<b>629,613,172</b>

##### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land, buildings and infrastructure	600,224,012	22,718,532	-	-	(35,715,984)	587,226,560
Plant and machinery	1,760,959	99,502	(3,417)	257,425	(369,060)	1,745,409
Motor vehicles	1,834,447	3,802,114	(20,708)	1,709,435	(636,560)	6,688,728
Office equipment	3,585,144	681,220	(8,072)	169,603	(903,893)	3,524,002
Capital work in progress	30,037,320	5,083,486	-	-	-	35,120,806
Finance leased assets	4,135,464	-	-	-	(930,259)	3,205,205
Landfill site	244,759	-	-	-	(44,424)	200,335
	<b>641,822,105</b>	<b>32,384,854</b>	<b>(32,197)</b>	<b>2,136,463</b>	<b>(38,600,180)</b>	<b>637,711,045</b>

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
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### 2. Property, plant and equipment (continued)

#### Heritage assets

The municipality has two heritage assets described as Fort Durnford Museum and the Weenen Museum. The values of the museum are detailed below:

Fort Durnford Museum	3,975,702	3,975,702
Weenen Museum	321,582	321,582
	<b>4,297,284</b>	<b>4,297,284</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 3. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	964,835	(779,060)	185,775	869,424	(699,644)	169,780

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software, other	169,781	78,140	17,271	(79,417)	185,775

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	246,716	169,781	(246,716)	169,781

### 4. Loans and receivables

#### Loans and receivables

Loans and receivables	906,500	1,642,963
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#### Non-current assets

Loans and receivables	722,098	1,421,128
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#### Current assets

Loans and receivables	184,402	221,835
	<b>906,500</b>	<b>1,642,963</b>

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>5. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
<p>All municipal councillors and employees belong to The Natal Joint Municipal Pension Fund (Superannuation) and The Natal Joint Pension Fund (Retirement) or provident fund which are administered by the board of trustees.</p> <p>These schemes cannot be broken down per municipality, as they are considered to be multi-employer schemes and hence are treated as defined contribution schemes by the municipality.</p> <p>Municipal employees are also members of the Kwazulu-Natal Joint Municipal Provident Fund and Government Employees Pension Fund, Associated Institution Pension Fund and KZN Joint Provision Fund or Pension Fund or Retirement Fund. All contributions have been included in the employee related cost note.</p>		
<b>Post retirement medical aid plan</b>		
<p>The municipality provides post retirement health care benefits to employees who have terminated their employment due to age, ill health or other disability. The municipality currently provides a medical subsidy to thirty two (32) retired employees.</p>		
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used	8.35 %	8.50 %
Consumer price inflation	6.40 %	6.00 %
Health care cost inflation	6.85 %	7.00 %
Short term portion of retirement benefit obligations	960,000	926,000
Long term portion of retirement benefit obligations	11,641,000	10,362,000
	<b>12,601,000</b>	<b>11,288,000</b>
<b>6. Investments</b>		
<b>Current portion</b>		
FNB Call Account - Account Number 62033811995	57,073	56,365
ABSA Call Account - Account Number 9106646490	1,223	1,186
FNB Money Market - NDPG - Account Number 62232266991	6,062,746	3,040,459
FNB Money Market - MIG - Account Number 62281385130	2,453,461	-
FNB Land sales - Account Number 62216019019	1,133,277	1,002,380
FNB MSIG - Account Number 62216024737	2,346,410	1,498,925
FNB Money Market - Small Town Rehabilitation- Account Number 62347581050	6,053,556	-
FNB Money Market - INEP - Account Number 62347581060	4,239,296	-
	<b>22,347,042</b>	<b>5,599,315</b>
<b>Non current portion</b>		
Nedbank fixed deposits - Account Number 19542952	22,063	15,464
Borough of Dundee - Certificate Number B719	7,200	15,200
Standard Bank - Account Number 75075646	12,528	12,528
FNB fixed deposit - Account Number 71021254116	29,729	29,729
FNB fixed deposit - Account Number 71048724530	11,000	11,000
FNB fixed deposit - Account Number 71066697123	14,000	14,000
	<b>96,520</b>	<b>97,921</b>
<b>7. Inventories</b>		
Consumable stores	549,719	533,820

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>8. Other receivables from non exchange transactions</b>		
Conditional grants overspent	1,337,809	2,214,198
Stamps on hand	2,036	14,324
	<b>1,339,845</b>	<b>2,228,522</b>
<b>Details of conditional grants overspent</b>		
Municipal systems improvements grant	-	720,000
Hostel development and upgrading	1,337,810	1,337,810
Department of minerals and energy grant	-	156,388
	<b>1,337,810</b>	<b>2,214,198</b>
<p>The overspent grant relates to municipal funds that were spent for the upgrading of the hostel development. Funds were to be re-imbursed by the Department of Human Settlements. Allocations have been made in the 2012/2013 Division of Revenue Act for an amount to be distributed for the upgrade of the hostel, therefore, the amount was not written off and no provision for doubtful debts has been raised.</p>		
<b>9. VAT receivable</b>		
VAT	11,493,139	6,551,983
<p>There is an outstanding query with the South African Revenue Services regarding a vat claim in terms of a Vat audit that was conducted for the 2004-2007 financial years. This query is at an appeal stage and as such, all vat claims have not been refunded resulting in a high vat receivable amount.</p>		
<b>10. Trade and other receivables from exchange transactions</b>		
<b>Gross balances</b>		
Rates	48,598,683	47,706,239
Electricity	5,755,213	12,221,316
Refuse	7,793,681	10,466,639
Sundry debtors	4,465,560	5,783,563
	<b>66,613,137</b>	<b>76,177,757</b>
<b>Less: Provision for debt impairment</b>		
Rates	(15,189,121)	(16,326,263)
Electricity	(3,797,280)	(3,693,825)
Refuse	(7,594,561)	(9,797,254)
Sundry debtors	(3,797,280)	(859,278)
	<b>(30,378,242)</b>	<b>(30,676,620)</b>
<b>Net balance</b>		
Rates	33,409,562	31,379,976
Electricity	1,957,933	8,527,491
Refuse	199,120	669,385
Sundry debtors	668,280	4,924,285
	<b>36,234,895</b>	<b>45,501,137</b>

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>10. Trade and other receivables from exchange transactions (continued)</b>		
<b>Rates</b>		
Current (0 -30 days)	2,193,534	2,207,302
31 - 60 days	1,014,162	1,965,322
61 - 90 days	1,365,903	1,411,367
> 90 days	28,835,963	25,795,985
	<b>33,409,562</b>	<b>31,379,976</b>
<b>Electricity</b>		
Current (0 -30 days)	1,957,933	7,331,698
31 - 60 days	-	768,955
61 - 90 days	-	426,838
	<b>1,957,933</b>	<b>8,527,491</b>
<b>Refuse</b>		
Current (0 -30 days)	199,120	282,073
31 - 60 days	-	198,910
61 - 90 days	-	188,402
	<b>199,120</b>	<b>669,385</b>
<b>Sundry debtors</b>		
Current (0 -30 days)	411,558	259,984
31 - 60 days	50,660	50,954
61 - 90 days	106,862	160,108
> 90 days	99,200	4,453,239
	<b>668,280</b>	<b>4,924,285</b>
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(30,676,620)	(27,888,091)
Contributions to provision	(30,378,242)	(30,676,620)
Reversal of provision	30,676,620	27,888,091
	<b>(30,378,242)</b>	<b>(30,676,620)</b>
<b>Consumer debtors past due but not impaired</b>		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2012, R7,299,734 - (2011: R3,975,062-) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	4,762,146	2,215,185
2 months past due	1,064,822	1,759,877
3 months past due	1,472,766	30,183,995
<b>Consumer debtors impaired</b>		
As of 30 June 2012, consumer debtors of R30,378,242 - (2011: R 30,676,620) were impaired and provided for.		
The amount of the provision was R30,378,242 - as of 30 June 2012 (2011: R 30,676,620).		
The ageing of these loans is as follows:		
Over 3 months	30,378,242	30,676,620

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>11. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	8,700	4,846
Bank balances	13,357,709	9,937,478
	<b>13,366,409</b>	<b>9,942,324</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
First National Bank - Current Account - Account Number 522000363994	14,743,109	8,691,212	(4,408,001)	13,357,709	9,942,324	(5,145,574)

### 12. Discontinued operations and non-current assets held for sale

The municipal clinics have been taken over by the Department of Health with effect from the 01 July 2012. This means that the municipality has discontinued the operations of the municipal clinics with effect from that date. The assets and liabilities of the municipal clinics are set out below.

The non-current asset held for sale is in terms of the sale of land at the Fire Station to an enterprise for the development of a mall. Details of the value of the asset is detailed below.

#### Surplus / Deficit of Discontinued Operation

Revenue	1,950,062	1,948,267
Expenses	(3,065,687)	(2,880,997)
	<b>(1,115,625)</b>	<b>(932,730)</b>

#### Assets and liabilities

##### Non-current assets held for sale

Property, plant and equipment	1,228,071	2,280,702
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##### Assets of Discontinued Operation - Municipal Clinics

Property, plant and equipment	312,639	409,349
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### 13. Housing Operating Account

Housing Operating Account	1,095,260	1,095,260
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# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1,324,426	1,778,182
- in second to fifth year inclusive	2,441,507	3,064,477
- later than five years	-	3,064,477
	3,765,933	7,907,136
less: future finance charges	(1,121,561)	(4,498,637)
<b>Present value of minimum lease payments</b>	<b>2,644,372</b>	<b>3,408,499</b>
<b>Present value of minimum lease payments due</b>		
- within one year	833,133	1,202,195
- in second to fifth year inclusive	1,811,239	1,931,311
- later than five years	-	274,993
	2,644,372	3,408,499
Non-current liabilities	1,811,239	2,206,304
Current liabilities	833,133	1,202,195
	2,644,372	3,408,499

It is municipality policy to lease motor vehicles and equipment under finance leases.

Interest rates are linked to prime at 2% below prime at date of contract. Contingent rents have been recognised as an expense of R257,920 (2011: R46,454) as a result of certain conditions in the contract. The leased assets as indicated in note 3 and annexure B. These assets are financed by Wesbank (a division of Firststrand bank Limited), Fleet Africa and Motswako. The average lease term is 5 years.

### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

<b>Unspent conditional grants and receipts</b>		
Good governance grant	84,547	84,547
Municipal assistance programme (MAP) grant	-	210,291
Small town rehabilitation grant	5,591,516	-
Neighbourhood development partnership grant	5,167,953	2,097,942
INEP	3,994,575	-
Municipal Infrastructure Grant (MIG)	1,206,091	-
	<b>16,044,682</b>	<b>2,392,780</b>

These amounts are invested in a ring-fenced investment until utilised.

#### MIG Grant

Balance unspent at the beginning of the year	-	2,567,499
Current year receipts	10,510,000	4,739,000
Conditions met - transferred to revenue	(9,303,909)	(7,306,499)
	<b>1,206,091</b>	<b>-</b>

#### MAP Grant

Balance unspent at the beginning of the year	210,291	210,291
Conditions met - transferred to revenue	(210,291)	-
	<b>-</b>	<b>210,291</b>

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>15. Unspent conditional grants and receipts (continued)</b>		
<b>FMG Grant</b>		
Balance unspent at the beginning of the year	-	16,514
Current year receipts	1,450,000	1,200,000
Conditions met - transferred to revenue	(1,450,000)	(1,216,514)
	-	-
<b>Good governance grant</b>		
Balance unspent at the beginning of the year	84,547	84,547
<b>Neighbourhood development partnership grant</b>		
Balance unspent at the beginning of the year	2,097,942	-
Current year receipts	7,600,000	14,815,505
Conditions met - transferred to revenue	(4,529,989)	(12,717,563)
	<b>5,167,953</b>	<b>2,097,942</b>
<b>Small town rehabilitation grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	7,220,000	-
Conditions met - transferred to revenue	(1,628,484)	-
	<b>5,591,516</b>	-
<b>INEP Grant</b>		
Balance unspent at the beginning of the year	-	-
Brought forward from other receivables	(156,387)	-
Current year receipts	4,500,000	-
Conditions met - transferred to revenue	(349,038)	-
	<b>3,994,575</b>	-

### MIG Grant

This grant is used to address backlogs in municipal infrastructure required for the provision of basic services. It is currently used for the construction of gravel roads, building of creches and for fencing of the landfill site.

### INEP Grant

This grant is used for the installation, rehabilitation and refurbishment of electricity infrastructure at a local level to support the sustained supply of electricity and to eradicate the electrification backlogs.

### MAP Grant

The management assistance programme is funding from provincial government used to assist in the areas of financial management and other capital projects required to ensure the financial viability of the municipality.

### MSIG Grant

This grant is used for infrastructure, capacity building and restructuring. The capacity building and restructuring grants were set up to assist the municipality in developing their planning, budgeting, financial management and technical skills. Furthermore, the municipality used this grant for the payment of the valuation roll expenses. The municipality was also granted a loan from the DBSA to fund the implementation of the Municipal Property Rates Act. This grant will be used to assist in the payment of the DBSA loan which is repayable. The valuation roll expenditure had already been incurred which resulted in an over expenditure of the MSIG grant as at 30 June 2009. This expenditure incurred was fully recognised in the 2009 financial year. The overspent balance was received and the grant was fully spent during the financial year.

### Finance Management Grant

The main objective of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through capacity building in financial management.

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
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### 15. Unspent conditional grants and receipts (continued)

Neighbourhood Development Partnership Grant

This grant is utilised for neighbourhood upliftment and advancement. Projects have been committed and are in progress.

Good Governance Grant

This grant is used to assist the Municipality in achieving good governance.

### 16. Provisions

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Legal proceedings	-	103,616	-	-	-	103,616
Provision for landfill site	440,000	-	-	-	44,000	484,000
Provision for leave pay and performance bonuses	5,768,368	6,950,180	-	(5,768,368)	-	6,950,180
Provision for housing project (SROR)	2,421,002	-	(2,421,002)	-	-	-
	<b>8,629,370</b>	<b>7,053,796</b>	<b>(2,421,002)</b>	<b>(5,768,368)</b>	<b>44,000</b>	<b>7,537,796</b>

#### Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal proceedings	183,540	-	(183,540)	-	-
Provision for landfill site	400,000	40,000	-	-	440,000
Provision for leave pay and performance bonuses	5,777,102	5,768,368	-	(5,777,102)	5,768,368
Provision for housing project (SROR)	-	2,421,002	-	-	2,421,002
	<b>6,360,642</b>	<b>8,229,370</b>	<b>(183,540)</b>	<b>(5,777,102)</b>	<b>8,629,370</b>

#### Landfill rehabilitation

The landfill site provision is a provision to rehabilitate the landfill site. The landfill site currently has an estimated useful life of 5 years. A valuation for the rehabilitation of the landfill site was conducted by the municipality and certified by authorised civil engineers.

#### Legal proceedings provisions

The legal cost provision arises as a result of legal action being instituted against a defaulting consumer. The matter is currently being heard in the High Court and is being defended with costs. The provision is for legal fees that are likely to be incurred.

#### Provision for housing project

The municipality challenged SROR Developments CC on the quality of houses that were built for the Wembezi housing project. The municipality felt that the houses were of poor quality. This was challenged by the developer and the matter was taken to court. The arbitration award was given in the developers favour to the value of R2,421,002.

#### Employee benefit cost provision

The provision for leave pay and performance bonuses includes amounts that would be payable on all outstanding leave balances as at 30 June 2012 including performance bonuses for all senior managers. The leave pay provision includes the amount that the employees would be entitled to receive should the employees all resign or cease employment with the municipality on the 30th of June 2012.

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>17. Long term loan</b>		
The municipality has received three loans from the Development Bank of Southern Africa (DBSA). The three loans fund the implementation of the new municipal property rates act (valuation roll), the purchase of plant and equipment and to fund the upgrade of the electricity infrastructure. The loan term of the property valuation loan is 4 years, repayable in 2013, the loan term for the plant and equipment is 10 years and the term for the electricity infrastructure is 20 years. The interest rate is 6.75%.		
<b>DBSA Loans</b>		
- MPRA	1,710,930	2,243,004
- Loan 1: Plant and Equipment	6,909,999	4,247,839
- Loan 2: Electricity Upgrade	2,909,775	-
Less: Current portion transferred to current liabilities	(991,847)	(562,131)
	<b>10,538,857</b>	<b>5,928,712</b>
<b>18. Trade and other payables from exchange transactions</b>		
Trade payables	19,396,426	18,801,869
Payments received in advanced - contract in process	-	669,334
Sundry creditor	19,280	852,608
Audit fee accrual	999,999	966,000
	<b>20,415,705</b>	<b>21,289,811</b>
<b>19. Consumer deposits</b>		
Electricity	2,620,285	2,398,301
Interest is not paid to consumers when deposits are refunded.		
Guarantees held in lieu of electricity deposits R1,885,965 (2011: R1,885,965).		
<b>20. Revenue</b>		
Rendering of services	2,658,265	1,429,187
Property rates	35,130,822	33,739,085
Property rates – Penalties imposed and collection charges	5,262,311	6,239,418
Service charges	147,416,913	126,514,097
Rental of facilities & equipment	435,367	407,825
Fines	196,025	200,800
Licences and permits	4,686,611	4,238,603
Government grants & subsidies	46,505,370	45,049,514
	<b>242,291,684</b>	<b>217,818,529</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rendering of services	2,658,265	1,429,187
Service charges	147,416,913	126,514,097
Rental of facilities & equipment	435,367	407,825
Licences and permits	4,686,611	4,238,603
	<b>155,197,156</b>	<b>132,589,712</b>

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>20. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Property rates	35,130,822	33,739,085
Property rates – Penalties imposed and collection charges	5,262,311	6,239,418
Fines	196,025	200,800
<b>Transfer revenue</b>		
Government grants and subsidies	46,505,370	45,049,514
	<b>87,094,528</b>	<b>85,228,817</b>

### 21. Property rates

#### Rates received

Property rates	63,296,672	59,307,713
Less: Income forgone	(28,165,850)	(25,568,628)
	35,130,822	33,739,085
Property rates - penalties imposed and collection charges	5,262,311	6,239,418
	<b>40,393,133</b>	<b>39,978,503</b>

#### Valuations

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June 2012 (30 June 2011). Interest at 1.5% per month (2011: 1.5% per month) and a collection fee of 10% (2011: 10%), is levied on rates outstanding one month after due date.

The new general valuation will be implemented on 01 July 2013.

#### Rates are levied on the following property valuations as per the valuation roll

Agriculture	534,948,000	598,962,000
Agricultural smallholding	95,409,000	98,663,000
Commercial	349,883,000	362,943,000
Communal property	143,005,000	143,224,000
Game farms	7,005,000	22,341,000
Industrial	333,313,000	334,395,000
Institutional	22,812,000	22,812,000
Municipal	221,895,333	230,861,333
Public benefit organisations	2,700,000	2,700,000
Public service infrastructure	44,594,845	42,515,845
Residential	1,582,978,120	1,570,351,120
Residential hospitality	24,280,000	24,280,000
Sectional title - Commercial	7,800,000	7,800,000
Sectional title - Residential	55,851,000	61,191,000
Sectional title - Residential hospitality	2,043,000	2,043,000
State owned	292,387,000	294,502,000
Place of worship	51,586,000	51,319,000
	<b>3,772,490,298</b>	<b>3,870,903,298</b>

## Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>22. Service charges</b>		
Sale of electricity	141,628,841	121,165,243
Refuse removal	5,788,072	5,348,854
	<b>147,416,913</b>	<b>126,514,097</b>
<b>23. Government grants and subsidies recognised in revenue</b>		
Equitable share	25,827,000	21,562,641
Neighbourhood development partnership grant	4,529,989	12,717,563
Department of health grant	1,950,062	1,948,268
Municipal infrastructure grant	9,303,909	7,306,499
Finance management grant	1,450,000	1,216,514
INEP	349,038	298,029
Municipal assistance programme	210,291	-
Municipal systems improvement grant	70,000	-
Museum	250,000	-
Provincialisation of libraries	851,597	-
Community library services grant	85,000	-
Small town rehabilitation grant	1,628,484	-
	<b>46,505,370</b>	<b>45,049,514</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

## Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>24. General expenses</b>		
Advertising	347,010	205,906
Auditors remuneration	979,373	1,296,094
Bank charges	943,514	832,899
Cleaning	10,000	3,000
Commission paid	1,240,171	836,771
Consulting and professional fees	1,026,036	1,470,981
Donations	40,000	11,000
Entertainment	29,996	29,588
Insurance	599,077	426,629
IT expenses	-	26,912
Lease rentals on operating lease	1,791,754	1,357,268
Fleet	304,636	250,389
Levies	21,781	20,481
Medical expenses	65,675	116,107
Fuel and oil	1,524,808	1,303,731
Postage and courier	285,072	331,503
Printing and stationery	354,355	482,753
Promotions	12,882	-
Protective clothing	471,679	125,686
Project maintenance costs	1,051,645	1,136,891
Security (Guarding of municipal property)	3,997,118	2,987,870
Software expenses	821,491	927,353
Telephone and fax	2,001,201	1,541,391
Training	185,255	47,272
Travel - local	454,761	418,354
Rental and hire of plant and equipment	995,983	261,575
Sewerage and waste disposal	-	10,249
Water	1,478,079	1,039,743
Refuse	-	28,071
Internal audit fees	612,532	453,708
Updating of asset register (Grap Conversion)	1,803,755	-
Chemicals	68,644	62,947
Other expenses	4,179,292	4,417,093
	<b>27,697,575</b>	<b>22,460,215</b>

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>25. Employee related costs</b>		
Basic	37,277,234	34,611,555
Bonus	3,473,056	3,181,250
Medical aid - company contributions	2,747,856	1,627,824
Unemployment insurance fund	345,848	332,508
Skills development levies	464,779	432,963
Leave pay provision charge	791,598	(8,734)
Post-employment benefits	1,313,000	913,000
Overtime payments	1,957,271	1,477,175
Car allowance	1,391,241	1,087,980
Housing benefits and allowances	306,451	326,580
Group life insurance	239,997	226,887
Other payroll levies	15,643	16,268
Other allowances	658,376	523,334
Pension funds	5,179,615	5,859,343
Redemption of leave	228,976	181,305
	<b>56,390,941</b>	<b>50,789,238</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	951,761	897,211
Unemployment insurance fund	1,497	1,497
Reimbursive travelling and subsistence claims	11,152	-
	<b>964,410</b>	<b>898,708</b>
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration	567,067	527,104
Travel Allowance	130,176	130,176
UIF	1,497	1,497
Acting allowance	-	15,683
	<b>698,740</b>	<b>674,460</b>
<b>Remuneration of Director Planning, Economic and Social Services</b>		
Annual Remuneration	440,859	403,150
Travel Allowance	128,604	128,604
Telephone allowance	30,890	30,890
Subsistence and travelling allowance	21,421	21,403
Housing allowance	80,690	80,690
Acting allowance	15,000	59,582
UIF	1,497	1,497
	<b>718,961</b>	<b>725,816</b>
<b>Remuneration Director Corporate Services</b>		
Director Corporate Services was appointed on the 14th of September 2011.		
Annual Remuneration	451,664	-
Travel allowance	38,103	-
UIF	1,248	-
	<b>491,015</b>	<b>-</b>
<b>Remuneration Director Technical Services</b>		

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>25. Employee related costs (continued)</b>		
The Director Technical Services was appointed on the 3rd October 2011.		
Annual Remuneration	325,621	-
Travel Allowance	135,000	-
Telephone allowance	4,552	-
UIF	1,123	-
	<b>466,296</b>	<b>-</b>

### 26. Remuneration of councillors

Mayor	399,062	352,149
Deputy Mayor	319,250	308,899
Executive Committee Members	164,613	153,277
Speaker	319,250	314,659
Councillors	1,517,354	1,223,577
Councillors' pension contribution	387,103	349,052
Councillors allowances	1,252,944	971,428
	<b>4,359,576</b>	<b>3,673,041</b>

### In-kind benefits

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

The Mayor has the use of a Council owned vehicle for official duties.

The Mayor has four full-time bodyguards. The Deputy Mayor and Speaker have two full-time bodyguards.

### 27. Debt impairment

Contributions to debt impairment provision	(298,378)	2,788,529
Debts impaired	13,180,378	-
	<b>12,882,000</b>	<b>2,788,529</b>

The doubtful debt provision for 2012: R30,378,242 (2011: R30,676,620) was raised and the prior year provision reversed resulting in a previous year over provision of R298,378. During the financial year Council had taken a resolution to write off all debt relating to indigent consumers of R11,851,018 and had taken resolutions to write off additional debt to other consumers of R1,329,360 resulting in a R13,180,378 write off of debt for the year.

### 28. Investment revenue

#### Interest revenue

Interest	1,729,259	1,069,371
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The amount included in Investment revenue arising from non-exchange transactions amounted to R1,729,259.

### 29. Depreciation and amortisation

Property, plant and equipment	32,590,802	38,430,293
Intangible assets	79,417	246,716
	<b>32,670,219</b>	<b>38,677,009</b>

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>30. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	62,457	-
The recoverable amount of certain motor vehicles and office furniture was less than the carrying amount of the asset. Upon physical verification of the assets, it was found that the assets were damaged and therefore had a fair value less costs to sell that were below the carrying amount of the assets. These assets were thus impaired.		
The main classes of assets affected by impairment losses are referred in note 3.		
<b>31. Finance costs</b>		
Finance leases	765,703	823,525
Unwinding discount - Landfill site	44,000	40,000
Other interest paid	143,741	148,837
	<b>953,444</b>	<b>1,012,362</b>
<b>32. Auditors' remuneration</b>		
External Audit Fees	979,373	1,296,094
<b>33. Operating lease</b>		
The Municipality has an operating lease with Wesbank for the lease of vehicles and the arrangements of the lease includes:		
<ul style="list-style-type: none"><li>• basis on which contingent rent payable is determined.</li><li>• the existence and terms of renewal or purchases options and escalation clauses; and</li><li>• restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends, additional debt and further leasing.</li></ul>		
The operating lease is for a period of three years from August 2010 to August 2013. The monthly lease rentals are R148,479.		
<b>Minimum lease payments due</b>		
- within one year	1,781,753	1,781,753
- in second to fifth year inclusive	296,958	2,168,291
	<b>2,078,711</b>	<b>3,950,044</b>
<b>34. Bulk purchases</b>		
Electricity	113,864,508	92,582,032

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>35. Cash generated from operations</b>		
(Deficit) surplus	(12,083,758)	4,767,676
<b>Adjustments for:</b>		
Depreciation and amortisation	32,670,219	38,677,009
Loss of inventory	2,161	33,095
Finance costs	953,444	1,012,362
Impairment deficit	62,457	-
Debt impairment	12,882,000	2,788,529
Movements in provisions	(1,091,574)	2,268,732
<b>Changes in working capital:</b>		
Inventories	(15,899)	(145,352)
Other receivables from non exchange transactions	805,207	1,111,971
Consumer debtors	(3,615,758)	1,476,866
Trade and other payables from exchange transactions	(874,102)	2,941,968
VAT	(4,941,156)	(4,082,851)
Unspent conditional grants and receipts	13,651,902	(486,072)
Consumer deposits	221,984	201,374
	<b>38,627,127</b>	<b>50,565,307</b>

## 36. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	16,044,682	1,257,688
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#### Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	26,198,000	21,791,400
---------------------------------	------------	------------

This committed expenditure relates to plant and equipment and will be financed by all unspent grant allocations. The amounts not yet contracted are MIG projects that have been approved but have not yet commenced. These will be funded by future MIG allocations.

## 37. Contingent Liabilities

At the time of completion of the annual financial statement, there were no contingent liabilities.

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
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### 38. Awards to close family members of persons in the service of the state

Name of Business	V&A Decor and Marquees CC
Relationship of owner to person in the service of the state	Spouse
Name of person in the service of the state	Mrs A Omardath
Capacity of person in the service of the state	Municipal Official
Amount of the award including Vat	R17,350
Name of Business	Superion Trading Enterprise
Relationship of owner to person in the service of the state	Spouse
Name of person in the service of the state	Cllr BA Dlamini
Capacity of person in the service of the state	Member of municipal council
Amount of the award including Vat	R10,400

The above awards were made to close family members of persons in the service of the state in terms of the Municipal SCM Regulations paragraph 45.

### Related party transactions

#### Purchases from related parties

Superion Trading Enterprise	10,400	700
V&A Decor and Marquees CC	17,350	-

The above related party transactions took place during the 2011/2012 financial year. The details of the relationships are detailed above.

All procurements with V&A Decor Marquees CC ceased when Mrs Omardath was appointed on a permanent basis by the municipality. The transactions recorded above were for the period in which Mrs Omardath was employed on a temporary basis.

### 39. Prior period errors

Adjustments were made to the property rates income due to valuation roll adjustments made by the municipal valuers. A liability for a stock certificate was also raised as it was not previously included in the annual financial statements. Also, credit notes and payments to suppliers for assets were incorrectly sent to the incorrect votes. These were corrected. No prior year was amended as the amount was regarded as immaterial.

Vehicles purchased on an operating lease were incorrectly capitalised in the 2010/2011 financial year. Adjustments were made to remove the vehicles from property, plant and equipment.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment	539,310	1,861,945
Consumer Debtors	(721,626)	-
Long term liabilities	(8,000)	-
Trade and other payables	52,113	-
Opening Accumulated Surplus or Deficit	(89,950)	(1,861,945)

#### Statement of Financial Performance

Rates revenue	721,626	-
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# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
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### 40. Risk management

#### Liquidity risk

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 municipality's financial liabilities are all classified as current liabilities, payable within the next 12 months, other than the finance lease and long term loans, the maturity of which is disclosed in the finance lease note and long term loans note.

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

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

- Call Deposits
- Notice Deposits
- Long term debtors

#### Effect of movements in interest rates

2% Increase in interest rate of investments	448,871	113,945
2% Decrease in interest rate of investments	(448,871)	-
2% Increase in interest rates of loans	(533,199)	-
2% Decrease in interest rates of loans	533,199	197,969
	-	<b>311,914</b>

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments 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 evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Council. The utilisation of credit limits is regularly monitored.

### 41. Going concern

We draw attention to the fact that at 30 June 2012, the municipality had an accumulated surplus of R 642,871,283 and that the municipality's total assets exceeded its liabilities by R 643,966,543.

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

### 42. Irregular expenditure

Opening balance	-	340,000
Add: Irregular Expenditure - current year	44,316	91,000
Less: Amounts condoned	(36,438)	(431,000)
Less: Amounts recoverable (not condoned)	(7,878)	-
	-	-

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
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### 42. Irregular expenditure (continued)

#### Details of irregular expenditure – current year

-

#### Details of irregular expenditure condoned

SCM procedures not correctly followed in procuring goods and services	Condoned by (condoning authority) Condoned by Council - Resolution No. 332.06.12	36,438
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#### Details of irregular expenditure recoverable (not condoned)

SCM procedures not correctly followed for the procuring of traffic equipment	7,878
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### 43. In-kind donations and assistance

Assistance was given to the Municipality by KZN Provincial Treasury to assist the Municipality with cashflow management.

### 44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that she records the reasons for any deviations and reports them to the next meeting of the municipal council and includes a note to the annual financial statements.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. All expenses incurred have been condoned.

All deviations have been approved by Council and have been reported to National Treasury, Provincial Treasury and the Auditor General in compliance with section 114 of the Municipal Finance Management Act, 56 of 2003.

#### Summary of deviations

Procurement of specialised electricity vehicle	295,757	-
Procurement of asset management specialists - I Chain	318,790	-
	<b>614,547</b>	<b>-</b>

### 45. Municipal Entity - Midlands Development Agency

The Municipality, in association with Umgeni Municipality and Mpofana Municipality, is forming a municipal entity called the Midlands Development Agency. The entity is still in the process of being established. The purpose of the entity is to implement development projects in the Midlands between Howick and Estcourt.

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>46. Councillor's arrear consumers accounts</b>		
<b>The following Councillors had arrear accounts over 90 days during the financial year as follows:-</b>		
Dlamini Bhekithemba Abel	-	10,387
Lite Edith	3,122	2,743
Magubane Siphamandla Duncan	3,754	7,644
Mdakane Mhlabumangele Zeph	9,875	7,570
Ndawonde Bongumusa Howard	3,927	11,658
Zuma Ntokozo Fortunate	-	3,981
	<b>20,678</b>	<b>43,983</b>
<b>47. Electricity Losses</b>		
<b>Electricity units purchased from Eskom</b>		
Estcourt (units)	200,381,561	205,322,198
Wembezi (Units)	12,874,763	12,732,129
	<b>213,256,324</b>	<b>218,054,327</b>
<b>Electricity units sold by the Municipality</b>		
Domestic (units)	38,850,463	34,499,240
Commercial (units)	16,244,022	12,805,458
Bulk (units)	144,931,625	152,535,775
Departmental (units)	2,310,668	2,726,660
	<b>202,336,778</b>	<b>202,567,133</b>

Electricity losses for the financial year is 5.12% (2011: 7.1%). These losses are attributable to electricity line losses within the electricity network infrastructure.

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>								
Property rates	39,195,000	40,795,000		40,795,000	40,393,133	401,867	99 %	103 %
Service charges	161,276,000	149,276,954		149,276,954	147,416,913	1,860,041	99 %	91 %
Investment revenue	249,000	249,000		249,000	1,729,259	(1,480,259)	694 %	694 %
Transfers recognised	68,408,000	59,310,000		59,310,000	46,505,370	12,804,630	78 %	68 %
Other own revenue	6,386,000	7,065,000		7,065,000	8,906,718	(1,841,718)	126 %	139 %
<b>Total revenue</b>	<b>275,514,000</b>	<b>256,695,954</b>		<b>256,695,954</b>	<b>244,951,393</b>	<b>11,744,561</b>	<b>95 %</b>	<b>89 %</b>
Employee costs	(56,823,000)	(56,158,039)	(250,000)	(56,408,039)	(56,390,941)	(17,098)	100 %	99 %
Remuneration of councillors	(4,024,000)	(4,691,460)	-	(4,691,460)	(4,359,576)	(331,884)	93 %	108 %
Debt impairment	(10,000,000)	(12,900,000)		(12,900,000)	(12,882,000)	(18,000)	100 %	129 %
Depreciation and asset impairment	(31,686,000)	(33,500,000)		(33,500,000)	(32,732,676)	(767,324)	98 %	103 %
Finance charges	(1,050,000)	(2,050,000)	-	(2,050,000)	(953,444)	(1,096,556)	47 %	91 %
Materials and bulk purchases	(121,948,000)	(121,948,000)	2,812,541	(119,135,459)	(113,864,508)	(5,270,951)	96 %	93 %
Other expenditure	(27,823,000)	(33,619,000)	(2,562,541)	(36,181,541)	(35,852,006)	(329,535)	99 %	129 %
<b>Total expenditure</b>	<b>(253,354,000)</b>	<b>(264,866,499)</b>	<b>-</b>	<b>(264,866,499)</b>	<b>(257,035,151)</b>	<b>(7,831,348)</b>	<b>97 %</b>	<b>101 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>22,160,000</b>	<b>(8,170,545)</b>		<b>(8,170,545)</b>	<b>(12,083,758)</b>	<b>3,913,213</b>	<b>148 %</b>	<b>(55)%</b>

# Umtshezi Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Statement of comparative and actual information (continued)

			Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>										
Total capital expenditure	47,352,000	41,788,353	-	41,788,353	24,458,614	17,329,739	59 %	52 %		
<b>Sources of capital funds</b>										
Transfers recognised - capital	39,010,000	29,830,000		29,830,000	14,259,629	15,570,371	48 %	37 %		
Borrowing	4,500,000	7,605,178		7,605,178	6,847,515	757,663	90 %	152 %		
Internally generated funds	3,842,000	4,353,175		4,353,175	3,351,470	1,001,705	77 %	87 %		
<b>Total sources of capital funds</b>	<b>47,352,000</b>	<b>41,788,353</b>		<b>41,788,353</b>	<b>24,458,614</b>	<b>17,329,739</b>	<b>59 %</b>	<b>52 %</b>		
<b>Cash flows</b>										
Net cash from (used) operating	60,328,000	31,097,000		31,097,000	38,627,127	(7,530,127)	124 %	64 %		
Net cash from (used) investing	(47,387,000)	(39,146,000)		(39,146,000)	(39,478,776)	332,776	101 %	83 %		
Net cash from (used) financing	-	378,000		378,000	4,275,734	(3,897,734)	1,131 %	DIV/0 %		
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12,941,000</b>	<b>(7,671,000)</b>		<b>(7,671,000)</b>	<b>3,424,085</b>	<b>(11,095,085)</b>	<b>(45)%</b>	<b>26 %</b>		
Cash and cash equivalents at the beginning of the year	(9,434,000)	9,942,000		9,942,000	9,942,324	(324)	100 %	(105)%		
<b>Cash and cash equivalents at year end</b>	<b>3,507,000</b>	<b>2,271,000</b>		<b>2,271,000</b>	<b>13,366,409</b>	<b>(11,095,409)</b>	<b>589 %</b>	<b>381 %</b>		

# Umtshezi Municipality

## Appendix A

June 2012

### Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Development Bank of South Africa</b>							
DBSA - MPRA LOAN	2013	2,243,005	-	532,075	1,710,930	-	-
LOAN 1 - Plant and Equipment	61000894 2021	4,247,839	2,662,160	-	6,909,999	-	-
LOAN 2 - Electricity upgrade	61000893 2031	-	2,919,146	9,371	2,909,775	-	-
		<b>6,490,844</b>	<b>5,581,306</b>	<b>541,446</b>	<b>11,530,704</b>	<b>-</b>	<b>-</b>
<b>Lease liability</b>							
Motswako, Wesbank, Fleet Africa		3,408,499	437,317	1,201,446	2,644,370	6,433,097	-
		<b>3,408,499</b>	<b>437,317</b>	<b>1,201,446</b>	<b>2,644,370</b>	<b>6,433,097</b>	<b>-</b>
<b>Total external loans</b>							
Development Bank of South Africa		6,490,844	5,581,306	541,446	11,530,704	-	-
Lease liability		3,408,499	437,317	1,201,446	2,644,370	6,433,097	-
		<b>9,899,343</b>	<b>6,018,623</b>	<b>1,742,892</b>	<b>14,175,074</b>	<b>6,433,097</b>	<b>-</b>

## June 2012

## Cost/Revaluation

## Land and buildings

Land (Separate for AFS purposes)	164,638,333	-	-	-	-	-	164,638,333	-	-	-	-	-	164,638,333
Landfill Sites (Separate for AFS purposes)	378,032	1,825,319	-	-	-	-	2,203,351	(177,696)	-	-	(39,837)	(217,533)	1,985,818
Buildings (Separate for AFS purposes)	215,398,230	1,173,333	-	-	-	-	216,571,563	(51,586,778)	-	-	(12,762,762)	(64,349,540)	152,222,023
	<b>380,414,595</b>	<b>2,998,652</b>	-	-	-	-	<b>383,413,247</b>	<b>(51,764,474)</b>	-	-	<b>(12,802,599)</b>	<b>(64,567,073)</b>	<b>318,846,174</b>

## Infrastructure

Roads, Pavements & Bridges	240,498,412	10,267,068	-	-	-	-	250,765,480	(69,044,423)	-	-	(10,627,202)	-	(79,671,625)	171,093,855
Storm water	64,669,939	-	-	-	-	-	64,669,939	(9,572,674)	-	-	(2,398,083)	-	(11,970,757)	52,699,182
Transmission & Reticulation	68,353,303	4,911,625	-	-	-	-	73,264,928	(10,329,560)	-	-	(2,369,684)	-	(12,699,244)	60,565,684
	<b>373,521,654</b>	<b>15,178,693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>388,700,347</b>	<b>(88,946,657)</b>	<b>-</b>	<b>-</b>	<b>(15,394,969)</b>	<b>-</b>	<b>(104,341,626)</b>	<b>284,358,721</b>

## Community Assets

Parks & gardens	117,882	1,200,724	-	-	-	-	<b>1,318,606</b>	(4,000)	-	-	(11,925)	-	<b>(15,925)</b>	1,302,681
Sportsfields and stadium	10,603,690	-	-	-	-	-	<b>10,603,690</b>	(2,090,184)	-	-	(522,250)	-	<b>(2,612,434)</b>	7,991,256
Swimming pools	71,910	7,080	-	-	-	-	<b>78,990</b>	-	-	-	(7,498)	-	<b>(7,498)</b>	71,492
Cemeteries	859,603	-	-	-	-	-	<b>859,603</b>	(236,317)	-	-	(61,037)	-	<b>(297,354)</b>	562,249
	<b>11,653,085</b>	<b>1,207,804</b>	-	-	-	-	<b>12,860,889</b>	<b>(2,330,501)</b>	-	-	<b>(602,710)</b>	-	<b>(2,933,211)</b>	<b>9,927,678</b>

## June 2012

## Cost/Revaluation

**Heritage assets**  
**Specialised vehicles**

Refuse	1,048,084	1,817,718	-	-	-	-	<b>2,865,802</b>	(89,958)	-	-	(105,162)	-	<b>(195,120)</b>	2,670,682
Fire	1,096,663	-	-	-	-	-	<b>1,096,663</b>	(325,624)	-	-	(123,084)	-	<b>(448,708)</b>	647,955
Fire - Leased	1,418,903	-	-	-	-	-	<b>1,418,903</b>	(556,723)	-	-	(141,665)	-	<b>(698,388)</b>	720,515
	<b>3,563,650</b>	<b>1,817,718</b>	-	-	-	-	<b>5,381,368</b>	<b>(972,305)</b>	-	-	<b>(369,911)</b>	-	<b>(1,342,216)</b>	<b>4,039,152</b>

### Other assets

General vehicles	8,731,548	1,943,054	-	-	-	(146,198)	10,528,404	(3,771,986)	316,825	-	(1,234,823)	-	(4,689,984)	5,838,420
Plant & equipment	4,263,961	987,641	(13,696)	-	-	-	5,237,906	(2,304,382)	3,982	-	(479,055)	-	(2,779,455)	2,458,451
Computer Equipment	5,324,285	255,968	(2,761)	-	-	-	5,577,492	(4,574,456)	1,740	-	(209,292)	-	(4,782,008)	795,484
Furniture & Fittings	3,251,788	241,286	(10,685)	-	-	-	3,462,389	(1,614,624)	6,228	-	(459,157)	657	(2,066,896)	1,415,493
Office Equipment	1,526,596	148,587	(15,756)	-	-	-	1,659,427	(652,346)	7,173	-	(175,021)	5,895	(814,299)	845,128
Security measures	118,867	-	-	-	-	-	118,867	(89,834)	-	-	(17,573)	-	(107,407)	11,460
Bins and Containers	750	-	-	-	-	-	750	(750)	-	-	-	-	(750)	-
Other	5,694	-	-	-	-	-	5,694	(3,408)	-	-	(574)	-	(3,982)	1,712
General Vehicles - Leased	3,024,433	-	(1,162,933)	-	-	-	1,861,500	(1,699,237)	618,049	-	(474,702)	77,188	(1,478,702)	382,798
Office Equipment - Leased	1,989,761	45,089	-	-	-	-	2,034,850	(971,933)	-	-	(370,417)	-	(1,342,350)	692,500
	28,237,683	3,621,625	(1,205,831)	-	-	(146,198)	30,507,279	(15,682,956)	953,997	-	(3,420,614)	83,740	(18,065,833)	12,441,446

**Umtshezi Municipality**  
**Umtshezi Municipality**  
**Appendix B**  
June 2012

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

	Opening Balance	Additions incl Fair Value Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>														
Land and buildings	380,414,595	2,998,652	-	-	-	-	383,413,247	(51,764,474)	-	-	(12,802,599)	-	(64,567,073)	318,846,174
Infrastructure	373,521,654	15,178,693	-	-	-	-	388,700,347	(88,946,657)	-	-	(15,394,969)	-	(104,341,626)	284,358,721
Community Assets	11,653,085	1,207,804	-	-	-	-	12,860,889	(2,330,501)	-	-	(602,710)	-	(2,933,211)	9,927,678
Specialised vehicles	3,563,650	1,817,718	-	-	-	-	5,381,368	(972,305)	-	-	(369,911)	-	(1,342,216)	4,039,152
Other assets	28,237,683	3,621,625	(1,205,831)	-	-	(146,198)	30,507,279	(15,682,956)	953,997	-	(3,420,614)	83,740	(18,065,833)	12,441,446
	<b>797,390,667</b>	<b>24,824,492</b>	<b>(1,205,831)</b>	<b>-</b>	<b>-</b>	<b>(146,198)</b>	<b>820,863,130</b>	<b>(159,696,893)</b>	<b>953,997</b>	<b>-</b>	<b>(32,590,803)</b>	<b>83,740</b>	<b>(191,249,959)</b>	<b>629,613,171</b>
<b>Agricultural/Biological assets</b>														
<b>Intangible assets</b>														
Networking	100,000	-	-	-	-	-	100,000	(100,000)	-	-	-	-	(100,000)	-
Software	786,694	78,140	-	-	-	-	864,834	(599,643)	-	-	(79,416)	-	(679,059)	185,775
	<b>886,694</b>	<b>78,140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>964,834</b>	<b>(699,643)</b>	<b>-</b>	<b>-</b>	<b>(79,416)</b>	<b>-</b>	<b>(779,059)</b>	<b>185,775</b>
<b>Investment properties</b>														
<b>Total</b>														
Land and buildings	380,414,595	2,998,652	-	-	-	-	383,413,247	(51,764,474)	-	-	(12,802,599)	-	(64,567,073)	318,846,174
Infrastructure	373,521,654	15,178,693	-	-	-	-	388,700,347	(88,946,657)	-	-	(15,394,969)	-	(104,341,626)	284,358,721
Community Assets	11,653,085	1,207,804	-	-	-	-	12,860,889	(2,330,501)	-	-	(602,710)	-	(2,933,211)	9,927,678
Specialised vehicles	3,563,650	1,817,718	-	-	-	-	5,381,368	(972,305)	-	-	(369,911)	-	(1,342,216)	4,039,152
Other assets	28,237,683	3,621,625	(1,205,831)	-	-	(146,198)	30,507,279	(15,682,956)	953,997	-	(3,420,614)	83,740	(18,065,833)	12,441,446
Intangible assets	886,694	78,140	-	-	-	-	964,834	(699,643)	-	-	(79,416)	-	(779,059)	185,775
	<b>798,277,361</b>	<b>24,902,632</b>	<b>(1,205,831)</b>	<b>-</b>	<b>-</b>	<b>(146,198)</b>	<b>821,827,964</b>	<b>(160,396,536)</b>	<b>953,997</b>	<b>-</b>	<b>(32,670,219)</b>	<b>83,740</b>	<b>(192,029,018)</b>	<b>629,798,946</b>

**Umtshezi Municipality  
Umtshezi Municipality  
Appendix B**

Analysis of property, plant and equipment as at 30 June 2011	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Property and Permanent Works</b>														
Electrical infrastructure	65,578,393	2,599,910	-	-	-	-	68,178,303	(7,747,170)	-	-	(2,582,390)	-	(10,329,560)	57,848,743
Grounds and fences	11,447,041	206,044	-	-	-	-	11,653,085	(1,747,876)	-	-	(582,625)	-	(2,330,501)	9,322,584
Buildings	185,882,207	10,947	-	-	-	-	185,893,154	(38,690,084)	-	-	(12,896,695)	-	(51,586,779)	134,306,375
Landfill site	378,032	-	-	-	-	-	378,032	(133,272)	-	-	(44,424)	-	(177,696)	200,336
Land	164,638,333	-	-	-	-	-	164,638,333	-	-	-	-	-	-	164,638,333
Roads	279,825,990	19,901,631	-	-	-	-	299,727,621	(58,962,823)	-	-	(19,654,274)	-	(78,617,097)	221,110,524
<b>Other Assets</b>														
Furn & Office Equipment	4,972,761	817,754	(57,917)	-	-	-	5,732,598	(2,165,633)	57,531	-	(708,405)	-	(2,816,507)	2,916,091
IT Equipment	5,173,559	33,069	(82,467)	-	-	-	5,124,161	(4,395,542)	74,780	-	(195,488)	-	(4,516,250)	607,911
Plant and equipment	3,308,325	356,927	(12,801)	-	-	-	3,652,451	(1,547,473)	9,384	-	(368,953)	-	(1,907,042)	1,745,409
Motor vehicles	6,000,097	7,373,493	(635,348)	-	-	(1,861,945)	10,876,297	(4,165,649)	614,640	-	(636,560)	-	(4,187,569)	6,688,728
	19,454,742	8,581,243	(788,533)	-	-	(1,861,945)	25,385,507	(12,274,297)	756,335	-	(1,909,406)	-	(13,427,368)	11,958,139
<b>Leased assets</b>														
Vehicles and equipment	6,433,097	-	-	-	-	-	6,433,097	(2,297,633)	-	-	(930,259)	-	(3,227,892)	3,205,205
	6,433,097	-	-	-	-	-	6,433,097	(2,297,633)	-	-	(930,259)	-	(3,227,892)	3,205,205

**Analysis of property, plant and equipment as at 30 June 2011**  
**Cost/Revaluation**                      **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Work in Progress</b>														
Land and buildings	24,596,590	4,908,486	-	-	-	-	<b>29,505,076</b>	-	-	-	-	-	-	29,505,076
Electrical infrastructure	-	175,000	-	-	-	-	<b>175,000</b>	-	-	-	-	-	-	175,000
Roads	5,440,730	-	-	-	-	-	<b>5,440,730</b>	-	-	-	-	-	-	5,440,730
	<b>30,037,320</b>	<b>5,083,486</b>	-	-	-	-	<b>35,120,806</b>	-	-	-	-	-	-	<b>35,120,806</b>

**Specialised vehicles**  
**Other assets**

**Analysis of property, plant and equipment as at 30 June 2011**  
**Cost/Revaluation**                      **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Property and Permanent Works	707,749,996	22,718,532	-	-	-	-	<b>730,468,528</b>	(107,281,225)	-	-	(35,760,408)	-	<b>(143,041,633)</b>	587,426,895
Other Assets	19,454,742	8,581,243	(788,533)	-	-	<b>(1,861,945)</b>	<b>25,385,507</b>	(12,274,297)	756,335	-	(1,909,406)	-	<b>(13,427,368)</b>	11,958,139
Leased assets	6,433,097	-	-	-	-	-	<b>6,433,097</b>	(2,297,633)	-	-	(930,259)	-	<b>(3,227,892)</b>	3,205,205
Work in Progress	30,037,320	5,083,486	-	-	-	-	<b>35,120,806</b>	-	-	-	-	-	-	35,120,806
	<b>763,675,155</b>	<b>36,383,261</b>	<b>(788,533)</b>	-	-	<b>(1,861,945)</b>	<b>797,407,938</b>	<b>(121,853,155)</b>	<b>756,335</b>	-	<b>(38,600,073)</b>	-	<b>(159,696,893)</b>	<b>637,711,045</b>
<b>Intangible assets</b>														
Networking	100,000	-	-	-	-	-	<b>100,000</b>	(100,000)	-	-	-	-	<b>(100,000)</b>	-
Software	769,424	-	-	-	-	-	<b>769,424</b>	(522,708)	-	-	(76,935)	-	<b>(599,643)</b>	169,781
	<b>869,424</b>	-	-	-	-	-	<b>869,424</b>	<b>(622,708)</b>	-	-	<b>(76,935)</b>	-	<b>(699,643)</b>	<b>169,781</b>
<b>Total</b>	<b>764,544,579</b>	<b>36,383,261</b>	<b>(788,533)</b>	-	-	<b>(1,861,945)</b>	<b>798,277,362</b>	<b>(122,475,863)</b>	<b>756,335</b>	-	<b>(38,677,008)</b>	-	<b>(160,396,536)</b>	<b>637,880,826</b>

# Umtshezi Municipality

## Appendix C

June 2012

Segmental analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated Depreciation

Opening Balance Rand	Additions	Disposals	Transfers	Revaluations	Impairments	Closing Balance Rand	Opening Balance Rand	Disposals	Transfers	Depreciation	Impairment deficit	Closing Balance Rand	Carrying value Rand
	Rand	Rand	Rand	Rand	Rand			Rand	Rand	Rand	Rand		
385,337,518	1,603,362	(850,941)	-	-	-	386,089,939	(53,812,767)	618,049	-	(13,156,082)	-	(66,350,800)	319,739,139
9,573,773	532,124	(251,002)	-	-	-	9,854,895	(7,128,065)	251,001	-	(732,358)	-	(7,609,422)	2,245,473
1,985,363	1,827,826	(536)	-	-	(5,895)	3,806,758	(467,060)	429	-	(318,196)	5,894	(778,933)	3,027,825
886,853	374,836	(21,786)	-	-	-	1,239,903	(476,717)	16,479	-	(132,769)	-	(593,007)	646,896
674,664	16,131	-	-	-	-	690,795	(377,066)	-	-	(92,043)	-	(469,109)	221,686
3,604,593	107,131	(3,174)	-	-	(140,303)	3,568,247	(1,609,670)	2,429	-	(645,350)	77,846	(2,174,745)	1,393,502
15,984,622	1,964,544	(58,172)	-	-	-	17,890,994	(4,956,247)	45,382	-	(989,487)	-	(5,900,352)	11,990,642
2,986,028	1,870,219	-	-	-	-	4,856,247	(1,402,589)	-	-	(250,771)	-	(1,653,360)	3,202,887
306,997,960	11,148,528	-	-	-	-	318,146,488	(79,170,284)	-	-	(13,758,860)	-	(92,929,144)	225,217,344
70,245,987	5,457,939	(20,227)	-	-	-	75,683,699	(10,996,070)	20,228	-	(2,594,303)	-	(13,570,145)	62,113,554
<b>798,277,361</b>	<b>24,902,640</b>	<b>(1,205,838)</b>	<b>-</b>	<b>-</b>	<b>(146,198)</b>	<b>821,827,965</b>	<b>(160,396,535)</b>	<b>953,997</b>	<b>-</b>	<b>(32,670,219)</b>	<b>83,740</b>	<b>(192,029,017)</b>	<b>629,798,948</b>
798,277,361	24,902,640	(1,205,838)	-	-	(146,198)	821,827,965	(160,396,535)	953,997	-	(32,670,219)	83,740	(192,029,017)	629,798,948
<b>798,277,361</b>	<b>24,902,640</b>	<b>(1,205,838)</b>	<b>-</b>	<b>-</b>	<b>(146,198)</b>	<b>821,827,965</b>	<b>(160,396,535)</b>	<b>953,997</b>	<b>-</b>	<b>(32,670,219)</b>	<b>83,740</b>	<b>(192,029,017)</b>	<b>629,798,948</b>

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

<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>		<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>
<b>Municipality</b>						
1,506,469	17,568,036	(16,061,567)	Executive & Council/Mayor and Council	397,601	53,392,748	(52,995,147)
76,729,419	19,773,687	56,955,732	Finance & Admin/Finance	76,121,897	37,563,461	38,558,436
5,782,914	21,411,405	(15,628,491)	Planning and Development/Economic Development/Plan	6,296,986	21,382,458	(15,085,472)
1,948,268	2,880,997	(932,729)	Health/Clinics	1,950,062	3,065,687	(1,115,625)
19,964	1,966,010	(1,946,046)	Comm. & Social/Libraries and archives	1,190,745	1,783,739	(592,994)
4,037,803	4,544,785	(506,982)	Public Safety/Police	4,882,311	5,405,397	(523,086)
7,557,415	7,813,232	(255,817)	Road Transport/Roads	9,952,596	11,299,954	(1,347,358)
122,343,155	139,199,574	(16,856,419)	Electricity /Electricity Distribution	144,159,183	123,558,227	20,600,956
<b>219,925,407</b>	<b>215,157,726</b>	<b>4,767,681</b>		<b>244,951,381</b>	<b>257,451,671</b>	<b>(12,500,290)</b>
<b>Municipal Owned Entities</b>						
<b>Other charges</b>						
219,925,407	215,157,726	4,767,681	Municipality	244,951,381	257,451,671	(12,500,290)
<b>219,925,407</b>	<b>215,157,726</b>	<b>4,767,681</b>	<b>Total</b>	<b>244,951,381</b>	<b>257,451,671</b>	<b>(12,500,290)</b>