

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 2. New standards and interpretations

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

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

##### GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

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

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

All amendments to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

##### GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

##### GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

##### GRAP 9 (as revised 2012): Revenue from Exchange Transactions

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## Notes to the Annual Financial Statements

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

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 12 (as revised 2012): Inventories**

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 13 (as revised 2012): Leases**

Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 16 (as revised 2012): Investment Property**

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 17 (as revised 2012): Property, Plant and Equipment**

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue**

This interpretation now addresses the manner in which the municipality applies the probability test on initial recognition of both:

- (a) exchange revenue (GRAP 9); and
- (b) non-exchange revenue (GRAP 23).

All amendments to be applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **IGRAP 16: Intangible Assets - Website Costs**

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

Interpretation to be applied retrospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

#### **GRAP 18: Segment Reporting**

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

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

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

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

The standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### **GRAP 105: Transfers of Functions Between Entities Under Common Control**

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it become effective.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 106: Transfers of Functions Between Entities not Under Common Control**

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

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

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

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

### GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 32: Service Concession Arrangements: Grantor**

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 108: Statutory Receivables**

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, by-laws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### **GRAP 5 (revised 2013): Borrowing Costs**

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

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

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 100 (revised 2013): Discontinued Operations**

## Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

### Notes to the Annual Financial Statements

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

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

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

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.



# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 3. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	374 869 452	(88 799 507)	286 069 945	341 177 098	(75 831 075)	265 346 023
Motor vehicles	14 390 192	(7 275 686)	7 114 506	13 954 256	(5 600 754)	8 353 502
Infrastructure	411 925 726	(123 100 631)	288 825 095	394 005 974	(102 048 260)	291 957 714
Other equipment	18 460 943	(11 116 391)	7 344 552	15 636 562	(9 050 934)	6 585 628
Work in progress	28 372 717	-	28 372 717	40 159 857	-	40 159 857
Finance leased assets	15 717 241	(3 568 008)	12 149 233	6 381 189	(2 837 605)	3 543 584
<b>Total</b>	<b>863 736 271</b>	<b>(233 860 223)</b>	<b>629 876 048</b>	<b>811 314 936</b>	<b>(195 368 628)</b>	<b>615 946 308</b>

## Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land, buildings and infrastructure	560 935 034	12 230 424	-	33 195 254	2 555 130	(34 020 802)	574 895 040
Motor vehicles	9 381 173	-	(367 452)	-	(224 283)	(1 674 932)	7 114 506
Other equipment	7 645 996	1 764 012	-	-	-	(2 065 457)	7 344 551
Capital work in progress	36 405 754	21 474 302	-	(33 195 254)	3 687 915	-	28 372 717
Finance leased assets	1 548 351	10 237 826	(39 611)	-	1 133 071	(730 404)	12 149 233
	<b>615 916 308</b>	<b>45 706 564</b>	<b>(407 063)</b>	<b>-</b>	<b>7 151 833</b>	<b>(38 491 595)</b>	<b>629 876 047</b>

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

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land, buildings and infrastructure	590 353 899	273 093	(1 876 630)	1 228 071	-	(32 674 696)	-	557 303 737
Motor vehicles	8 850 004	649 040	-	-	564 991	(1 710 533)	-	8 353 502
Office equipment	8 205 289	230 303	(289 310)	-	-	(1 699 316)	(3 166)	6 585 628
Capital work in progress	7 683 270	28 722 484	-	-	-	-	-	36 405 754
Finance leased assets	4 156 332	-	(51 908)	-	-	(560 840)	-	3 543 584
	<b>619 248 774</b>	<b>29 874 920</b>	<b>(2 217 848)</b>	<b>1 228 071</b>	<b>564 991</b>	<b>(36 645 385)</b>	<b>(3 166)</b>	<b>612 192 205</b>

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## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

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

#### Assets subject to finance lease (Net carrying amount)

Finance leased assets	11 844 914	1 506 011
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 4. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	8 244 763	-	8 244 763	8 244 763	-	8 244 763

#### Reconciliation of heritage assets 2014

	<b>Opening balance</b>	<b>Total</b>
Historical buildings	8 244 763	8 244 763

#### Reconciliation of heritage assets 2013

	<b>Opening balance</b>	<b>Total</b>
Historical buildings	8 244 763	8 244 763

### Transitional provisions

#### Heritage assets recognised at provisional amounts

The municipality made use of the transitional provision as per directive 2 of the GRAP reporting framework.

Heritage assets have thus been recognised at provisional amounts as disclosed.

The date at which full compliance with GRAP 103 is expected, is 30 June 2015.

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Figures in Rand 2014 2013

### 5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 154 253	(716 273)	437 980	1 148 359	(543 912)	604 447

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	604 447	6 361	(172 828)	437 980

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	430 977	310 280	(136 810)	604 447

### 6. Financial assets

#### Assets held at amortised cost

##### Current portion

ABSA call account - account number 9106646490	956	1 252
FNB 32 day call - Housing Operating - account number 74407973409	2 120 241	2 018 390
FNB call account - account number 74453547422	6 076 932	-
FNB call account - account number 62033811995	3 124 373	57 703
FNB fixed deposit - account number 71048724530	11 000	-
FNB land sales - account number 62216019019	1 201 947	1 162 814
FNB money market - INEP - account number 62347581060	4 837 200	526 603
FNB money market - MIG - account number 62281385130	7 015 250	1 599 340
FNB money market - NDPG - account number 62232266991	31 007	10 461 537
FNB money market - Small Town Rehabilitation - account number 62347582050	6 659 816	9 266 769
FNB MSIG - account number 62216024737	484 737	2 408 586
Standard Bank - account number 75075646	12 528	-
	<b>31 575 987</b>	<b>27 502 994</b>

##### Non-current portion

Nedbank fixed deposits - account number 19542952	22 063	22 063
Borough of Dundee - certificate number B719	-	7 200
Standard Bank - account number 75075646	-	12 528
FNB fixed deposit - account number 71021254116	36 246	36 246
FNB fixed deposit - account number 71048724530	-	11 000
FNB fixed deposit - account number 71066697123	14 000	14 000
	<b>72 309</b>	<b>103 037</b>

None of these assets are pledged as security.

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

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<b>7. Cash and cash equivalents (continued)</b>						
Cash on hand	8 738	6 738				
Cash book balances	7 340 329	13 516 735				
	<u>7 349 067</u>	<u>13 523 473</u>				
<b>Cash and cash equivalents pledged as collateral</b>						
The bank account was not pledged as security.						
The municipality had the following bank account						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
First National Bank - Current account - 522000363994	7 957 943	13 993 617	14 743 109	7 340 329	13 516 735	13 357 709
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<b>8. Consumer receivables from exchange transactions</b>						
<b>Gross balances</b>						
Electricity				11 954 447	7 276 582	
Refuse				9 385 556	9 568 972	
Sundry debtors				2 882 451	3 523 041	
				<u>24 222 454</u>	<u>20 368 595</u>	
<b>Less: Allowance for impairment</b>						
Electricity				(1 629 002)	(2 381 201)	
Refuse				(8 747 862)	(9 032 379)	
Sundry debtors				(2 600 496)	(3 321 076)	
				<u>(12 977 360)</u>	<u>(14 734 656)</u>	
<b>Net balance</b>						
Electricity				10 325 445	5 513 714	
Refuse				637 694	536 594	
Sundry debtors				281 955	201 965	
				<u>11 245 094</u>	<u>6 252 273</u>	
<b>Electricity</b>						
Current (0 -30 days)				9 382 178	4 508 824	
31 - 60 days				520 937	1 004 890	
61 - 90 days				422 330	-	
				<u>10 325 445</u>	<u>5 513 714</u>	
<b>Refuse</b>						
Current (0 -30 days)				277 146	319 708	
31 - 60 days				185 303	216 886	
61 - 90 days				175 245	-	
				<u>637 694</u>	<u>536 594</u>	

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Figures in Rand	2014	2013
<b>8. Consumer receivables from exchange transactions (continued)</b>		
<b>Other (specify)</b>		
Current (0 -30 days)	190 443	116 068
31 - 60 days	64 721	85 897
61 - 90 days	26 791	-
	<u>281 955</u>	<u>201 965</u>
<b>Summary of receivables (exchange and non exchange) by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	5 425 354	2 985 733
31 - 60 days	960 429	917 090
61 - 90 days	860 679	833 261
> 90 days	48 229 905	48 740 174
	<u>55 476 367</u>	<u>53 476 258</u>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	5 193 193	3 959 915
31 - 60 days	755 653	887 707
61 - 90 days	558 434	415 817
> 90 days	8 103 412	3 932 801
	<u>14 610 692</u>	<u>9 196 240</u>
<b>National and provincial government</b>		
Current (0 -30 days)	1 574 797	419 213
31 - 60 days	2 637 405	268 660
61 - 90 days	934 384	25 873
> 91 days	17 249 376	9 188 602
	<u>22 395 962</u>	<u>9 902 348</u>
<b>Total (exchange and non-exchange)</b>		
31 - 60 days	12 844 959	7 990 955
61 - 90 days	5 229 833	2 583 210
91 - 120 days	2 527 715	2 018 344
121 - 365 days	73 633 010	65 432 209
	<u>94 235 517</u>	<u>78 024 718</u>
Less: Allowance for impairment	<u>(38 764 965)</u>	<u>(34 913 137)</u>
	<u>55 470 552</u>	<u>43 111 581</u>
<b>Sundry</b>		
Less: Allowance for impairment	651 615	626 093
31 - 60 days	876 345	509 753
61 - 90 days	174 219	743 393
91 - 120 days	50 317	3 570 633
	<u>1 752 496</u>	<u>5 449 872</u>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(14 116 323)	(15 189 121)
Contributions to allowance	(13 595 693)	(14 734 656)
Reversal of allowance	14 734 656	15 189 121
	<u>(12 977 360)</u>	<u>(14 734 656)</u>

# Umtshezi Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>8. Consumer receivables from exchange transactions (continued)</b>		
<b>Receivables from exchange transactions past due but not impaired</b>		
At 30 June 2014, R 42 625 592 (2013: R 35 120 457) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	5 229 833	2 583 210
2 months past due	2 527 715	1 315 857
3 months past due	34 868 045	31 221 390
<b>Receivables from exchange transactions impaired</b>		
As of 30 June 2014, receivables from exchange transactions of R 38 764 965 (2013: R 30 378 242) were impaired and provided for.		
The ageing of these receivables is as follows:		
Less than 3 months but highly improbable	-	3 691 747
Over 3 months	38 764 965	31 221 390
<b>9. Other receivables from exchange transactions</b>		
Hostel redevelopment and upgrading	29 246 331	29 216 331
Stamps on hand	2 036	2 036
Department of health	357 535	295 445
	<u>29 605 902</u>	<u>29 513 812</u>
<b>10. Receivables from non-exchange transactions</b>		
Property rates	<u>44 225 458</u>	<u>36 859 322</u>
<b>Property rates: Gross balance</b>	<u>70 041 670</u>	<u>57 656 123</u>
Property rates: Allowance for impairment	<u>(25 787 605)</u>	<u>(20 796 814)</u>
Property rates: Net balance	<u>44 225 458</u>	<u>36 859 309</u>
<b>Reconciliation of allowance for impairment</b>		
Opening balance	(20 796 814)	(15 189 121)
Provision for impairment	(25 787 605)	(20 796 814)
Unused amounts reversed	20 796 814	15 189 121
	<u>(25 787 605)</u>	<u>(20 796 814)</u>
<b>11. Loans and receivables</b>		
<b>At amortised cost</b>		
Loans and receivables	507 847	554 641
The loans are secured by the land sold. No provisions have been made for doubtful debts as the debts owing are considered recoverable.		
	<u>507 847</u>	<u>554 641</u>
<b>Current assets</b>		
At amortised cost	<u>507 847</u>	<u>554 641</u>

# Umtshezi Local Municipality

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Figures in Rand	2014	2013
<b>12. Inventories</b>		
Consumable stores	1 289 559	1 487 716
<b>13. VAT receivable (payable)</b>		
VAT	16 082 644	13 188 933
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	4 787 544	889 922
- in second to fifth year inclusive	14 839 247	1 657 207
	19 626 791	2 547 129
less: future finance charges	(5 287 181)	(766 807)
<b>Present value of minimum lease payments</b>	<b>14 339 610</b>	<b>1 780 322</b>
<b>Present value of minimum lease payments due</b>		
- within one year	3 032 408	534 065
- in second to fifth year inclusive	11 307 202	1 246 257
	<b>14 339 610</b>	<b>1 780 322</b>
Non-current liabilities	11 307 202	1 246 257
Current liabilities	3 032 408	534 065
	<b>14 339 610</b>	<b>1 780 322</b>
<p>The above leases relate to the lease of municipal motor vehicles and equipment.</p> <p>Interest rates are linked to prime at the contract date. Contingent rents have been recognised as an expense R Nil (2013: R315,521) as a result of certain conditions in the contract.</p> <p>The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The leased assets are indicated in note 3 and annexure B.</p>		
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Good governance grant	84 547	84 547
Municipal Infrastructure Grant (MIG)	5 482 793	1 263 293
Neighbourhood development partnership grant	-	7 439 585
Small town rehabilitation grant	11 599 065	7 528 124
Sport infrastructure grant	108 617	525 000
INEP	1 644 471	-
MSIG	2 450	-
	<b>18 921 943</b>	<b>16 840 549</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	16 840 549	16 044 682
Additions during the year	74 033 000	35 887 000
Income recognition during the year	(71 951 606)	(32 991 133)
Returned to National Treasury	-	(2 100 000)
	<b>18 921 943</b>	<b>16 840 549</b>



# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 15. Unspent conditional grants and receipts (continued)

See note 25 for reconciliation of grants from National/Provincial Government.

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

### 16. Long term loan

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 the upgrade of the electricity infrastructure. The loan term of the property valuation loan was 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%.

Non-current portion	8 103 043	8 727 956
Current portion	366 635	929 782
	<u>8 469 678</u>	<u>9 657 738</u>

### 17. Deposits on sale of land

Deposits received for the sale of land	<u>733 660</u>	<u>-</u>
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### 18. Provisions

#### Reconciliation of provisions - 2014

	Opening Balance	Change in discount factor	Total
Legal proceedings	38 235	-	38 235
Provision for landfill site	7 795 155	23 089	7 818 244
	<u>7 833 390</u>	<u>23 089</u>	<u>7 856 479</u>

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	103 616	38 235	(103 616)	38 235
Provision for landfill site	7 746 755	48 400	-	7 795 155
	<u>7 850 371</u>	<u>86 635</u>	<u>(103 616)</u>	<u>7 833 390</u>

The landfill site provision is a provision to rehabilitate the landfill site. The landfill site currently has an estimated useful life of 20 years. A valuation for the rehabilitation of the landfill site was conducted by the municipality and certified by authorised civil engineers.

The legal provision is in relation to the telkom lines that were cut by civil department when they were digging to fix the road

### 19. Consumer deposits

Electricity	<u>3 040 779</u>	<u>2 844 579</u>
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Guarantees held in lieu of electricity deposits R1,885,165 (2013: R1,885,165)

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

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### 20. Employee benefit obligations

#### Defined benefit plan

##### Post retirement benefit plan

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

##### Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by One Pangea Financial. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The plan is a post employment medical benefit plan.

##### Key assumptions used

Assumptions used at the reporting date:

Discount rates used (D)	8,59 %	7,25 %
Consumer price inflation (C)	6,36 %	6,25 %
Health care cost inflation (H)	7,86 %	6,75 %
Salary inflation (S)	- %	7,15 %
Net Discount rate $((1+D)/(1+H)-1)$	0,68 %	0,47 %

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>20. Employee benefit obligations (continued)</b>		
Present value of the defined benefit obligation	(16 766 000)	(15 122 000)
Short term portion of retirement benefit obligations	(1 103 000)	(981 000)
Long term portion of retirement benefit obligations	(15 663 000)	(14 141 000)
	<b>(16 766 000)</b>	<b>(15 122 000)</b>
<b>21. Housing operating account</b>		
Housing operating account	1 095 260	1 095 260
<b>22. Revenue</b>		
Rendering of services	2 136 652	2 128 637
Service charges	175 220 102	163 354 770
Licences and permits	4 853 595	4 705 421
Administration and management fees received	1 720	2 200
Fees earned	46 067	29 780
Rental income	463 433	387 449
Other income	1 043 355	672 005
Interest received - investment	2 442 844	2 261 109
Property rates	60 174 153	38 105 895
Property rates - penalties imposed	7 164 545	5 597 986
Government grants & subsidies	71 951 607	66 893 132
Fines	62 090	46 265
	<b>325 560 163</b>	<b>284 184 649</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	175 220 102	163 354 770
Rendering of services	2 136 652	2 128 637
Licences and permits	4 853 595	4 705 421
Administration and management fees received	1 720	2 200
Fees earned	46 067	29 780
Rental income	463 433	387 449
Other income	1 043 355	672 005
Interest received - investment	2 442 844	2 261 109
	<b>186 207 768</b>	<b>173 541 371</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	60 174 153	38 105 895
Property rates - penalties imposed	7 164 545	5 597 986
<b>Transfer revenue</b>		
Government grants & subsidies	71 951 607	66 893 132
Fines	62 090	46 265
	<b>139 352 395</b>	<b>110 643 278</b>

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>23. Property rates</b>		
<b>Rates received</b>		
Property rates	92 592 250	69 040 278
Less: Income forgone	(32 418 097)	(30 934 383)
	<u>60 174 153</u>	<u>38 105 895</u>
Property rates - penalties imposed	7 164 545	5 597 986
	<u><b>67 338 698</b></u>	<u><b>43 703 881</b></u>
<b>Valuations</b>		
Agriculture	643 174 000	507 914 000
Agriculture smallholding	116 207 000	93 969 000
Commercial	453 067 000	351 249 000
Communal property association	265 797 000	170 321 000
Industrial	396 560 000	354 378 000
Institutional	19 392 000	22 812 000
Municipal	179 075 400	214 752 333
Conservation - Nema	10 000 000	7 005 000
Public benefit organisation	830 000	1 700 000
Public service infrastructure	40 662 000	44 444 845
Recreational club	1 751 000	-
Residential	1 744 225 500	1 596 866 120
Informal residential	21 938 000	-
Residential hospitality	27 225 000	24 280 000
Sectional title - commercial	12 765 000	11 739 000
Sectional title - residential	63 180 000	55 851 000
Sectional title - residential hospitality	2 450 000	2 043 000
State owned	796 681 000	291 337 000
Place of worship	69 003 000	50 892 000
	<u><b>4 863 982 900</b></u>	<u><b>3 801 553 298</b></u>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. 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 a monthly basis and are payable on the 1st of each month. Interest at 1.5% per annum (2013: 1.5%) and a collection fee of 10% (2013: 10%), is levied on rates outstanding one month after due date.

The new general valuation will be implemented on 01 July 2017.

### 24. Service charges

Sale of electricity	168 690 974	158 001 338
Refuse removal	6 529 128	5 353 432
	<u><b>175 220 102</b></u>	<u><b>163 354 770</b></u>

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Caretaker maintainance grant	300 000	-
Community library services grant	240 000	-
Department of health grant	-	1 413 000
Equitable share	33 196 000	29 647 000
EPWP grant	1 000 000	-
Finance management grant	1 550 000	1 500 000
Municipal systems improvement grant	887 550	800 000
Museum	568 000	268 000
National youth development grant	-	1 680 000
Provincialisation of libraries	1 878 000	894 000
Sports infrastructure grant	1 466 383	-
	<u>40 545 933</u>	<u>34 789 000</u>
<b>Capital grants</b>		
INEP	10 555 529	3 994 575
Municipal infrastructure grant	10 941 500	13 237 969
Neighbourhood development partnership grant	7 439 585	6 195 196
Small town rehabilitation grant	1 929 060	7 263 392
	<u>20 310 145</u>	<u>26 696 557</u>
	<u>71 951 607</u>	<u>66 893 132</u>
<b>Caretaker maintainance grant</b>		
Current-year receipts	300 000	-
Conditions met - transferred to revenue	(300 000)	-
	<u>-</u>	<u>-</u>
To provide support to primary caretakers.		
<b>Community library services</b>		
Current-year receipts	240 000	-
Conditions met - transferred to revenue	(240 000)	-
	<u>-</u>	<u>-</u>
To support the provision of community library services.		
<b>EPWP grant</b>		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 000 000)	-
	<u>-</u>	<u>-</u>
To implement part of the Expanded Public Works Programme.		
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. 100% of the grant is used to subsidise the indigent community members.		
<b>Finance management grant</b>		
Balance unspent at beginning of year	-	1 500 000
Current-year receipts	1 550 000	-

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>25. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(1 550 000)	(1 500 000)
	-	-

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.

### Good governance grant

Balance unspent at beginning of year	84 547	84 547
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Conditions still to be met - remain liabilities (see note 15).

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

### INEP

Balance unspent at beginning of year	-	3 994 575
Current-year receipts	12 200 000	-
Conditions met - transferred to revenue	(10 555 529)	(3 994 575)
	<b>1 644 471</b>	-

Conditions still to be met - remain liabilities (see note 15).

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

### MAP grant

Balance unspent at beginning of year	-	210 291
Conditions met - transferred to revenue	-	(210 291)
	-	-

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.

### Municipal infrastructure grant (MIG)

Balance unspent at beginning of year	1 263 293	1 206 091
Current-year receipts	15 161 000	12 749 000
Conditions met - transferred to revenue	(10 941 500)	(12 691 798)
	<b>5 482 793</b>	<b>1 263 293</b>

Conditions still to be met - remain liabilities (see note 15).

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.

### MSIG

Current-year receipts	890 000	-
Conditions met - transferred to revenue	(887 550)	-
	<b>2 450</b>	-

Conditions still to be met - remain liabilities (see note 15).

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 25. Government grants and subsidies (continued)

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.

#### Museum grant

Current-year receipts	568 000	-
Conditions met - transferred to revenue	(568 000)	-
	<u>-</u>	<u>-</u>

This grant is used to manage and maintain the museums in the municipality.

#### Neighbourhood development partnership grant

Balance unspent at beginning of year	7 439 585	5 167 953
Funds returned to National Treasury	-	(2 100 000)
Current year receipts	-	11 113 000
Conditions met - transferred to revenue	(7 439 585)	(6 741 368)
	<u>-</u>	<u>7 439 585</u>

This grant is utilised for neighbourhood upliftment and advancement.

#### Provincialisation of libraries

Current-year receipts	1 878 000	-
Conditions met - transferred to revenue	(1 878 000)	-
	<u>-</u>	<u>-</u>

This loan is used to restructuring the operation of libraries.

#### Small town rehabilitation grant

Balance unspent at beginning of year	7 528 124	5 591 516
Current-year receipts	6 000 000	9 200 000
Conditions met - transferred to revenue	(1 929 059)	(7 263 392)
	<u>11 599 065</u>	<u>7 528 124</u>

Conditions still to be met - remain liabilities (see note 15).

This grant is allocated to small towns to rejuvenate and encourage growth.

#### Sport infrastructure grant

Balance unspent at beginning of year	525 000	-
Current-year receipts	1 050 000	525 000
Conditions met - transferred to revenue	(1 466 383)	-
	<u>108 617</u>	<u>525 000</u>

Conditions still to be met - remain liabilities (see note 15).

This grant is used for the upgrading of sport facilities.

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>26. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	524 394	690 339
Interest charged on trade and other receivables	668 065	832 745
Interest received from investments	1 196 383	672 387
Interest received from land sales	54 002	65 638
	<u>2 442 844</u>	<u>2 261 109</u>
<b>27. Employee related costs</b>		
Basic	45 232 959	40 554 636
Bonus	3 989 444	4 087 824
Car allowance	1 660 892	1 694 427
Group life insurance	365 200	283 240
Housing benefits and allowances	222 868	235 346
Leave pay accrual charge	1 776 252	(272 270)
Long-service awards	3 000	9 000
Medical aid - company contributions	3 510 245	2 769 052
Other allowances	905 276	769 741
Other payroll levies	30 105	25 456
Overtime payments	2 882 673	2 068 912
Pension funds	7 563 769	6 053 199
Post-employment benefits	1 644 000	2 521 000
Redemption of leave	279 459	358 568
SDL	600 461	551 392
UIF	450 067	391 798
	<u>71 116 670</u>	<u>62 101 321</u>
<b>Remuneration of Ms PN Njoko - Municipal Manager</b>		
Annual remuneration	1 011 722	951 761
Leave pay	-	57 196
Travel allowance	10 638	5 390
Unemployment insurance fund	1 785	1 689
	<u>1 024 145</u>	<u>1 016 036</u>
<b>Remuneration of Mr MJ Zulu - Chief Financial Officer</b>		
Annual remuneration	380 100	-
Subsistence allowances	17 988	-
Travel allowance	112 000	-
Telephone allowance	15 292	-
Unemployment insurance fund	1 041	-
	<u>526 421</u>	<u>-</u>
During the year, Mrs N Thomas vacated her office as at 31 August 2013, and Mr MJ Zulu took over as Chief Financial Officer as of 25 November 2013.		
<b>Remuneration of Mrs N Thomas - Chief Finance Officer</b>		
Annual remuneration	105 369	602 959
Travel allowance	36 000	177 459
Unemployment insurance fund	297	1 689
	<u>141 666</u>	<u>782 107</u>



# Umtshezi Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>27. Employee related costs (continued)</b>		
<b>Remuneration of Mr EH Dladla - Director Planning, Economic and Social Services</b>		
Annual Remuneration	501 000	501 816
Housing allowance	86 665	85 712
Telephone allowance	31 050	30 978
Travel allowance	172 750	167 926
Acting allowance	40 000	7 113
13 cheque	41 750	-
Subsistence and travelling	1 639	8 430
Unemployment insurance fund	1 785	1 689
	<b>876 639</b>	<b>803 664</b>
<b>Remuneration of Mr HB Chotoo - Director Corporate Services</b>		
Annual remuneration	659 304	620 230
Acting CFO allowance	1 419	-
Subsistence and travelling	35 012	38 078
Unemployment insurance fund	1 785	1 689
	<b>697 520</b>	<b>659 997</b>
<b>Remuneration of Mr PPS Zamisa - Director Technical Services</b>		
Annual remuneration	290 556	431 224
Housing allowance	9 395	2 349
Telephone allowance	6 400	6 658
Travel allowance	120 000	180 000
Leave pay	67 299	-
Unemployment insurance fund	1 338	1 689
	<b>494 988</b>	<b>621 920</b>
Mr PPS Zamisa vacated his office on 21 February 2013 and his outstanding leave was settled.		
The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations and as determined by Government Gazette 37281, 29 January 2014.		
<b>28. Remuneration of councillors</b>		
Mayor	442 060	421 010
Deputy mayor	318 838	321 782
Executive committee members	182 350	174 117
Speaker	353 649	336 808
Councillors	1 592 286	1 577 752
Councillors' pension contribution	429 379	403 954
Councillors allowances	1 717 549	1 365 789
	<b>5 036 111</b>	<b>4 601 212</b>

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

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### 28. Remuneration of councillors (continued)

#### In-kind benefits

The mayor, deputy mayor, and speaker are full-time councillors. 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 and council owned back-up vehicle for official duties.

The mayor has four full-time bodyguards. The deputy mayor and speaker have two full-time bodyguards each. Salaries, allowances and benefits of councillors as disclosed in note 28 of this financial statements are within the upper limits of the Framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporate Governance and Traditional Affairs determined in accordance with this act.

Executive Mayor	Basic	Travel Allowance	Contributions to Medical and Pension Funds	Total
Dlamini, BD	442 060	203 525	66 309	711 894
<b>Total</b>	<b>442 060</b>	<b>203 525</b>	<b>66 309</b>	<b>711 894</b>
Speaker	Basic	Travel Allowance	Contributions to Medical and Pension Funds	Total
Nunes, CJS	353 649	160 033	53 047	566 729
<b>Total</b>	<b>353 649</b>	<b>160 033</b>	<b>53 047</b>	<b>566 729</b>
Councillors	Basic	Travel Allowance	Contributions to Medical and Pension Funds	Total
Chetty, U	34 937	19 790	4 973	59 700
Dladla, BS	132 618	75 305	19 893	227 816
Dlamini, BA	318 838	150 935	47 826	517 599
Dubazane, TC	132 618	75 305	19 893	227 816
Duma, TG	132 618	75 305	19 893	227 816
Gericke, RP	132 618	75 305	19 893	227 816
Lite, E	132 618	75 305	19 893	227 816
Magubane, SD	132 618	77 696	19 893	230 207
Majola, EM	182 350	111 465	27 352	321 167
Mchunu, ME	132 618	75 305	19 893	227 816
Mlambo, SM	132 618	75 305	19 893	227 816
Mlele, SC	132 618	75 305	19 893	227 816
Sulieman, B	152 511	75 305	-	227 816
Vahed, DM	71 300	40 487	11 052	122 839
Vilakazi, KA	132 618	75 305	19 893	227 816
Zwane, Z	132 618	75 305	19 893	227 816
<b>Total</b>	<b>2 218 734</b>	<b>1 228 728</b>	<b>310 026</b>	<b>3 757 488</b>

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	38 491 598	31 457 382
Intangible assets	172 359	54 589
	<u>38 663 957</u>	<u>31 511 971</u>
<b>30. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	-	3 166
<b>31. Finance costs</b>		
Finance leases	1 625 403	683 194
Unwinding discount - landfill site	23 089	48 400
Other interest paid	11 766	82 264
	<u>1 660 258</u>	<u>813 858</u>
<b>32. Debt impairment</b>		
Contributions to allowance for impairment	3 851 829	5 872 703
Debts impaired	10 600 279	584 078
	<u>14 452 108</u>	<u>6 456 781</u>
<p>The provision for impairment for 2014: R38,764,965.48 (2013: R34,913,137) was raised and the prior year provision reversed. During the financial year, council had taken a resolution to write off debt of R10,600,279 (2013: R584,078).</p>		
<b>33. Bulk purchases</b>		
Electricity	<u>132 912 833</u>	<u>129 226 756</u>

Electricity losses amounted to 8,792,234 KWH, or 4.328% of the total units purchased.

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>34. General expenses</b>		
Advertising	512 741	266 998
Auditors remuneration	1 171 704	976 551
Bank charges	561 709	710 565
Chemicals	61 545	60 029
Cleaning	33 887	13 357
Commission paid	2 275 191	2 457 780
Consulting and professional fees	1 309 565	1 527 191
Donations	488 709	153 831
Electricity	1 536 453	1 496 031
Entertainment	60 017	77 066
Farming only	378 130	-
Fleet	449 357	571 671
Fuel and oil	2 018 109	2 007 236
Indigent burials	95 509	143 086
Internal audit fees	912 973	1 045 355
Insurance	1 021 175	777 687
IT expenses	89 075	29 655
Lease rentals on operating lease	2 072 942	1 781 753
Levies	(66 644)	495 404
Other expenses	1 560 650	939 779
Pest control	2 028	-
Postage and courier	337 960	337 400
Printing and stationery	535 678	549 961
Project maintenance costs	1 172 874	996 142
Promotions	21 023	20 000
Protective clothing	549 414	383 145
Public participation	101 964	40 863
Publicity	250 749	54 393
Refuse	236 807	209 956
Registration support fees	287 413	295 818
Rental and hire of plant and equipment	1 620 764	1 628 065
Security (Guarding of municipal property)	10 128 593	9 695 706
Software expenses	924 657	978 769
Staff bursaries	132 070	72 875
Telephone and fax	2 054 973	1 973 007
Youth development	2 995 049	-
Training	352 655	1 680 622
Travel - local	707 793	529 542
Updating asset register	378 962	-
Valuation roll expenses	729 569	2 425 901
Venue expenses	1 015 963	-
Water	1 355 434	1 409 845
	<b>42 435 189</b>	<b>38 813 035</b>
<b>35. Auditors' remuneration</b>		
Fees	1 171 704	976 551

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>36. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2014</b>		
<b>Financial assets</b>		
	<b>At amortised cost</b>	<b>Total</b>
Cash and cash equivalents	7 349 067	7 349 067
Consumer receivables from exchange transactions	11 245 094	11 245 094
Other receivables from exchange transactions	29 605 902	29 605 902
Receivables from non-exchange transactions	44 225 458	44 225 458
Loans and receivables	507 847	507 847
Investments	31 648 296	31 648 296
	<b>124 581 664</b>	<b>124 581 664</b>
<b>Financial liabilities</b>		
	<b>At amortised cost</b>	<b>Total</b>
Payables from exchange transactions	40 074 951	40 074 951
Consumer deposits	3 040 779	3 040 779
	<b>43 115 730</b>	<b>43 115 730</b>
<b>2013</b>		
<b>Financial assets</b>		
	<b>At amortised cost</b>	<b>Total</b>
Cash and cash equivalents	13 523 473	13 523 473
Consumer receivables from exchange transactions	6 252 273	6 252 273
Other receivables from exchange transactions	29 513 812	29 513 812
Receivables from non-exchange transactions	36 859 322	36 859 322
Loans and receivables	554 641	554 641
Investments	27 606 031	27 606 031
	<b>114 309 552</b>	<b>114 309 552</b>
<b>Financial liabilities</b>		
	<b>At amortised cost</b>	<b>Total</b>
Payables from exchange transactions	35 800 966	35 800 966
Consumer deposits	2 844 579	2 844 579
	<b>38 645 545</b>	<b>38 645 545</b>

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>37. Cash generated from operations</b>		
Surplus (deficit)	2 405 951	(5 584 761)
<b>Adjustments for:</b>		
Depreciation and amortisation	38 663 957	36 782 196
Loss on sale of assets and liabilities	407 063	844 768
Adjustment to PPE	(3 670 982)	-
Finance costs	1 625 405	731 606
Impairment deficit	-	3 166
Debt impairment	14 452 108	6 456 781
Movements in retirement benefit assets and liabilities	1 644 000	2 183 351
Movements in provisions	23 089	48 400
<b>Changes in working capital:</b>		
Inventories	198 157	(937 997)
Other receivables from exchange transactions	51 902	1 042 364
Consumer debtors	(19 444 941)	23 093 138
Other receivables from non-exchange transactions	(7 366 136)	(36 859 322)
Payables from exchange transactions	4 273 989	8 592 386
VAT	(2 893 711)	(1 695 794)
Unspent conditional grants and receipts	2 081 394	795 867
Consumer deposits	196 200	224 294
	<b>32 647 445</b>	<b>35 720 443</b>

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>38. Commitments</b>		
<b>Commitments in respect of capital expenditure</b>		
- Approved and contracted for		
• Property, plant and equipment	29 488 545	26 503 663
- Approved but not yet contracted for		
• Property, plant and equipment	79 309 809	84 134 704
This expenditure will be financed from government grants.		
The commitments relating to property, plant and equipment for 2013 were found to be misstated; the impact of this is shown below:		
-Approved and contracted for:		
- As previously reported	-	39 564 313
- Correction of error	-	(13 060 650)
	-	<u>26 503 663</u>
- Approved but not yet contracted for		
- As previously reported	-	80 695 032
- Correction of error	-	3 439 672
	-	<u>84 134 704</u>
<b>Commitments in respect of operating expenditure</b>		
Contractual commitments (operating in nature)	10 744 299	24 693 707
The commitments relating to property, plant and equipment for 2013 were found to be misstated; the impact of this is shown below:		
<b>Commitments in respect of operating expenditure</b>		
- As previously reported	-	45 656 099
- Correction of error	-	(21 071 553)
	-	<u>24 584 546</u>
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	2 099 001	335 112
- in second to fifth year inclusive	3 434 823	-
	<u>5 533 824</u>	<u>335 112</u>

The municipality has operating leases with Wesbank for the lease of vehicles and the arrangements of the leases include:

- the basis on which contingent rent payable is determined,
- the existence and terms of renewal or purchase options and escalation clauses; and
- restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, additional debt, and further leasing.

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 39. Contingencies

The municipality is defending a matter against Construction Company for the amount R2 758 889. The company had requested an interdict to prevent the municipality from advertising certain developments that they believe they were awarded. The municipality is of the opinion that the company had breached its contract with the municipality. The outcome of the matter is not certain.

A firm of consultants was contracted to the uMtshezi Municipality to upgrade the Kwezi Hostel and are disputing the terms; the value of the disputed amount is R22,743. The matter has been referred to the attorneys and the outcome thereof is uncertain.

The publishing company claim that they prepared a publication for the municipality, but the municipality is disputing this. The value of the disputed amount is R67,249. The matter has been referred to the attorneys. The outcome of the matter is uncertain.

The municipality is disputing part of the invoice for the work done by a construction company. The value of the disputed amount is R151,652. The matter has been referred to the attorneys. The outcome of the matter is not certain.

The municipality entered into a tripartite agreement with the Department of Human Settlements to redevelop and renovate Khwezi Hostel. The project has been under investigation from 2011 by the Special Investigation Unit. The amount incurred to date is R29 246 331. The outcome of the matter is uncertain.

### 40. Related parties

No related party transactions were noted.]

### 41. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk, such as cash flow interest rate risk.

#### 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 leases and the long term loans, the maturity of which are discussed in the finance lease note and the long term loans note.



# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 41. Risk management (continued)

#### Credit risk

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

Receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

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

Financial instrument	2014	2013
Cash and cash equivalents	7 349 067	13 523 473
Consumer receivables from exchange transactions	11 245 094	6 252 273
Other receivables from exchange transactions	29 605 902	29 513 812
Receivables from non-exchange transactions	44 225 458	36 859 322
Loans and receivables	507 847	554 641
Financial assets	31 648 296	27 606 031

#### Market risk

##### Interest rate risk

As the municipality has few significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 42. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 669 214 298 and that the municipality's total assets exceed its liabilities by R 670 309 558.

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 43. Events after the reporting date

No events were noted after the reporting date.

### 44. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	113 859	-
Redevelopment and renovation of Khwezi Hostel	29 246 331	-
	<u>29 360 190</u>	<u>-</u>

Fruitless and wasteful expenditure were incurred when Interest and penalties were levied on late payments on VAT. The fruitless and wasteful expenditure was incurred in 2011 with the redevelopment and renovation of Khwezi Hostel.

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>45. Irregular expenditure</b>		
Opening balance	1 938 788	-
Add: Irregular Expenditure - current year	31 268 970	12 792 802
Less: Amounts condoned	(30 191 977)	(2 291 738)
Corrected error	-	(8 562 276)
	<u>3 015 781</u>	<u>1 938 788</u>

### Analysis of expenditure awaiting condonation per age classification

Current year	<u>31 268 970</u>	<u>1 938 788</u>
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### Details of irregular expenditure – current year

Deviations from procurement policy	Condoned by council awaiting National Treasury approval	28 253 189
Contractors with interest in state	To be investigated	722 810
		<u>28 975 999</u>

### Details of irregular expenditure condoned

Deviations from procurement policy	Condoned by (condoning authority) Council	<u>(30 191 977)</u>
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### 46. In-kind donations and assistance

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

### 47. Deviation from supply chain management regulations

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

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

	Value	No. of transactions
Emergency	128 997	10
Impractical or impossible to follow procurement process	175 348	26
Sole supplier	992 955	74
	<u>1 297 300</u>	<u>110</u>

### 48. Budget differences

#### Material differences between budget and actual amounts

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 48. Budget differences (continued)

Interest received:

There was interest received on external investments from the grants received. It was planned that all the grant funds would be fully utilised but there was R18 million recorded as unspent at the end of the financial year. The interest had accrued due to these funds being cash backed in investment accounts.

Property rates:

It was envisaged that a new supplementary roll, supplementary roll 1 of g.v roll 2 of 201/03/2014 would be issued during the financial year. This supplementary valuation roll was only issued by the municipal valuator after the financial year end.

Depreciation:

Some of the assets that were planned to be purchased from capital grants were not acquired. The funds allocated were recorded as unspent and the asset not purchased. This resulted in a decrease of the depreciation allocated.

Debt Impairment:

Each debtor had been analysed by a service provider in order to ascertain the provision for the debt impairment. All available databases had been scanned for debtors profiled. In terms of the analysis, the provision for the debt impairment was higher than budgeted.

Repairs and maintenance:

A bulk of the repairs and maintenance expenditure not utilised is from service connections. Money received from the prison for their service connections was receipted to this vote. The expenditure was not fully incurred as the job could not be completed within the financial year.

Personnel:

The Municipality had numerous key vacant positions which had to be filled during the financial year.

### 49. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a description of each individual prior period error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.

#### 1. Property, plant and equipment

The useful lives of assets were incorrectly estimated and was corrected.

The effect of this adjustment on the prior year is as follows:

<b>Adjustments affecting the statement of financial position</b>	
Property, plant and equipment	- 22 621 212
Intangible assets	- 166 013
Accumulated surplus	- (26 803 084)
	<u>- (4 015 859)</u>
 <b>Adjustments affecting the statement of financial performance</b>	
Depreciation and amortisation	<u>- 4 015 859</u>

#### 2. Provision for landfill site rehabilitation

A correction on the landfill site provision was not accounted for in the prior year.

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>49. Prior period errors (continued)</b>		
<b>Adjustments affecting the statement of financial position</b>		
Provision	-	(7 262 755)
Accumulated surplus	-	7 262 755
	<u>-</u>	<u>-</u>

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013	
<b>49. Prior period errors (continued)</b>			
<b>Statement of financial position and financial performance</b>			
Property, plant and equipment	-	19 076 871	
VAT receivable	-	(101 178)	
Intangible assets	-	166 013	
Current provisions	-	(7 161 578)	
Accumulated surplus	-	(17 247 321)	
Depreciation	-	5 267 193	
	-	-	
<b>Statement of Financial Performance for the year ended 30 June 2014</b>			
	Balance as previously reported	Prior period error	Restated balance
<b>Expenditure</b>			
Depreciation and amortisation	(31 515 003)	(5 267 193)	(36 782 196)
Total expenditure	(31 515 003)	(5 267 193)	(36 782 196)

# Umtshezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013	
<b>49. Prior period errors (continued)</b>			
<b>Statement of Financial Position as at 30 June 2014</b>			
	Balance as previously reported	Prior period error	Restated balance
<b>Assets</b>			
<b>Current Assets</b>			
VAT receivable	13 290 111	(101 178)	13 188 933
Total current assets	<u>13 290 111</u>	<u>(101 178)</u>	<u>13 188 933</u>
<b>Non-current Assets</b>			
Property, plant and equipment	621 290 092	23 872 547	645 162 639
Intangible assets	438 434	166 013	604 447
Total non-current assets	<u>621 728 526</u>	<u>24 038 560</u>	<u>645 767 086</u>
<b>Net Assets</b>			
Accumulated surplus - Opening balance	<u>647 126 358</u>	<u>15 680 546</u>	<u>662 806 904</u>
Total net assets	<u>647 126 358</u>	<u>15 680 546</u>	<u>662 806 904</u>

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Development Bank of South Africa</b>							
	2013	586 981	-	586 981	-	-	-
61000894	2021	6 332 168	-	620 364	5 711 804	-	-
61000893	2031	2 738 590	-	81 691	2 656 899	-	-
		<b>9 657 739</b>	<b>-</b>	<b>1 289 036</b>	<b>8 368 703</b>	<b>-</b>	<b>-</b>
<b>Lease liability</b>							
		1 780 323	13 487 862	928 575	14 339 610	11 844 914	-
		<b>1 780 323</b>	<b>13 487 862</b>	<b>928 575</b>	<b>14 339 610</b>	<b>11 844 914</b>	<b>-</b>
<b>Total external loans</b>							
		9 657 739	-	1 289 036	8 368 703	-	-
		1 780 323	13 487 862	928 575	14 339 610	11 844 914	-
		<b>11 438 062</b>	<b>13 487 862</b>	<b>2 217 611</b>	<b>22 708 313</b>	<b>11 844 914</b>	<b>-</b>

**Umtshezi Local Municipality**  
**Umtshezi Local Municipality**  
**Appendix B**  
 June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Accumulated depreciation**  
**Cost/Revaluation**

	Opening Balance	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>Land and buildings</b>														
Land (Separate for AFS purposes)	163 530 504	-	-	(1 228 071)	-	-	162 302 433	-	-	-	-	-	-	162 302 433
Landfill Sites (Separate for AFS purposes)	3 018 055	4 397 048	-	(104 793)	-	-	7 310 310	(257 370)	-	-	(39 665)	-	(297 035)	7 013 275
Buildings (Separate for AFS purposes)	224 171 199	7 864 431	-	469 417	-	(1 194 719)	231 310 328	(73 654 023)	-	-	(12 065 159)	-	(85 739 182)	145 571 146
	<b>390 719 758</b>	<b>12 261 479</b>	<b>-</b>	<b>(863 447)</b>	<b>-</b>	<b>(1 194 719)</b>	<b>400 923 071</b>	<b>(73 911 393)</b>	<b>-</b>	<b>-</b>	<b>(12 124 824)</b>	<b>-</b>	<b>(86 036 217)</b>	<b>314 886 854</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	258 746 519	19 101 705	-	863 448	-	(647 200)	278 064 472	(89 574 939)	-	-	(10 882 180)	-	(100 467 119)	177 597 353
Storm water	64 669 939	-	-	-	-	-	64 669 939	(14 368 840)	-	-	(2 389 914)	-	(16 758 754)	47 911 185
Transmission & Reticulation	77 294 674	9 211 882	-	-	-	-	86 506 556	(15 324 530)	-	-	(2 761 724)	-	(18 086 294)	68 420 302
Street lighting	164 986	644 954	-	-	-	-	809 940	-	-	-	(5 659)	-	(5 659)	804 281
	<b>400 876 118</b>	<b>28 958 541</b>	<b>-</b>	<b>863 448</b>	<b>-</b>	<b>(647 200)</b>	<b>430 050 907</b>	<b>(119 268 309)</b>	<b>-</b>	<b>-</b>	<b>(16 049 477)</b>	<b>-</b>	<b>(135 317 786)</b>	<b>294 733 121</b>
<b>Community assets</b>														
Parks & gardens	1 318 606	-	-	9 686	-	-	1 328 292	(147 543)	-	-	(132 965)	-	(280 528)	1 047 764
Sportsfields and stadiums	10 603 690	1 425 021	-	-	-	-	12 028 711	(3 134 684)	-	-	(508 327)	-	(3 643 011)	8 385 700
Swimming pools	79 990	139 017	-	-	-	-	218 007	(15 412)	-	-	(13 702)	-	(29 114)	188 893
Cemeteries	869 342	-	-	(9 738)	-	-	859 604	(358 367)	-	-	(60 811)	-	(419 178)	440 426
	<b>12 870 628</b>	<b>1 564 038</b>	<b>-</b>	<b>(52)</b>	<b>-</b>	<b>-</b>	<b>14 434 614</b>	<b>(3 656 006)</b>	<b>-</b>	<b>-</b>	<b>(715 825)</b>	<b>-</b>	<b>(4 371 831)</b>	<b>10 062 783</b>



**Analysis of property, plant and equipment as at 30 June 2014**  
**Accumulated depreciation**  
**Cost/Revaluation**

	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>Heritage assets</b>														
Buildings	8 244 468	-	-	-	-	-	8 244 468	-	-	-	-	-	-	8 244 468
Other	295	-	-	-	-	-	295	-	-	-	-	-	-	295
	<b>8 244 763</b>						<b>8 244 763</b>							<b>8 244 763</b>
<b>Specialised vehicles</b>														
Refuse	2 865 802	-	-	-	-	-	2 865 802	(656 545)	-	-	(468 174)	-	(1 124 719)	1 741 083
Fire	1 096 663	-	-	-	-	-	1 096 663	(551 110)	-	-	(99 703)	-	(650 813)	445 850
Fire - leased	1 418 903	-	-	-	-	-	1 418 903	(940 570)	-	-	(141 493)	-	(982 063)	436 840
	<b>5 381 368</b>						<b>5 381 368</b>	<b>(2 048 225)</b>			<b>(709 370)</b>		<b>(2 757 595)</b>	<b>2 623 773</b>
<b>Other assets</b>														
General vehicles	11 030 045	445 219	(591 735)	(10 583)	-	-	10 872 946	(5 790 647)	224 283	8 113	(844 571)	-	(6 402 822)	4 470 124
Plant & equipment	5 016 035	630 238	-	(6 464)	-	-	5 639 809	(2 945 733)	-	4 715	(557 036)	-	(3 498 054)	2 141 755
Computer equipment	5 691 237	320 576	-	253 983	-	-	6 265 816	(4 927 037)	-	(42 422)	(225 214)	-	(5 194 673)	1 071 143
Furniture & fittings	3 274 709	137 936	-	(30 406)	-	-	3 382 239	(2 359 229)	-	24 731	(399 146)	-	(2 732 644)	649 595
Office equipment	1 637 685	59 526	-	732 818	-	-	2 430 029	(909 143)	-	(749 737)	(262 757)	-	(1 921 637)	508 392
Security measures	118 667	-	-	-	-	-	118 667	(110 637)	-	-	(3 210)	-	(113 847)	5 020
Bins and Containers	750	-	-	-	-	-	750	(750)	-	-	-	-	-	-
Other	5 694	615 740	-	2 001	-	-	6 311 740	(4 555)	-	(1 427)	(49 327)	-	(55 389)	568 126
General vehicles - leased	2 035 435	5 330 126	(208 064)	49	-	-	7 157 546	(1 731 261)	168 453	782 608	(349 114)	-	(1 910 923)	5 246 623
Office equipment - leased	1 859 504	1 301 524	-	(967 937)	-	-	2 233 091	(1 605 835)	-	-	(67 387)	-	(890 614)	1 342 477
Other equipment - leased	-	4 907 700	-	-	-	-	4 907 700	-	-	-	(88 730)	-	(88 730)	4 818 970
	<b>30 709 981</b>	<b>13 748 585</b>	<b>(799 799)</b>	<b>(26 539)</b>			<b>43 632 228</b>	<b>(20 383 827)</b>	<b>392 736</b>	<b>26 580</b>	<b>(2 845 492)</b>		<b>(22 810 003)</b>	<b>20 822 225</b>

**Analysis of property, plant and equipment as at 30 June 2014**  
**Accumulated depreciation**  
**Cost/Revaluation**

	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>														
Land and buildings	390 719 758	12 261 479	-	(863 447)	-	(1 194 719)	400 923 071	(73 911 393)	-	-	(12 124 824)	-	(86 036 217)	314 886 854
Infrastructure	400 876 118	28 958 541	-	863 448	-	(647 200)	430 050 907	(119 268 309)	-	-	(16 049 477)	-	(135 317 786)	294 733 121
Community assets	12 870 628	1 564 038	-	(52)	-	-	14 434 614	(3 656 006)	-	-	(715 825)	-	(4 371 831)	10 062 783
Heritage assets	8 244 763	-	-	-	-	-	8 244 763	-	-	-	-	-	-	8 244 763
Specialised vehicles	5 381 368	-	-	-	-	-	5 381 368	(2 048 225)	-	-	(709 370)	-	(2 757 595)	2 623 773
Other assets	30 709 981	13 748 585	(799 799)	(26 539)	-	-	43 632 228	(20 383 827)	392 736	26 590	(2 845 492)	-	(22 810 003)	20 822 225
	<b>848 802 616</b>	<b>56 532 643</b>	<b>(799 799)</b>	<b>(26 590)</b>	<b>-</b>	<b>(1 841 919)</b>	<b>902 666 951</b>	<b>(219 267 760)</b>	<b>392 736</b>	<b>26 590</b>	<b>(32 444 988)</b>	<b>-</b>	<b>(251 293 432)</b>	<b>651 373 519</b>
<b>Intangible assets</b>														
Computers - software & programming	1 275 114	8 750	-	-	-	-	1 283 864	(636 680)	-	-	(115 608)	-	(952 288)	331 576
	<b>1 275 114</b>	<b>8 750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 283 864</b>	<b>(636 680)</b>	<b>-</b>	<b>-</b>	<b>(115 608)</b>	<b>-</b>	<b>(952 288)</b>	<b>331 576</b>
<b>Total</b>														
Land and buildings	390 719 758	12 261 479	-	(863 447)	-	(1 194 719)	400 923 071	(73 911 393)	-	-	(12 124 824)	-	(86 036 217)	314 886 854
Infrastructure	400 876 118	28 958 541	-	863 448	-	(647 200)	430 050 907	(119 268 309)	-	-	(16 049 477)	-	(135 317 786)	294 733 121
Community assets	12 870 628	1 564 038	-	(52)	-	-	14 434 614	(3 656 006)	-	-	(715 825)	-	(4 371 831)	10 062 783
Heritage assets	8 244 763	-	-	-	-	-	8 244 763	-	-	-	-	-	-	8 244 763
Specialised vehicles	5 381 368	-	-	-	-	-	5 381 368	(2 048 225)	-	-	(709 370)	-	(2 757 595)	2 623 773
Other assets	30 709 981	13 748 585	(799 799)	(26 539)	-	-	43 632 228	(20 383 827)	392 736	26 590	(2 845 492)	-	(22 810 003)	20 822 225
Intangible assets	1 275 114	8 750	-	-	-	-	1 283 864	(636 680)	-	-	(115 608)	-	(952 288)	331 576
	<b>850 077 730</b>	<b>56 541 393</b>	<b>(799 799)</b>	<b>(26 590)</b>	<b>-</b>	<b>(1 841 919)</b>	<b>903 950 815</b>	<b>(220 104 440)</b>	<b>392 736</b>	<b>26 590</b>	<b>(32 560 596)</b>	<b>-</b>	<b>(252 245 720)</b>	<b>651 705 095</b>

Umtshezi Local Municipality  
Umtshezi Local Municipality  
Appendix B

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

	Opening Balance	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>Land and buildings</b>														
Land (Separate for AFS purposes)	164 179 063	-	(1 876 630)	1 228 071	-	-	163 530 504	-	-	-	-	-	(257 370)	163 530 504
Landfill Sites (Separate for AFS purposes)	2 203 351	814 704	-	-	-	-	3 018 055	(217 553)	-	-	(39 837)	-	-	2 760 685
Buildings (Separate for AFS purposes)	208 267 095	15 904 103	-	-	-	-	224 171 198	(61 529 018)	-	-	(12 125 005)	-	(73 654 023)	150 517 175
	<b>374 649 509</b>	<b>16 718 807</b>	<b>(1 876 630)</b>	<b>1 228 071</b>	<b>-</b>	<b>-</b>	<b>390 719 757</b>	<b>(61 746 551)</b>	<b>-</b>	<b>-</b>	<b>(12 164 842)</b>	<b>-</b>	<b>(73 911 393)</b>	<b>316 808 364</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	250 765 480	7 981 039	-	-	-	-	258 746 519	(79 671 625)	-	-	(9 903 314)	-	(89 574 939)	169 171 590
Storm water	64 659 939	4 029 746	-	-	-	-	68 689 685	(11 970 757)	-	-	(2 398 083)	-	(14 368 840)	54 330 845
Transmission & Reticulation	73 264 928	-	-	-	-	-	73 264 928	(12 699 244)	-	-	(2 625 286)	-	(15 324 530)	57 940 398
Street lighting	-	164 986	-	-	-	-	164 986	-	-	-	-	-	-	164 986
	<b>388 700 347</b>	<b>12 175 771</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400 876 118</b>	<b>(104 341 626)</b>	<b>-</b>	<b>-</b>	<b>(14 926 683)</b>	<b>-</b>	<b>(119 268 209)</b>	<b>281 607 809</b>
<b>Community Assets</b>														
Parks & gardens	1 318 606	-	-	-	-	-	1 318 606	(15 925)	-	-	(131 618)	-	(147 543)	1 171 063
Sportsfields and stadiums	10 603 690	-	-	-	-	-	10 603 690	(2 612 434)	-	-	(522 250)	-	(3 134 684)	7 469 006
Swimming pools	78 990	-	-	-	-	-	78 990	(7 498)	-	-	(7 914)	-	(15 412)	63 578
Cemeteries	859 603	9 739	-	-	-	-	869 342	(297 354)	-	-	(61 013)	-	(358 367)	510 975
	<b>12 860 889</b>	<b>9 739</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 870 628</b>	<b>(2 933 211)</b>	<b>-</b>	<b>-</b>	<b>(722 795)</b>	<b>-</b>	<b>(3 656 006)</b>	<b>9 214 622</b>

Umtshezi Local Municipality  
 Umtshezi Local Municipality  
 Appendix B  
 June 2014

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	8 244 468	-	-	-	-	-	8 244 468	-	-	-	-	-	-	8 244 468
Other	295	-	-	-	-	-	295	-	-	-	-	-	-	295
	<b>8 244 763</b>						<b>8 244 763</b>							<b>8 244 763</b>
<b>Specialised vehicles</b>														
Refuse	2 865 802	-	-	-	-	-	2 865 802	(195 120)	-	-	(461 425)	-	(656 545)	2 209 257
Fire	1 096 663	-	-	-	-	-	1 096 663	(448 708)	-	-	(102 402)	-	(551 110)	545 553
Fire - leased	1 418 903	-	-	-	-	-	1 418 903	(698 388)	-	-	(142 182)	-	(840 570)	578 333
	<b>5 381 368</b>						<b>5 381 368</b>	<b>(1 342 216)</b>			<b>(706 009)</b>		<b>(2 048 225)</b>	<b>3 333 143</b>
<b>Other assets</b>														
General vehicles	10 381 005	649 040	-	-	-	-	11 030 045	(4 818 574)	-	-	(972 073)	-	(5 790 647)	5 239 398
Plant & equipment	84 596	84 596	(366 467)	-	-	-	5 016 035	(2 683 463)	244 334	-	(506 604)	-	(2 945 733)	2 070 302
Computer Equipment	5 577 492	103 381	(112 018)	-	-	122 402	5 691 257	(4 782 008)	58 829	-	(213 858)	-	(4 927 037)	764 220
Furniture & Fittings	3 482 389	42 326	(258 665)	-	-	8 659	3 274 709	(2 066 896)	158 564	-	(449 897)	-	(2 358 229)	918 480
Office Equipment	1 659 131	91 311	(123 544)	-	-	10 787	1 637 685	(814 299)	71 635	-	(166 479)	-	(909 143)	728 542
Security measures	118 867	-	-	-	-	-	118 867	(107 407)	-	-	(3 230)	-	(110 637)	8 230
Bins and Containers	750	-	-	-	-	-	750	(750)	-	-	-	-	(750)	-
Other	5 694	-	-	-	-	-	5 694	(3 982)	-	-	(573)	-	(4 555)	1 139
General vehicles - leased	2 035 435	-	-	-	-	-	2 035 435	(1 478 702)	-	-	(252 559)	-	(1 731 261)	304 174
Office equipment - leased	2 034 850	-	(135 346)	-	-	-	1 899 504	(1 342 348)	108 295	-	(371 782)	-	(1 605 835)	293 669
	<b>30 593 519</b>	<b>970 654</b>	<b>(996 040)</b>			<b>141 848</b>	<b>30 709 981</b>	<b>(18 098 429)</b>	<b>651 657</b>		<b>(2 937 055)</b>		<b>(20 383 827)</b>	<b>10 326 154</b>

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

	<b>Cost/Revaluation</b>													
	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>														
Land and buildings	374 649 509	16 718 807	(1 876 630)	1 228 071	-	-	390 719 757	(61 746 551)	-	-	(12 164 842)	-	(73 911 393)	316 808 364
Infrastructure	388 700 347	12 175 771	-	-	-	-	400 876 118	(104 341 626)	-	-	(14 926 683)	-	(119 268 309)	281 607 809
Community Assets	12 860 889	9 739	-	-	-	-	12 870 628	(2 933 211)	-	-	(722 795)	-	(3 656 006)	9 214 622
Heritage assets	8 244 763	-	-	-	-	-	8 244 763	-	-	-	(706 009)	-	(2 048 225)	3 333 143
Specialised vehicles	5 381 368	-	-	-	-	-	5 381 368	(1 342 216)	-	-	(2 937 055)	-	(20 383 827)	10 326 154
Other assets	30 593 519	970 654	(996 040)	-	-	141 848	30 709 981	(18 098 429)	651 657	-	(31 457 384)	-	(219 267 760)	629 534 855
	<b>820 430 395</b>	<b>29 874 971</b>	<b>(2 872 670)</b>	<b>1 228 071</b>	<b>-</b>	<b>141 848</b>	<b>848 802 615</b>	<b>(188 462 033)</b>	<b>651 657</b>	<b>-</b>	<b>(31 457 384)</b>	<b>-</b>	<b>(219 267 760)</b>	<b>629 534 855</b>
<b>Intangible assets</b>														
Computers - software & programming	964 834	310 280	-	-	-	-	1 275 114	(779 059)	-	-	(57 621)	-	(836 680)	438 434
	<b>964 834</b>	<b>310 280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 275 114</b>	<b>(779 059)</b>	<b>-</b>	<b>-</b>	<b>(57 621)</b>	<b>-</b>	<b>(836 680)</b>	<b>438 434</b>
<b>Total</b>														
Land and buildings	374 649 509	16 718 807	(1 876 630)	1 228 071	-	-	390 719 757	(61 746 551)	-	-	(12 164 842)	-	(73 911 393)	316 808 364
Infrastructure	388 700 347	12 175 771	-	-	-	-	400 876 118	(104 341 626)	-	-	(14 926 683)	-	(119 268 309)	281 607 809
Community Assets	12 860 889	9 739	-	-	-	-	12 870 628	(2 933 211)	-	-	(722 795)	-	(3 656 006)	9 214 622
Heritage assets	8 244 763	-	-	-	-	-	8 244 763	-	-	-	(706 009)	-	(2 048 225)	3 333 143
Specialised vehicles	5 381 368	-	-	-	-	-	5 381 368	(1 342 216)	-	-	(2 937 055)	-	(20 383 827)	10 326 154
Other assets	30 593 519	970 654	(996 040)	-	-	141 848	30 709 981	(18 098 429)	651 657	-	(57 621)	-	(836 680)	438 434
Intangible assets	964 834	310 280	-	-	-	-	1 275 114	(779 059)	-	-	(31 515 005)	-	(220 104 440)	629 973 289
	<b>821 395 229</b>	<b>30 185 251</b>	<b>(2 872 670)</b>	<b>1 228 071</b>	<b>-</b>	<b>141 848</b>	<b>850 077 729</b>	<b>(189 241 032)</b>	<b>651 657</b>	<b>-</b>	<b>(31 515 005)</b>	<b>-</b>	<b>(220 104 440)</b>	<b>629 973 289</b>

Umtshezi Local Municipality  
Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003  
June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar			
Municipal Infrastructure Grant	National Treasury	-	5 237 000	6 710 000	3 214 000	-	1 847 812	2 066 707	2 891 423	4 135 558	-	-	-	-	Yes	
Finance Management Grant	National Treasury	-	1 550 000	-	-	-	85 431	169 730	341 750	953 089	-	-	-	-	Yes	
Neighbourhood Development Grant	National Treasury	-	-	-	-	-	477 698	5 912 018	1 049 869	-	-	-	-	-	Yes	
Sport Infrastructure	KZN Dept of Sports and Recreation	-	-	525 000	-	-	-	72 296	703 531	690 557	-	-	-	-	Yes	
Integrated National Electrification Programme	National Dept of Energy	-	7 000 000	1 000 000	4 200 000	-	707 955	470 676	1 093 945	8 282 953	-	-	-	-	Yes	
Small Town Rehabilitation Grant	KZN COGTA	-	-	6 000 000	-	-	-	635 976	858 588	434 495	-	-	-	-	Yes	
Equitable Share	National Treasury	-	12 859 000	3 530 000	16 807 000	-	12 859 000	3 530 000	16 807 000	-	-	-	-	-	Yes	
Provincialisation of Libraries	Provincial Treasury	-	1 878 000	-	-	-	1 878 000	-	-	-	-	-	-	-	Yes	
Museum Grant	Provincial Treasury	-	286 000	-	-	282 000	286 000	-	-	282 000	-	-	-	-	Yes	
Municipal Systems Infrastructure Grant	National Treasury	-	890 000	-	-	-	443 446	436 956	4 597	2 550	-	-	-	-	Yes	
Expanded Public Works Programme	???????	-	400 000	300 000	300 000	-	-	264 050	292 378	443 572	-	-	-	-	Yes	
Caremaker Grant	???????	-	150 000	-	-	150 000	150 000	-	-	150 000	-	-	-	-	Yes	
Community Library Service	???????	-	240 000	-	-	-	240 000	-	-	-	-	-	-	-	Yes	
		-	30 490 000	18 065 000	24 521 000	957 000	18 975 342	13 558 409	24 043 062	15 374 774	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.