

Emnambithi / Ladysmith Municipality



**Annual Financial Statements
30 June 2013**

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality
Members of the Council	
Mayor	Mr M V Madlala
Deputy Mayor	Ms S R Mfusi
Speaker	Ms Z B Rasool
Chief Whip	Mr T W Ngubane
Member of the Executive Committee	Ms T Hadebe
	Mr P J Hurter
	Mr T P Makhaza
	Mr M J Buthelezi
	Ms M N Mlotshwa
	Mr T Msomi
	Mr S J Sithebe
Accounting Officer	Mr M P Khathide
Chief Financial Officer	Mr R A Jhetam (Acting)
Grading of local authority	4
Registered office	221 Murchison Street Lister Clarence Building Ladysmith Tel: 036-6372231 Fax: 036-6311400 <u>E-mail: mm@ladysmith.co.za</u>
Postal address	PO Box 29 Ladysmith Kwazulu-Natal 3370
Bankers	ABSA - Public Sector Banking
Auditors	Auditor-General

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

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 1 to 55, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 August 2013 and were signed on its behalf by :

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



Accounting Officer
Mr M P Khathide

30 August 2013

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position

		2013	2012
	Note(s)	R	Restated R
Assets			
Current Assets			
Inventories	15	32,296,944	13,041,943
Trade and Other Receivables from Exchange Transactions	16	22,366,249	20,905,918
Other Receivables from Non-Exchange Transactions	17	36,622,768	27,780,732
VAT Receivable	9	14,478,867	2,524,923
Current Portion of Non-Current Receivables	14	2,233	4,095
Short-Term Investments	13	80,955,967	70,739,034
Call Investment Deposits	18	95,301,130	117,044,589
		282,024,158	252,041,235
Non-Current Assets			
Property, Plant and Equipment	10	803,921,386	752,867,276
Intangible Assets	11	242,760	158,238
Investment Property	12	63,543,469	58,158,103
Non-Current Receivables from Exchange Transactions	14	19,186	21,418
		867,726,800	811,205,036
Total Assets		1,149,750,958	1,063,246,271
Current Liabilities			
Consumer Deposits	4	8,045,469	7,919,239
Provisions	5	21,460,673	19,276,296
Trade and Other Payables from Exchange Transactions	7	71,152,032	73,871,403
Unspent Conditional Grants and Receipts	8	35,869,358	56,321,412
Cash and Cash Equivalents	19	29,314,433	4,616,678
Current Portion of Finance Lease Obligation	3	18,901	74,246
Current Portion of Long-term Loans	2	228,970	1,410,178
		166,089,836	163,489,451
Non-Current Liabilities			
Long-term Loans	2	4,961,135	5,190,105
Finance Lease Obligation	3	26,139	73,200
Retirement Benefit Obligations	6	34,592,500	32,932,000
		39,579,775	38,195,305
Total Liabilities		205,669,611	201,684,757
Net Assets		944,081,347	861,561,514
Net Assets			
Housing Development Fund	1	26,333,857	25,033,273
Accumulated Surplus		917,747,490	836,528,241
Total Net Assets		944,081,347	861,561,514

Statement of Financial Performance

Actual Restated 2012		Actual 2013	Approved Budget 2013	Adjustments 2013	Final Budget 2013	Difference between Final Budget and Actual
R	Note(s)	R	R	R	R	R
Revenue						
Revenue from non-exchange transactions						
99,278,609	Property Rates	20 112,765,228	113,545,733	-	113,545,733	(780,505)
9,171,484	Property Rates - Penalties & Collection Charges	4,106,159	10,501,970	-	10,501,970	(6,395,811)
3,386,165	Fines	5,980,091	6,463,670	-	6,463,670	(483,579)
6,150,917	Licences and Permits	6,572,089	6,484,260	-	6,484,260	87,829
148,125,131	Government Grants and Subsidies	22 194,784,702	182,811,000	7,065,000	189,876,000	4,908,702
9,550,335	Government Grants - Low Cost Housing	22 11,759,115	-	-	-	11,759,115
Revenue from exchange transactions						
208,586,770	Service Charges	21 232,535,667	240,145,674	(12,157,844)	227,987,830	4,547,837
7,409,732	Interest Earned - External Investments	8,631,950	3,399,300	3,600,700	7,000,000	1,631,950
628,385	Interest Earned - Outstanding Receivables	882,852	1,932,428	-	1,932,428	(1,049,576)
38,703,274	Other Income	34 26,095,010	61,751,090	(26,583,447)	35,167,643	(9,072,633)
530,990,801	Total Revenue	604,112,862	627,035,125	(28,075,591)	598,959,534	5,153,328
Expenditure						
122,725,971	Employee Related Costs	23 132,108,363	135,094,735	18,808,126	153,902,861	(21,794,498)
12,164,110	Remuneration of Councillors	24 13,131,617	13,584,699	-	13,584,699	(453,082)
15,324,891	Bad Debts	9,816,435	8,666,143	-	8,666,143	1,150,292
13,613,089	Indigency	21,008,689	19,576,950	(4,480,000)	15,096,950	5,911,739
69,066,939	Depreciation and Amortisation Expense	57,656,139	95,535,277	(1,410,178)	94,125,099	(36,468,960)
31,968,690	Repairs and Maintenance	36,807,966	42,820,443	(1,804,685)	41,015,758	(4,207,792)
681,942	Finance Costs	25 555,517	544,661	-	544,661	10,856
141,131,571	Bulk Purchases	26 154,749,980	167,753,000	(16,065,924)	151,687,076	3,062,904
4,906,147	Grants / Subsidies and Rebates Paid	27 1,272,856	6,308,000	748,048	7,056,048	(5,783,192)
4,913,427	Grant Expenses	9,450,229	3,991,000	5,192,000	9,183,000	267,229
9,550,335	Grants Expenses - Low Cost Housing	22 11,759,115	-	-	-	11,759,115
88,415,217	General Expenses	28 101,125,937	158,753,983	(44,814,035)	113,939,948	(12,814,011)
514,462,329	Total Expenditure	549,442,842	652,628,891	(43,826,648)	608,802,243	(59,359,401)
Other Gains / Losses						
(3,520,698)	Gain / (Loss) on sale/disposal of assets	(2,376,407)	-	-	-	-
3,462,188	Gain / (Loss) on fair value adjustment	28,203,866	-	-	-	-
-	Gain / (Loss) on revaluation of assets	-	-	-	-	-
-	Inventories : Write-down to net realisable value	-	-	-	-	-
(88,686)	Impairment Loss / Reversal of impairment loss	(1,915,495)	-	-	-	-
16,381,277	Surplus / (Deficit) for the year	78,581,983	(25,593,766)	15,751,057	(9,842,709)	64,512,729

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Statement of Changes in Net Assets

	Housing Development Fund R	Accumulated Surplus R	Total Net Assets R
Opening balance as previously reported	20,333,587	781,679,913	802,013,500
Surplus for the year	-	8,497,130	8,497,130
Correction of Error: Reversal of Interest Raised on Trade Receivables	-	-5,545,050	-5,545,050
Prior Year Adjustment: Unidentified Bank Deposits up to 30 June 2010	-	4,684,294	4,684,294
Prior Year Adjustment: Unclaimed Payments to Employees / Creditors	-	21,249	21,249
Prior Year Adjustment: PPE (Movables) - Cost	-	12,803,552	12,803,552
Prior Year Adjustment: PPE (Movables) - Accumulated Depreciation	-	4,508,584	4,508,584
Prior Year Adjustment: Assets Held for Sale Cancelled	-	1,120,000	1,120,000
Prior Year Adjustment: PPE (Infrastructure Assets)	-	14,361,404	14,361,404
Prior Year Adjustment: Long Service Awards	-	-5,948,840	-5,948,840
Other Transfers to Internal Funds	-	790,459	790,459
Transfer to Self-Insurance Fund	-	1,519,263	1,519,263
Transfer to Housing Operating Account	2,458,671	-	2,458,671
Balance at 1 July 2011 as restated	22,792,257	818,491,959	841,284,216
Surplus for the year	-	16,381,277	16,381,277
Prior Year Adjustment: Unidentified Deposits Appropriated	-	347,892	347,892
Prior Year Adjustment: Unclaimed Payments to Employees / Creditors	-	52,305	52,305
Other Transfers to Internal Funds	-	-75,333	-75,333
Transfer to Self-Insurance Fund	-	1,330,142	1,330,142
Transfer to Housing Development Fund	2,241,015	-	2,241,015
Balance at 1 July 2012	25,033,273	836,528,241	861,561,514
Surplus for the year	-	78,581,983	78,581,983
Prior Year Adjustment: Unclaimed Payments to Employees / Creditors	-	299,437	299,437
Other Transfers to Internal Funds	-	-81,522	-81,522
Transfer to Self-Insurance Fund	-	2,419,351	2,419,351
Transfer to Housing Development Fund	1,300,584	-	1,300,584
Balance at 30 June 2013	26,333,856	917,747,490	944,081,347

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Cash Flow Statement

	Note(s)	2013 R	2012 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		314,932,304	304,639,561
Grants		183,428,925	168,973,968
Interest received		9,514,801	8,038,117
Other receipts		38,647,189	68,585,176
		<u>546,523,220</u>	<u>550,236,822</u>
Payments			
Employee costs		-172,579,971	-153,599,466
Suppliers		-268,620,209	-235,227,431
Interest paid		-555,517	-681,942
Other payments		-30,512,549	-43,927,322
		<u>-472,268,246</u>	<u>-433,436,161</u>
Net cash flows from operating activities	29	<u>74,254,974</u>	<u>116,800,661</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		-113,694,463	-75,899,024
Purchase of investment property		-	-
Purchase of intangible assets		-352,047	-19,930
Proceeds on sale of assets		5,079,838	1,530,446
		<u>-108,966,672</u>	<u>-74,388,508</u>
Net cash flows from investing activities		<u>-108,966,672</u>	<u>-74,388,508</u>
Cash flows from financing activities			
New loans raised/(repaid)		-1,410,178	-1,283,771
Finance lease raised/(repaid)		-102,406	-
		<u>-1,512,583</u>	<u>-1,283,771</u>
Net cash flows from financing activities		<u>-1,512,583</u>	<u>-1,283,771</u>
Net increase / (decrease) in cash and cash equivalents		<u>-36,224,281</u>	<u>41,128,382</u>
Cash and cash equivalents at the beginning of the year			
- Short-Term Investments		70,739,034	53,955,064
- Call Investment Deposits		117,044,589	82,997,183
- Cash and cash equivalents		-4,616,678	5,086,316
		<u>183,166,946</u>	<u>142,038,563</u>
Cash and cash equivalents at the end of the year			
- Short-Term Investments	13	80,955,967	70,739,034
- Call Investment Deposits	18	95,301,130	117,044,589
- Cash and Cash Equivalents	19	-29,314,433	-4,616,678
		<u>146,942,664</u>	<u>183,166,946</u>

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. BASIS OF PREPARATION

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost conventions as the basis of measurement, except where specified otherwise.

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

The principle accounting policies adopted in the preparation of these annual financial statements are set out below.

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

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

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note and annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality :

GRAP 18: Segment Reporting – issued March 2005:

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

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Accounting Policies

GRAP 25: Employee Benefits – issued December 2009:

Compliance with this standard would not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 26: Impairment of Non-Cash Generating Assets – issued March 2009:

Compliance with this standard would not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. HOUSING DEVELOPMENT FUND

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

3. INTERNAL RESERVES

3.1 Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (excess payments). Premiums are charged to the respective services taking into account claims history and replacement values of the insured assets. The balance of the self-insurance fund is ring-fenced within the accumulated surplus/(deficit).

The Council determines annually the amount to contribute to the Self Insurance Reserve.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in a separate call account.

Accounting Policies

4. PROPERTY, PLANT AND EQUIPMENT

4.1 INITIAL RECOGNITION

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

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

4.2 SUBSEQUENT MEASUREMENT – COST MODEL

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

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

4.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on cost less residual value, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

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Accounting Policies

The annual depreciation rates are based on the following estimated average asset lives:-

<u>DETAILS</u>	<u>YEARS</u>	<u>DETAILS</u>	<u>YEARS</u>
Infrastructure		Other	
Roads and Paving	5 - 100	Buildings	10 – 50
Pedestrian Malls	20	Specialised Vehicles	3 – 20
Electricity	10 – 50	Other Vehicles	3 – 20
Water	10 -100	Office Equipment	5 – 7
Sanitation	10 - 100	Furniture and Fittings	10
Housing	30	Watercraft	15
Stormwater	25 – 120	Bins and Containers	5 – 10
Community		Specialised Plant and Equipment	5 – 15
Buildings	10 – 50	Other Items of Plant and Equipment	5 – 15
Recreational Facilities	10 – 100	Landfill sites	15
Security	3 –5		

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

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

4.4 DERECOGNITION

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

4.5 INCOMPLETE CONSTRUCTION WORK

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

5. INVESTMENT PROPERTY

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

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

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

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Accounting Policies

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

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

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

5.1 FAIR VALUE

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

6. INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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

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

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Accounting Policies

- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

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

Item	Useful life
Servitudes	indefinite
Software	3 years

7. IMPAIRMENT OF ASSETS

7.1 CASH GENERATING ASSETS

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in surplus or deficit.

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized immediately in surplus or deficit.

7.2 NON-CASH GENERATING ASSETS

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in surplus or deficit.

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

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

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

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

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A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized immediately in surplus or deficit.

8. INVENTORIES

8.1 INITIAL RECOGNITION

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

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

8.2 SUBSEQUENT MEASUREMENT

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

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

9. FINANCIAL INSTRUMENTS

9.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

9.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

9.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that

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categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

9.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

9.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

9.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of four months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

10. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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11. IRREGULAR EXPENDITURE

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

12. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. PROVISIONS

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

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

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

14. LEASES

14.1 MUNICIPALITY AS LESSEE

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The

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	2013	2012
	R	Restated R

17. Other Receivables from Non-Exchange Transactions

As at 30 June 2013	Gross Balances	Provision for Bad Debts	Net Balance
Rates	79,791,768	(63,510,662)	16,281,106
Vat Service Debtors	5,306,316	-	5,306,316
Service Debtors - Conversion Debt	4,683	(4,683)	(0)
Legal Fees - Debtors	2,230,764	(2,201,140)	29,624
Credit Control Costs - Debtors	93,282	(58,050)	35,232
Sundry Debtors	19,593,021	(4,622,532)	14,970,490
	107,019,834	(70,397,066)	36,622,768

As at 30 June 2012

Rates	75,572,384	(63,674,617)	11,897,766
Vat Service Debtors	4,636,135	-	4,636,135
Service Debtors - Conversion Debt	6,320	(6,320)	-
Legal Fees - Debtors	2,705,303	(2,672,454)	32,849
Credit Control Costs - Debtors	90,565	(32,657)	57,908
Sundry Debtors	14,427,792	(3,271,717)	11,156,075
	97,438,498	(69,657,766)	27,780,732

Rates : Ageing

Current (0 - 30 days)	82,484	653,720
31 - 60 Days	2,806,204	2,036,006
61 - 90 Days	1,573,507	1,168,335
91 - 120 Days	1,325,553	1,275,358
121+ Days	74,004,021	70,438,965
	79,791,768	75,572,384

Reconciliation of the doubtful debt provision

Balance at beginning of the year	69,657,766	58,842,560
Contributions to provision	4,822,005	10,815,206
Additional provision for impairment	-	-
Doubtful debts written off against provision	(4,082,704)	-
Reversal of provision	-	-
	70,397,066	69,657,766

Trade and other receivables from non-exchange transactions impaired

As of 30 June 2013, trade and other receivables of R86 595 688 (2012: R 80 901 812) were impaired and provided for.

The amount of the provision was R70 397 066 as of 30 June 2013 (2012: R69 657 766).

The ageing of these receivables is as follows:

31 - 60 Days	2,235,924	1,730,435
61 - 90 Days	1,253,737	992,988
91 - 120 Days	1,056,172	1,083,948
121+ Days	65,851,234	65,850,395
	70,397,066	69,657,766

The fair value of trade and other receivables from non-exchange transactions approximates their carrying amounts.

All Debtors with the exclusion of Vat Service Debtors are individually evaluated annually at balance sheet date for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns.

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	2013	2012
	R	Restated R
18. Call Investment Deposits		
The Municipality has the following call investment bank accounts :-		
<u>General Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 9207051716		
Bank statement balance at end of period	16,898,742	20,084,812
<u>Department of Housing Grants Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 9207052314		
Bank statement balance at end of period	19,654,690	40,195,077
<u>Grant Funds Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 9207054081		
Bank statement balance at end of period	13,985,151	24,610,811
<u>Aloe and Berg Tea Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 9207054934		
Bank statement balance at end of period	173,615	210,174
<u>Valuations Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 9216278503		
Bank statement balance at end of period	11,389	10,880
<u>Depreciation Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 9216278799		
Bank statement balance at end of period	7,860,827	7,509,413
<u>Small Town Rehabilitation Grant Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 9236394943		
Bank statement balance at end of period	2,157,287	10,874,131
<u>Ladysmith Black Mambazo Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 236410696		
Bank statement balance at end of period	1,972,581	1,806,312
<u>Self-Insurance Fund Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 9251267674		
Bank statement balance at end of period	6,389,805	4,353,041
<u>Neighbourhood Development Partnership Grant Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 9265577031		
Bank statement balance at end of period	8,953,544	7,389,939
<u>Housing Operating Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 9274469611		
Bank statement balance at end of period	17,242,498	-
<u>Housing Capacity Fund Call Account</u>		
ABSA Bank - Public Sector Banking		
Account Number 9285122301		
Bank statement balance at end of period	1,000	-
	95,301,130	117,044,589

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	2013	2012
	R	Restated R

19. Cash and Cash Equivalents

The Municipality has the following bank account :-

Current Account (Primary Bank Account)

ABSA Bank - Public Sector Banking
Account Number 4071756088

Cash book balance at beginning of year	(4,616,678)	5,086,316
Cash book balance at end of period	<u>(29,314,433)</u>	<u>(4,616,678)</u>
Bank statement balance at beginning of year	12,127,770	10,294,546
Bank statement balance at end of period	<u>13,278,136</u>	<u>12,127,770</u>

20. Property Rates

Actual

Residential	56,279,337	50,456,335
Commercial	35,670,083	31,545,533
State	20,815,808	17,276,742
Total Assessment Rates	<u>112,765,228</u>	<u>99,278,609</u>

R'000

R'000

Valuations

Residential	6,386,222	6,233,230
Commercial	1,561,674	1,712,522
State	884,690	884,690
Total Property Valuations	<u>8,832,586</u>	<u>8,830,442</u>

Valuation on land and buildings is performed every five years. The last valuation came into effect on 1 July 2008. Supplementary valuations are processed on a ad-hoc basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

The following property allocation factors are applied to the various categories of property to determine assessment rates less the impermissible valuation allowed :

Category	Rate	Impermissible Valuation
Residential Property	R 0.0129	R 15 000
Industrial/Commercial/Business	R 0.0231	R 15 000
Agricultural	R 0.0032	R 15 000
Vacant Land	R 0.0535	R 0
Game Hunting / Eco-Tourism	R 0.0097	R 15 000
State	R 0.0238	R 15 000
Industrial Estate	R 0.0179	R 15 000

Rates are levied on a monthly basis on property owners with the final date of payment being 30 June 2013 (2012: 30 June 2012). Interest at 18% per annum (2012: 18%) is levied on outstanding rates as well as a 10% (2012: 10%) collection charge two months after final date of payment.

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	2013	2012
	R	Restated R
21. Service Charges		
Sale of electricity	216,813,018	193,945,782
Refuse removal	15,722,649	14,640,988
	232,535,667	208,586,770
22. Government Grants and Subsidies		
Equitable share	103,921,090	93,368,000
Municipal Infrastructure Grant (MIG)	32,199,649	19,218,611
Dept of Housing	11,759,115	9,550,335
Museum Subsidy	134,000	125,000
Financial Management Grant	1,500,000	1,450,000
Municipal Systems Improvement Grant	800,000	790,000
Department of Mineral & Energy (DME)	-	3,529,940
Integrated National Electricity Programme (INEP)	10,425,677	3,003,158
Neighbourhood Development Programme (NDPG)	22,444,538	15,777,237
Small Town Rehabilitation (STR)	15,130,272	9,966,423
Other Grants	8,229,475	896,761
	206,543,817	157,675,466

22.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents and automatic indigents, whose Property Valuation is R 80 000 and less, receive a 100% credit for their Property Rates and their monthly services account.

22.2 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	-
Balance overspent at beginning of year (Debtor Raised)	(2,647,920)	(8,785,309)
Transfer amount from Other Grants Incorrectly Disclosed	(881,139)	-
Current year receipts	30,758,000	25,356,000
Conditions met - transferred to revenue (Other)	(32,199,649)	(19,218,611)
Funds not yet received - spending in advance (Debtor Raised)	4,955,196	2,647,920
Conditions still to be met - transferred to liabilities	(15,513)	-

This grant was used to construct roads and bridges, sportsfields and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). No funds have been withheld.

22.3 Department of Housing

Balance unspent at beginning of year	23,211,525	27,313,863
Current year receipts	6,136,766	5,447,997
Conditions met - transferred to revenue	(11,759,115)	(9,550,335)
Conditions still to be met - transferred to liabilities	17,589,176	23,211,525

This grant was used to construct houses as part of the upgrading of informal settlement areas.

22.4 Museum subsidy

Balance unspent at beginning of year	-	-
Current year receipts	134,000	125,000
Conditions met - transferred to revenue	(134,000)	(125,000)
Conditions still to be met - transferred to liabilities	-	-

This grant was used to subsidise expenses incurred solely for the museums.

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	2013	2012
	R	Restated R
22.5 Financial Management Grant (FMG)		
Balance unspent at beginning of year	-	-
Current year receipts	1,500,000	1,450,000
Conditions met - transferred to revenue	(1,500,000)	(1,450,000)
Conditions still to be met - transferred to liabilities	-	-

This grant was used for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and Asset Management.

22.6 Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
Current year receipts	800,000	790,000
Conditions met - transferred to revenue	(800,000)	(790,000)
Conditions still to be met - transferred to liabilities	-	-

This grant was used for systems to comply with the MPRA and Audit Outcomes i.t.o. GRAP.

22.7 Department of Minerals and Energy (DME) Grant

Balance unspent at beginning of year	-	3,483,256
Balance overspent at beginning of year (Debtor Raised)	(46,684)	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(3,529,940)
Funds not yet received - spending in advance (Debtor Raised)	-	46,684
Conditions still to be met - transferred to liabilities	(46,684)	-

This grant was used for electricity connections to households in various areas.

22.8 Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of year	10,472,362	5,475,520
Current year receipts	-	8,000,000
Conditions met - transferred to revenue	(10,425,677)	(3,003,158)
Conditions still to be met - transferred to liabilities	46,684	10,472,362

This grant was used for electricity connections to households in various areas.

22.9 Neighbourhood Development Partnership Grant (NDPG)

Balance unspent at beginning of year	7,602,003	8,729,241
Current year receipts	15,000,000	14,650,000
Conditions met - transferred to revenue	(22,444,538)	(15,777,237)
Conditions still to be met - transferred to liabilities	157,465	7,602,003

This grant is used for the upgrading of rural areas in terms of infrastructure development which includes streetlighting, pavements, taxi ranks, bridges, etc.

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	2013	2012
	R	Restated R
22.10 Small Town Rehabilitation Programme Grant (STRP)		
Balance unspent at beginning of year	7,728,025	1,694,449
Current year receipts	7,000,000	16,000,000
Conditions met - transferred to revenue	(15,130,272)	(9,966,423)
Funds not yet received - spending in advance (Debtor Raised)	402,247	-
Conditions still to be met - transferred to liabilities	-	7,728,025

This grant was used for the upgrading of the CBD roads, town beautification, sidewalks, parks and informal trader shelters.

22.11 Other Grants

Balance unspent at beginning of year	7,307,496	4,417,286
Transfer amount to MIG incorrectly disclosed	881,139	-
Current year receipts	18,179,069	3,786,971
Conditions met - transferred to revenue (Other)	(8,229,475)	(896,761)
Conditions still to be met - transferred to liabilities	18,138,229	7,307,496

22.12 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

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	2013	2012
	R	Restated R
23. Employee Related Costs		
Employee related costs - Salaries and Allowances	95,791,765	86,427,028
Employee related costs - Contributions for UIF, pensions, medical aids and group life	20,374,742	18,147,302
Travel allowances	6,712,532	5,914,874
Housing benefits and allowances	604,253	596,691
Overtime & standby payments	8,312,417	8,725,375
Performance bonus	300,660	136,598
Job Creation	27,351,985	21,487,488
Less : Employee costs to Property, Plant and Equipment and other expenses	(27,339,991)	(17,630,101)
	132,108,363	123,805,255

There were no advances or loans to employees.

Remuneration of Municipal Manager : Mr M P Khathide

Annual Remuneration	1,067,583	412,254
Performance Bonus	-	-
	1,067,583	412,254

Mr M P Khathide was appointed in the post of Municipal Manager on 1 September 2012, and acted in the post for the period 1 February 2012 to 31 August 2013

Remuneration of Municipal Manager : Mr N J Mdakane

Annual Remuneration	-	562,448
Performance Bonus	44,924	72,598
	44,924	635,046

Mr N J Mdakane resigned on 31 January 2012

Remuneration of the Chief Financial Officer : Mr R A Jhetam (Acting)

Annual Remuneration	543,164	-
Performance Bonus	-	-
	543,164	-

Mr R A Jhetam was appointed to act in the post of Chief Financial Officer on 1 December 2012

Remuneration of the Chief Financial Officer : Ms A R Ngwenya

Annual Remuneration	372,686	848,640
Performance Bonus	110,323	64,000
	483,009	912,640

Ms A R Ngwenya resigned on 30 November 2012

Remuneration of the Executive Manager: Corporate Services : Mr S N Kunene

Annual Remuneration	283,928	-
Performance Bonus	-	-
	283,928	-

Mr S N Kunene was appointed in the post of Executive Manager: Corporate Services on 1 March 2013

Remuneration of the Executive Manager: Corporate Services : Mr H A van Zyl (Acting)

Annual Remuneration	569,729	203,772
Performance Bonus	-	-
	569,729	203,772

Mr H A van Zyl was appointed to act in the post of Executive Manager: Corporate Services from 1 April 2012 to 28 February 2013

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Notes to the Annual Financial Statements

	2013	2012
	R	Restated R

Remuneration of the Executive Manager: Corporate Services : Ms PS Mntaka (Acting)

Annual Remuneration	-	67,573
Performance Bonus	-	-
	<u>-</u>	<u>67,573</u>

Ms P S Mntaka was appointed to act in the post of Executive Manager: Corporate Services from 1 March 2012 to 31 March 2012

Remuneration of the Executive Manager: Governance & Transformation : Mr R G Reddy

Annual Remuneration	-	545,865
Performance Bonus	43,577	61,619
	<u>43,577</u>	<u>607,484</u>

Mr R G Reddy's contract ended on 28 February 2012 (This post was since changed to Executive Manager: Corporate Services)

Remuneration of the Executive Manager: Community Services : Mr P B B Simelane

Annual Remuneration	283,928	-
Performance Bonus	-	-
	<u>283,928</u>	<u>-</u>

Mr P B B Simelane was appointed in the post of Executive Manager: Community Services on 1 March 2013

Remuneration of the Executive Manager: Community Services : Mr P S Mkhize (Acting)

Annual Remuneration	526,591	-
Performance Bonus	-	-
	<u>526,591</u>	<u>-</u>

Mr P S Mkhize was appointed to act in the post of Executive Manager: Community Services - 1 August 2012 to 28 February 2013

Remuneration of the Executive Manager: Development, Planning & Human Settlement : Mr P S Mkhize

Annual Remuneration	283,928	-
Performance Bonus	-	-
	<u>283,928</u>	<u>-</u>

Mr P S Mkhize was appointed in the post of Executive Manager: Development, Planning & Human Settlement on 1 March 2013

Remuneration of the Executive Manager: Development, Planning & Human Settlement : Ms P S Mntaka (Acting)

Annual Remuneration	493,532	-
Performance Bonus	-	-
	<u>493,532</u>	<u>-</u>

Ms P S Mntaka was appointed to act in the post of Executive Manager: Economic Development for the period 1 August 2012 to 28 February 2013

Remuneration of the Executive Manager: Infrastructure & Services : Mr A Sompersadh (Acting)

Annual Remuneration	755,419	-
Performance Bonus	-	-
	<u>755,419</u>	<u>-</u>

Mr A Sompersadh was appointed to act in the post of Executive Manager: Infrastructure & Services on 1 September 2012

Remuneration of the Executive Manager: Infrastructure & Services : Mr S Mathew

Annual Remuneration	150,634	850,187
Performance Bonus	101,837	-
	<u>252,470</u>	<u>850,187</u>

Mr S Mathew's contract ended on 31 August 2012

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Notes to the Annual Financial Statements

	2013	2012
	R	Restated R
Remuneration of the Chief Operations Officer : Mr S E Hlomuka		
Annual Remuneration	37,486	-
Other Allowances	20,909	-
	58,395	-

Mr S E Hlomuka was appointed in the post of Chief Operations Officer on 1 June 2013

24. Remuneration of Councillors

Mayor	680,847	652,710
Deputy Mayor	552,987	527,386
Speaker	550,942	525,946
Chief Whip	519,647	-
EXCO Committee Members	1,814,100	1,642,962
Councillors	9,013,094	8,815,106
	13,131,617	12,164,110

In-kind Benefits

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

The Mayor and Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor and the Deputy Mayor each have two full-time bodyguards.

25. Finance Costs

Long-term liabilities	544,661	671,068
Finance Lease Obligations	5,239	-
Other interest paid	5,617	10,873
	555,517	681,942

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	2013	2012
	R	Restated R

26. Bulk Purchases

Electricity	154,749,980	141,131,571
	<u>154,749,980</u>	<u>141,131,571</u>

<u>Distribution Losses : Electricity</u>	2013 Kwh	2012 Kwh		
Value of Purchases at Purchase Price	253,237,927	259,253,693	109,806,112	106,294,014
Less : Sales at Purchase Price	(226,334,076)	(232,435,814)	(98,140,374)	(95,298,684)
Total Losses	<u>26,903,851</u>	<u>26,817,879</u>	<u>11,665,738</u>	<u>10,995,330</u>
Technical Losses	12,661,896	12,962,685	5,490,305	5,314,701
Non-Technical Losses	14,241,955	13,855,195	6,175,432	5,680,630
Total Losses	<u>26,903,851</u>	<u>26,817,880</u>	<u>11,665,738</u>	<u>10,995,331</u>
Percentage of Total Loss	10.62%	10.34%		

The value of loss is calculated using the bulk purchase price.

27. Grants / Subsidies and Rebates Paid

Grants paid to students	289,600	191,394
Grants paid to other	6,192	6,000
Rates Rebates	977,064	4,708,753
	<u>1,272,856</u>	<u>4,906,147</u>

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	2013	2012
	R	Restated R
28. General Expenses		
Included in general expenses are the following:		
Advertising	1,503,030	814,463
Aloe & Berg Tea Project	-	172,648
Asset Management	705,464	2,677,604
Audit Fees	2,089,375	2,333,755
Bank Charges	438,132	357,894
Bulk Discounts	437,035	358,154
COID - Workmen's Compensation	1,220,545	963,800
Commercialisation of Agricultural Projects	458,327	215,105
Conferences & Delegations	1,776,566	2,060,288
Connections for KWh Meters	21,717	782,203
Consultants	5,308,738	-
Co-operative Development	46,334	82,538
Development Plans	175,259	735,338
Disconnections & Reconnections	1,678,058	455,678
Electricity	3,384,012	2,620,154
Electricity - Streetlighting	1,250,570	1,495,532
Emergency Relief Fund	2,198,130	822,784
Entertainment Expenses	174,051	113,199
Events / Programmes	2,086,531	2,339,804
Free Basic Alternative Energy	909,954	908,078
Insurance	3,138,242	2,481,735
Leave Provision	5,023,170	3,320,718
Legal Expenses	425,060	604,779
Licence Fees	408,621	240,710
Local Economic Development	420,672	369,486
Long Service Awards Provision	2,064,136	1,298,001
Materials & Sundries	987,788	628,764
Pauper Burials	87,217	101,000
Performance Management	41,500	103,749
Post Retirement Medical Aid Provision	3,402,706	4,033,432
Postage	985,357	924,843
Printing & Stationery	1,874,255	1,560,401
Project Development	325,978	337,019
Protective Clothing	846,326	818,509
Public Meetings	209,496	213,584
Rates	264,559	231,343
Refurbishment - NER Requirements	9,661,068	353,018
Rent - Buildings / Offices	93,686	147,600
SARS - Skills Development Levy	1,540,408	1,346,385
Security Services	3,637,742	2,680,454
Siyazenzela Project	2,583,734	2,268,434
Software Database	679,025	535,000
Sport & Recreation	925,021	1,127,179
Subscriptions & Membership	1,405,448	806,425
Swimming Pool Costs	216,468	488,587
Tampered Meters	68,645	104,529
Telephone / Cellphone Cost	3,316,274	3,090,834
Third Party Payments	462,190	430,419
Trade Mission	7,766	102,652
Training Staff	1,658,537	1,083,055
Valuation Costs	4,120,152	314,093
Vehicle / Transport Costs	12,923,800	25,622,891
Ward Committees	1,891,406	551,857
Water / Sanitation	1,094,121	1,205,849
Youth Development Programme	193,263	529,636
Zibambele EPW Pilot Project	990,153	799,448
Other	7,290,124	7,249,783
	101,125,937	88,415,217

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Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
	R	Restated R
29. Cash Generated By Operations		
Surplus/(Deficit) for the year	78,581,983	16,381,277
Adjustment for:-		
Adjustments in Respect of Previous Years & Appropriations	2,777,923	14,299,583
Depreciation / Amortisation	57,656,139	69,066,939
Loss on disposal of assets	(2,376,407)	(3,520,698)
Contribution to doubtful debt provision	9,816,435	8,666,143
Contribution to long service awards provision	2,064,136	1,298,001
Contribution to landfill site rehabilitation	825,826	7,460,039
Contribution to retirement benefit obligation	1,660,500	(4,756,249)
Gain on fair value adjustment and impairment	(26,288,371)	(3,373,502)
Operating surplus before working capital changes:	124,718,164	105,521,533
(Increase)/decrease in inventories	(19,255,000)	(1,116,962)
(Increase)/decrease in exchange debtors	(11,276,766)	(13,634,503)
(Increase)/decrease in non-exchange debtors	(8,842,036)	11,586,818
(Increase)/decrease in non-current receivables	1,862	14,879
(Decrease)/increase in unspent conditional grants and receipts	(20,452,053)	5,207,797
(Decrease)/increase in creditors	(2,719,370)	10,568,172
(Decrease)/increase in deposits	126,230	454,286
(Increase)/decrease in VAT Receivable	11,953,944	(1,801,360)
	74,254,974	116,800,661

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Notes to the Annual Financial Statements

	2013	2012
	R	Restated R

30. Correction of Error

During the year the Municipality conducted a verification and condition assessment on Property, Plant and Equipment, Investment Property, and inventory - Held For Sale. During this exercise the municipality found assets that were not on the current register or had been captured incorrectly.

Long service awards were recognised due to the materiality, and the valuation was conducted by actuarial consultants.

The Municipality rectified this retrospectively.

The cumulative effect on the 2012 Opening Balances are as follows :

Statement of Financial Position

PPE - Infrastructure Assets	(14,361,404)
PPE - Other Assets	(17,312,136)
Inventory - Held For Sale Assets	(1,120,000)
Provisions	5,948,840
Accumulated Surplus	26,844,701

The cumulative effect on the comparative amounts for 2012 are as follows :

Statement of Financial Position

PPE - Other Assets	(10,224,492)
Investment Property	(1,222,103)
Provisions	(218,717)

Statement of Financial Performance

Depreciation	10,224,492
General Expenses	1,298,001
Employee Related Costs	(1,079,284)
Other Income	1,222,103

31. Unauthorised, Irregular, Fruitless and Wasteful Expenditure

31.1 Unauthorised Expenditure

Opening balance	-	18,623,733
Unauthorised expenditure current year	-	-
Approved by council or condoned	-	(18,623,733)
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	-	-

Unauthorised expenditure is related to the actual expenditure exceeding budgeted expenditure on the Statement of Financial Performance.

31.2 Irregular Expenditure

Opening balance	11,888,759	286,651
Irregular expenditure current year	26,437,841	18,449,191
Approved / Condoned	(30,603,705)	(6,847,083)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting authorisation	<u>7,722,895</u>	<u>11,888,759</u>

Irregular expenditure is related to the non-adherence of Supply Chain Management procedures.

- Non-compliance with the PPPFA Regulation	3,465,381	11,704,497
- Persons in the service of the state	28,050	184,262
- Non-compliance with the SCM Regulations	4,229,464	-
	<u>7,722,895</u>	<u>11,888,759</u>

The amount of R 7 722 895 for irregular expenditure was submitted to Council in July 2013.

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

	2013	2012
	R	Restated R
31.3 Fruitless and Wasteful Expenditure		
Opening balance	118,153	107,280
Fruitless and Wasteful expenditure current year	19,938	10,873
Approved by council or condoned	(48,616)	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and Wasteful expenditure awaiting authorisation	<u>89,475</u>	<u>118,153</u>

Fruitless and Wasteful expenditure is related to expenditure that was made in vain and would have been avoided had reasonable care been exercised.

32. Additional Disclosures in Terms of Municipal Finance Management Act

32.1 Contributions to organised local government

Opening balance	-	-
Council subscriptions	1,388,248	804,425
Amount paid - current year	(1,388,248)	(804,425)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

32.2 Audit Fees

Opening balance	-	-
Current year audit fee	2,543,143	2,534,771
Amount paid - current year	(2,543,143)	(2,534,771)
Amount paid - previous years	-	-
Balance unpaid (Included in creditors)	<u>-</u>	<u>-</u>

32.3 VAT

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

32.4 PAYE, SDL and UIF

Opening balance	-	-
Current year payroll deductions	19,127,147	17,700,755
Amount paid - current year	(19,127,147)	(17,700,755)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

32.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	29,860,233	26,857,120
Amount paid - current year	(29,860,233)	(26,857,120)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

Emnambithi / Ladysmith Municipality

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Notes to the Annual Financial Statements

	2013	2012
	R	Restated R
33. Capital Commitments		
33.1 Commitments in respect of capital expenditure:		
- Approved but not yet contracted for		
<i>Infrastructure</i>	-	27,591,000
<i>Community</i>	-	2,000,000
<i>Other</i>	11,198,944	12,400,000
- Approved and contracted for		
<i>Infrastructure</i>	66,111,326	21,156,002
<i>Community</i>	17,960,318	30,142,479
<i>Other</i>	7,179,411	6,024,867
	102,450,000	99,314,347

This expenditure will be financed from:

- External Loans	-	-
- Government Grants	37,900,000	57,049,000
- Own Resources	64,550,000	42,265,347
	102,450,000	99,314,347

33.2 Operating leases

At the reporting date, outstanding commitments under operating leases fall due as follows:

Operating leases - as lessee

Within one year	178,103	144,000
In the second to fifth year inclusive	-	-
After five years	-	-
	178,103	144,000

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties.

Leases are negotiated for an average term of five years and rentals have an escalation per annum. No contingent rent is payable.

Operating leases - as lessor

Minimum lease payments due

Within one year	287,624	328,388
In the second to fifth year inclusive	1,281,627	1,480,677
After five years	611,981	553,704
	2,181,232	2,362,768

Operating Leases consists of the following:

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties. Most leases have an indefinite term.

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Notes to the Annual Financial Statements

	2013	2012
	R	Restated R
34. Other Income		
Included in other income are the following:		
Actuarial Gain - Post Retirement Benefits	-	7,168,000
Discounts Received	223,915	135,628
Fees : Brigade Service	456,955	287,997
Fees : Building Plans	103,439	114,390
Fees : Burial	142,551	131,083
Fees : Camping	49,003	55,789
Fees : Hiring	383,324	284,568
Fees : Sewerage Plans	183,371	187,869
Hire : Agra Crescent Hall	106,133	100,439
Hire : Town Hall	68,416	79,969
Legal Fees	(307,163)	189,453
Notice Processing Cost	929,044	793,307
Rates Clearance Certificates	157,653	189,361
Reconnection Fees : Non Payment	3,153	41,709
Refund Skills Development Levy	732,969	775,165
Rental Income - Housing	277,045	416,523
Rental Income - Sundries	765,229	751,531
Revenue - Third Party Payments	533,563	476,504
Sundries	935,877	734,538
Vehicle Income	3,903,702	20,167,770
Other	16,446,831	5,621,681
	26,095,010	38,703,274

35. Self-Insurance Fund

Opening balance	4,209,198	2,879,056
Contributions / Interest	3,593,766	1,912,326
Insurance Claims processed	(1,174,416)	(582,185)
	6,628,548	4,209,198

The Municipality has a Self-Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality. The funds are kept in a separate call account, and interest earned is credited to the fund.

Notes to the Annual Financial Statements

	2013	2012
	R	Restated R

36. Retirement Benefit Information

Defined Contribution Plan

The following are defined contribution plans. These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par.30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. This municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Natal Joint Municipal Pension Fund (Superannuation)

The latest interim actuarial valuation of the NJMP Superannuation Fund as at 31 March 2012 disclosed that the Fund's financial position has improved from the previous statutory valuation. The fund disclosed a surplus of R 134,9 million.

The total rate of contribution by the municipality, including the surcharge, is 31,13% (21,63% plus the surcharge of 9,5%) of pensionable salaries payable for a period of 8 years with effect from 1 July 2012.

Natal Joint Municipal Pension Fund (Retirement)

The latest statutory actuarial valuation of the NJMP Retirement Fund (defined benefit) as at 31 March 2012 disclosed a deficit in the fund of R 83,6 million.

The total rate of contribution by the municipality, including the surcharge, is 34,22% (18,37% plus the surcharge of 17,5% less 1,65%) of pensionable salaries payable with effect from 1 July 2012. The repayment period has been extended from 5 - 8 years from 2010.

Natal Joint Municipal Provident Fund

The latest statutory actuarial valuation of the NJMP Provident Fund (defined contribution) as at 31 March 2012 disclosed a deficit in the fund of R 83,5 million.

37. Councillor's Arrear Consumer Accounts

The following Councillor(s) had arrear accounts over 90 days during the financial year as follows:

B B Biyela	16,317
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38. Related Parties

38.1 Transactions with Related Parties

S Mahraj - Chief Internal Auditor	28,050
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The above employee is related to the owner of Maharaj's Driving school, of which the municipality conducted business with during the financial year.

38.2 Key Management Personnel Compensation

Compensation of Key Management Personnel and Councillors is set out in Notes 23 and 24 respectively to the Annual Financial Statements.

Notes to the Annual Financial Statements

	2013	2012
	R	Restated R

39. Risk Management**Financial Risk Management**

The municipality's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the municipality's financial performance.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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 utilised borrowing facilities are monitored.

Interest Rate Risk

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Credit guarantee insurance is purchased when deemed appropriate.

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	2013	2012
	R	Restated R
40. Contingent Liabilities		
The Municipality identified the following contingent liabilities:		
40.1 Claim for Damages		
The municipality is being sued for breach of contract. The municipality is contesting the claim. The amount does not include legal fees. Case No. 424/2011	42,294	42,294
The municipality is being sued for damages. The municipality is contesting the claim. The amount does not include legal fees. Letter of Demand	-	18,970
The municipality is being sued for damages. The municipality is contesting the claim. The amount does not include legal fees. Case No. 207/2012	-	28,916
The municipality is being sued for damages. The municipality is contesting the claim. The amount does not include legal fees. Case No. 591/2012	-	14,576
The municipality is being sued for damages. The municipality is contesting the claim. The amount does not include legal fees. Case No. 173/2012	-	100,000
The municipality is being sued for damages. The amount does not include legal fees. The suit relates to the appointment of a service provider for a 3 year period for a Parking Management System in the Ladysmith CBD. The municipality is contesting the claim. Case No. 5386/2012	15,820,976	15,820,976
The municipality is being sued for a restitution claim alternatively damages for the sale of property. The municipality is contesting the claim. The amount does not include legal fees. Case No. 7241/2011	-	313,400
	15,863,270	16,339,132

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Notes to the Annual Financial Statements

	2013	2012
	R	Restated R

40.2 Other Claims

Reported for the Financial Year Ending 30 June 2013

All claims reported in the previous financial year have either been dismissed / withdrawn or settled. There are no other claims against the Municipality as at 30 June 2013.

Reported for the Financial Year Ending 30 June 2012

The municipality has a notice of motion to demolish a water pressure tower structure on a ratepayer's property. The municipality is contesting the motion. The cost is unknown at the reporting date.
Case No. 5728/2009

The municipality is being sued for the release of an impounded bus. The municipality is contesting the suit. The cost is unknown at the reporting date.
Case No. 1200/2011

The municipality is being sued for damages for the disconnection of electricity. The municipality is contesting the claim. The amount is unknown at the reporting date.
Letter of Demand

The municipality has a notice of motion which is being contested in the High Court in Pietermaritzburg for outstanding payment. The amount is unknown at the reporting date.
Case No. 1008/2012

The municipality has been served a notice of eviction. The municipality is contesting the notice. The amount is unknown at the reporting date.
Case No. 1787/2009

The municipality is being sued in the High Court for a valuation of property dispute. The municipality is contesting the suit. The amount is unknown at the reporting date.
Case No. 6047/2011

41. Budget Information

The budget is approved on an accrual basis by nature and vote classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

The budget and accounting bases are the same, both are on the accrual basis. The financial statements are prepared using a classification on the nature of income and expenses in the statement of financial performance.

Refer to Appendix C for more detail on budget and actual information with an explanation of material differences between the final budget and actual amounts by nature classification.

42. Impairment of Assets

Impairment Losses Recognised

Property, Plant and Equipment	1,915,495	88,686
Intangible Assets	-	-
Investment Property	-	-
	<u>1,915,495</u>	<u>88,686</u>

Impairment losses on property, plant and equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of property, plant and equipment have been physically damaged, stolen or have become redundant and idle.

Emnambithi / Ladysmith Municipality

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Notes to the Annual Financial Statements

	2013	2012
	R	Restated R

43. Change in Estimate

The remaining useful life of the infrastructure and immovable assets were reviewed during the current year. During the review certain assets had the remaining useful life revised. The effect of this revision has decreased the depreciation charges for the current and future periods.

44. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment		
Recoverable amounts of property, plant and equipment	752,867,276	721,120,625
Provision for rehabilitation of landfill site (discount rate, no.of years, amount of cash flows)	13,934,566	13,108,739
Present value of post retirement benefit obligation	34,592,500	32,932,000
Present value of long service awards	7,526,107	6,167,557
Provision for doubtful debts	82,505,567	78,798,654
Impairment of assets	1,915,495	88,686

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets	1,915,495	88,686
Provisions	96,440,133	91,907,393

Emnambithi / Ladysmith Municipality
APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Interest Rate	Loan Ref.	Redeemable	Balance at	Received	Redeemed or	Balance at
				30 June 2012	R	Written Off	30 June 2013
LONG-TERM LOANS				R	R	R	R
Absa Bank - Tsakane Electrification	9.10%	A1	Feb 2026	5,399,231	-	209,126	5,190,106
Absa Bank - Surveillance Cameras	9.33%	A2	June 2013	1,201,052	-	1,201,052	-
TOTAL EXTERNAL LOANS				6,600,283	-	1,410,178	5,190,106

Emnambithi / Ladysmith Municipality

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost			Accumulated Depreciation			Impairment			Carrying Value
	Opening Balance	Additions	Under Construction	Disposals / Write-Off	Closing Balance	Opening Balance	Additions	Closing Balance		
Infrastructure										
Electricity	277,951,088	10,065,846	11,247,609	-911,854	298,352,689	108,461,247	6,485,881	114,383,406	-	183,542,769
Roads	751,551,316	37,588,650	10,164,450	-	799,304,416	457,918,635	27,662,364	485,581,000	1,811,789	311,911,627
Public Safety	9,317,384	353,532	-	-156,423	9,514,493	3,094,692	628,622	3,659,387	-	5,855,106
Solid Waste	14,295,546	1,690,742	-695,951	-	15,290,337	436,709	-	436,709	-	14,853,628
Stormwater	172,966,843	4,328,083	-3,486	-	177,291,440	87,008,526	3,733,712	90,742,238	-	86,549,202
	1,226,082,178	54,026,852	20,712,621	-1,068,277	1,299,763,374	656,919,810	38,510,579	694,802,739	1,811,789	602,712,332
Community Assets										
Land & Buildings	91,372,264	30,997,665	-12,184,762	-	110,185,167	76,980,706	6,249,507	83,230,214	-	26,954,954
Recreation Facilities	98,788,891	6,655,794	-1,311,418	-	104,133,267	63,590,463	2,841,935	66,432,397	74,190	37,626,878
	190,161,156	37,653,468	-13,496,180	-	214,318,434	140,571,169	9,091,442	149,662,611	74,190	64,581,632
Heritage Assets										
Buildings	15,277,000	-	-	-	15,277,000	14,638	-	-	-	15,277,000
Other	25,512	-	-	-	25,512	14,638	-	14,638	-	10,874
	15,302,512	-	-	-	15,302,512	14,638	-	14,638	-	15,287,874
Other Assets										
Land & Buildings	97,714,713	3,856,294	1,572,512	-	103,143,519	78,993,408	-	78,993,408	-	23,547,711
Office Equipment	9,545,105	798,744	-	-539,948	9,803,900	9,271,405	2,160,307	11,195,288	19,534	-1,410,922
Furniture & Fittings	12,887,812	840,307	-	-254,851	13,473,268	3,590,393	1,478,203	4,930,334	9,982	8,532,952
Motor Vehicles	69,987,856	4,138,667	-	-5,098,101	69,028,422	21,175,630	3,678,911	22,171,471	-	46,856,951
Plant & Equipment	22,772,180	3,591,187	-	-123,889	26,239,477	4,660,324	2,400,313	6,997,221	-	19,242,257
Other	212,907,665	13,225,200	1,572,512	-6,016,790	221,688,586	117,691,160	9,717,735	124,287,723	29,516	96,768,948
	364,705	364,705	364,705	364,705	364,705	47,247	68,858	116,105	-	248,600
Leased Assets										
Office Equipment	364,705	-	-	-	364,705	47,247	68,858	116,105	-	248,600
	364,705	-	-	-	364,705	47,247	68,858	116,105	-	248,600
Land Assets										
Land with Buildings	10,017,000	-	-	-	10,017,000	-	-	-	-	10,017,000
Vacant Land	14,305,000	-	-	-	14,305,000	-	-	-	-	14,305,000
	24,322,000	-	-	-	24,322,000	-	-	-	-	24,322,000
Total	1,669,140,215	104,905,510	8,788,953	-7,085,067	1,775,749,611	915,244,024	57,388,614	968,883,816	1,915,496	803,921,366

STATEMENT OF BUDGET AND ACTUAL INFORMATION AS AT 30 JUNE 2013

Description By Nature	Original Budget	Budget Adjustments (i.t.o. s28 & s31 of the MFMA)	Virement (i.t.o. Council Approved Policy)	Final Budget	Actual	% Variance	Explanation of Significant Variances Greater than 10% Actual versus Final Budget
	R	R	R	R	R	R	
Financial Performance							
Property Rates	113,545,733	113,545,733	-	113,545,733	112,765,228	0.69%	The Credit Control Policy was amended to exclude interest charges on Handed Over accounts due to legal fees already being claimed
Property Rates - Penalties & Collection Charges	10,501,970	10,501,970	-	10,501,970	4,106,159	60.90%	
Services Charges	240,145,674	227,987,830	-	227,987,830	232,535,667	-1.99%	
Interest Earned - External Investments	3,399,300	7,000,000	-	7,000,000	8,631,950	-23.31%	The Municipality invested surplus funds at regular intervals to maximise returns.
Interest Earned - Outstanding Debtors	1,932,428	1,932,428	-	1,932,428	882,852	54.31%	There was an increase in indigent debtors, resulting in less interest being raised on outstanding balances.
Fines	6,463,670	6,463,670	-	6,463,670	5,980,091	7.48%	
Licences and Permits	6,484,260	6,484,260	-	6,484,260	6,572,089	-1.35%	
Transfers and Grants Recognised - Operational	182,811,000	189,876,000	-	189,876,000	194,784,702	-2.59%	These funds are recognised as revenue from Unspent Grants when expenditure has been incurred.
Transfers and Grants Recognised - Low Cost Housing	-	-	-	-	11,759,115	100.00%	Fair value adjustments for Investment Properties and Assets Held for Sale - Budget is not provided for these items.
Other Income and Profit on Fair Value Adjustments	61,751,090	35,167,643	-	35,167,643	54,298,876	-54.40%	
Total Revenue (Excl. Capital Transfers & Contributions)	627,035,125	598,959,534	-	598,959,534	632,316,728		
Employee Related Costs	135,094,735	153,902,861	-	153,902,861	132,108,363	14.16%	During the financial year there were many posts that became vacant resulting in savings for the months in which these posts remained vacant
Remuneration of Councillors	13,584,699	13,584,699	-	13,584,699	13,131,617	3.34%	
Bad Debts	8,666,143	8,666,143	-	8,666,143	9,816,435	-13.27%	There was an increase in the provision for impairment of debtors.
Indigency	19,576,950	15,096,950	-	15,096,950	21,008,689	-39.16%	There was an increase in indigent debtors, resulting in less interest being raised on outstanding balances, and less rebates paid resulting in savings on rebates
Depreciation and Amortisation Expense	95,535,277	94,125,099	-	94,125,099	57,656,139	38.75%	Due to the prior year corrections on PPE, depreciation charges were far less than budgeted for.
Repairs and Maintenance	42,820,443	41,015,758	-	41,015,758	36,807,966	10.26%	The Municipality concentrated on storm damaged repairs and maintenance for which the Municipality received grants, thereby under-spending on this item
Finance Costs	544,661	544,661	-	544,661	555,517	-1.99%	
Bulk Purchases	167,753,000	151,687,076	-	151,687,076	154,749,980	-2.02%	The savings in rebates is utilised under indigency.
Grants / Subsidies and Rebates Paid	6,308,000	7,056,048	-	7,056,048	1,272,856	81.96%	This item is not required to be budgeted for.
Transfers and Grants	3,991,000	9,183,000	-	9,183,000	9,450,229	-2.91%	This item is not required to be budgeted for.
Transfers and Grants - Low Cost Housing	-	-	-	-	11,759,115	100.00%	This item is not required to be budgeted for.
Impairment Loss	-	-	-	-	1,915,495	100.00%	This item is not required to be budgeted for.
Loss on Disposal of PPE	-	-	-	-	2,376,407	100.00%	This item is not required to be budgeted for.
Other Expenditure	158,753,983	113,939,948	-	113,939,948	101,125,937	11.25%	The Municipality monitored expenditure in accordance with revenue received and limited spending in this regard.
Total Expenditure	652,628,891	608,802,243	-	608,802,243	553,734,744		
Surplus/(Deficit)	(25,593,766)	(9,842,709)	-	(9,842,709)	78,581,983		
Transfers Recognised - Capital	57,049,000	72,800,000	-	72,800,000	87,548,384	-20.26%	Unspent grant from the previous financial year were utilised for PPE
Contributions Recognised - Capital & Contributed Assets	-	-	-	-	-	-	
Surplus/(Deficit) After Capital Transfers & Contributions	31,455,234	62,957,291	-	62,957,291	166,130,367		
Capital Expenditure and Funds Sources							
Capital Expenditure							
Transfers Recognised - Capital	57,049,000	72,800,000	-	72,800,000	87,548,384	-20.26%	Unspent grant from the previous financial year were utilised for PPE
Public Contributions and Donations	-	-	-	-	-	-	
Borrowing	-	-	-	-	-	-	
Internally Generated Funds	32,600,000	40,056,196	-	40,056,196	25,794,033	35.61%	Not all projects were completed at year-end and were carried over to the 2013/2014 FY
Total Sources of Capital Funds	89,649,000	112,856,196	-	112,856,196	113,342,416		

Emnambithi / Ladysmith Municipality

APPENDIX D

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Receipts	Expenditure	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act Yes / No
		2012/2013	2012/2013	
COGTA : Emergency Relief Funds 12/13	COGTA	8,486,000	329,840	Yes
COGTA : Establishment of Waste Recycling Plant - Income	COGTA	2,000,000	-	Yes
COGTA : Logistics Hub / Dry Port - Income	COGTA	4,000,000	-	Yes
COGTA : Purchase of Transnet Properties - Income	COGTA	2,500,000	-	Yes
COGTA : Mayoral Event	COGTA	505,000	505,000	Yes
Dept Sports & Recreation - Income	Department of Sports & Recreation	150,000	150,000	Yes
Museum Subsidy	Dept of Arts & Culture	134,000	134,000	Yes
Library Cyber Cadet - Income	Dept of Arts & Culture	100,800	100,800	Yes
Library Mobile Unit - Expend	Dept of Arts & Culture	18,000	18,000	Yes
Dept of Housing : Ezakheni - Income	Dept of Housing	715,240	715,240	Yes
Dept of Housing : Steadville Area	Dept of Housing	1,613,526	1,613,526	Yes
DOH - Protocol Agreement - Expend	Dept of Housing	3,808,000	3,808,000	Yes
Municipal Finance Management Grant	National Government	1,500,000	1,500,000	Yes
Expanded Public Works	National Government	4,110,000	4,110,000	Yes
Municipal Infrastructure Grant	National Government	30,758,000		Yes
MIG : Community Hall - Ezakheni Ward 3	National Government	3,509,190	3,509,190	Yes
MIG : Community Hall - Inkunzi	National Government	3,267,691	3,267,691	Yes
MIG : Community Hall - Mthandi	National Government	3,845,684	3,845,684	Yes
MIG : Community Hall Emakhekweni - Expend	National Government	15,513	15,513	Yes
MIG : Community Hall Emcitshehi	National Government	623,091	623,091	Yes
MIG : Community Hall Watersmeet	National Government	575,277	575,277	Yes
MIG : Construction of Roads & Stormwater	National Government	6,483,020	6,483,020	Yes
MIG : Construction of Steadville Taxi Rank	National Government	1,661,402	1,661,402	Yes
MIG : Design / Build Steel Structures - Expend	National Government	34,387	34,387	Yes
MIG : Ezakheni Surface Roads & Stormwater	National Government	506,615	506,615	Yes
MIG : Landfill Site Phase	National Government	168,964	168,964	Yes
MIG : Ped Bridge - Ezakheni to Esidakeni	National Government	2,609,355	2,609,355	Yes
MIG : Ped Bridge - Watersmeet to Burford	National Government	1,344,795	1,344,795	Yes
MIG : Sports Facilities Ezakheni	National Government	1,636,258	1,636,258	Yes
MIG : Streetlighting All Areas	National Government	20,432	20,432	Yes
MIG : Streetlighting Mctshehi	National Government	253,046	253,046	Yes
MIG : Streetlighting Mthandi - Expend	National Government	2,590,487	2,590,487	Yes
MIG : Streetlighting Roosboom	National Government	1,402,633	1,402,633	Yes
MIG : Upgrade Sportsfield Ward 18	National Government	1,551,509	1,551,509	Yes
MIG : Upgrade Sportsfield BE 2/2005	National Government	5,299	5,299	Yes
Municipal Systems Improvement Grant	National Government	800,000	800,000	Yes
Neighbourhood Development Partnership Grant	National Government	15,000,000		Yes
NDPG - Beautification of Town	National Government		403,682	Yes
NDPG - Ezakheni Park	National Government		121,854	Yes
NDPG - Informal Traders Stalls	National Government		503,706	Yes
NDPG - Link Rd Acaciavale to Ezakheni	National Government		6,092,467	Yes
NDPG - Vehicular Bridge Ezakheni	National Government		15,355,611	Yes
Small Town Rehabilitation Grant	Provincial Government	7,000,000		Yes
Small Town Rehabilitation - Overhead Bridge	Provincial Government		3,806,774	Yes
Small Town Rehabilitation - Upgrade CBD Sidewalks	Provincial Government		1,755,412	Yes
Small Town Rehabilitation - Upgrade Roads	Provincial Government		9,568,086	Yes
		83,198,566	83,496,647	