

ANNUAL FINANCIAL STATEMENTS

for

INGQUZA HILL LOCAL MUNICIPALITY

for the period ended 30 June: 2013

Province: Eastern Cape

Contact Information:

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INGQUZA HILL LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the period ended 30 June 2013

General information

Municipal demarcation code: EC 153

Members of the Executive Council

Councillor J P Mdingi	Mayor
Councillor D Mjokovana	Speaker
Councillor P Dutshwa	Chief Whip
Councillor P Ntshobo	MPAC Chair
Councillor N F Mtsotso	Members Interest Chair
Councillor T T Besi	Member of the Executive committee
Councillor B B Goya	Member of the Executive committee
Councillor M Tenyane	Member of the Executive committee
Councillor P S Kango	Member of the Executive committee
Councillor S B Vatsha	Member of the Executive committee
Councillor B Mvulane	Member of the Executive committee
Councillor M G Maxhayi	Member of the Executive committee
Councillor S L Ngcingwana	Member of the Executive committee
Councillor N E Tshingana	Member of the Executive committee

Municipal Manager

M Fihlani

Chief Financial Officer

TL Madikizela

Grading of Local Authority

Grade 3 : low capacity

Auditors

Auditor-General(SA)

Bankers

First National Bank
Flagstaff Branch
6224175712 - Primary bank account

Lawyers

FT Tayi
Ximbi and Ncolo attorneys
Somacala and Linyana associates

INGQUZA HILL LOCAL MUNICIPALITY
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General information (continued)

Registered Office:	135 Main Street, Flagstaff
Physical address: Flagstaff Office	135 Main Street FLAGSTAFF 4810
Lusikisiki Office	66 Main Street LUSIKISIKI 4820
Postal address: Flagstaff Office	PO Box 14 FLAGSTAFF 4810
Lusikisiki Office	PO Box 7 LUSIKISIKI 4820
Telephone number:	039 252 0131 / 039 253 1568
Fax number:	039 252 0699 / 039 253 1096
E-mail address:	mfihlani@ihlm.gov.za

INGQUZA HILL LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

Foreword

We are pleased to present this Financial Report that reflects our commitment to the principle of good governance and clean administration by Ingquza Hill Local Municipality's Council

As a responsible local government sphere, we have worked hard during the period under review to execute the mandate given to us by the communities we serve to advance their basic social needs and reduce the infrastructure development backlog that is faced by our country. This is our main business as the local sphere of South African Government in terms of Section 216 of the Constitution of the Republic of South Africa and other pieces of legislation governing local government.

As a developing local government institution, we place very high emphasis on total compliance with the legislation governing our administration. We will continue to place great focus on empowering our public representatives to ensure a vigorous oversight and leadership role in the management of public funds.

We wish to thank all the Council, its committees and our administration for their hard work in ensuring that we positive results in respect of our financial management.

Thank you

Councillor J P Mdingi
Mayor

Date

INGQUZA HILL LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

for the period ended

30 June 2013

Accounting Officer's Statement

I Mluleki Fihlani, am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 53, in terms of Section 126(1) of the Municipal Finance Management Act no 56 of 2003(MFMA) and which I have signed on behalf of the Municipality.

I also certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 and 36 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

M Fihlani
Municipal Manager

Date

**INGQUZA HILL LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2013**

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INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2013

	Notes	2013 R '1	2012 R '1
REVENUE			
Property rates	13	6,267,910	6,304,984
Service charges - refuse	14	926,679	920,188
Rental of facilities		20,604	20,955
Interest earned - external investments		3,458,080	2,405,634
Interest earned - outstanding receivables		147,691	193,804
Fines		772,420	372,600
Lease rentals		152,191	259,207
Revaluation surplus	10	153,173,004	-
Government grants and subsidies	15	164,667,186	139,240,425
Other income	16	3,169,352	9,754,006
Total Revenue		332,755,118	159,471,802
EXPENDITURE			
Employee related costs	18	58,478,152	50,478,200
Remuneration of Councillors	19	14,606,696	13,480,777
Repairs and maintenance		7,966,850	878,118
Impairment of debtors/(Reversal of impairment)		1,601,732	(806,485)
Interest paid	20	494,108	474,094
Finance costs		34,898	27,302
General expenses	23	47,019,554	28,493,568
Depreciation		25,849,376	22,919,097
Total expenditure		156,051,367	115,944,672
SURPLUS FOR THE YEAR		176,703,751	43,527,130

**INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2013**

	Notes	2013 R '1	2012 R '1
NET ASSETS AND LIABILITIES			
Net assets		819,793,760	620,873,440
Accumulated surplus	1	819,793,760	620,873,440
Non-current liabilities		10,144,129	9,634,759
Long term - DBSA loan	2	6,825,840	6,825,840
Finance lease liability	39	169,224	155,250
Long service awards	9	3,149,065	2,653,669
Current liabilities		25,959,101	14,921,879.80
Current provisions	3	2,699,308	2,158,336
Current portion of finance lease liability	39	165,061	95,812
Current portion of long service award	9	443,840	312,848
Trade and other payables from exchange transactions	4	17,605,385	7,970,763
Unspent conditional grants and receipts	5	3,275,502	2,808,758
Trade and other payables from non exchange transactions	17	1,641,783	1,217,457
Sundry creditors	4	128,222	357,906
Total Net Assets and Liabilities		855,896,988	645,430,078
ASSETS			
Non-current assets		782,334,670	591,541,045
Property, plant and equipment	8	331,724,534	294,432,672
Investment property	10	446,226,604	293,053,600
Investment held as a colateral	6	4,383,533	4,054,772
Current assets		73,562,319	53,889,034
Consumer debtors from non-exchange transactions	11	2,161,210	1,530,273
Sundry debtors from exchange transactions	11	2,074,085	1,848,585
VAT receivable	12	4,590,883	1,839,200
Inventory	26	14,851,805	5,607,280
Bank balances and cash	7	49,884,335	43,063,696
Total Assets		855,896,988	645,430,078

INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
As at 30 June 2013

		Accumulated Surplus	Total: Net Assets
	Notes	R '1	R '1
Balance at 30 June 2012		607,290,832	607,290,832
Changes in accounting policy		-	-
Correction of prior period error		-	-
Restated balance as at 30 June 2012		607,290,832	607,290,832
		-	-
Transfers from accumulated surplus		(29,944,522)	(29,944,522)
Surplus for the period		43,527,130	43,527,130
Balance at 30 June 2012		620,873,440	620,873,440
Correction of prior period error	32(c)	(204,252)	(204,252)
Restated balance		620,669,188	620,669,188
Surplus on revaluation	8	26,301,800	26,301,800
Other movements		(3,880,980)	(3,880,980)
Surplus for the period		176,703,751	176,703,751
Balance at 30 June 2013		819,793,760	819,793,760

INGQUZA HILL LOCAL MUNICIPALITY
CASH FLOW STATEMENT
For the year ended 30 June 2013

	Note	2013 R '1	2012 R '1
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		319,902,473	163,460,743
Taxation		-	-
Sales of goods and services		(12,852,645)	3,988,941
Grants		164,667,186	139,240,425
Interest received		3,458,080	(2,405,634)
Other receipts		164,629,851	22,637,011
Payments		118,669,374	(97,091,970)
Employee costs		73,084,849	63,958,977
Suppliers		(11,532,617)	(4,032,601)
Interest paid		529,006	501,396
Other payments		56,588,135	(157,519,743)
Net cash flows from operating activities	29	201,233,099	66,368,774
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(216,684,240)	(9,559,229)
Adjustments to equity		22,586,568	(29,135,771)
Net cash flows from investing activities		(194,097,672)	(38,695,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Finance lease		13,974	155,250
Investment held as a collateral	6	(328,761)	(237,099)
Net cash flows from financing activities		(314,787)	(81,849)
Net increase in net cash and cash equivalents		6,820,640	27,591,925
Net cash and cash equivalents at beginning of period		43,063,833	15,471,909
Net cash and cash equivalents at end of period	7	49,884,473	43,063,833

INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2013

Actual 2012 R'1	Description	Actual 2013 R'1	Approved Budget 2013 R'1	Adjustments R'1	Final Budget 2013 R'1	Difference R'1	Management reasons
	Revenue						
6,304,984	Taxes	6,267,910	8,000,000	-	8,000,000	(1,732,090)	Over budgeting which did not exclude rebates
372,600	Fees, fines, penalties & licences	772,420	250,000	-	250,000	522,420	Demand higher than expected
3,799,787	Revenue from exchange transactions	4,705,245	19,233,156	-	19,233,156	(14,527,911)	Lack of demand, non payment by debtors, very few sources of investment
139,240,425	Transfers from other governments	164,667,186	164,338,000	823,000	165,161,000	(493,814)	Unspent last year spent in the current year
9,754,006	Other operating	3,169,352	21,629,279	-	21,629,279	(18,459,927)	Lack of demand
159,471,802	Total revenue	179,582,114	213,450,435	823,000	214,273,435	(34,691,321)	
	Expenses						
(63,958,977)	Personnel	73,084,849	77,093,800	9,287,138	86,380,937	13,296,088	Vacant posts not filled and some employee benefits not taken by employees
(28,565,201)	General expenditure	74,505,560	35,594,398	7,325,883	42,920,281	(31,585,279)	Accruals raised at year end and some non-cash items
-	Capital expenditure	53,560,568	72,968,000	3,885,000	76,853,000	23,292,432	Some projects started very late and other unforeseen delays, ie, DLTC delays by department of transport, etc
-	Repairs and maintenance	7,966,850	8,816,396	7,528,402	16,344,798	8,377,949	Maintenance programme started late and there were some delays due to non performing service provider
(474,094)	Finance costs	494,108	509,095	225,000	734,095	239,987	Accrued interests
(92,998,272)	Total expenditure	209,611,934	194,981,689	28,251,423	223,233,112	13,621,177	
	Share of surplus of associates						
66,473,530	Surplus/(Deficit) for the year	389,194,048			437,506,546	(21,070,144)	
	0 Attributable to: Net asset holder of the controlling entity	-			0	0	
	0 Minority interest	-			0	0	

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2013

1. BASIS OF ACCOUNTING

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 convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including ant interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards are summarised as follows: The Municipality has also made use of the approved but not yet effective standards to compile this accounting policy which are also a part of this list.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated and separate financial statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 21	Impairment of non cash generating assets
GRAP 23	Revenue from non exchange transactions
GRAP 24	Presentation of budget information in financial statements
GRAP 26	Impairment of cash generating assets
GRAP 27	Agriculture
GRAP 31	Intangible assets
GRAP 100	Non-current assets held for sale and discontinued operations
GRAP 103	Heritage assets
GRAP 104	Financial instruments

The following are the statements that are approved but not yet effective

GRAP 20	Related party disclosures
GRAP 18	Segment reporting
GRAP 25	Employee benefits
GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control
GRAP 107	Mergers

Where there is no equivalent standard of GRAP or IPSAS an International Financial Reporting Standard (IFRS) that is effective forms part of the GRAP reporting framework. This applies to the accounting standards detailed below:

IAS 12	Income Taxes
IAS 14	Segment reporting
IAS19	Employee benefits
IAS20	Accounting for government grants and disclosure of government assistance
IAS24	Related party disclosures
IAS26	Accounting and rereporting by retirement benefit plans
IAS29	Financial reporting in hyperinflationary economies
IAS 30	Disclosures in the financial statements of banks and similar financial institutions
IAS 32	Financial instruments: Disclosure and presentation
IAS 33	Earnings per share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of assets
IAS 39	Financial instruments: Recognition and measurement
IPSAS 20	Related party transactions
IFRS 02	Share-based payment
IFRS 03	Business combinations
IFRS 04	Insurance contracts
IFRS 06	Exploration for and evaluation of mineral resources
IFRS 07	Financial Instruments: Disclosures

Exemptions from these standards as they relate to the interim arrangements on the implementation of GRAP are detailed under each relevant accounting policy note below as they apply to the Municipality.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2013

1. BASIS OF ACCOUNTING(continued)

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 is prepared in accordance with GRAP 1 and GRAP 24 has been provided to these financial statements and forms part of the annual financial statements. The Budget information is prepared on the same basis as the 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 or adoption of accounting standard in the current year, the adjustment is made retrospectively as far practicable and the prior year comparatives are restated accordingly.

1.5 Accounting policies, changes in accounting estimates and errors

The Municipality is fully complying with all the relevant GRAP standards.

1.6 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 discontinued 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 Member of the Executive Council(MEC) responsible for housing.

2. RESERVES

2.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan(IDP).

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

2.2 Government Grants Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Government Grant to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

2.3 Revaluation Reserve

The surplus/deficit arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated deficit while gains or losses on disposal based on revalued amounts, are credited or charged to the Statement of Financial Performance.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 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 for more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, 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 for more than one year. 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.

The work in progress for infrastructure is initially measured at cost, and capitalised to an asset once the asset is completed.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

3. PROPERTY, PLANT AND EQUIPMENT (Cont.)

3.1 Subsequent measurement - revaluation model (Land and Buildings)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses an accumulated decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

3.2 Subsequent measurement - cost model (Property, Plant & Equipment)

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.

3.3 Depreciation and impairment

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

Infrastructure

Access roads	20 years
Electricity	20 years

Community assets

Graveyard	50 years
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Other

Landfill site	10 years
Furniture	7 - 10 years
Plant and equipment	5 - 15 years
Motor vehicles	5 years
Tools	3 years
Computer equipment	3 - 5 years
Buildings	50 years

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.

3.4 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 and/or when it is transferred to other organ of state(funder). 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. INVESTMENT PROPERTY

4.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where an investment property 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 the provisional amount.

4.2 Subsequent measurement - fair value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value which is determined annually with any changes to the fair value recognised in surplus or deficit.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

4. INVESTMENT PROPERTY (Cont.)

4.3 Derecognition

Items of Investment Property 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 an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. TRADE AND OTHER RECEIVABLES

Trade and other receivable are categorised as financial assets at amortised cost and are initially recognised at fair value, plus transaction costs and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. 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 recognition, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired expected future cash flows to their present value using the effective interest rate at initial recognition. 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 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.

6. 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, net transaction costs and subsequently measured at amortised cost using the effective interest rate method which is the initial carrying amount, less repayment, plus interest.

7. 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 three 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 with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets at amortised cost and are initially recognised at the fair value, plus transaction costs and subsequently carried at amortised cost using the effective interest rate method.

Bank overdrafts are recorded based on the facility utilised. Finance charges on the bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities at amortised cost, are initially recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Investments, which include [listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks] are categorised as financial instruments at amortised cost and are subsequently 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.

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.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

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 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, 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 first-in, first-out method.

9. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

9.1 Financial Assets - Classification and Measurement

A financial asset is any asset that is cash or a contractual right to receive cash or another financial asset. The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereof:

- a) Investment in Fixed Deposits (Banking Institutions, etc)
- b) Long term receivables
- c) Consumer debtors
- d) Other debtors
- e) Bank, cash and cash equivalents

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

9. FINANCIAL INSTRUMENTS (continued)

9.1 Financial assets (continued)

Type of financial assets	Classification in terms of IAS 36.06
Short term investment deposits - call	Available for sale
Bank, cash and cash equivalents	Available for sale
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Bank, cash and cash equivalents	Held at maturity

Financial assets at fair value through profit and loss are financial assets that meet either of the following conditions:

- They are classified as held for trading; or
- Upon initial recognition they are designated as a fair value through the Statement of Financial Performance.

Available for sale investment are financial assets that are designated as available for sale or are not classified as:

- Loans and receivables
- Held to maturity investments; or
- Financial asset at fair value through the Statement of Financial Performance.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity where the Municipality has the positive intent and ability to hold the investment maturity.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are provision for impairment. Financial assets at amortised cost are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost, less provision for impairment.

9.2 Financial liabilities- Classification and Measurement

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereof:

- a) Long term liabilities
- b) Creditors
- c) Bank overdraft
- d) Short term loans
- e) Current portion of long term liabilities

There are two main categories of financial liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss (other financial liabilities)

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

9. FINANCIAL INSTRUMENTS (continued)

9.2 Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. Purchase with the intention to sell or repurchase in the short term, derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short term profiteering or are resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities at amortised cost that are not measured at fair value through profit or loss are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

9.3 Initial and Subsequent Measurement

9.3.1 Financial Assets:

Held to maturity investments and loans and receivables are initially measured at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Financial assets at fair value and available for sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

9.3.2 Financial liabilities

Financial liabilities at fair value are subsequently measured at fair value and other financial liabilities are measured at amortised cost using the effective interest rates method.

9.4 Impairment of Financial Assets

Financial assets at amortised cost are assessed, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence, the recoverable amount is estimated and an impairment loss is recognised.

Initially accounts impairment of trade receivables are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

9. FINANCIAL INSTRUMENTS (continued)

9.4 Impairment of financial assets (continued)

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available for sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial Performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Consumer debtor are stated at cost less a provision for impairment. The provision is made in accordance with IAS 36.64 whereby the recoverability of consumer debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided because such accounts are regarded as receivable.

Loans and receivable are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 month, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

9.5 Derecognition of Financial Assets

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the assets expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when the Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retain substantially all the risks and rewards of the ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

9.6 Derecognition of Financial Liabilities

The Municipality derecognises Financial Liabilities when, the Municipality's obligations are discharged, cancelled or they expire.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

10 RISK MANAGEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

It is the policy of the Municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instrument to which the Municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

10.1 Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

10.2 Liquidity Risk

- A maturity analysis for financial assets and liabilities shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the financial statements.

11. 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 or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. 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 (this for example applies in the case of obligations for the rehabilitation of the landfill site).

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 or service potential is removed. A contingent asset is disclosed where an inflow of economic benefits or service potential is highly probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of the 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 deficits. The present obligation under an onerous contract is recognised and measured as a provision.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

12. LEASES

12.1 Municipality as lessee

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating leases are accrued and accounted for on a straight-line basis over the term of the relevant lease, this on the basis of the cash flows in the lease agreement.

12.2 Municipality as lessor

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

13. CONDITIONAL GRANTS AND RECEIPTS

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

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

14. REVENUE

14.1 Revenue from exchange transactions

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

Interest revenue is recognised on a time proportion basis.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

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

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

14.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summons. Revenue from spot fines and summons is recognised when payments is received, together with an estimate of spot fines and summons that will be received based on past experience of amounts collected.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

14.2 Revenue from non-exchange transactions(continued)

Revenue from public contributions and donations is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15. GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, 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. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, the Municipal Systems Act, the Public Office Bearers Act (20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as an expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. 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.

19 RELATED PARTIES

Individuals as well as their close family members, and/or Municipality are related parties if one party has the ability, directly or indirectly to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as the related party and comprises the councillors.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

20 BORROWING COSTS

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

21 EMPLOYEE BENEFITS

21.1 Post Employment Benefits

The Municipality operates a defined contribution plan in the form of a provident fund scheme covering employees. The assets of the scheme are held separately from those of the Municipality and are administered by the scheme's trustees. Contributions to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to contributions.

21.2 Short Term Employee Benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences, bonuses and short term portion of Long Service Award.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

22 EVENTS AFTER THE REPORTING DATE

The Municipality considers events that occur after the reporting date for inclusion in the annual financial statements. Events that occur after the reporting date (30 June 2013) and the date on which the audit of the financial statements is completed (30 November 2013) are considered for inclusion in the annual financial statements.

23 IMPAIRMENT OF NON FINANCIAL ASSETS

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

	2013	2012
	R '1	R '1
1 ACCUMMULATED SURPLUS		
Opening balance	620,873,440	605,660,335
Movements :	176,703,751	42,787,995
Council	14,606,696	13,480,777
Municipal Manager	14,605,979	4,603,525
Budget & Treasury Office	(102,793,262)	(95,908,640)
Administration	18,768,217	11,452,938
Human Resource	-	2,340,129
Community & Social Services	14,093,622	14,711,675
Infrastructure	624,617	(1,704,483)
Planning and Development	(136,609,620)	8,236,084
Adjustment Opening balance	<u>22,216,568</u>	<u>27,574,890</u>
Closing balance	<u>819,793,760</u>	<u>620,873,440</u>

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

	2013	2012
	R '1	R '1
2 LONG TERM LIABILITY		
Loan - DBSA	6,825,840	6,825,840
Interest accrued - DBSA- included in sundry creditors note 4	<u>117,571</u>	<u>357,906</u>
Total amount owed to DBSA as at 30 June	<u>6,943,411</u>	<u>7,183,746</u>
Long service awards(LSA)	<u>3,149,065</u>	<u>2,653,669</u>
	<u><u>10,092,476</u></u>	<u><u>9,837,415</u></u>
<p>The DBSA external loan is repayable in 2019. The fixed interest rate is 6.75% per annum. One bullet payment at the end of term from proceedings of zero coupon bonds. The payment shall commence on the last day of half year during which the first disbursement was advanced to the Municipality. The loan is secured by the investment held with FNB-RMB which was ceded to the DBSA which is an investment on zero coupon bond and has the following details: The loan was used to acquire property, plant and equipment.</p> <p>Account number - 128331 Type of account – RMB Value – R 4 383 533</p>		
3 CURRENT PROVISIONS		
3.1 Bonus provision		
Opening balance	954,359	955,526
Current increase/(Decrease)	274,911	(1,168)
	<u>1,229,270</u>	<u>954,359</u>
<p>This is a provision for service bonus payable to employees as at 30 June 2013. The uncertainty is the timing of the bonus payments</p>		
3.2 Performance bonus		
Opening balance	1,203,977	680,400
Current increase	266,061	523,577
	<u>1,470,039</u>	<u>1,203,977</u>
<p>This is a provision for performance bonuses due to s57 managers as at 30 June 2013.</p>		
Total current provisions(Notes 3.1 + 3.2 + 3.3)	<u><u>2,699,308</u></u>	<u><u>2,158,336</u></u>

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

	2013	2012
	R '1	R '1
4 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Retentions	6,812,235	3,589,493.51
Trade creditors	4,048,646	750,825.44
Accrual for Leave Pay	4,328,031	3,575,460.16
Prepaid income	134,303	54,983.59
Other accruals	2,282,170	-
Balance at the end of the year	<u>17,605,385</u>	<u>7,970,762.70</u>
Sundry creditors		
Interest on DBSA Loan (refer to note 2)	117,571	357,906
Net clearing account	10,651	-
	<u>128,222</u>	<u>357,906</u>
		-

The management of the Municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Department of Minerals and Energy(DME) - Electrification	1,420,554	2,032,913
Municipal Infrastructure Grant(MIG) Grant	1,854,948	775,845
	<u>3,275,502</u>	<u>2,808,758</u>

See note 15 for reconciliation of grants from other spheres of government. These unspent conditional grants at year end are directly cash backed as required by the MFMA no 56 of 2003 end there were designated investment bank accounts supporting these unspent grants, however, all unspent conditional grants are classified as current liabilities, to be settled within next 12 months

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2013

	2013 R '1	2012 R '1
6 INVESTMENT HELD AS A COLATERAL		
Investment held as a colateral - FNB: RMB	<u>4,383,533</u>	<u>4,054,772</u>
<p>The investment is with RMB and is pledged as security for loan with DBSA and the Municipality has no access to the investment until the loan is repaid in 2019. This investment is on zero coupon bond and has the following details:</p> <p>Account number - 128331 Type of account – RMB Value – R3 287 467</p> <p>NB: this is a financial asset - (see Note 2)</p>		
7 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
7.1 Current Account (Primary Bank Account)		
Bank statement Balance as at 01 July 2012	6,923,267	1,269,181
Bank statement balance as at 30 June 2013	<u>2,075,495</u>	<u>6,923,267</u>
Bank statement balance at the beginning of the year 2013 - overdrawn		
Bank statement balance at the end of the year - overdrawn	<u>-</u>	<u>-</u>
7.2 Current and call accounts		
FNB - 6224175712 - primary account	2,075,495	6,923,267
FNB - 62003235307 - call account	16,339,033	8,719,439
FNB - 62219877836 - call account	177,068	173,860
FNB - 74233699310 - call account	1,442,311	1,906,719
FNB - 62231474537 - call account	6,833,780	861,928
FNB - 62231473761 - call account	22,920,108	24,381,831
Cash book balance at the end of the year	<u>49,787,795</u>	<u>42,967,043</u>
Bank statement balance at the end of the year	<u>49,787,795</u>	<u>42,967,043</u>
7.3 Credit cards		
Credit card A	43,550	43,550
Credit card B	52,972	52,972
	<u>96,521</u>	<u>96,521</u>
7.4 Petty cash balance	<u>17</u>	<u>131</u>
Bank and cash balance(7.1 + 7.2 + 7.3 +7.4)	<u>49,884,334</u>	<u>43,063,695</u>
Cash and cash equivalents	<u>49,884,334</u>	<u>43,063,695</u>

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

8 PROPERTY, PLANT AND EQUIPMENT
At 30 June 2013

8.1 Reconciliation of Carrying Value

Description	Land and buildings	Infrastructure	Community assets	Capitalised leased assets - Machinery	Furniture and Fittings	Plant and Equipment	Motor Vehicles	Computer Equipment	Other assets	Total
	R '1	R '1	R '1	R '1	R '1	R '1	R '1	R '1	R '1	R '1
Carrying values at 1 July 2012	12,048,000	263,165,459	4,987,088	265,542	746,460	6,961,813	4,231,928	784,184	872,198	294,062,672
Cost	12,173,200	306,949,469	5,060,790	310,990	792,987	7,250,420	4,538,073	873,821	1,010,499	338,960,249
Correction of error	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation:	(125,200)	(43,784,010)	(73,702)	(45,448)	(46,527)	(288,607)	(306,145)	(89,637)	(138,300)	(44,897,577)
- Cost	(125,200)	(43,784,010)	(73,702)	(45,448)	(46,527)	(288,607)	(306,145)	(89,637)	(138,300)	(44,897,577)
- Correction of error	-	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	50,586,589	59,870	185,509	541,564	1,566,800	-	473,651	146,584	53,560,568
Capital asset transferred	(9,110,446)	(7,240,685)	-	-	-	-	-	-	-	(16,351,131)
Depreciation:	(62,500)	(23,304,453)	(116,670)	-	(370,480)	(103,946)	(1,461,799)	(315,739)	(113,788)	(25,849,375)
- based on cost	(62,500)	(23,304,453)	(116,670)	-	(370,480)	(103,946)	(1,461,799)	(315,739)	(113,788)	(25,849,375)
- based on revaluation	-	-	-	-	-	-	-	-	-	-
Carrying value of disposals:	-	-	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2013	29,176,854	283,206,910	4,930,288	451,051	917,544	8,424,667	2,770,129	942,097	904,995	331,724,534
Cost	3,062,754	350,295,373	5,120,660	496,499	1,334,551	8,817,220	4,538,073	1,347,472	1,157,083	376,169,685
Revaluation	26,301,800	-	-	-	-	-	-	-	-	26,301,800
Accumulated depreciation:	(187,700)	(67,088,463)	(190,372)	(45,448)	(417,007)	(392,553)	(1,767,945)	(405,376)	(252,088)	(70,746,952)
- Current	(62,500)	(23,304,453)	(116,670)	-	(370,480)	(103,946)	(1,461,799)	(315,739)	(113,788)	(25,849,375)
- Opening	(125,200)	(43,784,010)	(73,702)	(45,448)	(46,527)	(288,607)	(306,145)	(89,637)	(138,300)	(44,897,577)

NB: asset register is available for inspection at the registered address of the Municipality in terms of Section 63 of MFMA

Description	Land and buildings	Infrastructure	Community assets	Capitalised leased assets - Motor vehicles	Furniture and Fittings	Plant and Equipment	Motor Vehicles	Computer Equipment	Other assets	Total
	R '1	R '1	R '1	R '1	R '1	R '1	R '1	R '1	R '1	R '1
Carrying values at 1 July 2011	12,543,200	304,558,575	62,049	-	743,109	7,250,420	3,696,760	509,349	407,558	329,771,020
Cost	12,543,200	304,558,575	62,049	-	743,109	7,250,420	3,696,760	509,349	407,558	329,771,020
Correction of error	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation:	-	-	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-	-	-
- Correction of error	-	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	56,883,857	4,998,741	310,990	49,878	(0)	841,313	364,472	602,941	64,052,192
Capital under construction	-	(54,492,963)	-	-	-	-	-	-	-	(54,492,963)
Increases/decreases in revaluation	-	-	-	-	-	-	-	-	-	-
Depreciation:	-	(22,406,203)	(60,770)	(45,448)	(55,664)	(60,546)	(113,930)	(34,829)	(78,869)	(22,856,260)
- based on cost	-	(22,406,203)	(60,770)	(45,448)	(55,664)	(60,546)	(113,930)	(34,829)	(78,869)	(22,856,260)
- based on revaluation	-	-	-	-	-	-	-	-	-	-
Carrying value of disposals:	-	-	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2012	12,418,000	263,165,459	4,987,088	265,542	746,460	6,961,813	4,231,928	784,184	872,198	294,432,672
Cost	12,543,200	306,949,469	5,060,790	310,990	792,987	7,250,420	4,538,073	873,821	1,010,499	339,330,249
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation:	(125,200)	(43,784,010)	(73,702)	(45,448)	(46,527)	(288,607)	(306,145)	(89,637)	(138,300)	(44,897,577)
- Cost	(125,200)	(22,406,203)	(60,770)	(45,448)	(55,664)	(60,546)	(113,930)	(34,829)	(78,869)	(22,981,460)
- Opening balance	-	(21,377,807)	(12,932)	-	9,137	(228,062)	(192,215)	(54,807)	(59,431)	(21,916,117)

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2013

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

	Cost				Accumulated Depreciation			Carrying Value
	Opening Balance	Additions	Revaluation	Transfer / Completed	Closing Balance	Opening Balance	Additions	
Land and Buildings								
Land	-	-		-	-	-	-	-
Land and buildings	12,173,200	-	26,301,800	(9,110,446)	29,364,554	125,200	62,500	187,700
	12,173,200	-	26,301,800	(9,110,446)	29,364,554	125,200	62,500	187,700
Infrastructure								
Street Lights					-	-	-	-
Infrastructure - Work in Prog	16,321,735	46,360,835		(7,240,685)	55,441,885	-	-	-
Access Roads	290,627,734	4,225,755		0.00-	294,853,489	43,784,010	23,304,453	67,088,463
	306,949,469	50,586,589	-	(7,240,685)	350,295,373	43,784,010	23,304,453	67,088,463
Community assets								
Graveyard	62,049				62,049	25,899	4,487	30,386
Recreation grounds					-	-	-	-
Community Halls	4,998,741	59,870			5,058,611	47,803	112,183	159,986
	5,060,790	59,870	-	-	5,120,660	73,702	116,670	190,372
Leased assets								
Motor vehicles		-		-	-	-	-	-
Other assets								
Landfill site	401,107				401,107	118,336	53,094	171,429
Fire arms	60,500	33,290			93,790	-	-	-
Furniture and fittings	792,987	541,564			1,334,551	46,527	370,480	417,007
Plant and equipment	7,250,420	1,566,800			8,817,220	288,607	103,946	392,553
Motor vehicles	4,538,073	-			4,538,073	306,145	1,461,799	1,767,945
Mobile office	453,500	-			453,500	1,836	30,183	32,019
Tools, arms & mobile office	95,392	113,295			208,686	18,128	30,511	48,639
Finance lease	310,990	185,509			496,499	45,448	-	45,448
Computer equipment	873,821	473,651			1,347,472	89,637	315,739	405,376
	14,776,790	2,914,108	-	-	17,690,898	914,665	2,365,752	3,280,417
	338,960,249	53,560,568	26,301,800	(16,351,131)	402,471,485	44,897,577	25,849,375	70,746,952
								331,724,534

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

9 LONG SERVICE AWARDS

9.1 Current portion of long service award

	2014	2013	2012
	R'1	R'1	R'1
Short term portion		<u><u>443,840</u></u>	<u><u>312,848</u></u>

NB: The Municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

9.2 Reconciliation of long service award

Reconciliation of Long Service Awards

Opening balance	3,592,905	2,966,517	2,510,872
Total annual expense	443,840	312,848	425,795
Actuarial gain	-	313,540	29,850
Closing balance	<u><u>4,036,745</u></u>	<u><u>3,592,905</u></u>	<u><u>2,966,517</u></u>

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

10 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

10.1 Reconciliation of fair value	Investment property R'1	Investment property R'1	Total R'1
as at 01 July 2012	293,053,600	-	293,053,600
Acquisitions	-	-	-
Fair value adjustment	153,173,004	-	153,173,004
Fair value of disposals	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2013	446,226,604	-	446,226,604

10.2 Investment property pledged as security

10.3 Details of investment property	2013 R '1	2012 R '1
Investment property		
Land held for an undetermined use	434,215,504	288,790,000
Land under operating lease	12,011,100	4,263,600
	<u>446,226,604</u>	<u>293,053,600</u>

Investment property

Terms and conditions : None
Purchase price: None, disclosed at fair values
Additions since purchase: None
Capitalised expenditure: None

<u>-</u>	<u>-</u>
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10.4 The properties listed as "Investment properties" were valued on 30 June 2013 by a professional accredited valuer.

10.5 Details of valuation

The effective date of the fair value adjustment was 01 July 2009 to 30 June 2013. Revaluations were performed by an independent valuer, Mr Clyde, of Kula Valuations. Kula Valuations is not connected to the entity and have recent experience in location and category of the investment property being valued.

10.6 Amounts recognised in surplus or deficit for the year.

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2013

11 DEBTORS

11.1 Consumer debtors

	<u>Gross balance</u> R '1	<u>Provision for bad debts</u> R '1	<u>Net balances</u> R '1
As at 30 June 2013			
Business	20,931,681	(20,513,048)	418,634
Domestic	13,813,511	(13,537,241)	276,271
Government	5,739,179		5,739,179
	<u>40,484,371</u>	<u>(34,050,288)</u>	<u>6,434,083</u>
Discounting effect		Refuse	Rates
Consumer debtors	40,484,371		
Finance income	(412,465)		
Unearned finance charges	(3,830,215)		
Provision for bad debts	(33,637,823)		
Debtors @ fair value	<u>2,603,868</u>	<u>442,658</u>	<u>2,161,210</u>
As at 30 June 2012			
Debtors	37,688,741	(32,593,027)	5,095,714
	<u>37,688,741</u>	<u>(32,593,027)</u>	5,095,714
Un-earned interest 2012			(3,565,441)
Adjusted balance			<u>1,530,273</u>

	2013 R '1	2012 R '1
Refuse and Rates: Ageing		
0 - 30 days (current)	126,317	106,923
31 - 60 days	101,417	105,658
61 - 90 days	84,923	117,312
91 - 120 days	97,595	106,700
121 - 150 days	97,698	104,717
151 - 180 days	97,974	101,712
181 - 210 days	82,872	103,155
211 - 240 days	96,104	99,396
241 - 270 days	5,950,056	103,553
271 - 300 days	93,125	103,152
301 - 330 days	93,173	102,620
331 - 360 days	98,643	1,705,464
+361 days	33,464,473	34,828,379
Total	<u>40,484,371</u>	<u>37,688,741</u>

Summary of Debtors by Customer Classification

In terms of the financial instruments classification (Note 33), management has classified consumer debtors as financial assets at amortised costs for the purposes of assessing credit risk and liquidity (Notes 11.1 and 11.2). The concentration of credit risk has been on residential consumers. Provision for impairment of consumer debtors has been more aggressive in the year under review, and has been made for all residential consumer balances outstanding for 98% of outstanding debt bases on collection. In management's professional judgement, no further credit provision is required in excess of the Provision for impairment. Consumer Debtors comprises a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer Debtors are presented net of provision for impairment.

11.2 Debtors from exchange transactions

Refuse	442,658	304,009
Sundry debtors from exchange transactions	1,631,427	1,544,576
	<u>2,074,085</u>	<u>1,848,585</u>

12 VAT

	<u>4,590,883</u>	<u>1,839,200</u>
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INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

	Note	2013 R '1	2012 R '1
13 PROPERTY RATES			
<u>Actual</u>			
Rates		6,267,910	6,304,984
Finance charge		361,796	130,584
Total assessment rates		<u>6,629,706</u>	<u>6,435,568</u>
<u>Property valuations</u>			
Rates		1,083,960,448	1,083,960,448
Total property valuations		<u>1,083,960,448</u>	<u>1,083,960,448</u>
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 01 July 2009. A 0.02 for Government and businesses and 0.015 for residential is applied to property valuations to determine the assessment rates. Rates are levied on an annual basis on property owners. There is an annual maintenance which is done when need arises.</p>			
14 SERVICE CHARGES			
Refuse charges		926,679	920,188
Finance charge		(50,670)	(55,556)
		<u>876,009</u>	<u>864,632</u>
15 GOVERNMENT GRANTS AND SUBSIDIES			
National Transfers			
Equitable share	15.1	107,948,000	97,182,000
Department of Minerals and Energy	15.2	10,612,359	7,463,782
Municipal Finance Management Grant	15.4	1,500,000	1,450,000
MIG Grant	15.5	40,365,827	31,479,643
Provincial Transfers			
MSIG Grant	15.3	800,000	790,000
Library services	15.6	724,000	-
LED grant		-	500,000
EPWP GRANT	15.8	2,717,000	375,000
Total government grants and subsidies		<u>164,667,186</u>	<u>139,240,424.97</u>

NB: there are no transfers (grants) that are made out by the Ingquza Hill Local Municipality to other organs of state. The equitable share gazetted amount differs with the received amount due to funds that were withheld by National Treasury to the amount of R 3.2 million.

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2013

	2013 R '1	2012 R' 1
15 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
15.1 Equitable share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. As part of this service, the municipality provides free basic electricity through a formalised mechanism through Eskom.		
	<u>107,948,000</u>	<u>97,182,000</u>
15.2 Department of Minerals and Energy		
Balance unspent at the beginning of the year	2,032,913	7,496,695
Current year receipts	10,000,000	2,000,000
Conditions met - transferred to revenue	<u>(10,612,359)</u>	<u>(7,463,782)</u>
Conditions not met - transferred to liability	<u>1,420,554</u>	<u>2,032,913</u>
This is an electrification support grant. Conditions yet to be met are that the municipality must still utilise this funding for electrification expenditure purposes. This expenditure is only for wards electrification		
15.3 MSIG Grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	800,000	790,000
Conditions met - transferred to revenue	<u>(800,000)</u>	<u>(790,000)</u>
Conditions not met - transferred to liability	<u>-</u>	<u>-</u>
This grant is meant to help with the improvement and upgrading of municipal systems and is only spent on that		
15.4 Municipal Finance Management Grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	1,500,000	1,450,000
Conditions met - transferred to revenue	<u>(1,500,000)</u>	<u>(1,450,000)</u>
Conditions not met - transferred to liability	<u>-</u>	<u>-</u>
This grant is spent on capacity building on BTO officials and S57 managers and Internship		
15.5 MIG Grant		
Balance unspent at the beginning of the year	775,846	712,489
Current year receipts	37,735,033	31,543,000
Conditions met - transferred to revenue	<u>(40,365,827)</u>	<u>(31,479,643)</u>
Conditions not met - transferred to liability	<u>(1,854,948)</u>	<u>775,846</u>
This is an infrastructure support grant. Conditions yet to be met are that the municipality must still utilise this funding for Capital expenditure purposes, this grant is only spent on road construction and community halls		
15.6 Library Services		
Balance unspent at the beginning of the year	-	-
Current year receipts	724,000	0
Conditions met - transferred to revenue	<u>(724,000)</u>	<u>-</u>
Conditions not met - transferred to liability	<u>-</u>	<u>-</u>
This was spent on roads repairs and maintenance during the IEC period		
15.7 LED Projects		
Balance unspent at the beginning of the year	-	500,000
Current year receipts	0	0
Conditions met - transferred to revenue	<u>-</u>	<u>(500,000)</u>
Conditions not met - transferred to liability	<u>-</u>	<u>-</u>
Conditions to be met by building hawkker stalls		
15.8 EPWP Grant		
Balance unspent at the beginning of the year	-	(228,580)
Current year receipts	2,717,000	375,000
Conditions met - transferred to revenue	<u>(2,318,261)</u>	<u>(2,392,106)</u>
Conditions met - transferred to revenue	<u>398,739</u>	<u>(2,245,686)</u>
EPWP assist in the road construction and maintenance and road fencing		

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

16 Other Income	2013 R'1	2012 R'1
Advertising fees rental	195,477	200,180
Funeral fees	20,088	12,632
Plant hire	-	6,364,266
LG SETA	32,247	364,025
Plan fees	123,174	84,632
Pound fees	7,053	83,367
Rezoning and sub-division	4,062	92
Sale of wood	13,394	38,560
Payment salaries	152,597	-
Natis agency fees	2,381,340	2,424,037
Sundry income	26,437	-
Tender document	113,143	83,553
Vuna award	45,000	95,000
Commission	50,222	3,664
Informal trading	5,120	-
	3,169,352	9,754,006

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

	2013 R '1	2012 R '1
17 TRADE AND OTHER PAYABLE FROM NON EXCHANGE TRANSACTIONS		
Workmen's Compensation Fund	1,641,783	1,217,457
	<u>1,641,783</u>	<u>1,217,457</u>
18 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and wages	39,555,052	33,152,697
Employee related costs - Contributions for UIF, provident, m/aid, etc	9,141,496	5,757,617
Travel, motor car, accommodation, subsistence	3,894,256	2,946,340
Overtime payments	2,916,687	2,290,199
Housing benefits and allowances	1,316,792	1,175,100
Provisions	1,653,870	5,156,248
Total employee related costs	<u>58,478,152</u>	<u>50,478,200</u>
Remuneration of the Municipal Manager		
Annual remuneration	861,072	800,270
Car allowance	152,409	138,969
Contribution to UIF and other payments	132,628	147,583
	<u>1,146,108</u>	<u>1,086,822</u>
Remuneration of the Chief Finance Officer		
Annual remuneration	754,277	598,871
Car allowance	120,701	89,019
Contribution to UIF and other payments	8,443	133,243
	<u>883,421</u>	<u>821,133</u>
Remuneration of the Corporate Services Director		
Annual remuneration	715,887	679,284
Car allowance	150,545	144,786
Contribution to UIF and other payments	104,013	109,171
	<u>970,445</u>	<u>933,241</u>
Remuneration of the Technical Services Director		
Annual remuneration	682,825	563,287
Car allowance	153,976	126,349
Contribution to UIF and other payments	51,636	
	<u>888,437</u>	<u>689,636</u>
Remuneration of the Community Services Director		
Annual remuneration	709,617	620,430
Car allowance	127,864	129,733
Contribution to UIF and other payments	75,026	113,439
	<u>912,507</u>	<u>863,602</u>
Remuneration of the Strategic Planning Director		
Annual remuneration	671,885	348,024
Car allowance	129,134	67,557
Contribution to UIF and other payments	69,999	109,002
	<u>871,018</u>	<u>524,583</u>
Ex-Directors		
Former Strategic planning Director- Performance bonus	104,013	-
Former CFO - Performance bonus	104,013	-

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

	2013 R '1	2012 R '1
19 REMUNERATION OF COUNCILLORS		
Mayor		
Annual remuneration	484,162	462,600
Allowances, contribution to UIF and related items	181,259	167,728
	<u>665,421</u>	<u>630,328</u>
Speaker		
Annual remuneration	345,300	367,174
Allowances, contribution to UIF and related items	123,442	18,396
	<u>468,742</u>	<u>385,570</u>
Chief Whip		
Annual remuneration	231,036	190,831
Allowances, contribution to UIF and related items	89,408	73,071
	<u>320,444</u>	<u>263,902</u>
Exco members		
Annual remuneration	2,006,975	1,717,476
Allowances, contribution to UIF and related items	793,952	657,642
	<u>2,800,927</u>	<u>2,375,118</u>
Other Councillors		
Annual remuneration	7,224,981	6,945,789
Allowances, contribution to UIF and related items	3,013,182	2,792,070
	<u>10,238,163</u>	<u>9,737,859</u>
Traditional leaders	113,000	88,000
Total remuneration for councillors	<u>14,606,696</u>	<u>13,480,777</u>
NB: full list of related party transactions as per GRAP standard is disclosed on Note 36		
20 INTEREST PAID		
Long term liabilities	494,108	474,094
Bank overdraft	-	-
Total interest on external borrowings	<u>494,108</u>	<u>474,094</u>
21 PROVISION FOR LANDFIL SITE		
Refer to Note 28		
22 COUNCILLORS WITH ACCOUNTS IN ARREARS		
1. C N Yako	114,370	86,781
2. K Mviko	60,700	53,599
3. D Mjokovana(Speaker)	122,078	-
TOTAL	<u>297,148</u>	<u>140,380</u>

NB:These are the Councillors with accounts in arrears for more than 90 days and Speaker(D Mjokovana) owing for advance payments.

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

23 GENERAL EXPENDITURE	2013 R'1	2012 R'1
Accounting and audit fees	2,973,008	1,897,567
Advertising fees	255,109	258,218
Data lines	59,779	39,827
Bank charges	110,213	102,661
Catering- meetings	343,473	205,920
Cleaning material	20,072	40,639
Towing services	5,565	9,313
Public participation	28,500	15,200
Consultation & professional fees	1,203	1,791,010
Spatila development	30,226	59,812
Expanded Public Works Programme	2,318,261	2,392,106
Early childhood development	63,973	3,065
Equitable share	312,659	274,347
Electricity and water purchase	275,776	339,012
Communication strategy	329,774	24,000
Property valuation	359,615	152,597
Internal audit	334,725	299,400
IDP development	688,722	494,974
Insurance: external	679,681	478,684
Finance management grant expenditure	992,343	880,872
Legal fees	2,429,775	849,488
Licence fees	114,393	51,230
Crime prevention	37,490	183,781
Tourism	300,624	4,386
Postage	1,414	1,404
Printing and stationery	450,043	371,410
Disaster management	-	25,190
Protective clothing	6,291	6,957
Registering authority	23,500	34,181
Library services	36,040	44,565
Rent- office equipment	223,187	31,432
Subsistence and travelling	1,211,809	976,047
Survey and planning	603,257	240,113
Special programmes	1,420,591	213,465
Sport and recreation	105,810	21,616
Telephone	2,151,065	982,800
Parks, Pound and cemeteries	138,256	5,133
Training- officials	1,055,351	370,935
Training-councillors	121,354	-
Training- accomodation	460,875	-
Hire of toilets	26,280	-
Re-allocation costs	2,445	-
Vodacom	122,239	158,400
Beach management	142,751	46,800
Plant unit	4,603,673	4,726,397
Arts and culture	14,031	72,907
Munsoft and payday	876,411	444,936
Support to traditional leaders	65,123	40,177
Inter-governmental relations	11,750	7,250
Hotel accomodation	1,199,740	996,124
Refuse bags	231,054	208,480
Council functions	851,428	1,297,458
Vehicle- fuel & oil	3,115,267	1,186,096
Traffic law enforcement	168,676	147,959
Vehicle hire	733,290	985,699
Cleaning and greening	82,354	695,643
Audit committee costs	168,966	-
Allownace ward admin	2,889,683	-
Computer hardware	441,740	170,275
Whipery expense	114,708	(438.60)
Experiential trainees	55,200	67,000
HIV & Aids	62,750	-
Furniture halls	195,950	-
Team buiding	186,170	-
Motor vehicles	625,167	-
Electricity infrastructure	79,818	-
Landfill sites	69,002	-
Local economic development	8,508,265	3069048.25
Road construction	-1,513,801	-
Specialised equipment	1,435,202	-
Social facilities	355,919	-
Mobile office	24,500	-
	47,019,554	28,493,568

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

	2013 R '1	2012 R '1
24 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	49,884,335	43,063,695
Bank overdraft	(1,641,783)	-
Total cash and cash equivalents	<u>48,242,552</u>	<u>43,063,695</u>

25 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

25.1 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	73,927,758	33,981,886
Irregular expenditure current year - adverts not in the notice board	-	-
Irregular expenditure current year	-	39,945,872
Approved by Council or condoned	(73,927,758)	-
Transfer to receivables for recovery	-	-
Total irregular expenditure for the year	<u>-</u>	<u>73,927,758</u>

Incident	Disciplinary steps / criminal proceedings	
-		
This is the procurement of goods and services above R 30 000(inl. Vat) without advertising them on the municipal notice board and website for atleast seven days and adverts for less than 14 days before closing date. This is as a result of the ambiguity in the Treasury SCM regulation. Three quotations were obtained	None (relates to prior year)	
Expenditure procured through a competitive bidding process where the specification prepared by the specifications committee were approved by the chairperson of the bid adjudication committee.		37,541,789
And not the accounting officer - the issue is that the deligation framework is not specifically deligating the approval of the specifications to the CFO who is the chairperson of the bid adjudication committee.		-
Expenditure relating to instances where there were no performance contracts - relating to the purchase of vehicles. Only vehicle dealer purchase agreements were signed and not the standard GCC per national treasury.		1,011,818
Expenditure relating to the instances where 3 quotations were not obtained for the following reasons: - Servicing of vehicles at manufacture approved service center - Purchase of spare parts for the plant at manufacturer approved dealer - Accommodation from suppliers on municipal database treated on rotational basis - Placing of adverts with local media - Travel expenses booked through the travel agents on		1,392,265
		-

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

2013
R '1 **2012**
R '1

25 FRUITLESS AND WASTEFUL EXPENDITURE

25.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	338,986	301,509
Fruitless and wasteful expenditure current year	37,477	37,477
Condoned or written off by Council	(376,463)	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting condonement	(0)	338,986

Incident	Disciplinary steps / criminal proceedings	
PAYE, UIF and SDL penalty and interest for non payment of these statutory deduction resulted in expenditure Included in the reported amount there is interest paid to Department of Labour for compensation commissioner	NA	NA

Incident	Disciplinary steps / criminal proceedings	
Not applicable	Not applicable.	

26 INVENTORY

Opening balance	5,607,280	5,520,201
Increase in inventory	41,079	87,079
Transferred from PPE	9,203,446	-
Closing balance	14,851,805	5,607,280
Purchases during the year	511,194	
Expensed during the year	(470,115)	
Closing balance	41,078.96	-

The municipality's inventory consists of consumables, stationery and land held for sale

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

	2013 R '1	2012 R '1
27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
27.1 Audit fees		
Opening balance	-	-
Current year audit fee	2,063,365	2,455,496
Amount paid - current year	(2,063,365)	(2,455,496)
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

NB: the audit fees as charged by Auditor General(SA) for 2012 financial year exceeded 1% of total expenditure(R 1.1 million) as per last year's figures

28 CONTINGENT LIABILITIES

	<u>Sub Note</u>	<u>Amount claimed</u>	<u>Amount claimed</u>
Litigations that are still pending	(a)	3,956,175	3,457,001
Landfill site		140,858	140,858
NA Gagai vs IHLM, <i>details below</i>	(b)	0	400,000
Assembles Of God	(c)	0	300,000
Nokulunga Madolo	(d)	1,089,195	0
		<u>5,186,228</u>	<u>4,297,859</u>

(a) NB: These are employees with cases that are still pending and / or under arbitration process from which the outcome may favour any of the two parties involved. These employees are still on suspension pending their cases.

(b) There is a pending case of Councilor N Gagai vs IHLM which has been escalated to Supreme Court of Appeal , there municipality can not determine what could be the costs payable to the applicant as per the municipal lawyers, case resolved and closed.

(c) The Assembles of God is suing the Municipality for demolishing a an illegal structure built on Municipal commonage without a permission to do so from the Municipality, case resolved and closed.

(d) Nokulunga Madolo is claiming an amount of R 1 089 195 from the municipality for the structure that was demolished by the municipality because it was illegally constructed on municipal land

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

	2013	2012
	R '1	R '1
29 CASH GENERATED/(UTILISED) BY OPERATIONS		
Surplus/(deficit) for the year	180,128,222	43,691,218
Adjustment for:	-	-
Depreciation	25,849,376	22,919,097
Impairments	-	-
Prior year adjustment	-	-
Investment income	(3,458,080)	(2,405,634)
Interest paid	529,006	501,396
Operating surplus/(deficit) before working capital changes:	203,048,523	64,706,078
Increase in inventories	(9,244,525)	(87,079)
Decrease in consumer debtors	(630,938)	(434,400)
(Increase)/decrease in other debtors	(225,500)	71,630
Increase in creditors	10,570,477	1,299,232
Decrease in VAT	(2,751,682)	4,438,790
Decrease in unspent conditional grants and receipts	466,744	(5,900,425)
Cash generated by / (utilised in) operations	201,233,099	64,093,826

30 ASSUMPTIONS

30.1 GOING CONCERN

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

The ability of the Municipality to continue as a going concern is dependant on a number of factors.

1. Liquidity - in terms of section 214 of the Constitution of RSA (Act 108) the parliament is instructed to provide for an Act (DORA) that will enable the National Government to raise and collect revenue from all sources and distribute it equitable to both Provincial and Local Government (Municipalities). Allocation for 2013/14 is R 126.9 m and R 153.8m for 2014/15

2. Debtors collection - to fully comply with the credit control and debt collection policy the Municipality is procuring the services of the skilled debt collector to collect the outstanding debts from business and residents, we are embarking on a revenue enhancement programme.

3. Statutory payments - the municipality has settled all the major debts that were long outstanding including AGSA and SARS. The most significant of these is that the Accounting Officer continue to procure funding for the on-going operations of the Municipality. However the Municipality is positively recovering from a severe financial constraints. This is evident by the fact that non of the Municipality's creditors has been outstanding for a over than 30 days and there fact that there has been no overdraft in the current financial year. The sitting of Council meetings has improved in the current year, the council meetings that took place were more than four to discuss strategic documents

30.2 EVENTS AFTER THE REPORTING DATE

There was a municipal vehicle that was subsequently written off by the assessor/insurance due to the damages it had. This report was issued by the assessor after the 30th of June 2013

31 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted for is set out in Note 35. The budget was prepared on cash base.

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

				2013
32				R'1
32.1	Prior year adjustments	Sub-note		Dr/(Cr)
The following restatements have been affected to prior period account balances and classes of transactions due to prior year errors/ommissions which have been identified				
Prior year correction	Sundry creditors	Previously reported Movement Restated balance	a) 2011/12	387,104 (29,198) <hr/> 357,906
	Trade creditors	Previously reported Movement Restated balance	b) 2011/12	7,980,071.69 (9,309) <hr/> 7,970,762.70
	Performance bonus	Previously reported Movement Restated balance	c) 2011/12	1,408,229.59 (204,252) <hr/> 1,203,977.49
	VAT	Previously reported Movement Restated balance	d) 2011/12	1,843,912.94 (4,712) <hr/> 1,839,200
	Retained income	Previously reported Creditor PPE	2011/12 e) f)	621,648,397 1,217,457 204,454 <hr/> 623,070,307
	Third party disclosure	Note 40 changed to be Note 36	N/A	N/A
Effect of change				
a)	These creditors were subsequently return off because they no longer exist			
b)	These creditors were subsequently return off because they no longer exist			
c)	Reversal of performance bonus raised In previous year			
d)	VAT movements on the above mentioned creditor movements in a and b			
e)	Raising department of Labour as a creditor for funds owed in the previous year			
f)	Adjustment of PPE			

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2013

33 FINANCIAL INSTRUMENTS

33.1 Financial assets

Jun-13	Consumer debtors R'1	Sundry debtors R'1	Investment held as collateral R'1	Bank and Cash R'1	Held to maturity R'1	Total R'1
Opening balance	1,530,273	1,848,585	4,054,772	43,063,696	-	50,497,325
Net gains or losses recognised directly in net assets						-
Interest income			328,761			328,761
Impairments						-
Net other movements	630,938	225,500	-	6,820,639	-	7,677,077
Closing balance	2,161,210	2,074,085	4,383,533	49,884,335	-	58,503,163

Maximum credit exposure

-

Interest income includes:

Interest on financial assets that are not at fair value through profit and loss
 Subsequent interest on impaired financial assets

-

Jun-12	Consumer debtors R'1	Sundry debtors R'1	Investment held as collateral R'1	Bank and Cash R'1	Held to maturity R'1	Total R'1
Opening balance	1,095,873	1,920,215	3,817,673	15,471,915		22,305,676
Movements	434,400	(71,630)				362,769
Interest income	-		237,099			237,099
Impairments						-
Net other movements	-	-		27,591,781	-	27,591,781
Closing balance	1,530,273	1,848,585	4,054,772	43,063,696	-	50,497,325

Interest income includes:

Interest on financial assets that are not at fair value through profit and loss
 Subsequent interest on impaired financial assets

-

Disclosed in the Statement of Financial Performance

	2013 R'1	2012 R'1
Fee income	412,465	186,140
On financial assets/liabilities not at fair value through profit and loss	412,465	186,140
Trust and/or other fiduciary activities		
Other fee income		

Disclosed in the Statement of Financial Position

	2013 R'1	2012 R'1
Trade and other Receivables	2,161,210	1,530,273
Trade and other Receivables	2,074,085	1,848,585
Investment held as a colatera	4,383,533	4,054,772
Vat	4,590,883	1,843,913
Cash and cash equivalents	49,884,335	43,063,696

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

33.2 Financial liability

	FVTP - Held for trading	Designated at FV through P/L	Loans and payables	Total
Jun-13	R'1	R'1	R'1	R'1
Opening balance	2,808,758	7,970,763	6,825,840	17,605,361
Interest expense			117,571	117,571
Net other movements	466,744	9,634,622		10,101,366
Closing balance	3,275,502	17,605,385	6,943,411	27,824,298

Interest expense include:

Interest on financial liabilities that are not at fair value through profit and loss -

	Held for trading	Designated at FV through P/L	Loans and payables	Total
Jun-12	R'1	R'1	R'1	R'1
Opening balance	8,709,183	7,414,887	6,825,840	22,949,910
Interest expense		-		-
Net other movements	(5,900,425)	555,876	(1)	(5,344,550)
Closing balance	2,808,758	7,970,763	6,825,840	17,605,360

Interest expense includes: Interest on financial assets that are not at fair value through profit and loss

	2013 R'1	2012 R'1
Disclosed in the Statement of Financial Performance		
Fee expenses	117,571	357,906
On financial assets/liabilities not at fair value through profit and loss		
Trust and/or other fiduciary activities		
Other fee expenses	117,571	357,906

Categories of financial instruments

	R'1	R'1
Unspent conditional grants	3,275,502	2,808,758
Trade creditors & other payables	17,605,385	7,970,763
Loans and payables	6,825,840	6,825,840
Overdraft	-	-
	27,706,727	17,605,361

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

33.3 Qualitative disclosure:

Key assumptions

Credit risk

Ingquza Hill Local Municipality has a very serious credit risk because of the debtors that are not paying for rates and taxes together with services. The Municipality has since engaged the use of a Debt collector to collect monies owed by the debtors and the Council has also resolved to right off the opening balances of the debts
The maximum exposure risk is estimated at 98% for the consumer debtors

Liquidity risk

The Ingquza Hill Local Municipality does not foresee any threat with regards to servicing of its debts utilising assets that can be quickly converted into cash and cash equivalents because the municipality is committing guaranteed income when budgeting to avoid the use of external loans and overdrafts to finance its operations.

Market risk

Interest rate risk

Not applicable to the Municipality, the loan with DBSA has a fixed interest rate of 6.75% per annum payable 6 monthly twice a year.
For maturity refer to note 2

Foreign currency risk

Not applicable to the Municipality because the Municipality does not deal with foreign currency and banks with the approved financial institutions in the Country

Price risk

Not applicable to the Municipality

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

34 RELATED PARTY TRANSACTIONS

34.1 Interest of related parties

Councillors and/or managers of the Municipality that have relationships with businesses as indicated below:

Name	Designation	Description of Related Party Relationship
None	None	None

34.2 Services rendered to related parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

34.3 Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No

34.4 Purchases from related parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2013

35 Actual versus budget (Revenue and expenditure)

Actual 2012	Description	Actual 2013	Approved Budget 2013	Variance	Management reasons
R'1		R'1	R'1	R'1	
	Revenue				
6,304,984	Taxes	6,267,910	8,000,000	(1,732,090)	Over budgeting which did not exclude rebates
372,600	Fees, fines, penalties & licences	772,420	250,000	522,420	Demand higher than expected
3,799,787	Revenue from exchange transactions	4,705,245	19,233,156	(14,527,911)	Lack of demand, non payment by debtors, very few sources of investment
139,240,425	Transfers from other governments	164,667,186	162,444,000	2,223,186	Unspent last year spent in the current year
9,754,006	Other operating	3,169,352	24,346,279	(21,176,927)	Lack of demand
159,471,802	Total revenue	179,582,114	214,273,435	(34,691,321)	
	Expenses				
(63,958,977)	Personnel	73,084,849	86,380,937	13,296,088	Vacant posts not filled and some employee benefits not taken by employees
(28,565,201)	General expenditure	74,505,560	51,720,281	(22,785,279)	Accruals raised at year end and some non-cash items
-	Capital expenditure	53,560,568	68,053,000	14,492,432	Some projects started very late and other unforeseen delays, ie, drivers license and testing center delays by department of transport, etc
-	Repairs and maintenance	7,966,850	16,344,798	8,377,949	Maintenance programme started late and there were some delays due to non performing service provider
(474,094)	Finance costs	494,108	734,095	239,987	Accrued interests
(92,998,272)	Total expenditure	209,611,934	223,233,112	13,621,177	

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2013

36 RELATED PARTY LISTING

EMPLOYEE NAME	2013 R'1	2012 R'1
MAYOR	665,421	630,328
SPEAKER	468,742	385,570
CHIEF WHIP	320,444	263,902
BESI T	278,685	263,902
JOTILE T	211,797	263,902
TENYANE M	278,685	263,902
NGXAMILE PN	211,797	263,902
VATSHA S	278,685	263,902
MVULANE B	278,685	263,902
GEXU N	211,797	263,902
JIKI N	211,797	263,902
NDAYI N	211,797	263,902
JIBA Z	206,061	195,064
SOMANI V	206,061	195,064
QWESHA M	206,061	195,064
MGWILI NH	206,061	195,064
MNGQINELWA NCB	206,061	195,064
NDZUMO T	206,061	195,064
MPONGOMA SH	206,061	195,064
MJOJELI NE	273,949	195,064
CAPA YN	206,061	195,064
THIMLE L	206,061	195,688
GOYA B	272,949	196,215
NKAYITSHANA N	206,061	195,064
MALULWANA SE	206,061	195,064
TAMBODALA ZJM	206,061	195,064
ZATHI N	206,061	195,064
MTSOTSO N	260,931	195,064
DANISO N	206,061	195,064
THWATSHUKA D	206,061	195,064
NTSHOBO P	260,931	195,064
DALIWE NA	206,061	195,064
NKUNGU MI	206,061	195,064
SIKHOSANA MN	206,061	195,064
GXABHU T	206,061	195,064
MAGAYA FA	206,061	195,064
RULENI S	206,061	195,064
MKIZWANE M	206,061	195,064
JOYI B	206,061	195,064
KHOTSHOLO B	103,030	195,064
MAQUTYWA B	206,061	195,064
KEWANA D	206,061	195,064
MJOKOVANA	-	195,064
MVIKO K	206,061	195,064
GOGO M	206,061	195,064
MAXHAYI M	272,949	195,064
MTSHULANA M	206,061	195,064
YAKO N	206,061	195,064
MHLAKUVANA N	206,061	195,064
NKANI N	206,061	195,064
NONKUBA N	206,061	195,064
GXUMISA-CINGO FJ	206,061	195,064
CWECWE N	206,061	195,064
NOTYESI N	206,061	195,064
NGCINGWANA SL	272,949	186,506
KANGO P	272,949	195,064
NKWAKHWA S	206,061	195,064
SIGCAU NE	206,061	186,506
SIBUNGE T	206,061	195,064
DUMISA T	206,061	195,064
GWEGWE V	206,061	195,064
DINGI X	206,061	195,064
GAGAI	426,227	
TRADITIONAL LEADERS	113,000	88,000
	<u>14,606,696</u>	<u>13,480,777</u>

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2013

37 SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL I	Loan Redeemable Number	Balance at 01/07/2012	Paid during the year	Interest for the year	Balance at 30/06/2013
		R	R	R	R
	Loan - DBSA	7,183,746	(735,557)	486,268	6,934,457
		7,183,746	(735,557)	486,268	6,934,457

Carrying Value of Property, Plant and Equipment	Other costs in accordance with the MFMA
R	R
-	-
-	-

NB: This is a financial liability

38 Deviation disclosure

Reconciliation of deviation's disclosure:

Opening balance	-	142,386
Deviations made in the current year	-	-
Condoned by council	-	(142,386)
Total deviations made in the current year	-	-

Incident
These are the deviations that occurred in terms of s17 of the SCM regulations which allows the CFO or an official designated by CFO to approve such a deviation stating reasons why the SCM regulations and/or Municipal scm policy was not fully complied with when performing procurement procedures to acquire goods that require three quotes and only receive two quotes to make an example, unlike s36 of the regulations which does not apply in the case of this Municipality because there has been no instances where goods or services were acquired not through SCM either by directly approaching a service provider because of emergency,etc.

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

39 FINANCE LEASE LIABILITY

Jun-13	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	208,728	43,667	165,061
Within two to five years	193,057	23,833	169,224
	<u>401,785</u>	<u>67,500</u>	334,285
Less: Amount due for settlement within 12 months (current portion)			(165,061)
			<u>169,224</u>

The average lease term is 3 years and the average effective borrowing rate is 18%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

Jun-12	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	130,730	34,918	95,812
Within two to five years	147,308	19,058	155,250
	<u>278,038</u>	<u>53,976</u>	251,062
Less: Amount due for settlement within 12 months (current portion)			(95,812)
			<u>155,250</u>

The average lease term is 3 years and the average effective borrowing rate is 18%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.