



Emadlangeni Municipality
Annual Financial Statements
for the year ended 30 June 2013

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Nature of business and principal activities	Local Authority
Councillors	
Mayor	Councillor J.G. Zikhali
Councillors	Councillor B.M. Phengane Councillor M.A. Gama Councillor P. Collins Councillor S.O. Nkomonde Councillor T.V. Buthelezi Councillor V.C. Ndlovu
Grading of local authority	Grade 1
Accounting Officer	G.P.N. Ntshangase (Acting)
Chief Finance Officer (CFO)	W. Mtusva (Acting)
Registered office	34 Voor Street Utrecht 2980
Business address	34 Voor Street Utrecht 2980
Postal address	PO Box 11 Utrecht Kwa-zulu Natal 2980
Bankers	Standard Bank of South Africa Newcastle
Auditors	Auditor General
Attorneys	PKX Attorneys

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Abbreviations

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

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

The annual financial statements set out on pages 4 to 44, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed by:

G.P.N Ntshangase
Acting Municipal Manager

Emadlangeni Municipality

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Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	Restated 2012
Assets			
Current Assets			
Other receivables from exchange transactions	11	55,114	55,114
Consumer debtors	12	4,362,795	6,138,373
Financial assets-investments	10	23,817,147	15,263,207
Cash and cash equivalents	13	4,505,791	5,687,705
		32,740,847	27,144,399
Non-Current Assets			
Investment property	4	46,137,554	46,860,408
Property, plant and equipment	5	46,161,418	40,897,225
Intangible assets	6	259,515	406,853
Heritage assets	7	1,490,001	1,490,001
		94,048,488	89,654,487
Non-current assets held for sale and assets of disposal groups		-	-
Total Assets		126,789,335	116,798,886
Liabilities			
Current Liabilities			
Payables from exchange transactions	17	3,334,990	967,327
VAT payable	18	1,578,596	5,226,746
Consumer deposits	19	143,612	145,278
Unspent conditional grants and receipts	14	11,561,950	10,007,319
Provisions	15	965,713	1,089,551
Short term portion of long term liabilities	16	45,239	38,278
		17,630,100	17,474,499
Non-Current Liabilities			
Provisions	15	6,721,418	6,364,979
Long term loan	16	913,725	961,383
		7,635,143	7,326,362
Total Liabilities		25,265,243	24,800,861
		101,524,092	91,998,025
Net Assets			
Accumulated surplus		101,524,092	91,998,025

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Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
Revenue			
Revenue from exchange transactions			
Service charges	22	11,729,620	10,998,254
Rental of facilities and equipment		1,033,055	1,183,156
Licences and permits		1,247,854	740,449
Other income		957,848	502,263
Interest received - investment		864,499	658,052
Total revenue from exchange transactions		15,832,876	14,082,174
Revenue from non-exchange transactions			
Property rates revenue			
Property rates	21	10,254,618	8,901,808
Property rates - penalties imposed	21	1,643,892	1,010,244
Transfer revenue			
Government grants & subsidies		24,374,369	22,906,167
Fines		97,068	115,995
Total revenue from non-exchange transactions		36,369,947	32,934,214
Total revenue	20	52,202,823	47,016,388
Expenditure			
Employee related costs	25	(14,003,985)	(14,292,017)
Remuneration of councillors	26	(1,690,597)	(1,471,692)
Depreciation and amortisation	28	(3,821,559)	(6,213,162)
Impairment loss	29	-	(9,875,750)
Finance costs		(107,956)	(171,691)
Debt impairment		(2,111,011)	(5,306,044)
Repairs and maintenance		(1,129,728)	(887,553)
Bulk purchases	32	(8,412,121)	(9,268,294)
Contracted services		(1,229,255)	-
Grants expenses		(2,831,187)	(2,718,036)
Loss on disposal of assets		(27)	(10,363)
General Expenses	24	(7,450,313)	(4,690,697)
Total expenditure		(42,787,739)	(54,905,299)
Operating surplus (deficit)		9,415,084	(7,888,911)

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011 as previously reported	97,497,861	97,497,861
Changes in net assets		
Surplus for the year	(7,888,911)	(7,888,911)
Adjustment -Abakus 2011/12	644,946	644,946
Change in accounting policy-GRAP 23	1,202,673	1,202,673
Change in accounting policy-GRAP 103	541,456	541,456
Total changes	(5,499,836)	(5,499,836)
Balance at 01 July 2012 restated(Refer to note 2)	91,998,027	91,998,027
Changes in net assets		
Surplus for the year	9,415,084	9,415,084
Additional assets identified	135,981	135,981
Correction of investment property	(25,000)	(25,000)
Total changes	9,526,065	9,526,065
Balance at 30 June 2013	101,524,092	101,524,092

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Statement Of Cash Flows

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		21,135,353	20,314,102
Grants		27,167,000	23,573,573
Interest income		864,499	658,052
Other receipts		2,224,295	1,508,265
		<u>51,391,147</u>	<u>46,053,992</u>
Payments			
Employee costs		(15,782,303)	(15,549,812)
Suppliers		(17,152,380)	(13,892,557)
Finance costs		(107,956)	(171,691)
Grant expenditure		(2,831,187)	(2,352,574)
		<u>(35,873,826)</u>	<u>(31,966,634)</u>
Net cash flows from operating activities	33	<u>15,517,321</u>	<u>14,087,358</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(8,087,293)	(7,508,621)
Proceeds from sale of property, plant and equipment	5	-	1
Purchase of investment property	4	(17,314)	-
Purchase of other intangible assets	6	-	(354,590)
Proceeds/(Purchase) from sale of financial assets		-	219,071
Purchase of financial assets-investments		(8,553,941)	(2,552,907)
		<u>(16,658,548)</u>	<u>(10,197,046)</u>
Cash flows from financing activities			
Movement in long term loan		(40,687)	(36,342)
		<u>(40,687)</u>	<u>(36,342)</u>
Net increase/(decrease) in cash and cash equivalents		(1,181,914)	3,853,970
Cash and cash equivalents at the beginning of the year		5,687,705	1,833,735
Cash and cash equivalents at the end of the year	13	<u>4,505,791</u>	<u>5,687,705</u>

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables and loans and receivables

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

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Allowance for doubtful debts

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

1.2 Investment property

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

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Investment property (continued)

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property	2-75 years

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment which can only be used in conjunction with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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Accounting Policies

1.3 Property, plant and equipment (continued)

Work in progress is stated at historical cost. Depreciation only commences when the asset is ready for use.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

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

Item	Average useful life
Land	Indefinite
Buildings	10-30 years
Plant and machinery	2-10 years
Furniture and fixtures	2-7 years
Motor vehicles	2-8years
Office equipment	2-8years
Infrastructure	2-45 years
Community	2-45 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the statement of finance performance.

1.4 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

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Accounting Policies

1.5 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

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

Item	Useful life
Computer software, other	3-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

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Accounting Policies

1.6 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Transfers

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

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

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Accounting Policies

1.6 Heritage assets (continued)

Derecognition

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

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

1.7 Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

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

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

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

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Accounting Policies

1.7 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

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

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

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

Cash and cash equivalents

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

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Financial instruments (continued)

Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.8 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.11 Employee benefits

Short-term employee benefits

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

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of an established pattern of past performance.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.12 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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1.13 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

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

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

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

Measurement

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

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

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

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

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

Fines

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

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

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

Other grants and donations

Other grants and donations are recognised as revenue when:

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

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

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.15 Investment income

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

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.19 Irregular expenditure (continued)

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

1.20 Use of estimates

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

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

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

1.23 Housing development fund

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

1.24 Gratuities

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

1.25 Conditional grants and receipts

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

1.26 Budget information

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

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

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

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

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

1.28 Going concern assumption

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

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand 2013 2012

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 21 Revenue from non-exchange transactions (Taxes and Transfers)
- GRAP 24 Presentation of budget information in financial statements
- GRAP 103 Heritage assets
- GRAP 21 Impairment of non-cash generating assets
- GRAP 26 Impairment of cash-generating assets
- GRAP 104 Financial instruments

GRAP 23-Revenue from non exchange transactions

During the year, the municipality changed its accounting policy with respect to the treatment of revenue from non exchange transactions. In order to conform with the GRAP23 – The municipality now accounts for all the conditional grants using the assets and liabilities approach .

GRAP 103- Heritage Assets

During the year, the municipality changed its accounting policy with respect to the treatment of Heritage Assets. In order to conform with Heritage assets treatment in terms of GRAP 103 . The municipality now applies the recognition and measurement of heritage assets as per GRAP 103.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2012 is as follows:

Statement of financial position

Property, plant and equipment

Previously stated	-	40,416,511
Adjustment-Change in accounting policy	-	(907,158)
Adjustment correction of error-Refer to note 36	-	1,387,872
	-	40,897,225

Heritage Assets

Adjustment	-	1,490,000
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Unspent conditional grants and receipts

Previously stated	-	11,209,992
Adjustment-Change in accounting policy	-	(1,202,673)
	-	10,007,319

Accumulated Surplus

Previously stated	-	88,824,636
Adjustment-Change in accounting policy	-	1,785,517
Adjustment-Correction of error refer to note 36	-	1,387,872
	-	91,998,025

Depreciation and amortisation

Previously stated	-	6,267,169
Adjustment-Change in accounting policy	-	(41,389)
Adjustment-Correction of error refer to note 36	-	(12,618)
	-	6,213,162

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	
• GRAP 103: Heritage Assets	01 April 2012	
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	
• GRAP 26: Impairment of cash-generating assets	01 April 2012	
• GRAP 104: Financial Instruments	01 April 2012	

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

4. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment Property	51,737,097	(5,599,543)	46,137,554	51,744,783	(4,884,375)	46,860,408

Reconciliation of investment property - 2013

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Investment Property	46,860,409	17,314	(25,000)	(715,169)	46,137,554

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Investment Property	48,138,068	(1,277,659)	46,860,408

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

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & Buildings	17,907,719	(5,187,907)	12,719,812	17,899,219	(4,649,799)	13,249,420
Plant and machinery	1,205,038	(629,355)	575,683	1,106,142	(507,778)	598,364
Furniture and fixtures	1,587,972	(967,260)	620,712	1,512,881	(767,739)	745,142
Motor vehicles	3,732,230	(2,246,941)	1,485,289	3,742,230	(1,924,742)	1,817,488
Office equipment	1,040,264	(588,990)	451,274	903,088	(465,566)	437,522
Infrastructure	40,416,317	(22,422,119)	17,994,198	38,724,221	(20,919,111)	17,805,110
Community	4,360,748	(1,154,608)	3,206,140	4,360,748	(1,013,364)	3,347,384
Capital work in progress	9,108,310	-	9,108,310	2,896,795	-	2,896,795
Total	79,358,598	(33,197,180)	46,161,418	71,145,324	(30,248,099)	40,897,225

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land & Buildings	13,249,420	8,500	-	-	-	(538,108)	12,719,812
Plant and machinery	598,364	33,824	-	-	65,072	(121,577)	575,683
Furniture and fixtures	745,142	9,764	-	-	65,327	(199,521)	620,712
Motor vehicles	1,817,488	-	(27)	-	-	(332,172)	1,485,289
Office equipment	437,522	131,594	-	-	5,582	(123,424)	451,274
Infrastructure	17,805,110	74,116	-	1,617,980	-	(1,503,008)	17,994,198
Community	3,347,384	-	-	-	-	(141,244)	3,206,140
Capital work in progress	2,896,795	7,829,495	-	(1,617,980)	-	-	9,108,310
	40,897,225	8,087,293	(27)	-	135,981	(2,959,054)	46,161,418

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land & Buildings	13,454,981	729,112	-	-	292,814	(862,869)	(364,618)	13,249,420
Plant and machinery	569,847	162,628	-	-	-	(108,332)	(25,779)	598,364
Furniture and fixtures	877,481	67,698	(1,599)	-	60,537	(249,411)	(9,564)	745,142
Motor vehicles	1,779,283	745,029	-	-	-	(473,107)	(233,717)	1,817,488
Office equipment	495,270	156,128	(8,765)	-	-	(197,985)	(7,126)	437,522
Infrastructure	27,613,877	2,195,505	-	-	-	(2,861,706)	(9,142,566)	17,805,110
Community	3,340,705	939,256	-	(658,823)	-	(181,375)	(92,379)	3,347,384
Capital work in progress	924,677	2,513,265	-	(541,147)	-	-	-	2,896,795
	49,056,121	7,508,621	(10,364)	(1,199,970)	353,351	(4,934,785)	(9,875,749)	40,897,225

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
5. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2013		
	Included within Other PPE	Total
Opening balance	2,896,795	2,896,795
Addition-Khayaletshu/Northhill Gravel Road	3,153,597	3,153,597
Addition-Hooggenoeg Gravel Road	1,502,530	1,502,530
Addition-Inkululeko Yomphakhati Road	988,241	988,241
Addition-Encuba Bridge	434,629	434,629
Addition-Mgundeni Link Access Road	127,002	127,002
Addition-Pension Payout Point	68,763	68,763
Addition-Ezihlabatini Rural Road	22,547	22,547
Addition-Smith Street Upgrade	1,532,186	1,532,186
Transferred to completed assets	(1,617,980)	(1,617,980)
	9,108,310	9,108,310

Reconciliation of Work-in-Progress 2012

	Included within Other PPE	Total
Opening balance	924,677	924,677
Addition-Inkululeko Yomphakathi Residential Area	1,362,209	1,362,209
Addition-Encuba Bridge	170,725	170,725
Addition-Ezihlabatini Rural Road	778,094	778,094
Addition-Hooggenoeg Road	68,934	68,934
Addition-Khayaletshu/Northhill Road	133,303	133,303
Transferred to completed assets	(541,147)	(541,147)
	2,896,795	2,896,795

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

6. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	803,342	(543,827)	259,515	803,342	(396,489)	406,853

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	406,853	(147,338)	259,515

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	97,147	354,590	(44,884)	406,853

Emadlangeni Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2013 2012

7. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	1,490,001	-	1,490,001	1,490,001	-	1,490,001

Reconciliation of heritage assets 2013

	Opening balance	Total
Historical buildings	1,490,001	1,490,001

Reconciliation of heritage assets 2012

	Opening balance	Other changes, movements	Total
Historical buildings	60,538	1,429,463	1,490,001

8. Other financial assets

Loans and receivables

Housing debtors

201,965 204,972

The department of housing provided Emadlangeni Municipality with a loan to finance housing selling scheme undertaken by the municipality, the loan was extinguished on 1 April 1998 and transferred to the Housing Development Fund in terms of the Housing Act No. 107 of 1997. The initial contract states that residents who benefited from the housing scheme will pay a deposit of R300, the capital must be paid to Emadlangeni Municipality with 360 months together with interest of 13.5% per annum. The monthly payments will be determined as 11% of the buyer's salary. The buyer has an option to purchase the house after 3 years or once 10% of the capital amount has been paid and the buyer provides

Impairments- Refer to note 12

201,965 204,972
(201,965) (204,972)

9. Employee benefit obligations

Defined contribution plan

All the municipal councillors and permanent employees belong to the Natal Joint Municipal Pension Fund(Superannuation) and The Natal Joint Municipal Pension Fund(Retirement) which are administered by the Province.

The schemes cannot be broken down per municipality, as they are considered to be multi-employer schemes and hence are treated as defined contribution schemes by the municipality..

Municipality employees are also members of the KwaZulu-Natal Joint Municipal Provident Fund. All contributions have been included in the employee related cost note(Refer to note 25)

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
10. Financial assets-Investments		
Figures in Rand		
MSIG 1 Call account	10	10
Repair of 376 Houses grant account	5,071,216	4,865,527
FMG 2 call account	52	52
SPG planning grant call account	26	26
MSIG 2 call account	300	300
MAP 2 call account	44,784	44,104
MFMS call account	986	986
MIG call account	4,050,566	6,526,946
MSIG 3 call account	761	761
MAP 1call account	157,467	153,531
Money market call account	1,141,033	1,091,575
Small town rehab call account	279,705	378,944
FMG 1call account	95	563,076
MSIG 4 call account	283,949	776,366
Housing operating call account	514,785	492,718
Library grant call account	128,608	218,107
Sports grant call account	68,143	150,178
FMG 2012/2013	420,838	-
MSIG 2012/2013	2	-
Library 2012/2013	223,050	-
Infrastructure Sports Facility 2012/13	100,453	-
MIG 2012/13	5,087,764	-
General investments call account	5,840,337	-
Nguni cattle call account	92,108	-
Z.M. loots policy	10,109	-
Total Standard Bank of South Africa	23,517,147	15,263,207
Nedbank-DBSA Surety	300,000	-
	23,817,147	15,263,207
11. Other receivables from exchange transactions		
Eskom deposit	55,114	55,114
12. Consumer debtors		
Gross balances		
Rates	9,096,226	10,711,137
Electricity	4,210,873	2,861,862
Refuse	2,228,950	1,647,471
Sundry debtors	1,177,010	1,154,150
	16,713,059	16,374,620
Less: Allowance for impairment		
Rates	(6,610,266)	(5,621,779)
Electricity	(2,739,475)	(2,675,130)
Refuse	(1,823,513)	(1,185,754)
Sundry debtors	(1,177,010)	(753,584)
	(12,350,264)	(10,236,247)

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
12. Consumer debtors (continued)		
Net balance		
Rates	2,485,960	5,089,358
Electricity	1,471,398	186,732
Refuse	405,437	461,717
Sundry debtors	-	400,566
	4,362,795	6,138,373
Rates		
Current (0 -30 days)	1,252,645	1,960,627
31 - 60 days	533,986	245,154
61 - 90 days	497,341	700,955
91 - 120 days	131,864	115,443
121 - 365 days	70,124	489,478
> 365 days	-	1,577,701
	2,485,960	5,089,358
Electricity		
Current (0 -30 days)	931,352	186,732
31 - 60 days	295,783	-
61 - 90 days	244,263	-
	1,471,398	186,732
Refuse		
Current (0 -30 days)	179,314	130,954
31 - 60 days	67,707	89,032
61 - 90 days	65,785	37,941
91 - 120 days	60,636	32,731
121 - 365 days	31,995	171,059
	405,437	461,717
Other (specify)		
Current (0 -30 days)	-	106,619
> 365 days	-	293,947
	-	400,566
Reconciliation of allowance for impairment		
Balance at beginning of the year	(10,441,218)	(5,401,687)
Contributions to allowance	(2,111,011)	(5,306,044)
Debt impairment written off against allowance	-	266,513
	(12,552,229)	(10,441,218)

Please note the total allowance for impairment reconciliation includes loan term debtors refer to note number 8

Debt impairment is calculated by risk profiling of debtors based on past payment patterns. The expected cash flows are discounted using the interest rate levied on overdue rates account. Some debtors are individually impaired and others impaired on a group basis depending on the circumstances. No future cashflows are expected from the long term debtors as indicated by historical payment patterns hence the 100% impairment thereon.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Emadlangeni Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2013 2012

12. Consumer debtors (continued)

Consumer debtors impaired

As of 30 June 2013, consumer debtors of 12,350,264 (2012: 10,017,177) were impaired and provided for.

The amount of the provision was 12,350,264 as of 30 June 2013 (2012: 10,017,177).

The ageing of these consumer debtors is as follows:

Over 6 months	12,350,266	10,017,117
---------------	------------	------------

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	583	583
Bank balances	4,505,208	5,687,122
	4,505,791	5,687,705

The municipality had the following bank account

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
Standard Bank of South Africa- Public sector current account - 06 010 0001	4,505,239	8,361,100	2,396,023	4,505,208	5,687,122	1,832,954

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Repair of 376 houses	3,008,000	3,008,000
MIG Grant	8,098,184	5,795,837
MSIG Grant	-	367,756
MAP Grant	174,160	174,160
MFMS Grant	6,694	167,694
PMS Grant	16,113	16,113
MSIG 04/05 Grant	-	11,405
LED Grant	1,840	1,840
Small Town Rehabilitation Grant	70,793	187,003
Library Grant	55,734	158,761
Sports Grant	130,432	118,750
	11,561,950	10,007,319

Movement during the year

Balance at the beginning of the year	10,007,319	9,339,902
Additions during the year	13,178,000	11,317,573
Income recognition during the year	(10,385,369)	(10,650,156)
Withheld	(1,238,000)	-
	11,561,950	10,007,319

These amounts are invested in a ring-fenced investment until utilised. All the grants are cash backed refer to note 10.

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012		
15. Provisions				
Reconciliation of provisions - 2013				
	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	6,364,979	356,439	-	6,721,418
Leave pay provision	1,089,551	(18,059)	(105,779)	965,713
	7,454,530	338,380	(105,779)	7,687,131
Reconciliation of provisions - June 2012				
	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	5,992,628	372,351	-	6,364,979
Leave pay provision	757,010	447,981	(115,440)	1,089,551
	6,749,638	820,332	(115,440)	7,454,530
Non-current liabilities			6,721,418	6,364,979
Current liabilities			965,713	1,089,551
			7,687,131	7,454,530
Environmental rehabilitation provision				
The provision is raised for the rehabilitation of the waste disposal site to its original state once the site has reached the end of its useful life.				
Leave pay				
The leave pay provision is accrued at the conditions of Employment rate and is accumulated to a maximum of 48 days per employee..				
16. Long term loan				
Annuity loan				
DBSA loan		958,964	999,661	
Current portion transferred to current liabilities		(45,239)	(38,278)	
		913,725	961,383	
The municipality acquired a loan from the Development bank of Southern Africa(DBSA) to fund the construction of municipal main offices. The term of the loan is 20 years. Interest charged is prime linked and varies between 10.81% and 14.4% per annum payable every half yearly.				
17. Payables from exchange transactions				
Trade payables		1,691,378	407,937	
Sundry creditors		1,529,154	233,551	
Other deposits		(51,899)	41,178	
Retention liability		166,357	284,661	
		3,334,990	967,327	
18. VAT payable				
VAT payable		1,578,596	5,226,746	

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
19. Consumer deposits		
Electricity	143,612	145,278
20. Revenue		
Service charges (refer to note 22)	11,729,620	10,998,254
Rental of facilities and equipment	1,033,055	1,183,156
Licences and permits	1,247,854	740,449
Other income	957,848	502,263
Interest received - investment	864,499	658,052
Property rates	10,254,618	8,901,808
Property rates - penalties imposed	1,643,892	1,010,244
Government grants & subsidies	24,374,369	22,906,167
Fines	97,068	115,995
	52,202,823	47,016,388
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service Charges	11,729,620	10,998,254
Rental of facilities and equipment	1,033,055	1,183,156
Licences and permits	1,247,854	740,449
Other income	957,848	502,263
Interest received - investment	864,499	658,052
	15,832,876	14,082,174
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates revenue		
Property rates	10,254,618	8,901,808
Property rates - penalties imposed	1,643,892	1,010,244
Transfer revenue		
Government grants & subsidies	24,374,369	22,906,167
Fines	97,068	115,995
	36,369,947	32,934,214

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
21. Property rates		
Rates received		
Property rates	10,254,618	8,901,808
Property rates - penalties imposed	1,643,892	1,010,244
	11,898,510	9,912,052
Valuations		
Residential	232,413,000	232,413,000
Commercial	25,650,000	25,650,000
State	130,110,000	130,110,000
Municipal	36,602,000	36,602,000
Small holdings and farms	792,181,000	792,181,000
Public Service Infrastructure	23,651,000	23,651,000
Schools(Private and State)	25,790,000	25,790,000
Land reform properties	102,069,000	102,069,000
Other(PBO,Public Worship,Vacant etc)	22,845,000	22,845,000
	1,391,311,000	1,391,311,000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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

22. Service charges

Sale of electricity	10,463,467	9,805,401
Refuse removal	1,266,153	1,192,853
	11,729,620	10,998,254

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
23. Government grants and subsidies		
Operating grants		
Equitable share	13,989,000	12,256,000
Finance Management Grant	1,500,000	1,537,475
Municipal Systems Improvement Grant	652,161	1,479,582
Small Town Rehabilitation	116,210	2,306,309
Spatial Planning Grant	-	22,347
Sports Grant	138,318	-
Library Grant	370,027	126,062
	16,765,716	17,727,775
Capital Grants		
Municipal Infrastructure Grant	7,608,653	5,178,392
	7,608,653	5,178,392
	24,374,369	22,906,167
Repair of 376 Houses		
Balance unspent at beginning of year	3,008,000	3,008,000
Municipal Infrastructure Grant		
Balance unspent at beginning of year	5,795,837	2,350,229
Current-year receipts	10,461,000	8,624,000
Conditions met - transferred to revenue	(7,608,653)	(5,178,392)
Other	(550,000)	-
	8,098,184	5,795,837
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	367,756	1,057,338
Current-year receipts	800,000	790,000
Conditions met - transferred to revenue	(652,161)	(1,479,582)
Other	(515,595)	-
	-	367,756
Municipal Assistance Programme		
Balance unspent at beginning of year	174,160	174,160
MFMS Grant		
Balance unspent at beginning of year	167,694	167,694
Other	(161,000)	-
	6,694	167,694
Finance Management Grant		
Balance unspent at beginning of year	-	37,475
Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(1,500,000)	(1,537,475)
	-	-
Performance Management System Grant		

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
23. Government grants and subsidies (continued)		
Balance unspent at beginning of year	16,113	16,113
MSIG 04/05		
Balance unspent at beginning of year	11,405	11,405
Other	(11,405)	-
	-	11,405
LED Grant		
Balance unspent at beginning of year	1,840	1,840
Small Town Rehab Grant		
Balance unspent at beginning of year	187,003	2,493,303
Conditions met - transferred to revenue	(116,210)	(2,306,300)
	70,793	187,003
Library Grant		
Balance unspent at beginning of year	158,761	-
Current-year receipts	267,000	253,573
Conditions met - transferred to revenue	(370,027)	(94,812)
	55,734	158,761
Sports Grant		
Balance unspent at beginning of year	118,750	-
Current-year receipts	150,000	150,000
Conditions met - transferred to revenue	(138,318)	(31,250)
	130,432	118,750

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
24. General expenses		
Advertising	155,633	230,244
Auditors and audit committee remuneration	1,326,295	824,091
Bank charges	114,942	98,699
Commission paid	47,993	47,802
Consulting and professional fees	1,012,778	212,269
Consumables	116,875	55,788
Entertainment	69,347	61,037
Fines and penalties	133	-
Insurance	177,107	164,150
Community development	693,354	482,255
Promotions and sponsorships	118	-
Magazines, books and periodicals	3,171	7,849
Motor vehicle expenses	78,842	50,705
Fuel and oil	449,328	317,579
Postage and courier	4,056	36,345
Printing and stationery	20,990	18,452
Royalties and license fees	185	174
Security (guarding of municipal property)	348,766	34,925
IT expenses	616,945	247,787
Subscriptions and membership fees	12,951	228,423
Telephone and fax	449,123	498,797
Training	183,200	22,152
Travel - local	463,628	513,891
Refuse	4,072	8,395
Title deed search fees	200	384
Water	185,172	125,414
Expanded public works programme	555,593	624
Other	-	21,465
Current year charge-Provision for landfill site	356,439	372,351
Chemicals	852	8,050
Trees and Seeds	2,225	600
	7,450,313	4,690,697

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
25. Employee related costs		
Basic salary	10,000,293	11,111,687
Medical aid - company contributions	532,500	472,335
UIF	100,677	104,543
SDL	123,102	58,244
Other payroll levies	9,239	-
Increase(Decrease) in leave pay provision	(18,058)	463,165
Post-employment benefits	841,335	704,836
Travel, motor car, accommodation, subsistence and other allowances	543,565	143,806
Overtime payments	434,098	348,749
13th Cheques	621,048	587,570
Acting allowances	451,052	141,692
Housing benefits and allowances	221,851	-
Other allowances	143,283	155,390
	14,003,985	14,292,017
Remuneration of municipal manager		
Annual Remuneration	778,397	869,675
Acting Allowance	297,073	-
	1,075,470	869,675
Remuneration of chief finance officer		
Annual Remuneration	682,060	599,233
Remuneration of Director Corporate Services		
Annual Remuneration	436,150	592,955
Remuneration of Director Technical Services		
Annual Remuneration	-	232,317
Remuneration of Director Community Services		
Annual Remuneration	649,760	570,986

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
26. Remuneration of councillors		
Mayor	335,160	308,865
Councillors	1,341,041	1,154,158
Other contributions	14,396	8,669
	1,690,597	1,471,692
27. Investment revenue		
Interest revenue		
Bank	864,499	658,052
28. Depreciation and amortisation		
Property, plant and equipment	2,959,053	4,891,957
Investment property	715,169	1,277,659
Intangible assets	147,337	43,546
	3,821,559	6,213,162
29. Impairment of assets		
Impairments		
Property, plant and equipment	-	9,875,750
30. Auditors' remuneration		
Fees	1,192,295	820,335
Audit committee	134,000	3,756
	1,326,295	824,091
31. Operating lease		
<p>The municipality has low cost houses and flats that are leased to the public and staff. Lease rentals are based on a percentage of the lessee's income levels or on a rate below market value. These leases are cancellable at any time by either party provided that one month's notice is given and there is no fixed lease period. The related properties are included in property, plant and equipment. Operating lease income is R378 787 (2012:R344 869)</p>		
32. Bulk purchases		
Electricity	8,412,121	9,268,294

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
33. Cash generated from operations		
Surplus (deficit)	9,415,084	(7,888,911)
Adjustments for:		
Depreciation and amortisation	3,821,559	6,213,162
Loss on sale of assets and liabilities	27	10,363
Impairment deficit	-	9,875,750
Debt impairment	2,111,011	5,306,044
Movements in provisions	232,601	704,893
Other non-cash items	-	647,727
Changes in working capital:		
Other receivables from exchange transactions	-	149,546
Consumer debtors	(335,433)	(8,311,707)
Payables from exchange transactions	2,367,657	191,266
VAT	(3,648,150)	6,518,206
Unspent conditional grants and receipts	1,554,631	667,414
Consumer deposits	(1,666)	3,605
	15,517,321	14,087,358
34. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• MIG PMU	237,240	237,240
• Inkululeko Yomphakathi Residential Area	732,077	2,323,775
• Encuba Pedestrian Bridge	869,344	875,259
• Ezihlabatini Rural Road	-	2,458,069
• Hooggoeg Road	-	3,910,550
• Fencing Utrecht Municipal Services	1,955,913	-
• Khayaletu/Northill Gravel Road	1,555,558	-
	5,350,132	9,804,893
Approved but not yet contracted for		
• Pension Point Market Stalls	991,610	1,070,000
• Khayaletu/Northill Gravel Road	-	6,225,000
• Ezihlabathini(Kwa-Nzima) Gravel Road Rehabilitation	2,309,315	-
• Mgundeni Access Road	3,230,218	-
	6,531,143	7,295,000

35. Contingencies

Litigation is in process against the Municipality relating to Natal Joint Municipal Pension Fund adjusted contributions by the municipality in respect of excessive salary increases in individual member pensionable emoluments: 1 April 2009 to March 2011. The summons were issued on the 9th of October 2013. The municipality's Attorney and management strongly believe that the Municipality has a strong defense. Should the action against the municipality be successful the value of the obligation is R422 578.26 and costs of the suit jointly and severally against the municipality with other defendants..

36. Related parties

Remuneration of key employees and councillors is disclosed in notes 24 and 25. At the time of completion of the annual financial statements, there appears to be no related party relationship in existence at year end.

37. Prior period errors

Property, Plant and Equipment impairment and depreciation on assets fair valued on GRAP 17 retrospective application was computed incorrectly resulting in retrospective restatement..

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

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
37. Prior period errors (continued)		
Statement of financial position		
Property, plant and equipment	-	1,387,872
Opening Accumulated Surplus or Deficit	-	(1,387,872)
Statement of Financial Performance		
Depreciation expense	-	(12,618)
Impairment of assets	-	(1,375,253)
Statement of finance performance		
Depreciation and amotisation		
As previously reported	-	6,267,169
Adjustment-Change in accounting policy-Refer to note 2	-	(41,389)
Adjustment- Correction of error	-	(12,618)
	-	6,213,162
Impairment of assets		
As previously reported	-	11,251,003
Adjustment	-	(1,375,253)
	-	9,875,750

38. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

Credit risk

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

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

39. Going concern

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

40. Events after the reporting date

There were no material events to report as at the date of the annual financial statements

41. Unauthorised expenditure

At the completion of the annual financial statements, there was no unauthorised expenditure.

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
42. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure incurred during the year	41,117	61,515
Condoned/Approved by council	(15,031)	(61,515)
Awaiting condonation by council	(26,086)	-
	<u>-</u>	<u>-</u>
43. In-kind donations and assistance		
Donations		
Inkosi Wedding	-	15,000
	<u>-</u>	<u>15,000</u>
44. Reconciliation between budget and statement of financial performance		
The budget is approved on an accruals basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013. The budget and accounting basis are the same ie both on accruals basis therefore financial statements and budget are on a comparable basis. Accordingly a reconciliation is not necessary. The financial statements are prepared using a classification on the nature of expenses in the statement of financial performance. Refer to Appendix G(1)		
Net surplus (deficit) per the statement of financial performance	<u>9,415,084</u>	<u>(7,888,911)</u>

45. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
BC Mabaso	-	12,781	12,781
V.C. Ntshangase	-	5,189	5,189
S.O. Nkomonde	1,025	-	1,025
	<u>1,025</u>	<u>17,970</u>	<u>18,995</u>
30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
B.C. Mabaso	-	12,781	12,781
V.C. Ntshangase	-	5,189	5,189
	<u>-</u>	<u>17,970</u>	<u>17,970</u>

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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46. Deviation from supply chain management regulations

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

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

Goods and Services were procured during the financial year under review and the process followed in procuring those goods and services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The aforesaid deviations for 2012/2013 amounted to R680 858.91. The deviations were also taken to council and condoned.

47. Electricity Losses

Electricity units(kWh) lost in distribution

Electricity units(kWh) purchased	12,362,203	13,043,857
Electricity units(kWh) sold	(10,161,049)	(9,958,489)
	2,201,154	3,085,368

Electricity losses for the period under review is 18% (2012: 24%)

These losses are attributable to electricity losses within the electricity network infrastructure. The aging infrastructure and own usage chiefly explain the variance.

48. Biological Assets

Emadlangeni Municipality Game Park main purpose is the conservation of a representative system of biodiversity encompassing fauna, flora and unique scenery within the Game Park. Emadlangeni Municipality does not manage the Game Park for reproduction of biodiversity and significant sources of revenue comprise of tourism, in the form of accomodation, game viewing and hunting fees. The municipality is involved in biological transformation of fauna and flora primarily as a service to the community for the purpose of recreational activity rather than for sale.

Biological assets are not recognised in the statement of financial position as the fair value or cost of the biological assets cannot be measured reliably due to their nature. Quantities of biological assets cannot easily be ascertained as the municipality cannot keep up with births, deaths and migrations of wildlife as dictated by seasonal and other environmental factors. However, the municipality conducts aerial game counts from time to time.

As at 30 June 2013 the estimated number of biological assets are as follows: 1034 Game animals and cattle(June 2012: 1149)

49. Non-Compliance with MFMA

The Municipality did not comply with section 65(2)(e) of the MFMA.

Emadlangeni Municipality

Annual Financial Statements for the year ended 30 June 2013
Appendix A: Schedule of external loans

Emadlangeni Municipality

Appendix A

June 2013

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
DBSA Annuity Loan	61000120	999,661	-	40,697	958,964	1,519,966	-
		999,661	-	40,697	958,964	1,519,966	-
Total external loans							
Development Bank of South Africa		999,661	-	40,697	958,964	1,519,966	-
		999,661	-	40,697	958,964	1,519,966	-

Emadlangeni Municipality

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	11,898,510	12,126,000	(227,490)	(1.9)	
Service charges	11,729,620	12,219,000	(489,380)	(4.0)	
Rental of facilities and equipment	1,033,055	993,000	40,055	4.0	
Fines	97,066	63,000	34,066	54.1	Grounded vehicle for protection services repaired resulting in increased visibility of traffic police. Consequently, improved traffic fines collections compared to the budget.
Licences and permits	1,247,855	966,000	281,855	29.2	Better than projected activities with regards to Vehicle learners licensing and driver's licensing revenue resulted in the actual revenue for the aforesaid exceeding expectations.
Other income	957,848	1,193,000	(235,152)	(19.7)	The level of activity budgeted for Vension hunting, Camping sites and burial fees did not unfold as projected resulting in lower other income than budgeted.
Government grants	24,374,370	27,167,000	(2,792,630)	(10.3)	Variance due to MIG 2012/13 allocation anticipated to be spent at year end, however, the contractors for the fencing project were only appointed end of June 2013 hence revenue expected to be realised remains as unspent grant liability at year end.
Interest received - investment	864,499	865,000	(501)	(0.1)	
	52,202,823	55,592,000	(3,389,177)	(6.1)	
Expenses					
Employee costs	(14,003,983)	(17,534,000)	3,530,017	(20.1)	Vacant positions during the year which expected to be filled notably Municipal manager, Technical Services Director, Corporate Services Director and other positions resulted in the variance on employee costs.
Remuneration of councillors	(1,690,597)	(1,875,000)	184,403	(9.8)	
Depreciation	(3,674,222)	(6,702,000)	3,027,778	(45.2)	The budget for depreciation and impairment was based on retrospective GRAP 16 & 17 application in the prior year. However, subsequent years will not be similar to first year of implementation hence depreciation and impairment were overbudgeted for. Budgeted for under depreciation and impairments.
Amortisation	(147,337)	-	(147,337)	-	
Impairments	-	-	-	-	
Finance costs	(107,956)	(157,000)	49,044	(31.2)	Interest rates at lowest in decades resulting in lower finance costs for the year.
Debt impairment	(2,111,011)	(2,495,000)	383,989	(15.4)	Improved debt collection methods. Disconnections enforced during the latter part of the year.
Repairs and maintenance - General	(1,129,729)	(1,790,000)	660,271	(36.9)	Fixing of potholes not completed during the period under review as projected, resulting in under expenditure on repairs and maintenance. In addition the revamp of municipal properties did not take place as budgeted.
Bulk purchases	(8,412,121)	(9,516,000)	1,103,879	(11.6)	Overlapping of billing periods by Eskom between months, the anticipated highest billing for the year was received in July 2013 due to June/July overlapping billing periods.
Contracted Services	(1,229,255)	(1,280,000)	50,745	(4.0)	
Grants and subsidies paid	(2,831,187)	(2,717,000)	(114,187)	4.2	
General Expenses	(7,450,315)	(9,124,000)	1,673,685	(18.3)	Continued cost curtailment measures to ensure service delivery.
	(42,787,713)	(53,190,000)	10,402,287	(19.6)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(27)	-	(27)	-	
	(27)	-	(27)	-	

Emadlangeni Municipality

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Net surplus/ (deficit) for the year	9,415,083	2,402,000	7,013,083	292.0

Emadlangeni Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2013

	2012/2013								2011/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	40,303,000	406,000	40,709,000	-		40,709,000	37,585,008		(3,123,992)	92 %	93 %				33,669,038
Executive and council	13,989,000	-	13,989,000	-		13,989,000	13,989,000		-	100 %	100 %				12,256,000
Budget and treasury office	26,312,000	406,000	26,718,000	-		26,718,000	23,594,712		(3,123,288)	88 %	90 %				21,412,077
Corporate services	2,000	-	2,000	-		2,000	1,296		(704)	65 %	65 %				961
Community and public safety	1,525,000	9,000	1,534,000	-		1,534,000	1,783,260		249,260	116 %	117 %				1,327,288
Community and social services	400,000	70,000	470,000	-		470,000	449,729		(20,271)	96 %	112 %				477,111
Public safety	1,125,000	(61,000)	1,064,000	-		1,064,000	1,333,531		269,531	125 %	119 %				850,177
Economic and environmental services	39,000	24,000	63,000	-		63,000	61,777		(1,223)	98 %	158 %				45,663
Road transport	39,000	24,000	63,000	-		63,000	61,777		(1,223)	98 %	158 %				45,663
Trading services	10,117,000	2,102,000	12,219,000	-		12,219,000	11,729,620		(489,380)	96 %	116 %				10,996,294
Electricity	9,377,000	1,578,000	10,955,000	-		10,955,000	10,463,467		(491,533)	96 %	112 %				9,803,441
Waste management	740,000	524,000	1,264,000	-		1,264,000	1,266,153		2,153	100 %	171 %				1,192,853
Other	1,467,000	(400,000)	1,067,000	-		1,067,000	1,043,161		(23,839)	98 %	71 %				-
Tourism	1,467,000	(400,000)	1,067,000	-		1,067,000	1,043,161		(23,839)	98 %	71 %				978,105
Total Revenue - Standard	53,451,000	2,141,000	55,592,000	-		55,592,000	52,202,826		(3,389,174)	94 %	98 %				47,016,388
Expenditure - Standard															
Governance and administration	18,683,000	11,020,000	29,703,000	-	-	29,703,000	23,437,184	-	(6,265,816)	79 %	125 %	-	-	-	35,428,985
Executive and council	5,157,000	2,290,000	7,447,000	-	-	7,447,000	5,465,437	-	(1,981,563)	73 %	106 %	-	-	-	4,588,840
Budget and treasury office	10,391,000	7,803,000	18,194,000	-	-	18,194,000	14,480,744	-	(3,713,256)	80 %	139 %	-	-	-	28,497,231
Corporate services	3,135,000	927,000	4,062,000	-	-	4,062,000	3,491,003	-	(570,997)	86 %	111 %	-	-	-	2,342,914
Community and public safety	5,673,000	1,034,000	6,707,000	-	-	6,707,000	5,291,231	-	(1,415,769)	79 %	93 %	-	-	-	4,606,679
Community and social services	3,576,000	1,010,000	4,586,000	-	-	4,586,000	3,639,983	-	(946,017)	79 %	102 %	-	-	-	3,233,871
Public safety	2,097,000	24,000	2,121,000	-	-	2,121,000	1,651,248	-	(469,752)	78 %	79 %	-	-	-	1,372,808
Economic and environmental services	2,991,000	(627,000)	2,364,000	-	-	2,364,000	1,492,824	-	(871,176)	63 %	50 %	-	-	-	2,033,095
Road transport	2,991,000	(627,000)	2,364,000	-	-	2,364,000	1,492,824	-	(871,176)	63 %	50 %	-	-	-	2,033,095
Trading services	11,734,000	475,000	12,209,000	-	-	12,209,000	10,431,454	-	(1,777,546)	85 %	89 %	-	-	-	11,430,216
Electricity	10,873,000	712,000	11,585,000	-	-	11,585,000	10,189,152	-	(1,395,848)	88 %	94 %	-	-	-	11,080,777
Waste management	861,000	(237,000)	624,000	-	-	624,000	242,302	-	(381,698)	39 %	28 %	-	-	-	349,439
Other	1,946,000	261,000	2,207,000	-	-	2,207,000	2,135,048	-	(71,952)	97 %	110 %	-	-	-	-
Tourism	1,946,000	261,000	2,207,000	-	-	2,207,000	2,135,048	-	(71,952)	97 %	110 %	-	-	-	1,406,322
Total Expenditure - Standard	41,027,000	12,163,000	53,190,000	-	-	53,190,000	42,787,741	-	(10,402,259)	80 %	104 %	-	-	-	54,905,297
Surplus/(Deficit) for the year	12,424,000	(10,022,000)	2,402,000	-		2,402,000	9,415,085		7,013,085	392 %	76 %				(7,888,909)

Emadlangeni Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

	2012/2013					2011/2012					Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget					Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand					Rand
Revenue By Source															
Property rates	8,859,000	1,418,000	10,277,000	-		10,277,000	10,254,618		(22,382)	100 %	116 %				8,901,808
Property rates - penalties & collection charges	1,034,000	815,000	1,849,000	-		1,849,000	1,643,892		(205,108)	89 %	159 %				1,010,244
Service charges - electricity revenue	9,377,000	1,578,000	10,955,000	-		10,955,000	10,463,467		(491,533)	96 %	112 %				9,775,487
Service charges - refuse revenue	740,000	524,000	1,264,000	-		1,264,000	1,266,153		2,153	100 %	171 %				1,192,853
Rental of facilities and equipment	1,201,000	(208,000)	993,000	-		993,000	1,033,055		40,055	104 %	86 %				1,061,578
Interest earned - external investments	865,000	-	865,000	-		865,000	864,499		(501)	100 %	100 %				658,052
Fines	139,000	(76,000)	63,000	-		63,000	97,068		34,068	154 %	70 %				115,995
Licences and permits	951,000	15,000	966,000	-		966,000	1,247,854		281,854	129 %	131 %				711,484
Agency services	106,000	(106,000)	-	-		-	-		-	DIV/0 %	- %				-
Transfers recognised - operational	18,826,000	(2,120,000)	16,706,000	-		16,706,000	16,765,716		59,716	100 %	89 %				17,727,774
Other revenue	892,000	301,000	1,193,000	-		1,193,000	957,848		(235,152)	80 %	107 %				680,768
Total Revenue (excluding capital transfers and contributions)	42,990,000	2,141,000	45,131,000	-		45,131,000	44,594,170		(536,830)	99 %	104 %				41,836,043
Expenditure By Type															
Employee related costs	17,117,000	417,000	17,534,000	-	-	17,534,000	14,003,985	-	(3,530,015)	80 %	82 %	-	-	-	13,942,952
Remuneration of councillors	1,519,000	356,000	1,875,000	-	-	1,875,000	1,690,597	-	(184,403)	90 %	111 %	-	-	-	1,501,748
Debt impairment	495,000	2,000,000	2,495,000	-	-	2,495,000	2,111,011	-	(383,989)	85 %	426 %	-	-	-	5,306,044
Depreciation & asset impairment	2,098,000	4,604,000	6,702,000	-	-	6,702,000	3,821,558	-	(2,880,442)	57 %	182 %	-	-	-	16,088,927
Finance charges	157,000	-	157,000	-	-	157,000	107,956	-	(49,044)	69 %	69 %	-	-	-	171,691
Bulk purchases	8,830,000	686,000	9,516,000	-	-	9,516,000	8,412,120	-	(1,103,880)	88 %	95 %	-	-	-	9,268,294
Contracted services	-	1,280,000	1,280,000	-	-	1,280,000	1,229,255	-	(50,745)	96 %	DIV/0 %	-	-	-	-
Transfers and grants	4,277,000	(1,560,000)	2,717,000	-	-	2,717,000	2,831,187	-	114,187	104 %	66 %	-	-	-	2,718,036
Other expenditure	6,534,000	4,380,000	10,914,000	-	-	10,914,000	8,580,042	-	(2,333,958)	79 %	131 %	-	-	-	5,895,289
Loss on disposal of PPE	-	-	-	-	-	-	27	-	27	DIV/0 %	DIV/0 %	-	-	-	10,363
Total Expenditure	41,027,000	12,163,000	53,190,000	-	-	53,190,000	42,787,738	-	(10,402,262)	80 %	104 %	-	-	-	54,903,344
Surplus/(Deficit)	1,963,000	(10,022,000)	(8,059,000)	-		(8,059,000)	1,806,432		9,865,432	(22)%	92 %				(13,067,301)
Transfers recognised - capital	10,461,000	-	10,461,000	-		10,461,000	7,608,653		(2,852,347)	73 %	73 %				5,178,392
Surplus/(Deficit) after capital transfers & contributions	12,424,000	(10,022,000)	2,402,000	-		2,402,000	9,415,085		7,013,085	392 %	76 %				(7,888,909)
Surplus/(Deficit) after taxation	12,424,000	(10,022,000)	2,402,000	-		2,402,000	9,415,085		7,013,085	392 %	76 %				(7,888,909)
Surplus/(Deficit) attributable to municipality	12,424,000	(10,022,000)	2,402,000	-		2,402,000	9,415,085		7,013,085	392 %	76 %				(7,888,909)
Surplus/(Deficit) for the year	12,424,000	(10,022,000)	2,402,000	-		2,402,000	9,415,085		7,013,085	392 %	76 %				(7,888,909)

Emadlangeni Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013

	2012/2013									2012/2011					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Single-year expenditure															
Capital Expenditure - Standard															
Governance and administration	12,011,000	1,100,000	13,111,000	-	-	13,111,000	7,981,640	-	(5,129,360)	61 %	66 %	-	-	-	7,345,993
Executive and council	11,811,000	1,050,000	12,861,000	-	-	12,861,000	7,938,343	-	(4,922,657)	62 %	67 %	-	-	-	7,189,865
Budget and treasury office	-	-	-	-	-	-	25,864	-	25,864	DIV/0 %	DIV/0 %	-	-	-	156,128
Corporate services	200,000	50,000	250,000	-	-	250,000	17,433	-	(232,567)	7 %	9 %	-	-	-	-
Community and public safety	210,000	200,000	410,000	-	-	410,000	97,054	-	(312,946)	24 %	46 %	-	-	-	162,628
Community and social services	50,000	200,000	250,000	-	-	250,000	97,054	-	(152,946)	39 %	194 %	-	-	-	-
Public safety	160,000	-	160,000	-	-	160,000	-	-	(160,000)	- %	- %	-	-	-	162,628
Trading services	200,000	100,000	300,000	-	-	300,000	8,600	-	(291,400)	3 %	4 %	-	-	-	-
Electricity	200,000	100,000	300,000	-	-	300,000	8,600	-	(291,400)	3 %	4 %	-	-	-	-
Total Capital Expenditure - Standard	12,421,000	1,400,000	13,821,000	-	-	13,821,000	8,087,294	-	(5,733,706)	59 %	65 %	-	-	-	7,508,621
Funded by:															
National Government	10,461,000	-	10,461,000	-		10,461,000	6,406,157		(4,054,843)	61 %	61 %				-
Transfers recognised - capital	10,461,000	-	10,461,000	-		10,461,000	6,406,157		(4,054,843)	61 %	61 %				-
Internally generated funds	1,960,000	-	1,960,000	1,400,000		3,360,000	1,681,137		(1,678,863)	50 %	86 %				-
Total Capital Funding	12,421,000	-	12,421,000	1,400,000		13,821,000	8,087,294		(5,733,706)	59 %	65 %				-