Blue Crane Route Municipality
Annual Financial Statements
for the year ended 30 June 2012

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Local Government
The following is included in the scope of operation	Service Delivery
Mayoral committee	
Executive Mayor	NM Scott
Councillors	BA Manxoweni
	KC Brown
	CF Du Preez
	WH Greeff
Accounting Officer	MA Mene
Chief Finance Officer (CFO)	DR Sauls
Registered office	67 Nojoli Street
	Somerset East
	5850
Postal address	P.O. Box 21
	Somerset East
	5850
Auditors	Auditor General

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

Abbreviations

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

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 was given unrestricted access to all financial records and related data.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 72, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 32 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

DR Sauls
Acting Accounting Officer

31 August 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Other financial assets	8	4 442	2 716
Inventories	11	1 653 033	941 752
Other receivables from exchange transactions	12	1 151 596	435 309
Other receivables from non-exchange transactions	13	1 912 539	4 128 162
Trade receivables from exchange transactions	14	9 821 698	8 777 571
Cash and cash equivalents	15	19 846 934	23 105 708
		34 390 242	**37 391 218**
Non-Current Assets			
Investment property	4	25 910 630	25 910 630
Property, plant and equipment	5	330 847 826	330 568 021
Intangible assets	6	1	1
Investments in controlled entities	7	-	-
Other financial assets	8	21 158	23 692
		356 779 615	**356 502 344**
Total Assets		**391 169 857**	**393 893 562**
Liabilities			
Current Liabilities			
Employee benefit obligation	10	456 122	365 377
Other financial liabilities	16	602 233	175 141
Finance lease obligation	17	792 893	693 655
Unspent conditional grants and receipts	18	1 242 760	3 538 861
Provisions	19	2 843 680	1 627 473
Payables from exchange transactions	20	12 071 015	13 613 395
Trade and other payables from non-exchange	21	40 707	117 359
VAT payable	22	2 196 910	1 642 014
Consumer deposits	23	1 713 208	1 583 790
		21 959 528	**23 357 065**
Non-Current Liabilities			
Employee benefit obligation	10	14 997 358	13 416 645
Other financial liabilities	16	2 535 315	637 372
Finance lease obligation	17	265 852	1 058 744
		17 798 525	**15 112 761**
Total Liabilities		**39 758 053**	**38 469 826**
Net Assets		**351 411 804**	**355 423 736**
Net Assets			
Accumulated surplus		351 411 802	355 423 739

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Property rates	26	7 556 602	5 946 886
Service charges	27	68 634 107	61 592 001
Rental of facilities and equipment		158 227	84 248
Interest received (trading)		2 075 126	2 479 734
Income from agency services		583 878	737 193
Fines		139 928	105 092
Licences and permits		831 535	1 153 225
Government grants & subsidies	28	59 851 297	56 846 492
Miscellaneous other revenue		134 668	1 283
Fees earned		224 979	252 529
General		1 003 934	749 010
Private work		671 406	1 330 694
Other income	29	966 296	899 864
Interest received - investment	34	1 418 612	1 645 255
Gains on disposal of assets		1 015 764	-
Total Revenue		**145 266 359**	**133 823 506**
Expenditure			
Personnel	31	(46 923 063)	(42 886 915)
Remuneration of councillors	32	(2 461 845)	(2 191 350)
Depreciation and amortisation		(19 030 477)	(27 401 914)
Impairment loss/ Reversal of impairments		(316 516)	-
Finance costs	35	(1 197 534)	(2 399 293)
Debt impairment	33	(10 188 956)	(10 482 185)
Collection costs		(2 484)	(2 194)
Repairs and maintenance		(3 036 577)	(2 905 514)
Bulk purchases	37	(41 377 313)	(32 802 250)
General Expenses	30	(24 199 074)	(18 605 323)
Total Expenditure		**(148 733 839)**	**(139 676 938)**
Actuarial (Loss) / gain		(544 458)	2 440 000
Deficit for the year		**(4 011 938)**	**(3 413 432)**

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	26 524 700	26 524 700
Adjustments		
Change in accounting policy (Asset take on)	331 876 562	331 876 562
Prior year adjustments (2010 and earlier)	435 909	435 909
Balance at 01 July 2010 as restated	**358 837 171**	**358 837 171**
Changes in net assets		
Surplus for the year	(3 413 432)	(3 413 432)
Total changes	(3 413 432)	(3 413 432)
Opening balance as previously reported	355 325 801	355 325 801
Adjustments		
Prior year adjustments	97 939	97 939
Balance at 01 July 2011 as restated	**355 423 740**	**355 423 740**
Changes in net assets		
Surplus for the year	(4 011 938)	(4 011 938)
Total changes	(4 011 938)	(4 011 938)
Balance at 30 June 2012	**351 411 802**	**351 411 802**
Note(s)	2&42	

Blue Crane Route Municipality

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Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		77 291 145	65 883 724
Grants		57 555 196	52 833 648
Interest income		1 418 612	1 645 255
Other receipts		7 849 835	8 080 023
		144 114 788	128 442 650
Payments			
Employee costs		(47 713 450)	(45 940 265)
Suppliers		(6 942 418)	11 286 329
Finance costs		(2 005 683)	(2 399 293)
Other payments		(72 992 130)	(70 053 169)
		(129 653 681)	(107 106 398)
Net cash flows from operating activities	38	**14 461 107**	**21 336 252**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(19 646 235)	(20 081 010)
Gain on disposal of assets and laibilities	5	1 035 206	-
Net movement in financial assets		808	177 098
Actuarial gain/(loss) - Non cash item		(544 458)	2 440 000
Net cash flows from investing activities		**(19 154 679)**	**(17 463 912)**
Cash flows from financing activities			
Repayment of other financial liabilities		2 325 035	812 513
Finance lease payments		(890 237)	(1 120 337)
Net cash flows from financing activities		**1 434 798**	**(307 824)**
Net increase/(decrease) in cash and cash equivalents		**(3 258 774)**	**3 564 516**
Cash and cash equivalents at the beginning of the year		23 105 708	20 112 087
Cash and cash equivalents at the end of the year	15	**19 846 934**	**23 676 603**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act, 56 of 2003 and 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.

The financial statements have been prepared on a going concern basis and the accounting policies are consistent with the previous period.

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 presented 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:

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The selling price refers to the Rand amount that the item can be exchanged for on the open market or the fair value of another asset exchanged.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest rates.

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 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norm or technical advice. Management will amend the depreciation charge where there is a change in the estimated useful lives.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for doubtful debts

On trade and other receivables 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 estimated future cash flows based on the historical payment trend.

Provision to the doubtful debts allowance accounts are caculated based on the average payment percentage as calculated per ward determining the risk in days averaged to 30, 60, 90, 120 days and higher. Provision is then determined per ward based on the ward's risk portfolio.

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.

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.

1.2 Investment property (continued)

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value.

Where comparable market transactions become less frequent or market prices become less readily available, the fair value model will be remain applicable until disposal (or reclassification) of the investment property.

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.

1.3 Property, plant and equipment (continued)

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 connection 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 are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	**Average useful life**
Buildings	60
Plant and machinery	3 to 30
Furniture and fixtures	5
Motor vehicles	4 to 15
Office equipment	3 to 5
Landfill site	30
Infrastructure	30 to 50
Equipment	5

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 cash flow statement.

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 an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.4 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) 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.

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.

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows 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.

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 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 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.7 Financial instruments

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

1.7 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the accumulated surplus or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Non current investments	Financial asset measured at amortised cost
Other non current investments (shares)	Financial asset measured at fair value
Other	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the accumulated surplus or in the notes thereto:

Class	Category
Borrowings	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its accumulated surplus when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.7 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its accumulated surplus when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.7 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the accumulated surplus when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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.

Finance leases - lessee

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

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

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

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

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.

Operating leases - lessee

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

1.9 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Non-current assets held for sale and disposal groups

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

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

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

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

1.11 Impairment of cash-generating assets

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses annually whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

1.11 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses annually whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

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

Value in use

Value in use of an asset is the present value of the asset’s remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Accounting Policies

1.13 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 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.

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.

Accounting Policies

1.14 Provisions and contingencies (continued)

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.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.15 Revenue from exchange transactions

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.

1.15 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.

1.16 Revenue from non-exchange transactions

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.17 Investment income

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

1.18 Borrowing costs

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

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

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

1.18 Borrowing costs (continued)

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

1.19 Comparative figures

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

1.20 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.

1.21 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.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), 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.

1.23 Presentation of currency

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

1.24 Offsetting

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

1.25 Investments

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

1.26 Conditional grants and receipts

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

1.27 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.

Accounting Policies

1.27 Budget information (continued)

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

1.28 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 local 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.

1.29 Going concern

The financial statements have been prepared on the going concern basis which 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.

1.30 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date) and those that is indicative of conditions that arose after the reporting date (non-adjustingevents after the reporting date).

The Municipality will adjust the amounts recognised in the Annual Financial Statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements.

Figures in Rand	2012	2011

2. Changes in accounting policy

Property, plant and equipment - GRAP 17

The transitional provisions with regards to GRAP 17 (contained in Directive 4, expired during the financial year under review. These transitional provisions allowed the municipality to recognise Property, plant and equipment at provisional amounts for a period of three years. The municipality embarked on a full verification, valuation (if cost prices were not available) and componentisation exercise for all moveable and infrastructure assets to ensure full compliance with GRAP 17. This exercise included a conditional assessment of assets as well as an assessment of each asset's useful life and residual value (if any). Depreciation / amortisation was calculated for each asset. Certain retrospective adjustments were made - refer to the table below.

The effect of this change on future periods is that the municipality will continue to depreciate assets according to each asset's useful life.

Property, plant and equipment - asset take-on adjustment (carrying values)		
Opening balance (carrying value) as previously reported	-	30 911 655
Carrying value take on: Land	-	4 669 149
Carrying value take on: Buildings	-	22 573 954
Carrying value take on: Plant	-	2 806 900
Carrying value take on: Motor vehicles	-	7 120 211
Carrying value take on: Infrastructure	-	271 504 276
Carrying value take on: Landfill site	-	22 140
Carrying value take on and accumulated depreciation adjustment: Other Property, plant and equipment	-	(49 196)
Work in progress transferred to Infrastructure	-	(1 595 043)
PPE value taken on	**-**	**337 964 046**

Investment property - GRAP 16

The transitional provisions with regards to GRAP 16, contained in Directive 4, expired during the financial year under review. These transitional provisions allowed the municipality to recognise Investment property at provisional amounts for a period of three years. A professional valuer was employed to value all Investment property to ensure full compliance with GRAP 16. Certain retrospective adjustments were made - refer to the table below.

The effect of this change on future periods: The municipality will have to assess the fair value of Investment properties on an annual basis.

Investment property - asset take-on adjustment		
Opening balance as previously reported	-	1
Investment property - asset take on	-	25 910 629
Investment property value taken on	**-**	**25 910 630**

Provisions, Contingent Liabilities and Contingent Assets - GRAP 19

During the year the transitional provisions contained in Directive 4, pertaining to GRAP 19, Provisions, Contingent Liabilities and Contingent Assets, expired. These transitional provisions provided the municipality with an exemption from measuring the value of provisions pertaining to the rehabilitation of their landfill sites for a period of three years.

The muncipality employed qualified engineers to assist with calculation of the cost to rehabilitate the landfill sites after its closure. These values were discounted and recorded in the earliest period possible. The corresponding asset value has been included in PPE above.

Provisions		
Recognition of rehabilitation of landfill site provision	-	(1 149 238)

The effect of the changes in accounting policy on the Accumulated surplus and the Statement of Financial Performance for the year ended 30 June 2011 are as follows:

2. Changes in accounting policy (continued)

Accumulated surplus

	2012	2011
Accumulated surplus: Changes in accounting policy		
Asset take on: Property, plant and equipment (refer to table above)	-	307 052 391
Asset take on: Investment property (refer to table above)	-	25 910 629
Other adjustments (Landfill sites and Intangible assets)	-	62 780
Recognition of landfill site rehabilitation provision	-	(1 149 238)
	-	**331 876 562**

Statement of Financial Performance

	2012	2011
Depreciation and amortisation (previously not recognised)		
Previously stated	-	1
Adjustment / Recognition of depreciation and amortisation	-	27 401 913
	-	**27 401 914**

	2012	2011
Interest cost - Landfill site rehabilitation		
Previously stated	-	1
Adjustment / Recognition of interest cost	-	192 645
	-	**192 646**

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:
• IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities	01 April 2011	No material impact
• IGRAP 3: Determining Whether an Arrangement Contains a Lease	01 April 2011	No material impact
• IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	01 April 2011	No material impact
• IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies	01 April 2011	No material impact
• IGRAP 6: Loyalty Programmes	01 April 2011	No material impact
• IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions	01 April 2011	No material impact
• IGRAP 9: Distributions of Non-cash Assets to Owners	01 April 2011	No material impact
• IGRAP 10: Assets Received from Customers	01 April 2011	No material impact
• IGRAP 13: Operating Leases – Incentives	01 April 2011	To be determined
• IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	01 April 2011	No material impact
• IGRAP 15: Revenue – Barter Transactions Involving Advertising Services	01 April 2011	No material impact
• GRAP 1 (as revised 2010): Presentation of Financial Statements	01 April 2011	No material impact
• GRAP 2 (as revised 2010): Cash Flow Statements	01 April 2011	No material impact
• GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	01 April 2011	No material impact

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

• GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates	01 April 2011	No material impact
• GRAP 9 (as revised 2010): Revenue from Exchange Transactions	01 April 2011	To be determined
• GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies	01 April 2011	No material impact
• GRAP 11 (as revised 2010): Construction Contracts	01 April 2011	No material impact
• GRAP 12 (as revised 2010): Inventories	01 April 2011	No material impact
• GRAP 13 (as revised 2010): Leases	01 April 2011	No material impact
• GRAP 14 (as revised 2010): Events After the Reporting Date	01 April 2011	No material impact
• GRAP 16 (as revised 2010): Investment Property	01 April 2011	No material impact
• GRAP 17 (as revised 2010): Property, Plant and Equipment	01 April 2011	No material impact
• GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 April 2011	To be determined
• GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	01 April 2011	No material impact

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	To be determined
• IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 April 2013	No material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	No material impact
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No material impact
• GRAP 107: Mergers	01 April 2014	No material impact
• GRAP 20: Related parties	01 April 2013	No material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	No material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	No material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	To be determined
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	No material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	No material impact
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	To be determined
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	To be determined
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	No material impact
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	To be determined
• GRAP 12 (as revised 2012): Inventories	01 April 2013	To be determined
• GRAP 13 (as revised 2012): Leases	01 April 2013	To be determined
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	To be determined
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	To be determined
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	No material impact
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	To be determined
• IGRAP16: Intangible assets website costs	01 April 2013	No material impact

GRAP 18: Segment Reporting

3. New standards and interpretations (continued)

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset’s heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

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

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset’s deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- 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 should be 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.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 21: Impairment of non-cash-generating assets

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

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an 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.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

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

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

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

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 104: Financial Instruments

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. A municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:
- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the accumulated surplus unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's accumulated surplus and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. A municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this amendment is currently being assessed.

4. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	25 910 630	-	25 910 630	25 910 630	-	25 910 630

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	25 910 630	25 910 630

Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	25 910 630	25 910 630

4. Investment property (continued)

Pledged as security

No investment property have been pledged as security for loans.

Details of valuation

The effective date of the revaluations was 01 July 2011. Valuations were performed by an independent valuer, Mr M.C Dippenaar, of the Eastern Cape Department of Local Government and Traditional Affairs. The independent valuer is not related to the municipality and has recent experience in the location and category of the investment property that have been valued.

The valuation was based on open market value for existing use.

Investment property is split between land and improvements R25,129,700 and R780,929 respectively:

5. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4 672 250	-	4 672 250	4 669 150	-	4 669 150
Buildings	24 861 839	(1 092 518)	23 769 321	24 706 150	-	24 706 150
Plant	4 559 431	(2 000 850)	2 558 581	4 559 431	(1 730 753)	2 828 678
Furniture and fixtures	2 514 779	(1 711 038)	803 741	2 455 882	(1 432 714)	1 023 168
Motor vehicles	13 447 430	(5 827 093)	7 620 337	8 070 282	(4 636 559)	3 433 723
Office equipment	3 611 068	(2 808 134)	802 934	3 358 713	(2 398 726)	959 987
Equipment	1 238 052	(535 034)	703 018	789 689	(426 995)	362 694
Infrastructure	579 008 832	(289 696 079)	289 312 753	557 144 630	(273 701 608)	283 443 022
WIP	589 077	-	589 077	9 122 472	-	9 122 472
Landfill sites	132 841	(117 027)	15 814	132 841	(113 864)	18 977
Total	**634 635 599**	**(303 787 773)**	**330 847 826**	**615 009 240**	**(284 441 219)**	**330 568 021**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	4 669 150	3 100	-	-	-	-	4 672 25
Buildings	24 706 150	155 689	-	-	(1 079 218)	(13 300)	23 769 32
Plant	2 828 678	-	-	-	(268 636)	(1 461)	2 558 58
Furniture and fixtures	1 023 168	70 880	(11 973)	-	(265 149)	(13 185)	803 74
Motor vehicles	3 433 723	5 377 148	-	-	(1 190 534)	-	7 620 33
Office equipment	959 987	259 780	(7 000)	-	(409 407)	(426)	802 93
Equipment	362 694	448 832	(469)	-	(102 260)	(5 779)	703 01
Infrastructure	283 443 022	12 741 729	-	9 122 472	(15 712 109)	(282 361)	289 312 75
WIP	9 122 472	589 077	-	(9 122 472)	-	-	589 07
Landfill sites	18 977	-	-	-	(3 163)	-	15 81
	330 568 021	**19 646 235**	**(19 442)**	**-**	**(19 030 476)**	**(316 512)**	**330 847 82**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Transfers	Depreciation	Write-out	Total
Land	4 669 150	-	-	-	-	4 669 150
Buildings	24 706 150	366 916	(366 916)	-	-	24 706 150
Plant	2 806 900	7 427	1 152 750	(268 636)	(869 763)	2 828 678
Furniture and fixtures	1 379 462	149 282	-	(288 009)	(217 567)	1 023 168
Motor vehicles	9 322 020	1 152 750	(1 152 750)	(1 262 746)	(4 625 551)	3 433 723
Office equipment	3 916 901	300 136	-	(776 895)	(2 480 155)	959 987
Equipment	860 861	210 744	96 795	(89 262)	(716 444)	362 694
Infrastructure	290 280 462	8 771 283	-	(15 508 905)	(99 818)	283 443 022
WIP	-	9 122 472	-	-	-	9 122 472
Landfill sites	22 140	-	-	(3 163)	-	18 977
	337 964 046	**20 081 010**	**(270 121)**	**(18 197 616)**	**(9 009 298)**	**330 568 021**

Assets subject to finance lease (Net carrying amount)

	2012	2011
Motor vehicles	612 523	1 054 091
Office equipment	274 238	460 108
	886 761	**1 514 199**

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

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	141 717	(141 716)	1	141 717	(141 716)	1

Reconciliation of intangible assets - 2012

	Opening balance	Total
Computer software	1	1

Reconciliation of intangible assets - 2011

	Opening balance	Total
Computer software	1	1

Other information

	2012	2011
Fully amortised intangible assets still in use	3	3

Certain computer software packages (not material to the municipality's operations) with finite useful lives which have been fully depreciated are still in use by the municipality to some extent.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

7. Investments in controlled entities

Name of company	Held by	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Blue Crane Route Development Agency	Blue Crane Route Municipality	100.00 %	100.00 %	4 721 105	3 177 807

Restrictions relating to Controlled entities

The 100% investment in this Service entity (subsidiary) was acquired at no cost. Therefore no value can be reflected on the face of the Statement of Financial Position.

8. Other financial assets

	2012	2011
Loans and receivables		
Long term loans Loans are repayble in monthly installments over periods of three to twenty years. Certain loans have a fixed interest rate of 5% and others are linked to prime interest rate. Loans are not secured.	25 600	26 408
Non-current assets		
Loans and receivables	21 158	23 692
Current assets		
Loans and receivables	4 442	2 716
	25 600	**26 408**

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2012 and 2011, as all the financial assets were disposed of at their redemption date.

Loans and receivables past due but not impaired

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2012, R - (2011: R -) were past due but not impaired.

Credit quality of other financial assets

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

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

9. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

9. Financial assets by category (continued)

2012

	Financial assets amortised	Total
Other financial assets	25 600	25 600
Other receivables from exchange transactions	1 151 596	1 151 596
Other receivables from non-exchange transactions	1 912 539	1 912 539
Cash and cash equivalents	19 846 934	19 846 934
Trade receivables from exchange transactions	9 821 698	9 821 698
	32 758 367	**32 758 367**

2011

	Financial assets amortised	Total
Other financial assets	26 408	26 408
Other receivables from exchange transactions	435 309	435 309
Other receivables from non-exchange transactions	4 128 162	4 128 162
Cash and cash equivalents	23 105 708	23 105 708
Trade receivables from exchange transaction	8 777 571	8 777 571
	36 473 158	**36 473 158**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

10. Employee benefit obligations

Defined benefit plan

To value the PRMA liability in respect of all eligible Blue Crane Route Municipality employees who belong to one of the following medical schemes:Bonitas, Hosmed, Key Health, LA Health, Samwumed

Data was used in respect of 66 active members and 22 pensioners entitled to a post-retirement medical scheme contribution subsidy. The net increase of 2 active employees can be attributed to 3 active employees leaving Blue Crane Route Municipality since the previous valuation, 2 active members terminating their medical scheme membership, 6 new active employees, 1 active employee becoming a pensioner, 3 active members over the retirement age being valued as pensioners and 1 pensioner being reinstated.

The entire zero-coupon South African Bond Yield curve as at 29 June 2012 in the PRMA valuation of Blue Crane Route Municipality was used. Therefore, a single assumption for the discount rate is not shown.

Since the discount rates are described using a yield curve, a yield curve is also used to describe future medical inflation. Future medical inflation is assumed to be 1% lower than the valuation discount rate at each term to maturity.

The assumtion was made that the CPI to be 2.5% per annum lower than the discount rate at each term to maturity. It was believed that a long-term gap of approximately 2.5% between CPI and the valuation discount rate is reasonable for long term valuation purposes.

Post retirement medical aid plan

The calculation is based on 88 members (2011: 86) with an avrerage age of 51 (2011: 50.3) and 1 average dependants (2011: 1.4) and an average monthly contribution of R1,619.4 (2011: R1,425.73)

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

10. Employee benefit obligations (continued)

The amounts recognised in the accumulated surplus are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	13 782 022	14 644 022
Service and interest cost	1 492 000	1 932 000
Benefits paid	(365 000)	(354 000)
Actuarial (gain) / loss recognised in the year	544 454	(2 440 000)
Net liability	**15 453 480**	**13 782 022**

Non-current liabilities	14 997 358	13 416 645
Current liabilities	456 122	365 377
	15 453 480	**13 782 022**

Real discount rate	2%	1% (Base)	0%
Accrued PS liability as at 30 June 2012	13 307 206	15 453 480	18 094 041
Plus Service cost	566 819	695 168	856 832
Plus interest cost	739 842	861 173	1 010 461
Less benefits paid during 2012/2013	(453 807)	(456 122)	(458 466)
Projected PS liability as at 30 June 2013	14 160 060	16 553 699	19 502 868
	-	-	-

The service cost in the above table represents the increase in the liability due to the additional years of service accrued by active members. For the base case, where we assumed that the gap or real discount rate was 1%, we project a service cost of R0.695 million for the year ahead. It should be noted that pensioners are not included in this figure since they do not accrue any extra years of service

The interest cost is based on the discount rate assumption for the current valuation which is based on the Zero-coupon Bond Yield Curve of South Africa as at 30 June 2012, the liability accrued as at 29 June 2012 and the contributions paid during the financial year.

The benefits paid during 2012/2013 is the estimated medical scheme contributions paid by Blue Crane Route Municipality with respect to PRMA receiving members during the period 1 July 2012 to 30 June 2013.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	4 678 175	3 100 175
Net expense recognised in the statement of financial performance	1 127 000	1 578 000
Closing balance	**5 805 175**	**4 678 175**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

10. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2012	2011
Current service cost	662 000	938 000
Interest cost	830 000	994 000
Benefits paid	(365 000)	(354 000)
Total included in employee related costs	**1 127 000**	**1 578 000**

Indicator	Past service liability	Sensitivity to medical inflation
1%	18 094 041	17.09%
Base	15 453 480	
-1%	13 307 206	-13.89%

These results indicate the extent to which the PRMA liability is sensitive to the difference between long-term medical inflation and the discount rate. The appropriate gap between these two long term rates is a matter of judgement, and the sensitivity of the results to the assumed gap does not mean that the central results are not reasonable.

Key assumptions used

The past service liability has increased by 12.13% since the previous valuation.
From the previous valuation, the past-service liability was expected to grow with interest, service cost and reduce by benefits paid to pensioners over the past year. The service cost represents the increase in the liability due to the additional year of service accrued by active members. The projected past-service liability as at 30 June 2012 based on the previous valuation is R14.909m, which represents an increase of 8.17%. However, the past service liability produced in this valuation is significantly higher at R15.453m, which represents a 12.13% increase from the previous valuation. The reasons for this difference are outlined below:

1. Economic and actuarial assumptions:
The change in the liability due to changes in actuarial assumptions was 0.44%. This was primarily due to change in the CPI assumption from 3% to 2.5% lower than the discount rate, which in turn resulted in a higher salary inflation assumption as the gap between salary inflation and the discount rate reduced from 2% to 1.5% (as salary inflation is assumed to be 1% higher than CPI). A higher salary inflation assumption results in a higher rate of increase for the maximum subsidy and thus, this has the effect of increasing the liability.

2. Medical contribution increases
The medical aid contributions are expected to increase with medical inflation, which was expected to be 5.1% in the previous valuation. Upon investigation of the actual medical contribution rates in 2012, it was found that the rates increased by an average of 8.05%, which is approximately 3% higher than what was anticipated.
This has resulted in an increase in liability of 2.78%.

3. Membership changes
There has been a net increase in membership of 2 members
This change has caused an increase in liability of 0.43%.

11. Inventories

	2012	2011
Work in progress	680 635	61 696
Consumable stores	819 456	760 296
Water	152 942	119 760
	1 653 033	**941 752**

Stores issued amounted to R 1 244 823 and R 1 061 880 (2011).

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

12. Other receivables from exchange transactions

Employee costs in advance	-	5 504
Deposits	537 579	14 000
Other receivables	600 684	415 805
Counsilors overpayments	13 333	-
	1 151 596	**435 309**

Trade and other receivables pledged as security

Trade and other receivables were not pledged as security.

Other receivables is a financial asset which is classified as loans and receivables.

Fair value is estimated at cost.

Figures in Rand	2012	2011

13. Other receivables from non-exchange transactions

Government grants and subsidies	1 410 979	3 641 347
Property rates	383 112	254 535
Other receivables from non-exchange revenue	118 448	232 280
	1 912 539	**4 128 162**

Property rates		
Porperty rates	4 462 350	2 904 700
Provision for bad debts: Property rates	(4 079 238)	(2 650 165)
	383 112	**254 535**

Property rates age analysis		
Current (0-30days)	258 031	204 082
31-60 days	51 099	53 238
61-90 days	36 654	96 563
91-120 days	32 576	18 052
> 121 days	4 083 990	2 532 765
	4 462 350	**2 904 700**

Provision for bad debts: Property rates		
Impairment balance prior year	(2 650 165)	(1 889 977)
Contributions to provision	(1 607 645)	(1 127 686)
Debt impairment written off against provision	178 572	367 498
	(4 079 238)	**(2 650 165)**

Other receivables from non-exchange transactions		
Personal backpay	231 831	232 280
Provision for bad debts	(231 831)	-
Insurance claims	118 448	-
Balance	**118 448**	**232 280**

Prior period adjustment		
Balance previously reported	-	4 058 636
2011: Adjusted for VAT prior year (Refer to Note 22)	-	36 718
2011: Correction for income and expenditure - MIG grant	-	39 202
2011: Other adjustments	-	3 846
Earlier than 2011: Adjustment for billing rates (Refer to Note 42 - Prior period adjustments)	-	(10 240)
Restated	**-**	**4 128 162**

As of 30 June 2011, other receivables from non-exchange transactions of R 1 607 546 (2011: R 1 127 686) were impaired and provided for.
The amount of the provision was R 4 079 238 as at 30 June 2012 (2011: R 2 650 165).

Other receivables from non-exchange transactions are financial assets classified as loans and receivables. No amortisation was applied.

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions 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. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

13. Other receivables from non-exchange transactions (continued)

Other receivables from non-exchange transactions past due but not impaired

The ageing of amounts for property rates past due but not impaired is as follows:

1 month past due	173 677	182 191
2 months past due	45 427	45 053
3 months past due	23 218	16 983
4 months past due	52 445	8 276

14. Trade receivables from exchange transactions

Gross balances		
Electricity	7 528 857	6 269 623
Water	8 994 444	7 918 202
Sanitation	1 373 355	1 316 779
Sewerage	4 197 714	3 667 942
Refuse	6 937 538	5 980 802
Other	711 971	903 046
	29 743 879	**26 056 394**
Less: Provision for debt impairment		
Electricity	(2 119 403)	(1 666 087)
Water	(6 984 550)	(6 051 780)
Sanitation	(1 208 368)	(1 080 462)
Sewerage	(3 353 802)	(2 865 694)
Refuse	(5 685 702)	(4 785 192)
Other	(570 356)	(829 608)
	(19 922 181)	**(17 278 823)**
Net balance		
Electricity	5 409 454	4 603 536
Water	2 009 894	1 866 422
Sanitation	164 987	236 317
Sewerage	843 912	802 248
Refuse	1 251 836	1 195 610
Other	141 615	73 438
	9 821 698	**8 777 571**
Electricity		
Current (0 -30 days)	3 982 171	3 426 400
31 - 60 days	566 049	629 969
61 - 90 days	326 919	250 533
91 - 120 days	236 165	208 835
>121 days	2 417 553	1 753 886
	7 528 857	**6 269 623**
Water		
Current (0 -30 days)	1 067 172	981 556
31 - 60 days	400 177	384 424
61 - 90 days	422 701	405 064
91 - 120 days	304 620	329 834
>121 days	6 799 774	5 817 324
	8 994 444	**7 918 202**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

14. Trade receivables from exchange transactions (continued)

Sanitation		
Current (0 -30 days)	50 304	61 961
31 - 60 days	14 916	14 101
61 - 90 days	14 648	13 927
91 - 120 days	14 763	13 518
>121 days	1 278 724	1 213 271
	1 373 355	**1 316 778**
Sewerage		
Current (0 -30 days)	439 287	428 375
31 - 60 days	172 163	134 895
61 - 90 days	159 333	117 510
91 - 120 days	144 929	113 352
>121 days	3 282 002	2 873 810
	4 197 714	**3 667 942**
Refuse		
Current (0 -30 days)	594 750	582 307
31 - 60 days	254 834	202 453
61 - 90 days	239 999	185 128
91 - 120 days	221 289	180 007
>121 days	5 626 666	4 830 907
	6 937 538	**5 980 802**
Other		
Current (0 -30 days)	40 622	46 388
31 - 60 days	14 998	15 567
61 - 90 days	13 819	79 249
91 - 120 days	32 186	10 525
>121 days	610 346	751 317
	711 971	**903 046**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	6 174 305	5 526 988
31 - 60 days	1 423 137	1 381 411
61 - 90 days	1 177 419	1 051 410
91 - 120 days	953 953	856 068
>121 days	20 015 065	17 240 517
	29 743 879	26 056 394
Less: Provision for debt impairment	(19 922 181)	(17 278 823)
	9 821 698	**8 777 571**

Reconciliation of debt impairment provision		
Balance at beginning of the year	(17 278 823)	(14 862 444)
Contributions to provision	(5 053 341)	(9 354 356)
Debt impairment written off against provision	2 409 983	6 937 977
	(19 922 181)	**(17 278 823)**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

14. Trade receivables from exchange transactions (continued)

Credit quality of trade receivables from exchange transactions

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:

Fair value of trade receivables from exchange transactions

	2012	2011
Trade receivables from exchange transactions	9 821 698	8 777 571

The fair value has been determined by using the face value of the outstanding capital.

Trade receivables impaired

As of 30 June 2012, consumer debtors of R 2 588 556 (2011: R 6 937 977) were impaired and provided for.

The amount of the provision was R 19 922 181 as at 30 June 2012 (2011: R 17 278 823).

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	905	905
Bank balances	1 204 868	1 014 110
Short-term deposits	18 641 161	22 090 693
	19 846 934	**23 105 708**

No restrictions exist with regard to the use of cash.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities.

15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2012	30 June 2011	30 June 2010	Cash book balances 30 June 2012	30 June 2011	30 June 2010
ABSA Bank - Fixed deposit - 2053825035	7 500	7 500	7 500	7 500	7 500	7 500
ABSA Bank - Fixed deposit - 2055844786	21 679	20 612	19 210	21 679	20 612	19 210
ABSA Bank - Fixed deposit - 2064372621	-	289	285	-	289	285
ABSA Bank - Call account - 2069984156	-	-	10 237 092	-	-	10 237 092
ABSA Bank - Fixed deposit - 2084303510	-	12 497	12 174	-	12 497	12 173
ABSA Bank - Call account - 9067623600	8 135 070	6 147 075	2 758 094	8 171 816	6 147 075	2 758 094
ABSA Bank - Fixed deposit - 3064335048	-	22 599	22 033	-	22 599	22 033
ABSA Bank - Fixed deposit - 4064313202	-	13 526	13 113	-	13 526	13 113
ABSA Bank - Fixed deposit - 5024312404	-	29 891	29 009	-	29 891	29 009
ABSA Bank - Fixed deposit - 9064335011	-	13 089	12 729	-	13 089	12 729
ABSA Bank - Fixed deposit - 9073206933	-	29 513	28 651	-	29 513	28 651
ABSA Bank - Call account - 99216529966	-	269 692	48 913	-	269 692	48 913
Nedbank - Money market - 1263036023	6 262	6 424	6 574	6 262	6 424	6 574
Nedbank - Fixed deposit - 18312491	4 600	4 600	4 600	4 600	4 600	4 600
Nedbank - Money market - 1263034756	65 016	62 777	60 429	65 016	62 777	60 429
First National Bank - Money market - 74255023258	-	3 253 591	3 077 122	-	3 253 591	3 077 122
ABSA - Cheque account - 2200000008	938 177	942 357	637 053	1 190 050	1 005 843	525 227
ABSA - Cheque account - 4064779134	13 026	29 647	3 249 065	14 818	8 266	3 248 630
Investec - Fixed deposit - 50004430117	10 315 114	12 197 019	-	10 364 288	12 197 019	-
Total	**19 506 444**	**23 062 698**	**20 223 646**	**19 846 029**	**23 104 803**	**20 111 384**

The municipality has guarantees at ABSA bank to the value of R6 000 relating to the personal bonds of two municipal employees.

The muncipality has a credit facility of R1 507 000 at ABSA bank. Refer to note 17 for further detail regarding the outstanding finance lease obligation for assets procured by utilising this facility.

16. Other financial liabilities

	2012	2011
Held at amortised cost		
Absa Bank loan Total loan of R3,5 million was taken up from ABSA Bank (R1000 000 on 19/10/2010 and R2 500 000 on 06/06/2012). Installments are R125 114.50 (9.75%) and R321 680.34 (9.74%) respectively. Both loans are over a period of 5 years and is semi-yearly payable.	3 137 548	812 513

Figures in Rand	2012	2011

16. Other financial liabilities (continued)

No defaults or breaches or re-negotiations of the terms and conditions ocurred during the year.

The loans are not secured and there are no loan covenants.

Non-current liabilities		
At amortised cost	2 535 315	637 372
Current liabilities		
At amortised cost	602 233	175 141
	3 137 548	**812 513**

17. Finance lease obligation

Minimum lease payments due		
- within one year	883 026	890 237
- in second to fifth year inclusive	270 193	1 153 219
	1 153 219	2 043 456
less: future finance charges	(94 474)	(291 057)
Present value of minimum lease payments	**1 058 745**	**1 752 399**
Present value of minimum lease payments due		
- within one year	792 893	693 655
- in second to fifth year inclusive	265 852	1 058 744
	1 058 745	**1 752 399**
Non-current liabilities	265 852	1 058 744
Current liabilities	792 893	693 655
	1 058 745	**1 752 399**

Prior period adjustment		
Balance previously reported (Current & Non-Current)	-	1 864 968
2011: Adjusted for previous years redemption calculations on leases	-	(192 218)
2011: Adjusted for interest incorrectly calculated	-	28 729
Earlier than 2011: Adjusted for previous years redemption calculations on leases prior to 2011 (Refer to Note 42 - Prior period adjustment)	-	50 920
Restated	**-**	**1 752 399**

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 9% .

Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 5, Property, plant and equipment for the carrying value of assets subject to finance lease.
.
All financial leases before 1 July 2008 are treated as contingent payment.
There are no subleases

No terms and conditions were re-negotiated.

Defaults and breaches

There were no default during the period of principal, interest, sinking fund or redemption terms of loans payable.

Figures in Rand	2012	2011

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Other grants	1 242 760	3 538 861

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. The municipality complied with all the conditions attached to the grants / allocations.

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

Grant description	Unspent balance 2011	Receipts	Adjustments / written off	Transfer operating expenditure	Transfer capital expenditure	Total
CBP Ward Implementation Plan	2 193	-	(2 193)	-	-	-
Prov Grant: Matric Outreach	-	2 400	-	(2 400)	-	-
Vuna Awards	-	40 000	-	-	-	40 000
Cacadu: Environmental Health Vehicle	-	195 460	-	-	(195 460)	-
MSIG Funds	-	790 000	-	(790 000)	-	-
DWAF	678 535	-	-	(592 343)	-	86 192
Aeroville Cemetery	46 543	-	(46 543)	-	-	-
Library	28 233	-	-	(22 971)	(5 262)	-
FMG	-	1 450 000	-	(1 450 000)	-	-
CIP Funds	169 487	-	(169 487)	-	-	-
Valuations	111 132	-	-	(111 132)	-	-
IEC	19 044	-	-	(12 905)	(6 139)	-
DR WH CRAIB TRUST FUND	13 015	-	-	-	-	13 015
Free Basic services	11 945	-	-	(11 945)	-	-
LED-ZAMA Ukuphila Trust	34 522	-	-	(34 522)	-	-
Deployment of LED assistance	-	67 187	-	(24 797)	-	42 390
IDP	69 191	50 000	-	(119 191)	-	-
Zoning Map	14 853	-	-	(14 853)	-	-
Cacadu: Roads & Stormwater	355 718	-	-	-	-	355 718
Project Consolidate	92 381	-	(31 899)	(60 482)	-	-
Environmental Impact	63 000	-	(63 000)	-	-	-
Spatial development framework	29 950	-	(4 701)	(25 249)	-	-
Water services Fund	100 000	-	(100 000)	-	-	-
CMIP Trust	151 861	-	(93 582)	(58 279)	-	-
NER	-	29 000	-	-	(29 000)	-
Dept of housing	-	1 977 981	-	(1 943 346)	-	34 635
Cacadu: Taxi Rank	104 110	-	-	-	(104 110)	-
Cacadu: Rainwater Harvesting	261 736	314 549	-	(574 141)	-	2 144
Cacadu: Arts & Crafts	100 000	-	(68 000)	(32 000)	-	-
Cacadu: Elect Masterplan	826 366	-	(749 055)	-	(77 311)	-
Cacadu: Library Grant	2 685	-	(1 981)	(704)	-	-
Cacadu: Fire fighters	-	375 000	-	(196 953)	-	178 047
Skills Development	248 392	292 599	-	(366 223)	-	174 768
National Treasury : Audit cost	3 969	-	-	(3 969)	-	-
EPWP	-	253 000	-	(176 754)	-	76 246
Cacadu PMS	-	229 228	-	(229 228)	-	-
DWA (Masimbambane)	-	1 207 058	-	(194 110)	(773 343)	239 605

18. Unspent conditional grants and receipts (continued)

	3 538 861	**7 273 462**	**(1 330 441)**	**(7 048 497)**	**(1 190 625)**	**1 242 760**

Grant description	Unspent balance 2010	Receipts	Adjustments / written off	Transfer operating expenditure	Transfer capital expenditure	Total
MIG	(3 475 499)	16 773 000	(50 726)	(566 116)	(13 974 031)	(1 293 372)
MSIG	(89 928)	-	89 928	-	-	-
Housing grant	(292 271)	292 271	-	-	-	-
	(3 857 698)	**17 065 271**	**39 202**	**(566 116)**	**(13 974 031)**	**(1 293 372)**

The municipality received certain grant allocations during the year from various public entities (amounts disclosed above per project / allocation) - these receipts / grant allocations had to be utilised for the following main purposes:

- National Treasury (MIG, MSIG & FMG) - Infrastructure construction and maintenance, municipal systems improvement and financial management projects.
- Cacadu District municipality - Environmental health equipment, rainwater. harvesting projects, fire fighting equipment, etc.
- Eastern Cape Department of Roads and Public Works - Labour intensive projects to promote job creation for unemployed people.
- Eastern Cape Department of Human Settlements - Housing projects

19. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
13th Cheque bonus provision	-	1 106 422	-	1 106 422
Performance bonus	245 328	195 686	(245 328)	195 686
Environmental rehabilitation	1 382 145	159 427	-	1 541 572
	1 627 473	**1 461 535**	**(245 328)**	**2 843 680**

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	353 156	512 572	(620 400)	245 328
Shortfall pension fund	357 916	-	(357 916)	-
Environmental rehabilitation	1 189 498	192 647	-	1 382 145
	1 900 570	**705 219**	**(978 316)**	**1 627 473**

Prior period adjustment	2012	2011
Balance previously reported (Performance bonus)	-	768 303
2011: Adjustment for Provision for Performance Bonusses	-	(255 731)
Earlier than 2011: Adjusted for balance prior to 2011 (Refer to Note 42 - Prior period adjustment)	-	(267 244)
Restated	**-**	**245 328**

Environmental rehabilitation provision

The estimation of the current liability to rehabilitate the landfill sites were performed by Bosch Munitech Bosch Munitech are not connected to the municipality. The full report is available on request.The amount is made up out of three sites ,Somerset East, Cookhouse and Pearston.

The amount and timing of the outflow of economic resources are uncertain. Landfill sites have a useful live of approximately 30 years. There are various limitations regarding the accuracy of the cost estimates used in the calculation and it must be noted that the values are estimates only, based on previous experience and escalated to current values. There are no known models available for the valuation of landfill sites for the financial statements, and as such the model utilised in this calculation was developed jointly by Buffalo City Municipality (Accounting and Auditing) and Bosch Munitech (Technical and Cost estimate).

13th Cheque bonus provision

The municipality has a constructive obligation to pay a 13th cheque bonus to employees.

The municipality would be liable to pay such bonuses (or a pro-rata bonus) in the event of an employee's resignation.

Performance bonus provision

The municipality's section 57 managers are, according to their respective contracts with the municipality, entitled to a bonus, based on their performance during the year.

The bonusses are normally paid during the following financial year.

Based on previous experience, the calculation was done on the assumption that the maximum bonus to be paid would be 14% of an employee's total package (cost to the municipality).

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

20. Payables from exchange transactions

Trade payables	7 964 120	9 262 038
Payments received in advanced	362 101	1 340 136
COID	799 528	434 601
Accrued leave pay	2 678 226	2 533 355
Deposits received	62 439	43 265
Other payables	204 601	-
	12 071 015	**13 613 395**

Prior period adjustment

Balance previously reported	-	13 017 309
2011: Adjusted for salaries and wages (Backpay - Job Evaluation)	-	61 838
2011: Adjusted for BKB (Short payment on invoice 522638, o/n 29079	-	456
2011: Adjusted for SALGA - 98080 Levies raised as creditor less than invoice	-	26 203
2011: Adjusted for reverse discount	-	88 419
2011: Adjusted for AUDITOR-GENERAL: Developement agency audit cost previous year.	-	556 116
Earlier than 2011: Adjusted for salaries and wages (Backpay - Job Evaluation) prior to 2011 (refer to Note 42 - Prior period adjustment)	-	48 875
Earlier than 2011: Adjusted for SALGA (Annual membership levy 2006/07 credit) (refer to Note 42 - Prior period adjustment)	-	(26 231)
Earlier than 2011: Adjusted for Telkom order 25534 - Cancelled (refer to Note 42 - Prior period adjustment)	-	(59 383)
Earlier than 2011: Adjusted for Eco Route order cancelled (refer to Note 42 - Prior period adjustment)	-	(99 380)
2011: Adjusted for SARS PAYE (May/June 2011) IRP5 recon difference	-	(10)
2011: Adjusted for Write-off unknown deposits - previous year	-	(818)
Restated	**-**	**13 613 394**

21. Trade and other payables from non-exchange

Dept of Roads - Licences	40 707	117 359

22. VAT payable

VAT	2 196 910	1 642 014

Prior period adjustment

Balance previously reported	-	1 765 10
2011: Adjusted VAT incorrectly declared on traffic fines 2010/11	-	(12 906)
Earlier than 2011: Adjusted for VAT on traffic fines incorrect 2008/09 (refer to Note 42 - Prior period adjustment)	-	(11 695)
Earlier than 2011: Adjusted for VAT on traffic fines incorrect 2009/10 (refer to Note 42 - Prior period adjustment)	-	(8 342)
Earlier than 2011: Adjust for Additional VAT claim MAXPROF - INPUT 2009/10 (refer to Note 42 - Prior period adjustment)	-	(68 702)
2011: Adjust for Additional VAT claim MAXPROF - INPUT 2010/11	-	(52 269)
Earlier than 2011: Adjust for error in VAT recon for April 2010 - OUTPUT 2009/10 (refer to Note 42 - Prior period adjustment)	-	(3 558)
Earlier than 2011: Adjust for Additional VAT claim MAXPROF - OUTPUT 2009/10 (refer to Note 42 - Prior period adjustment)	-	(1 408)
2011: Adjust for Additional VAT claim MAXPROF - OUTPUT 2010/11	-	(926)
2011: Adjust for Reverse VAT on housing projects - incorrectly claimed (refer to Note 13)	-	36 718
Restated	**-**	**1 642 014**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

22. VAT payable (continued)

VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.

23. Consumer deposits

Electricity	1 713 208	1 583 790

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

24. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	Total
Trade and other payables	12 071 015	12 071 015

2011

	Financial liabilities at amortised cost	Total
Trade and other payables	13 613 395	13 613 395

25. Revenue

	2012	2011
Property rates	7 556 602	5 946 886
Service charges	68 634 107	61 592 001
Rental of facilities & equipment	158 227	84 248
Interest received – trading	2 075 126	2 479 734
Income from agency services	583 878	737 193
Fines	139 928	105 092
Licences and permits	831 535	1 153 225
Government grants & subsidies	59 851 297	56 846 492
Miscellaneous other revenue	134 668	1 283
	139 965 368	**128 946 154**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2012	2011
Service charges	68 634 107	61 592 001
Rental of facilities & equipment	158 227	84 248
Interest received – trading	2 075 126	2 479 734
Income from agency services	583 878	737 193
Licences and permits	831 535	1 153 225
Miscellaneous other revenue	134 668	1 283
	72 417 541	**66 047 684**

The amount included in revenue arising from non-exchange transactions is as follows:

	2012	2011
Property rates	7 556 602	5 946 886
Fines	139 928	105 092
Goverment grants & subsidies	59 851 297	56 846 492
	67 547 827	**62 898 470**

Collectability of amounts

At the time of initial recognition of revenue it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods and services will not occur due to the fact that the municipality has an obligation to collect all revenue.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

26. Property rates

Rates received

All properties	7 556 602	5 946 886

Valuations

Agricultural	1 657 585 450	1 691 750 240
Commercial	85 692 250	84 481 150
Government	23 779 480	24 410 630
Residential	345 491 171	333 573 801
State	155 995 765	131 743 165
	2 268 544 116	**2 265 958 986**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2006.Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June 2012 (30 June 2011). Interest at prime plus 1% per annum (2011:prime plus 1% per annum), is levied on rates outstanding one month after due date.

A general rate of 0.00075 for agricultural properties, 0.00906 for business properties, 0.00803 for residential properties, 0.02007 for government infrastructure properties and 0.02007 for government properties is applied to property valuations to determine assessment rates (2011: 0.0007 - agricultural properties, 0.00846 - bussiness properties, 0.00750 - residential properties, 0.01876 - government properties and infrastructure). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2011: R15 000 - residential properties and 30% government infrastructure).

The new general valuation will be implemented on 01 July 2012.

27. Service charges

Sale of electricity	52 630 377	45 881 203
Sale of water	7 893 168	7 861 077
Sewerage and sanitation charges	3 482 358	3 327 962
Refuse removal	4 421 756	4 237 414
Other service charges	206 448	284 345
	68 634 107	**61 592 001**

28. Government grants and subsidies

Equitable share	34 998 000	31 051 274
Government grant - MIG	14 579 350	15 475 316
Government grant - FMG	1 450 000	1 200 000
Provincial and District Municipality grants	8 004 947	8 369 902
Government grant - MSIG	790 000	750 000
Government grant - NER	29 000	-
	59 851 297	**56 846 492**

29. Other income

Insurance claims	202 259	165 601
Biltong festive	649 357	490 246
Housing	114 680	244 017
	966 296	**899 864**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

30. General expenses

Advertising	486 368	540 970
Auditors remuneration	1 752 715	2 281 645
Bank charges	189 043	165 110
Consulting and professional fees	2 220 969	3 140 116
Consumables	408 685	378 636
Donations	17 442	10 712
Entertainment	1 003 862	931 290
Animal Costs	4 211	4 211
Insurance	651 300	537 846
Conferences and seminars	48 508	19 963
Rentals ad hoc	844 923	752 525
Magazines, books and periodicals	22 851	18 418
Fuel and oil	2 643 223	1 722 321
Printing and stationery	656 268	640 844
Protective clothing	144 214	118 889
Security (Guarding of municipal property)	627 344	481 809
Telephone and fax	1 494 940	1 267 558
Transport and freight	28 557	18 515
Training	114 404	62 237
Title deed search fees	19 116	20 036
Tourism development	301 116	188 143
Housing	1 478 455	328 989
Licences	482 379	393 317
Stipends - ward committee	603 692	225 000
Agency services	2 896 469	638 756
Obsolete stock	14 071	-
Conditional grant expenditure	4 716 804	2 932 403
Cashier shortages	1 221	7 242
Chemicals	639 740	576 947
Inter departmental charges	(703 552)	(325 978)
Other expenses	389 736	526 853
	24 199 074	**18 605 323**

Other expenses		
Ward committees	4 916	1 562
Various special events	197 184	159 238
Dis/re-connection fees	2 500	1 649
Levies-other	74 178	228 710
Pauper burials	3 388	2 430
Prevention of epidemics	457	-
Fruitless, wastefull, unauthorised expenditure	11 670	294
Private works	2 200	58 379
Prodiba	63 600	74 591
Medical expenses	3 875	-
Alien vegetation	8 544	-
Disaster assistance	17 225	-
	389 737	**526 853**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

31. Employee related costs

Basic	31 189 518	28 775 874
Bonus	2 540 602	2 367 903
Medical aid - company contributions	1 487 012	1 421 643
UIF	303 013	283 617
WCA	364 926	434 601
SDL	387 936	335 569
Leave pay provision charge	661 004	509 838
Post-employment benefits - Pension - Defined contribution plan	297 000	584 000
Travel, motor car, accommodation, subsistence and other allowances	1 053 848	1 038 860
Overtime payments	1 725 917	1 581 368
13th Cheques provision charge	1 106 422	-
Other allowances	1 406 853	1 430 596
Bargaining council	14 842	14 547
Other contributions	4 137	4 298
Pension contributions	4 365 776	4 094 129
Relocation costs	14 257	10 072
	46 923 063	**42 886 915**

Remuneration of municipal manager

Annual Remuneration	559 951	533 914
Car Allowance	120 000	120 000
Provision for Performance Bonuses	116 053	101 356
Contributions to UIF, Medical and Pension Funds	102 338	91 641
Annual Bonus	40 925	-
	939 267	**846 911**

Remuneration of chief finance officer

Annual Remuneration	509 281	473 887
Car Allowance	180 000	180 000
Provision for Performance Bonuses	96 716	55 958
Contributions to UIF, Medical and Pension Funds	1 546	1 546
Leave pay out	53 141	-
	840 684	**711 391**

Remuneration of manager - corporate services

Annual Remuneration	601 565	516 723
Car Allowance	120 000	167 794
Provision for Performance Bonuses	101 236	46 858
Contributions to UIF, Medical and Pension Funds	1 547	1 547
Other	-	126 658
Leave payout	50 061	-
Long service bonus	11 290	-
	885 699	**859 580**

Remuneration of manager - community services

Annual Remuneration	569 391	533 837
Car Allowance	120 000	120 000
Provision for Performance Bonuses	96 716	-
Contributions to UIF, Medical and Pension Funds	1 546	1 546
	787 653	**655 383**

Figures in Rand	2012	2011

31. Employee related costs (continued)

Remuneration of manager - infrastructure

Annual Remuneration	246 533	452 694
Car Allowance	60 000	90 000
Provision for Performance Bonuses	45 880	93 921
Contributions to UIF, Medical and Pension Funds	773	75 930
Other	-	118 482
	353 186	**831 027**

32. Remuneration of councillors

Councillors	2 461 845	2 191 350
	2 461 845	**2 191 350**

In-kind benefits

The mayor nor the councillors received any in-kind benefits.

33. Debt impairment

Contributions to debt impairment provision	6 892 817	10 482 041
Debts impaired	3 296 139	144
	10 188 956	**10 482 185**

34. Investment revenue

Interest revenue		
Interest	1 250	1 368
Bank	1 417 362	1 643 887
	1 418 612	**1 645 255**

The amount included in Investment revenue arising from exchange transactions.

The amount included in Investment revenue arising from non-exchange transactions.

Total interest income, calculated using the effective interest rate.

35. Finance costs

Trade and other payables	11 524	877 631
Finance leases	196 583	335 016
Interest cost - Landfill sites liability	159 427	192 646
Interest cost - PRMA liability	830 000	994 000
	1 197 534	**2 399 293**

Interest expense is calculated using the effective interest rate.

36. Auditors' remuneration

Fees	1 752 715	2 281 645

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

37. Bulk purchases

Electricity	40 668 498	31 970 769
Water	708 815	831 481
	41 377 313	**32 802 250**

38. Cash generated from operations

Deficit	(4 011 938)	(3 413 432)
Adjustments for:		
Depreciation and amortisation	19 030 477	27 401 914
Gain / Loss on sale of assets and liabilities	(1 015 764)	-
Finance costs - Finance leases	196 583	335 016
Impairment deficit	316 516	-
Debt impairment	10 188 956	10 482 185
Movements in retirement benefit assets and liabilities	1 671 458	(862 000)
Movements in provisions	1 216 207	649 157
Actuarial valuation	544 458	(2 440 000)
Changes in working capital:		
Inventories	(711 281)	52 912
Other receivables from exchange transactions	(716 287)	116 715
Other receivables from non-exchange transactions	322 018	(3 107 848)
Consumer debtors	(9 339 478)	(9 367 881)
Payables from exchange transactions	(1 542 380)	4 812 377
VAT	554 897	338 383
Taxes and transfers payable (non exchange)	(76 652)	117 359
Unspent conditional grants and receipts	(2 296 101)	(4 012 844)
Consumer deposits	129 418	234 239
	14 461 107	**21 336 252**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Motor vehicles	-	621 621
• Housing projects	5 709 010	6 705 159
• Infrastructure	2 664 297	13 795 122
	8 373 307	**21 121 902**

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources,and grant funding.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated a month to month basis. No straightlining is possible due to the fact that the contracts are expired and the rent is on a month to month basis.

Operating leases - as lessor (income)

Certain of the municipality's property is held to generate rental income. No lease agreements are in place and tenants rent the respective properties on a month to month basis. There are no contingent rents receivable.

40. Contingencies

Matter: Blue Crane Route Municipality vs Bennie Goodman Macembe (Aubrey du Preez). In this matter the Plaintiff claims an amount of R32 000.00. We have served and filed a request to further particulars of the Plaintiff's claim on 12 April 2010. We still have to receive the further particulars from the Plaintiff's attorneys. We can bring an application to compel the Plaintiff to provide us with the further particulars, failing which we can apply to court to have the claim dismissed. We can also leave the matter and see if the Plaintiff is ever going to take the next step.
In our letter dated 4 August 2010 we stated that there is a reasonable defence should this matter proceed further and end in court.

Matter: Blue Crane Route Municipality vs Alfred Thys
R98 900.84 had to be paid before the 9th August 2012 an amount of R4 754.18 also needs to be paid.

Matter: Blue Crane Route Municipality vs AF Afrikaner
Amount claimed is R 3 192 000, the laywer is of the opinion that it case wont succeed. They are also of the opinion that only the legal fees should be provided for. But no clear estimate could be given on how much legal fees would be payable. The plaintiff is in all likelyhood not in a financial position to meet any adverse cost order.

Settlement was reached for the following on 23 July 2012

• Thys / BCRM	R242 000.00
• Modolwana / BCRM	R 70 000.00
• Xakaxa / BCRM	R155 000.00
• Njiyela / BCRM	R410 000.00

No settlement has been reached with the following:
- Memese
- Duda
- Bonga
- Mzimba
- Poni
- Snoeka
- Toni
- Tshwangu

Pending Liabilities
- VG Njiyela
- N.A Xakaxa
- NJ Madolowana
- Bennie Goodman Macembe
- NJ Jack

Matter: Blue Crane Route Municipality vs Standard Bank
The Municipality purchased computers, however according to Standard Bank the transaction was declared null and void as the purchase was not authorised by the Municipality.The computers were subsequently sold by Standard Bank for R350 646, including interest. The Municipality's laywers are of the opinion that Standard Bank does not have a valid claim against the Municipality as the transaction was void from the beginning.

Matter: Blue Crane Route Municipality vs Autumn star
Matter is on going. Should go to trial this year. Possibl liability is R 300 000

Matter: Blue Crane Route Municipality vs Pinolta & Claasen
Still awaiting judgement. Possible liability is R 300 000

Matter: Blue Crane Route Municipality vs Corporate Finance Solutions
Still awaiting judgement. Possible liability is R 200 000

Figures in Rand	2012	2011

41. Related parties

Relationships
Controlled entities - Blue Crane Development Agency — Refer to note 7

Related party transactions

	2012	2011
Employee costs		
Blue Crane Development Agency	-	13 256
Audit fees		
Blue Crane Development Agency	728 154	82 640
Installation fee		
Blue Crane Development Agency	-	51 208
Grant paid		
Blue Crane Development Agency	2 168 315	-

42. Prior period adjustments

During the preparation of the municipality's annual financial statements, a number of prior period errors (periods before 2011), affecting various balances were noted. These errors were corrected retrospectively.

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

	2012	2011
Finance lease obligation		
Adjusted for incorrect prior year redemption calculation (prior to 2011)	-	(50 920)
Provisions		
Correction: Performance bonus prior to 2011	-	267 244
Payables from exchange transactions		
Adjustment for salaries and wages (backpay - job evaluation) prior to 2011	-	(48 875)
Adjustment for SALGA (Annual membership levy 2006/07 credit) prior to 2011	-	26 232
Adjustment for telkom order cancelled	-	59 383
Adjustment for Eco Route order cancelled	-	99 380
	-	**136 120**
VAT payable		
Adjustment for VAT on traffic fines incorrectly treated prior to 2011	-	20 037
Adjustment for additional VAT claim due to Maxprof investigation prior to 2011	-	73 668
	-	**93 705**
Other receivables from non-exchange transactions		
Correction of rates billing prior to 2011	-	(10 240)
Accumlated surplus adjustment		
Finance lease obligation	-	50 920
Provisions	-	(267 244)
Payables from exchange transactions	-	(136 120)
VAT payable	-	(93 705)
Other receivables from non-exchange transactions	-	10 240
	-	**(435 909)**

Statement of Financial Performance

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

42. Prior period adjustments (continued)

Property rates	-	(4 148)
Finance costs	-	88 719
Employee costs	-	(193 903)
Traffic fines	-	(12 906)
General expenses	-	582 776
Licensing and permits	-	3 528
Rental of equipment and facilities	-	(4 592)
Revenue - Housing	-	(925)
Revenue - General	-	(818)
Water	-	(119 760)
Adjustment: Opening Accumulated surplus 2011 (refer to table above)	-	(435 909)
	-	**(97 938)**

43. Comparative figures

Certain comparative figures have been reclassified.

44. Risk management

Financial risk management

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

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

Liquidity risk

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

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

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

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2012 and 2011, the municipality’s borrowings at variable rate were denominated in the Rand.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10.00 %	9 821 698	-	-	-	-
Other receivables from non exchange transactions	10.00 %	1 908 316	-	-	-	-
Long term receivables	10.00 %	25 599	-	-	-	-
Cash in current banking institutions	5.00 %	18 641 161	-	-	-	-
Trade and other payables - extended credit terms	7.00 %	(7 928 874)	-	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

44. Risk management (continued)

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..

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

Financial instrument	2012	2011
Trade receivables from exchange transactions	7 926 674	8 665 952
Other receivables from non-exchange transactions	1 908 316	4 058 607
Other receivables from exchange transactions	1 151 596	435 309
Short term deposits	18 641 161	22 090 693

The municipality holds deposits R1 713 208 (2011 R1 583 790) from consumer debtors. No guarantees or collateral was provided to third parties.

45. Going concern

We draw attention to the fact that at 30 June 2012, the municipality had accumulated surplusses of R 351 411 802 and that the municipality's total assets exceed its liabilities by R 351 411 802.

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.

46. Events after the reporting date

There are no events after reporting date to report on.

47. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	11 670	294

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

48. Irregular expenditure

Opening balance	-	1 223 231
Add: Irregular Expenditure - current year	1 116 248	-
Less: Amounts recoverable (condoned)	-	(60 248)
Less: Amounts not recoverable (condoned)	-	(1 162 983)
	1 116 248	**-**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Supply Chain Management regulations not adhered to	None	1 116 248

49. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

49. Arrangements in the legal form of a lease, but not in substance (continued)

Net deficit per the statement of financial performance	(4 011 938)	(3 413 432)
Adjusted for:		
Depreciation not utilised	(2 931 778)	(3 611 818)
Sale of land to Shoprite budgeted as income,not realised	3 264 793	-
Grant expenditure	-	(25 434 159)
Finance cost	-	510 048
Bulk purchases	1 342 765	(1 409 699)
Debt impairment - provision more than budgeted	5 244 969	3 359 412
Underspending on external audit fees	(763 597)	-
Grant income not realised	-	8 578 517
Legal Fees - Budget overspent	(521 934)	-
Underspending Housing project	(688 545)	-
Underspending finance charges	(462 476)	99 160
More income with electricity sales	(1 508 639)	-
Savings on repairs and maintenance	(1 905 261)	-
Other savings on expenditure/additional revenue	(1 909 680)	-
Net deficit per approved budget	**(4 851 321)**	**(21 321 971)**

50. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

Current year subscription / fee	5 034 008	4 392 771
Amount paid - current year	(4 622 521)	(3 931 990)
	411 487	**460 781**

The full outstanding amount of R 411,487 was paid in July 2012.

Pension and Medical Aid Deductions

Current year subscription / fee	8 484 013	7 994 270
Amount paid - current year	(8 484 013)	(7 994 270)
	-	**-**

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
CFB Du Preez	465	-	465
NM Nontyi	10	-	10
TJ & NM Yantola	16	-	16
NM Scott	133	-	133
	624	**-**	**624**

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
CFB Du Preez	2 071	-	2 071
NM Nontyi	189	-	189
WH Greeff	4	-	4
NM Mali	222	-	222
Z Funiselo	-	92	92
	2 486	**92**	**2 578**

Blue Crane Route Municipality
Appendix E(1)
June 2012

Actual versus Budget

	Current year 2012 Act. Bal. Rand	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	7 556 602	7 520 000	36 602	0.5	
Service charges	68 634 106	77 086 497	(8 452 391)	(11.0)	
Rental of facilities and equipment	158 227	-	158 227	-	Budgeted amounts included within "Other income" below.
Interest received (trading)	2 075 126	1 179 000	896 126	76.0	Level of amounts outstanding changed significantly after budget was prepared.
Income from agency services	583 878	-	583 878	-	Budgeted amounts included within "Other income" below.
Fines	139 928	-	139 928	-	Budgeted amounts included within "Other income" below.
Licences and permits	831 535	-	831 535	-	Budgeted amounts included within "Other income" below.
Government grants & subsidies	59 851 297	60 216 000	(364 703)	(0.6)	
Miscellaneous other revenue	134 668	-	134 668	-	Budgeted amounts included within "Other income" below.
Fees earned	224 979	-	224 979	-	Budgeted amounts included within "Other income" below.
General	1 003 934	-	1 003 934	-	Budgeted amounts included within "Other income" below.
Private work	671 406	-	671 406	-	Budgeted amounts included within "Other income" below.
Other income	966 296	10 420 000	(9 453 704)	(90.7)	Over estimated level of "Other income
Interest received - investment	1 418 613	-	1 418 613	-	No budget included for Interes received from investments.
	144 250 595	156 421 497	(12 170 902)	(7.8)	
Expenses					
Personnel	(46 923 063)	(45 456 000)	(1 467 063)	3.2	
Remuneration of councillors	(2 461 845)	(2 420 580)	(41 265)	1.7	

Blue Crane Route Municipality
Appendix E(1)
June 2012

Actual versus Budget

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Depreciation	(19 030 477)	(2 931 778)	(16 098 699)	549.1	Depreciation on Infrastructure was not budgeted for, due to Directive 4 exception (Infrastructure purchased / in existence before 2008/09 - was valued at provisional amounts).
Impairments	(316 515)	-	(316 515)	-	Impairments could not have been foreseen at time of preparation of budget.
Finance costs	(1 197 534)	-	(1 197 534)	-	Interest cost on Landfill site provision and PRMA liability not budgeted for (GRAP accounting entries)
Debt impairment	(10 188 956)	(4 943 986)	(5 244 970)	106.1	Level of debt impairment could not have been foreseen at time of preparation of budget.
Collection costs	(2 484)	-	(2 484)	-	
Repairs and maintenance	(3 036 577)	(4 802 000)	1 765 423	(36.8)	Significant repairs not budgeted for.
Bulk purchases	(41 377 313)	(40 038 000)	(1 339 313)	3.3	
General Expenses	(24 199 073)	(43 341 000)	19 141 927	(44.2)	Includes capital expenditure on conditional grants which have been capitalised.
	(148 733 837)	(143 933 344)	(4 800 493)	3.3	Refer to comments above
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	1 015 764	4 300 000	(3 284 236)	(76.4)	Budgeted amount includes cash amount receivable for items sold. Actual amount relates to gain after deduction of the carrying value of assets sold.
Actuarial gain / (loss)	(544 458)	-	(544 458)	-	Actuarial gain / (loss) not budgeted for - calculated by qualified Actuaries at end of financial year.
	471 306	4 300 000	(3 828 694)	(89.0)	Refer to comments above
Net surplus/ (deficit) for the year	(4 011 936)	16 788 153	(20 800 089)	(123.9)	Refer to comments above