



MAKANA
MUNICIPALITY | EASTERN CAPE
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2012/2013

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2013

MAKANA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

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**MAKANA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013**

GENERAL INFORMATION

EXECUTIVE MAYOR

Hon Cllr Z.J. Peter

SPEAKER

Cllr M.R. Madinda-Isaac

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor

Speaker

Chairpersons of Portfolio Committees:

Finance, Administration, Monitoring & Evaluation

Infrastructure Development

Local Economic Development

Social Development

Tourism & Cultural Industries

Cllr P. Ranchhod

Cllr N. Gaga

Cllr P. Notyawa

Cllr M. Matyumza

Cllr N. Masoma

GRADING OF THE LOCAL AUTHORITY

Grade 3

AUDITORS

External:

Office of the Auditor General (Port Elizabeth)

P.O. Box 210917

The Fig Tree

PORT ELIZABETH

6033

Internal:

Kabuso

PRIMARY BANKER

First National Bank

REGISTERED OFFICE

City Hall

High Street

GRAHAMSTOWN

6139

P.O. Box 176

GRAHAMSTOWN

6140

Telephone: (046) 603-6131

E-Mail: pravine@makana.gov.za

Facsimile: (046) 622-9700

Website: <http://www.makana.gov.za/>

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GENERAL INFORMATION (continued)

MUNICIPAL MANAGER

Dr P. Naidoo (046) 603-6130 pravine@makana.gov.za

CHIEF FINANCIAL OFFICER

M. Crouse (Acting) (046) 603-6130 MariusCrouse@makana.gov.za

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 6 to 152, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during January 2014.

M.C. PLANGA
ACTING MUNICIPAL MANAGER
20 December 2013

M. CROUSE
ACTING CHIEF FINANCIAL OFFICER
20 December 2013

MAKANA MUNICIPALITY
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MEMBERS OF THE COUNCIL

WARD	COUNCILLORS		PROPORTIONAL COUNCILLORS	
1	Ngogo NJ	ANC	Bonani B	ANC
2	Meti N	ANC	Gaga N	ANC
3	Booyesen MC	DA	Madinda RM	ANC
4	May LC	DA	Matyumza M	ANC
5	Tame MS	ANC	Ngeleza T	ANC
6	Masoma N	ANC	Notyawa MPG	ANC
7	Khubalo M	ANC	Peter Z	ANC
8	Jackson BPN	DA	Ranchhod P	ANC
9	Jela-Solomon K	ANC	Tyantsula NC	ANC
10	Kolisi V	ANC	Wells JC	ANC
11	Gojela M	ANC	Plaatjie N	COPE
12	Fargher BW	DA	Madyo X	DA
13	Madinda MG	ANC	Reynolds L	DA
14	Louw E	ANC	Waldick DL	MIND

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

M.C. PLANGA
ACTING MUNICIPAL MANAGER
20 December 2013

MAKANA MUNICIPALITY
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AUDIT REPORT

The 2012/13 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

MAKANA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Makana Municipality at 30 June 2013.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Appendix G to Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increase in Long-term Liabilities due to an external loan taken up during the financial period. The increase in Current Liabilities is primarily as a result of the increase in Creditors.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2013	2012
Surplus / (Deficit) before Appropriations	8 256 889	(34 115 974)
Surplus / (Deficit) at the end of the Year	1 454 626 559	1 448 133 157
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	32.28%	32.00%
Remuneration of Councillors	2.24%	2.21%
Depreciation and Amortisation	13.40%	13.11%
Impairment Losses	6.76%	5.99%
Repairs and Maintenance	5.38%	3.75%
Interest Paid	0.06%	0.10%
Bulk Purchases	19.89%	21.33%
Contracted Services	1.24%	0.78%
Grants and Subsidies Paid	4.94%	6.09%
General Expenses	13.77%	14.65%
Current Ratio:		
Trade Creditors Days	70	55
Debtors from Exchange Transactions Days	247	207

2.2 Performance Indicators:

INDICATOR	2013	2012
Borrowing Management:		
Capital Charges to Operating Expenditure	0.32%	0.46%
Capital Charges to Own Revenue	0.50%	0.72%
Borrowed Funding to Own Capital Expenditure	62.69%	0.00%
Borrowing to Total Capital Assets	1.46%	0.02%
Safety of Capital:		
Gearing	1.50%	0.02%
Liquidity:		
Current Ratio	1.21	1.37
Liquidity Ratio	0.06	0.36
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	84.48%	72.64%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	41.17%	0.00%
Revenue Management:		
Current Debtors Collection Rate	73.43%	81.42%
Outstanding Debtors to Revenue	56.83%	50.00%
Creditors Management:		
Creditors to Cash and Investments	291.31%	43.10%
Financial Viability:		
Debt Coverage	99.94	42.37
Outstanding Service Debtors to Revenue	76.82%	66.45%
Cost Coverage	0.03	0.17

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Makana Municipality can generally be classified as Rates & General, Housing, Waste Management, Electricity and Water Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	1 448 133 157	1 399 972 199	3.44	-	100.00
Operating income for the year	356 313 582	314 135 050	13.43	328 825 940	8.36
Appropriations for the year	(18 980)	(18 990)	(0.05)	-	100.00
	1 804 427 760	1 714 088 258	5.27	328 825 940	448.75
Expenditure:					
Operating expenditure for the year	348 056 694	348 251 024	(0.06)	304 391 710	14.34
Sundry transfers	1 744 507	(82 295 923)	(102.12)	-	100.00
Closing surplus / (deficit)	1 454 626 559	1 448 133 157	0.45	24 434 230	5 853.23
	1 804 427 760	1 714 088 258	5.27	328 825 940	448.75

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	106 049 954	88 790 917	19.44	81 307 870	30.43
Expenditure	157 470 306	168 113 083	(6.33)	134 518 680	17.06
Surplus / (Deficit)	(51 420 352)	(79 322 166)	(35.18)	(53 210 810)	(3.36)
Surplus / (Deficit) as % of total income	(48.49)%	(89.34)%		(65.44)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	197	-	100.00	-	100.00
Expenditure	24 855	14 800	67.93	45 960	(45.92)
Surplus / (Deficit)	(24 658)	(14 800)	66.60	(45 960)	(46.35)
Surplus / (Deficit) as % of total income	(12516.53)%	(100.00)%		(100.00)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	66 665 605	52 196 960	27.72	53 443 830	24.74
Expenditure	35 573 846	36 655 925	(2.95)	36 600 940	(2.81)
Surplus / (Deficit)	31 091 759	15 541 035	100.06	16 842 890	84.60
Surplus / (Deficit) as % of total income	46.64%	29.77%		31.52%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R67 875 089 (2012: R72 252 029). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	108 610 816	102 054 716	6.42	119 651 350	(9.23)
Expenditure	95 636 286	92 597 291	3.28	93 972 670	1.77
Surplus / (Deficit)	12 974 530	9 457 425	37.19	25 678 680	(49.47)
Surplus / (Deficit) as % of total income	11.95%	9.27%		21.46%	

3.5 Water Services:

Water is bought in bulk from the Department of Water Affairs and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R1 353 738 (2012: R2 028 314). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	74 987 011	71 092 458	5.48	74 422 890	0.76
Expenditure	59 351 402	50 869 925	16.67	39 253 460	51.20
Surplus / (Deficit)	15 635 609	20 222 533	(22.68)	35 169 430	(55.54)
Surplus / (Deficit) as % of total income	20.85%	28.45%		47.26%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R94 186 425 (2011/12: R56 428 881). Full details of Assets are disclosed in Notes 9, 10, 11, 12 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R94 186 425 was financed as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
External Loans	23 407 122	-	100.00	43 000 000	(45.56)
Grants and Subsidies	56 851 145	31 444 747	80.80	57 812 410	(1.66)
Own Funds (Accumulated Surplus)	13 928 158	24 984 134	(44.25)	23 923 500	(41.78)
	94 186 425	56 428 881	66.91	124 735 910	(24.49)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2013	2012
External Loans	24.85%	-
Grants and Subsidies	60.36%	55.72%
Own Funds (Accumulated Surplus)	14.79%	44.28%
	100.00%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2013	2012
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	24 434 230	-
Revenue variances	27 487 642	17 524 970
Expenditure variances:		
Employee Related Costs	(3 074 320)	(2 996 884)
Remuneration of Councillors	61 522	(827 188)
Depreciation and Amortisation	(41 136 847)	(39 585 865)
Impairment Losses	(16 721 561)	1 665 511
Repairs and Maintenance	4 377 270	6 929 579
Interest Paid	(214 867)	(321 644)
Bulk Purchases	4 678 653	(12 997 503)
Contracted Services	(567 420)	934 189
Grants and Subsidies Paid	6 110 403	2 588 641
General Expenses	2 970 510	(7 029 781)
Loss on disposal of Property, Plant and Equipment	(148 328)	-
Actual surplus before appropriations	8 256 889	(34 115 974)

DETAILS	2013	2012
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	24 434 230	38 090
Executive and Council	(2 883 880)	(2 128 709)
Finance and Administration	(19 475 261)	(49 859 654)
Planning and Development	(3 806 488)	4 362 507
Health	(71 774)	756 168
Community and Social Services	476 638	483 824
Housing	21 302	29 950
Public Safety	(422 062)	3 304 398
Sport and Recreation	21 012 831	14 832 747
Environmental Protection	628 754	263 464
Waste Management	14 248 869	3 765 995
Roads and Transport	6 373 133	5 277 145
Water	(19 533 821)	1 459 433
Electricity	(12 704 150)	(16 641 305)
Other	(41 434)	(60 027)
Actual surplus before appropriations	8 256 889	(34 115 974)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

5.2 Capital Budget:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Variance actual 2012/13 / 2011/12 R	Budgeted 2012/13 R	Variance actual/ budgeted R
Executive and Council	660 122	-	660 122	268 500	391 622
Finance and Administration	6 194 291	-	6 194 291	2 736 600	3 457 691
Planning and Development	201 481	-	201 481	28 152 300	(27 950 819)
Health	197 092	-	197 092	150 000	47 092
Community and Social Services	237 027	-	237 027	389 500	(152 473)
Housing	-	-	-	1 390 000	(1 390 000)
Public Safety	580 923	-	580 923	321 000	259 923
Sport and Recreation	487 034	-	487 034	406 000	81 034
Environmental Protection	14 110	-	14 110	-	14 110
Waste Management	18 209 348	-	18 209 348	17 705 000	504 348
Roads and Transport	31 541 835	-	31 541 835	3 010 000	28 531 835
Water	31 003 242	-	31 003 242	59 922 010	(28 918 768)
Electricity	4 859 918	-	4 859 918	10 285 000	(5 425 082)
Other	-	56 428 881	(56 428 881)	-	-
	94 186 425	56 428 881	37 757 544	124 735 910	(30 549 485)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R1 454 626 559 (30 June 2012: R1 448 133 157) and is made up as follows:

Accumulated Surplus	<u>1 454 626 559</u>
	<u>1 454 626 559</u>

Refer to Note 24 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R21 912 987 (30 June 2012: R283 035).

Loans to the amount of R23 407 122 (2011/12: R0) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 20 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R44 076 386 (30 June 2012: R47 892 933).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 21 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R4 367 397 as at 30 June 2013 (30 June 2012: R4 264 789) and is made up as follows:

Provision for Long-term Service	3 617 706
Provision for Rehabilitation of Land-fill Sites	<u>749 691</u>
	<u>4 367 397</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 22 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R153 800 373 as at 30 June 2013 (30 June 2012: R146 641 089) and is made up as follows:

Consumer Deposits	Note 14	2 206 448
Provisions	Note 15	2 772 088
Payables from Exchange Transactions	Note 16	28 643 751
Payables from Non-exchange Transactions	Note 17	73 324 938
Unspent Conditional Grants and Receipts	Note 18	45 126 359
Current Portion of Long-term Liabilities	Note 20	<u>1 726 790</u>
		<u>153 800 373</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months).

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R1 245 158 470 as at 30 June 2013 (30 June 2012: R1 200 678 144).

Refer to Note 9 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R447 916 as at 30 June 2013 (30 June 2012: R304 137).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R226 882 150 as at 30 June 2013 (30 June 2012: R227 125 875).

Investment Property is property 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.

Refer to Note 11 and Appendix "B" for more detail.

14. HERITAGE ASSETS

The net value of Heritage Assets were R25 769 649 as at 30 June 2013 (30 June 2012: R23 100 874).

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

Refer to Note 12 and Appendix "B" for more detail.

15. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R485 442 as at 30 June 2013 (30 June 2012: R1 039 815).

Refer to Note 13 for more detail.

16. CURRENT ASSETS

Current Assets amounted R185 448 630 as at 30 June 2013 (30 June 2012: R200 355 734) and is made up as follows:

Inventories	Note 2	8 706 002
Receivables from Exchange Transactions	Note 4	138 117 060
Receivables from Non-exchange Transactions	Note 5	27 117 512
VAT Receivable	Note 6	1 658 397
Cash and Cash Equivalents	Note 7	9 832 693
Operating Lease Assets	Note 8	16 966
		<u>185 448 630</u>

Refer to the indicated Notes for more detail.

17. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 18 and 26, and Appendix "F" for more detail.

18. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 56.

19. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

20 December 2013

MAKANA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Note	Actual	
		2013 R	2012 R
ASSETS			
Current Assets		185 448 630	200 355 734
Inventories	2	8 706 002	7 275 167
Non-current Assets Held-for-Sale	3	-	98 000
Receivables from Exchange Transactions	4	138 117 060	113 504 856
Receivables from Non-exchange Transactions	5	27 117 512	26 445 084
VAT Receivable	6	1 658 397	-
Cash and Cash Equivalents	7	9 832 693	52 997 288
Operating Lease Receivables	8	16 966	35 338
Non-Current Assets		1 498 743 628	1 452 248 845
Property, Plant and Equipment	9	1 245 158 470	1 200 678 144
Intangible Assets	10	447 916	304 137
Investment Property	11	226 882 150	227 125 875
Heritage Assets	12	25 769 649	23 100 874
Non-current Investments	13	485 442	1 039 815
Total Assets		1 684 192 258	1 652 604 579
LIABILITIES			
Current Liabilities		153 800 373	146 641 089
Consumer Deposits	14	2 206 448	2 071 018
Provisions	15	2 772 088	2 522 834
Payables from Exchange Transactions	16	28 643 751	22 842 750
Payables from Non-exchange Transactions	17	73 324 938	63 118 399
Unspent Conditional Grants and Receipts	18	45 126 359	50 759 239
VAT Payable	19	-	4 475 571
Current Portion of Long-term Liabilities	20	1 726 790	851 279
Non-Current Liabilities		70 356 769	52 440 757
Long-term Liabilities	20	21 912 987	283 035
Retirement Benefit Liabilities	21	44 076 386	47 892 933
Non-current Provisions	22	4 367 397	4 264 789
Total Liabilities		224 157 142	199 081 846
Total Assets and Liabilities		1 460 035 115	1 453 522 733
NET ASSETS		1 460 035 115	1 453 522 733
Statutory Funds	23	5 408 556	5 389 576
Accumulated Surplus / (Deficit)	24	1 454 626 559	1 448 133 157
Total Net Assets		1 460 035 115	1 453 522 733

MAKANA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	25	38 084 464	38 133 329
Fines		995 661	621 350
Licences and Permits		2 410 544	2 098 696
Income for Agency Services		1 006 407	1 138 804
Government Grants and Subsidies Received	26	133 752 144	93 128 658
Revenue from Exchange Transactions			
Service Charges	27	166 252 775	162 026 814
Rental of Facilities and Equipment	28	1 058 985	1 205 193
Interest Earned - External Investments	29	1 325 220	3 971 235
Interest Earned - Outstanding Debtors	29	9 710 615	9 228 364
Other Revenue	30	1 716 767	2 582 607
Gains on Disposal of Property, Plant and Equipment		-	-
Total Revenue		356 313 582	314 135 050
EXPENDITURE			
Employee Related Costs	31	112 363 790	111 439 294
Remuneration of Councillors	32	7 782 498	7 703 708
Depreciation and Amortisation	33	46 624 607	45 661 115
Impairment Losses	34	23 521 561	20 844 119
Repairs and Maintenance		18 721 400	13 042 631
Finance Costs	35	214 867	342 644
Bulk Purchases	36	69 228 827	74 280 343
Contracted Services	37	4 331 710	2 706 241
Grants and Subsidies Paid	38	17 187 417	21 218 189
General Expenses	39	47 931 690	51 012 741
Loss on Disposal of Property, Plant and Equipment		148 328	-
Total Expenditure		348 056 694	348 251 024
SURPLUS / (DEFICIT) FOR THE YEAR		8 256 889	(34 115 974)
Refer to Appendix E(1) for explanation of budget variances			

MAKANA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

Description	Housing Development Fund	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2012			
Balance at 30 June 2011	5 370 586	1 399 972 199	1 405 342 784
Change in Accounting Policy (Note 40)	-	-	-
Correction of Error (Note 41)	-	91 715 866	91 715 866
Appropriations Made (Note 42)	-	(9 419 943)	(9 419 943)
Restated Balance	5 370 586	1 482 268 121	1 487 638 707
Surplus / (Deficit) for the year		(34 115 974)	(34 115 974)
Contributions to Funds and Reserves	18 990	(18 990)	-
Interest allocated to Funds and Reserves	-	-	-
Asset disposals		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2012	5 389 576	1 448 133 157	1 453 522 733
2013			
Change in Accounting Policy (Note 40)	-	-	-
Correction of Error (Note 41)	-	-	-
Appropriations Made (Note 42)	-	(1 744 507)	(1 744 507)
Restated Balance	5 389 576	1 446 388 651	1 451 778 227
Surplus / (Deficit) for the year		8 256 889	8 256 889
Contributions to Funds and Reserves	18 980	(18 980)	-
Interest allocated to Funds and Reserves	-	-	-
Asset disposals		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2013	5 408 556	1 454 626 559	1 460 035 115
	-	-	-

Details on the movement of the Funds and Reserves are set out in Note 24.

MAKANA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		34 703 154	32 336 927
Government Grants and Subsidies		128 119 264	103 538 019
Service Charges		122 475 825	138 152 791
Interest Received		1 325 220	3 971 235
Other Receipts		13 979 937	18 799 848
Payments			
Employee Related Costs		(115 858 002)	(102 938 011)
Remuneration of Councillors		(7 782 498)	(7 703 708)
Interest Paid		(214 867)	(342 644)
Suppliers Paid		(77 705 231)	(68 034 186)
Other Payments		(71 211 657)	(90 667 481)
NET CASH FLOWS FROM OPERATING ACTIVITIES	42	27 831 145	27 112 790
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(91 218 269)	(54 379 353)
Purchase of Intangible Assets	10	(145 707)	(138 040)
Purchase of Investment Property	11	(153 673)	(63 557)
Purchase of Heritage Assets	12	(2 668 775)	(1 847 932)
Proceeds on Disposal of Property, Plant and Equipment		130 850	-
Decrease / (Increase) in Non-current Investments		554 372	(116 875)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(93 501 203)	(56 545 756)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		23 407 122	-
Repayment of Borrowings		(901 660)	(1 245 264)
NET CASH FLOWS FROM FINANCING ACTIVITIES		22 505 463	(1 245 264)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(43 164 596)	(30 678 230)
Cash and Cash Equivalents at Beginning of Period	7	52 997 288	83 675 518
Cash and Cash Equivalents at End of Period	7	9 832 693	52 997 288

MAKANA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	-	-	-	-	-	-	8 706 002	-	8 706 002	0.00	0.00
Non-current Assets Held-for-Sale	-	-	-	-	-	-	-	-	-	0.00	0.00
Receivables from Exchange Transactions	40 285 804	-	40 285 804	-	-	40 285 804	138 117 060	-	97 831 256	342.84	342.84
Receivables from Non-exchange Transactions	-	-	-	-	-	-	27 117 512	-	27 117 512	0.00	0.00
VAT Receivable	-	-	-	-	-	-	1 658 397	-	1 658 397	0.00	0.00
Cash and Cash Equivalents	11 777 282	-	11 777 282	-	-	11 777 282	9 832 693	-	(1 944 589)	83.49	83.49
Operating Lease Receivables	-	-	-	-	-	-	16 966	-	16 966	0.00	0.00
Non-Current Assets											
Property, Plant and Equipment	1 351 502 107	-	1 351 502 107	-	-	1 351 502 107	1 245 158 470	-	(106 343 637)	92.13	92.13
Intangible Assets	-	-	-	-	-	-	447 916	-	447 916	0.00	0.00
Investment Property	-	-	-	-	-	-	226 882 150	-	226 882 150	0.00	0.00
Heritage Assets	-	-	-	-	-	-	25 769 649	-	25 769 649	0.00	0.00
Non-current Investments	12 437 000	-	12 437 000	-	-	12 437 000	485 442	-	(11 951 558)	3.90	3.90
Long-term Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Assets	1 416 002 193	-	1 416 002 193	-	-	1 416 002 193	1 684 192 258	-	268 190 065	118.94	118.94
Current Liabilities											
Consumer Deposits	1 985 767	-	1 985 767	-	-	1 985 767	2 206 448	-	220 681	111.11	111.11
Provisions	2 321 399	-	2 321 399	-	-	2 321 399	2 772 088	-	450 689	119.41	119.41
Payables from Exchange Transactions	47 029 000	-	47 029 000	-	-	47 029 000	28 643 751	-	(18 385 249)	60.91	60.91
Payables from Non-exchange Transactions	-	-	-	-	-	-	73 324 938	-	73 324 938	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	45 126 359	-	45 126 359	0.00	0.00
VAT Payable	-	-	-	-	-	-	-	-	-	0.00	0.00
Bank Overdraft	3 522 875	-	3 522 875	-	-	3 522 875	-	-	(3 522 875)	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	1 726 790	-	1 726 790	0.00	0.00
Non-Current Liabilities											
Long-term Liabilities	356 377	-	356 377	-	-	356 377	21 912 987	-	21 556 610	6 148.82	6 148.82
Retirement Benefit Liabilities	46 111 598	-	46 111 598	-	-	46 111 598	44 076 386	-	(2 035 212)	95.59	95.59
Non-current Provisions	-	-	-	-	-	-	4 367 397	-	4 367 397	0.00	0.00
Total Liabilities	101 327 016	-	101 327 016	-	-	101 327 016	224 157 142	-	122 830 126	221.22	221.22
Total Assets and Liabilities	1 314 675 177	-	1 314 675 177	-	-	1 314 675 177	1 460 035 115	-	145 359 938	111.06	111.06
Net Assets (Equity)											
Statutory Funds	-	-	-	-	-	-	5 408 556	-	5 408 556	0.00	0.00
Accumulated Surplus / (Deficit)	1 314 675 177	-	1 314 675 177	-	-	1 314 675 177	1 454 626 559	-	139 951 382	110.65	110.65
Total Net Assets	1 314 675 177	-	1 314 675 177	-	-	1 314 675 177	1 460 035 115	-	145 359 938	111.06	111.06

MAKANA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	44 372 780	-	44 372 780	-	-	44 372 780	38 084 464	-	(6 288 316)	85.83	85.83
Fines	832 380	-	832 380	-	-	832 380	995 661	-	163 281	119.62	119.62
Licences and Permits	2 199 950	-	2 199 950	-	-	2 199 950	2 410 544	-	210 594	109.57	109.57
Income for Agency Services	1 179 130	-	1 179 130	-	-	1 179 130	1 006 407	-	(172 723)	85.35	85.35
Government Grants and Subsidies Received	75 751 670	-	75 751 670	-	-	75 751 670	76 900 999	-	1 149 329	101.52	101.52
Revenue from Exchange Transactions											
Service Charges	188 851 750	-	188 851 750	-	-	188 851 750	166 252 775	-	(22 598 975)	88.03	88.03
Rental of Facilities and Equipment	1 368 170	-	1 368 170	-	-	1 368 170	1 058 985	-	(309 185)	77.40	77.40
Interest Earned - External Investments	4 000 000	-	4 000 000	-	-	4 000 000	1 325 220	-	(2 674 780)	33.13	33.13
Interest Earned - Outstanding Debtors	8 750 290	-	8 750 290	-	-	8 750 290	9 710 615	-	960 325	110.97	110.97
Other Income	1 519 820	-	1 519 820	-	-	1 519 820	1 716 767	-	196 947	112.96	112.96
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	328 825 940	-	328 825 940	-	-	328 825 940	299 462 437	-	(29 363 503)	91.07	91.07
Expenditure											
Employee Related Costs	109 265 920	23 550	109 289 470	-	-	109 289 470	112 363 790	3 074 320	3 074 320	102.81	102.84
Remuneration of Councillors	7 844 020	-	7 844 020	-	-	7 844 020	7 782 498	-	(61 522)	99.22	99.22
Depreciation and Amortisation	5 487 760	-	5 487 760	-	-	5 487 760	46 624 607	41 136 847	41 136 847	849.61	849.61
Impairment Losses	6 800 000	-	6 800 000	-	-	6 800 000	23 521 561	16 721 561	16 721 561	345.91	345.91
Repairs and Maintenance	23 148 670	(50 000)	23 098 670	-	-	23 098 670	18 721 400	-	(4 377 270)	81.05	80.87
Finance Costs	-	-	-	-	-	-	214 867	214 867	214 867	0.00	0.00
Bulk Purchases	73 907 480	-	73 907 480	-	-	73 907 480	69 228 827	-	(4 678 653)	93.67	93.67
Contracted Services	4 087 590	(323 300)	3 764 290	-	-	3 764 290	4 331 710	567 420	567 420	115.07	105.97
Grants and Subsidies Paid	23 402 820	(105 000)	23 297 820	-	-	23 297 820	17 187 417	-	(6 110 403)	73.77	73.44
General Expenses	50 447 450	454 750	50 902 200	-	-	50 902 200	47 931 690	-	(2 970 510)	94.16	95.01
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	148 328	148 328	148 328	0.00	0.00
Total Expenditure	304 391 710	-	304 391 710	-	-	304 391 710	348 056 694	61 863 343	43 664 984	114.34	114.34
Surplus/(Deficit)	24 434 230	-	24 434 230	-	-	24 434 230	(48 594 256)	(61 863 343)	(73 028 486)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	56 851 145	56 851 145	56 851 145	0.00	0.00
Surplus/(Deficit for the Year)	24 434 230	-	24 434 230	-	-	24 434 230	8 256 889	(5 012 198)	(16 177 341)	33.79	33.79

MAKANA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	268 500	-	268 500	-	-	268 500	660 122	391 622	391 622	245.86	245.86
Finance and Administration	2 736 600	-	2 736 600	-	-	2 736 600	6 194 291	3 457 691	3 457 691	226.35	226.35
Planning and Development	28 152 300	-	28 152 300	-	-	28 152 300	201 481	-	(27 950 819)	0.72	0.72
Health	150 000	-	150 000	-	-	150 000	197 092	47 092	47 092	131.39	131.39
Community and Social Services	389 500	-	389 500	-	-	389 500	237 027	-	(152 473)	60.85	60.85
Housing	1 390 000	-	1 390 000	-	-	1 390 000	-	-	(1 390 000)	0.00	0.00
Public Safety	321 000	-	321 000	-	-	321 000	580 923	259 923	259 923	180.97	180.97
Sport and Recreation	406 000	-	406 000	-	-	406 000	487 034	81 034	81 034	119.96	119.96
Environmental Protection	-	-	-	-	-	-	14 110	14 110	14 110	0.00	0.00
Waste Management	17 705 000	-	17 705 000	-	-	17 705 000	18 209 348	504 348	504 348	102.85	102.85
Roads and Transport	3 010 000	-	3 010 000	-	-	3 010 000	31 541 835	28 531 835	28 531 835	1 047.90	1 047.90
Water	59 922 010	-	59 922 010	-	-	59 922 010	31 003 242	-	(28 918 768)	51.74	51.74
Electricity	10 285 000	-	10 285 000	-	-	10 285 000	4 859 918	-	(5 425 082)	47.25	47.25
Other	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Capital Expenditure	124 735 910	-	124 735 910	-	-	124 735 910	94 186 425	33 287 656	(30 549 485)	75.51	75.51

MAKANA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	-	-	-	-	-	-	34 703 154	34 703 154	34 703 154	0.00	0.00
Grants	125 810 000	-	125 810 000	-	-	125 810 000	128 119 264	2 309 264	2 309 264	101.84	101.84
Service Charges	224 416 000	-	224 416 000	-	-	224 416 000	122 475 825	-	(101 940 175)	54.58	54.58
Interest Received	14 107 000	-	14 107 000	-	-	14 107 000	1 325 220	-	(12 781 780)	9.39	9.39
Other Receipts	-	-	-	-	-	-	13 979 937	13 979 937	13 979 937	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(115 858 002)	-	(115 858 002)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(7 782 498)	-	(7 782 498)	0.00	0.00
Interest Paid	(150 000)	-	(150 000)	-	-	(150 000)	(214 867)	-	(64 867)	0.00	0.00
Suppliers Paid	(281 330 000)	-	(281 330 000)	-	-	(281 330 000)	(77 705 231)	203 624 769	203 624 769	0.00	0.00
Other Payments	-	-	-	-	-	-	(71 211 657)	-	(71 211 657)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	-	-	-	-	-	-	(91 218 269)	-	(91 218 269)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(145 707)	-	(145 707)	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	(153 673)	-	(153 673)	0.00	0.00
Purchase of Heritage Assets	-	-	-	-	-	-	(2 668 775)	-	(2 668 775)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	130 850	130 850	130 850	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	554 372	554 372	554 372	0.00	0.00
Cash Flows from/(used in) Financing Activities											
New Loans raised	43 626 622	-	43 626 622	-	-	43 626 622	23 407 122	-	(20 219 500)	53.65	53.65
Loans repaid	(730 721)	-	(730 721)	-	-	(730 721)	(901 660)	-	(170 939)	0.00	0.00
Cash and Cash Equivalents at End of the Year	125 748 901	-	125 748 901	-	-	125 748 901	(43 164 596)	255 302 346	(168 913 497)	0.00	0.00

MAKANA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2012/13	2011/12
	R	R
Net surplus/(deficit) per the statement of financial performance	8 256 889	(34 115 974)
Revenue from Non-exchange Transactions		
Property Rates	6 288 316	(1 142 439)
Fines	(163 281)	112 010
Licences and Permits	(210 594)	249 884
Revenue for Agency Services	172 723	(488 804)
Government Grants and Subsidies Received	(58 000 474)	(29 131 148)
Revenue from Exchange Transactions		
Service Charges	22 598 975	14 008 986
Rental of Facilities and Equipment	309 185	197 827
Interest Earned - External Investments	2 674 780	828 765
Interest Earned - Outstanding Debtors	(960 325)	(1 228 364)
Other Revenue	(196 947)	(931 687)
Gains on Disposal of Property, Plant and Equipment	-	-
Expenditure		
Employee Related Costs	3 074 320	2 996 884
Remuneration of Councillors	(61 522)	827 188
Depreciation and Amortisation	41 136 847	39 585 865
Impairment Losses	16 721 561	(1 665 511)
Repairs and Maintenance	(4 377 270)	(6 929 579)
Finance Costs	214 867	321 644
Bulk Purchases	(4 678 653)	12 997 503
Contracted Services	567 420	(934 189)
Grants and Subsidies Paid	(6 110 403)	(2 588 641)
General Expenses	(2 970 510)	7 029 781
Loss on Disposal of Property, Plant and Equipment	148 328	-
Net surplus/deficit per approved budget	24 434 230	(0)

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an *Accrual Basis* of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

1.2.3 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.3 Impairment of Financial Assets (continued)

◆ Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions amounted to R18 597 131 and that of Receivables from Non-exchange Transactions to R4 123 330.

1.2.4 Useful lives of Property, Plant and Equipment, Investment Property and Intangible Assets

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates / amortises its Property, Plant and Equipment, Investment Property and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant and Equipment, and Inventories

Accounting Policy 7 on *Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.5 Impairment: Write-down of Property, Plant and Equipment and Inventories (continued)

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (*Impairment of Cash Generating Assets*) and GRAP 26 (*Impairment of Non-cash Generating Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

During the year the estimated impairments to Property, Plant and Equipment amounted to R233 485, whilst no impairments were made to Intangible Assets, Investment Property, Heritage Assets or Inventory.

1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water by manual measurement, determining the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy, paragraph 9.2.2.

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, *Employee Benefits – Post-employment Benefits*, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Provision for Rehabilitation of Refuse Landfill Sites:

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 4,10% (2012: 4,10%) and discounted to the present value.

1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

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

- ◆ GRAP 18 Segment Reporting - issued March 2005
- ◆ GRAP 20 Related Party Disclosures (Revised)
- ◆ GRAP 25 Employee Benefits - issued December 2009
- ◆ GRAP 105 Transfers between Entities under common control - issued November 2010
- ◆ GRAP 106 Transfers between Entities not under common control - issued November 2010
- ◆ GRAP 107 Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

2. ACCUMULATED SURPLUS

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Housing Development Fund (HDF)

Sections 15(5) and 16 of the Housing Act, (Act No 107 of 1997), which came into operation on 1 April 1998, required that the municipality maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act. Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing Selling Schemes, either completed or in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can only be used to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- ◆ Any available cash in the Fund is invested in accordance with the Investment Policy of the municipality.
- ◆ The proceeds in the Fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- ◆ Any contributions to or from the Fund are shown as transfers in the Statement of Changes in Net Assets.
- ◆ Interest earned on the investments of the Fund is disclosed as interest earned in the Statement of Financial Performance.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

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

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

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

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. 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.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings		Community	
Improvements	10 - 60	Community Facilities	10 - 80
Historical Buildings classed PPE	200 (*)	Recreational Facilities	10 - 60
Infrastructure		Other	
Airfields	50 - 80	Computer Equipment	5 - 10
Electricity	10 - 60	Emergency Equipment	5 - 10
Roads and Paving	10 - 80	Furniture and Fittings	5 - 10
Solid Waste Disposal	20 - 40	Motor Vehicles	7 - 20
Sewerage	10 - 60	Office Equipment	5 - 10
Water	10 - 60	Plant and Equipment	5 - 30
		Other Assets	5 - 30

(*) Note: Historical Buildings are restored and maintained indefinitely but, due to requirements of GRAP 17 (classification as Property, Plant and Equipment when held for administrative purposes), are depreciated over an estimated useful life of 200 years.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.3 Depreciation (continued)

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.7 Incomplete Construction Work

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

3.8 Derecognition of Property, Plant and Equipment

The carrying amount of an item of Property, Plant and Equipment is 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 an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only 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.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- ◆ It is technically feasible to complete the Intangible Asset so that it will be available for use;
- ◆ Management intends to complete the Intangible Asset and use or sell it;
- ◆ There is an ability to use or sell the Intangible Asset;
- ◆ It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- ◆ Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- ◆ The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is ready for use on a *Straight-line Basis* over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

4. INTANGIBLE ASSETS (continued)

4.1 Initial Recognition (continued)

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 102, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Computer Systems & Software	5 - 10		

Intangible Assets are annually tested for impairment, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

4. INTANGIBLE ASSETS (continued)

4.3 Derecognition

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

5. INVESTMENT PROPERTY

5.1 Initial Recognition

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

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

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- ◆ Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- ◆ Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- ◆ A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- ◆ A property owned by the municipality and leased out at a below market rental; and
- ◆ Property that is being constructed or developed for future use as investment property.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

5. INVESTMENT PROPERTY (continued)

5.1 Initial Recognition (continued)

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- ◆ Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- ◆ Property being constructed or developed on behalf of third parties;
- ◆ Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- ◆ Property that is leased to another entity under a finance lease;
- ◆ Property held to provide goods and services and also generates cash inflows; and
- ◆ Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

5.2 Subsequent Measurement, Depreciation and Impairment

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 60 - 200 years (*). Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

(*) Note: Historical Buildings are restored and maintained indefinitely but, due to requirements of GRAP 17 (classification as Property, Plant and Equipment when held for administrative purposes), are depreciated over an estimated useful life of 200 years.

5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

6. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

6.1 Initial Recognition

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

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of Heritage Assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

6.2 Subsequent Measurement and Impairment

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

6. HERITAGE ASSETS (continued)

6.3 Derecognition

The carrying amount of an item of Heritage Assets is 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 an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

6.4 Transitional Provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset. Value in use is determined as the depreciated replacement cost of the asset.

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

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

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

7. IMPAIRMENT OF ASSETS (continued)

7.1 Impairment of Cash Generating Assets (continued)

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

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

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

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

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

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Value in use is determined as the depreciated replacement cost of the asset.

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

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

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

7. IMPAIRMENT OF ASSETS (continued)

7.2 Impairment of Non-cash Generating Assets (continued)

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

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

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

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

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

8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

8. FINANCIAL INSTRUMENTS (continued)

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- ◆ The fair values of quoted investments are based on current bid prices.
- ◆ If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability 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.

Amortised Cost

Amortised Cost 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 Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the *Financial Assets* of the municipality are classified as follows into the three categories allowed by this standard:

- ◆ **Financial Assets at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

8. FINANCIAL INSTRUMENTS (continued)

8.1 Financial Assets – Classification (continued)

- ◆ **Financial Assets at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

- ◆ **Financial Assets at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality may have the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Non-current Investments	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents	Financial Assets at Fair Value
Current portion of Non-current Investments	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

8. FINANCIAL INSTRUMENTS (continued)

8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Fair Value
Current portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

8. FINANCIAL INSTRUMENTS (continued)

8.3 Initial and Subsequent Measurement (continued)

8.3.1 Financial Assets (continued)

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

8. FINANCIAL INSTRUMENTS (continued)

8.4 Impairment of Financial Assets (continued)

8.4.1 Financial Assets at Amortised Cost

Accounts Receivables encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

8.4.2 Financial Assets 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 shall not be reversed.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

8. FINANCIAL INSTRUMENTS (continued)

8.5 Derecognition of Financial Assets

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

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

8.6 Derecognition of Financial Liabilities

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

The municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

9. INVENTORIES

9.1 Initial Recognition

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

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

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

9. INVENTORIES (continued)

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

9.2.2 Water Inventory:

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

9.2.3 Other Arrangements:

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

10. NON-CURRENT ASSETS HELD-FOR-SALE

10.1 Initial Recognition

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.

10.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous 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.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

11. REVENUE RECOGNITION (continued)

11.1 General (continued)

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from *Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property, regardless of whether or not all containers are emptied during the month.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

11. REVENUE RECOGNITION (continued)

11.2 Revenue from Exchange Transactions (continued)

11.2.1 Service Charges (continued)

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards for June in excess of the monthly average over 11 months is recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

11.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

11.2.4 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

11.2.5 Tariff Charges

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

11.2.6 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

11. REVENUE RECOGNITION (continued)

11.2 Revenue from Exchange Transactions (continued)

11.2.7 Sale of Goods (including Houses)

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

- ◆ The municipality has transferred to the buyer 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.

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a *Non-exchange Transaction*, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a *Non-exchange Transaction* that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

11. REVENUE RECOGNITION (continued)

11.3 Revenue from Non-exchange Transactions (continued)

11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with the management's best estimate of the probable inflows from spot fines and summonses that will be received based on past experience of amounts collected.

11.3.3 Public Contributions

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11.3.4 Government Grants and Receipts

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

11. REVENUE RECOGNITION (continued)

11.3 Revenue from Non-exchange Transactions (continued)

11.3.4 Government Grants and Receipts (continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

12. PROVISIONS (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12.1 Environmental Rehabilitation Provisions:

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that do not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

13. EMPLOYEE BENEFITS (continued)

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds, with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

13. EMPLOYEE BENEFITS (continued)

13.2 Post-employment Benefits (continued)

13.2.2 Defined Benefit Plans (continued)

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

Long-service Allowance:

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20 and 25 years of continued service. The municipality's liability is based on an actuarial valuation. *The Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans:

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities

Defined Benefit Pension Plans:

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

13. EMPLOYEE BENEFITS (continued)

13.2 Post-employment Benefits (continued)

13.2.2 Defined Benefit Plans (continued)

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ◆ Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ◆ Expect to be repaid in future; or
- ◆ Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

15. LEASES

15.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

15.2 The Municipality as Lessee

15.2.1 Finance Leases

Where the municipality enters into a Finance Lease, Property, Plant and Equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

15.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

15. LEASES (continued)

15.3 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a *Straight-line Basis* over the term of the relevant lease.

15.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

16. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the *Payments Basis* in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

17. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

18. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised retrospectively as an expense in the Statement of Financial Performance for the financial year ending 30 June 2013 in accordance with the requirements of GRAP 5.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases the capitalisation of borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use have been completed.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

19. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for 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. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

20. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure 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. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

23. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- ◆ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- ◆ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- ◆ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- ◆ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- ◆ Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

24. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

25. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

MAKANA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

27. COMPARATIVE INFORMATION

27.1 Current year comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

27.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

27.3 Budget Information:

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

1. GENERAL INFORMATION

Makana Municipality is a local government institution in Grahamstown, Eastern Cape Province, and is one of nine local municipalities under the jurisdiction of the Cacadu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores - at cost	2 834 346	3 076 258
Maintenance Materials - at cost	5 701 042	4 045 672
Water - at cost	170 614	153 238
Total Inventories	8 706 002	7 275 167

Inventories have been restated to correctly disclose the amount for Water Stock, previously calculated incorrectly. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R5,39 per kilolitre (2012: R5,55 per kilolitre).

The cost of Inventories recognised as an expense during the period was R8 379 419 (2012: R6 830)

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Property Held-for-Sale - at cost	-	98 000
Net Non-current Assets Held-for-Sale	-	98 000

3.1 Property Held-for-Sale

The municipality holds property for sale in the following categories of assets:

Vehicles	-	98 000
Total Property Held-for-Sale	-	98 000

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Gross Balances R	Provision for Impairment R
		Net Balances R
As at 30 June 2013		
Service Debtors:	193 126 064	81 031 715
Electricity	52 812 884	14 294 375
Refuse	17 459 923	8 427 688
Sewerage	37 396 479	15 489 308
Water	85 456 776	42 820 343
Other Receivables	19 676 404	3 302 502
Debtors in Credit	9 648 809	-
Total Receivables from Exchange Transactions	222 451 277	84 334 217
	Gross Balances R	Provision for Impairment R
		Net Balances R
As at 30 June 2012		
Service Debtors:	165 140 095	63 085 536
Electricity	48 177 393	12 648 400
Refuse	12 706 183	7 046 721
Sewerage	33 468 251	12 785 897
Water	70 788 269	30 604 518
Other Receivables	8 524 770	3 018 694
Debtors in Credit	5 944 221	-
Total Receivables from Exchange Transactions	179 609 087	66 104 231

Receivables from Exchange Transactions have been restated to correctly disclose the amount for credit amounts on debtors, previously incorrectly calculated. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Receivables from Exchange Transactions* have been restated to correctly disclose the receivables in terms of the bank reconciliation performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2013, the municipality is owed R15 813 021 (30 June 2012: R15 938 294) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	7 497 360	4 909 513	3 122 897	37 283 114	52 812 884
Less: Provision for Impairment	1 559 789	1 472 547	713 780	10 548 259	14 294 375
Net Balances	5 937 571	3 436 965	2 409 118	26 734 855	38 518 509
Refuse:					
Gross Balances	474 846	350 380	309 114	16 325 584	17 459 923
Less: Provision for Impairment	188 701	155 787	142 968	7 940 232	8 427 688
Net Balances	286 144	194 593	166 146	8 385 352	9 032 235
Sewerage:					
Gross Balances	857 162	484 436	410 339	35 644 543	37 396 479
Less: Provision for Impairment	269 461	205 717	181 413	14 832 717	15 489 308
Net Balances	587 701	278 718	228 925	20 811 827	21 907 171
Water:					
Gross Balances	3 122 865	2 890 343	2 584 418	76 859 150	85 456 776
Less: Provision for Impairment	1 529 304	1 722 634	1 597 286	37 971 120	42 820 343
Net Balances	1 593 562	1 167 710	987 132	38 888 030	42 636 433
Other Receivables:					
Gross Balances	171 962	114 463	212 329	19 177 650	19 676 404
Less: Provision for Impairment	62 545	43 681	84 056	3 112 220	3 302 502
Net Balances	109 417	70 783	128 272	16 065 430	16 373 902
Debtors in Credit:					
Gross Balances	9 648 809	-	-	-	9 648 809
Less: Provision for Impairment	-	-	-	-	-
Net Balances	9 648 809	-	-	-	9 648 809

As at 30 June Receivables of R119 953 855 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	8 749 135	6 639 097	185 290 041	200 678 273
Less: Provision for Impairment	3 600 366	2 719 504	74 404 548	80 724 418
Net Balances	5 148 769	3 919 593	110 885 493	119 953 855

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R			2012 R	
As at 30 June 2012					
	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Electricity:					
Gross Balances	9 001 221	4 198 313	3 428 657	31 549 201	48 177 393
Less: Provision for Impairment	2 247 872	817 215	615 991	8 967 322	12 648 400
Net Balances	6 753 349	3 381 098	2 812 667	22 581 879	35 528 993
Refuse:					
Gross Balances	638 165	290 195	262 616	11 515 208	12 706 183
Less: Provision for Impairment	199 849	117 991	112 526	6 616 355	7 046 721
Net Balances	438 316	172 203	150 090	4 898 853	5 659 462
Sewerage:					
Gross Balances	738 297	420 553	364 491	31 944 910	33 468 251
Less: Provision for Impairment	208 507	155 912	150 484	12 270 993	12 785 897
Net Balances	529 790	264 640	214 007	19 673 917	20 682 354
Water:					
Gross Balances	2 485 748	2 232 740	2 140 961	63 928 820	70 788 269
Less: Provision for Impairment	912 410	1 106 357	665 613	27 920 139	30 604 518
Net Balances	1 573 339	1 126 383	1 475 348	36 008 680	40 183 750
Other Receivables:					
Gross Balances	195 664	86 954	116 762	8 125 391	8 524 770
Less: Provision for Impairment	77 718	27 580	57 495	2 855 902	3 018 694
Net Balances	117 946	59 374	59 266	5 269 489	5 506 076
Debtors in Credit:					
Gross Balances	5 944 221	-	-	-	5 944 221
Less: Provision for Impairment	-	-	-	-	-
Net Balances	5 944 221	-	-	-	5 944 221

As at 30 June Receivables of R98 147 895 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	7 228 754	6 313 487	147 063 530	160 605 771
Less: Provision for Impairment	2 225 056	1 602 108	58 630 712	62 457 876
Net Balances	5 003 699	4 711 379	88 432 818	98 147 895

4.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	17 381 049	2 996 759	1 395 196	-
<u>Past Due:</u>				
31 - 60 Days	5 476 360	2 267 229	1 005 546	-
61 - 90 Days	4 665 206	1 189 955	783 935	-
+ 90 Days	158 858 570	19 106 830	7 324 641	-
Sub-total	186 381 186	25 560 773	10 509 318	-
Less: Provision for Impairment	74 163 283	10 170 934	-	-
Total Trade Receivables by Customer Classification	112 217 904	15 389 839	10 509 318	-

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2012 R
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2012				
<i>Current:</i>				
0 - 30 days	12 842 281	4 652 296	1 508 739	-
<i>Past Due:</i>				
31 - 60 Days	4 706 725	1 806 496	715 534	-
61 - 90 Days	3 510 635	2 163 934	638 918	-
+ 90 Days	116 390 172	21 847 323	8 826 035	-
Sub-total	137 449 813	30 470 048	11 689 226	-
Less: Provision for Impairment	54 109 229	11 995 002	-	-
Total Trade Receivables by Customer Classification	83 340 584	18 475 046	11 689 226	-

**2013
R** **2012
R**

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	66 104 231	59 079 220
Impairment Losses recognised	18 880 939	16 827 874
Impairment Losses reversed	283 808	(581 163)
Amounts written off as uncollectable	(934 760)	(9 221 700)
Balance at end of year	84 334 217	66 104 231

Provision for Impairment has been restated to correctly disclose the amount for impairment of debtors, previously incorrectly calculated. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

4.4 Ageing of impaired Receivables from Exchange Transactions

<i>Current:</i>				
0 - 30 Days			3 609 799	3 646 355
<i>Past Due:</i>				
31 - 60 Days			3 600 366	2 225 056
61 - 90 Days			2 719 504	1 602 108
+ 90 Days			74 404 548	58 630 712
Total			84 334 217	66 104 231

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
	Gross Balances R	Provision for Impairment R
		Net Balances R
As at 30 June 2013		
Assessment Rates Debtors	35 810 440	16 391 834
Payments made in Advance	367 223	-
Sundry Debtors	5 095 849	-
Debtors in Credit	2 235 834	-
Total Receivables from Non-exchange Transactions	43 509 346	16 391 834
	Gross Balances R	Provision for Impairment R
		Net Balances R
As at 30 June 2012		
Assessment Rates Debtors	32 429 130	12 268 504
Payments made in Advance	234 612	-
Sundry Debtors	4 519 113	-
Debtors in Credit	1 530 734	-
Total Receivables from Non-exchange Transactions	38 713 589	12 268 504

Receivables from Non-exchange Transactions have been restated to correctly classify disclose the amount for credit amounts on debtors, previously incorrectly calculated. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Receivables from Non-exchange Transactions* have been restated to correctly disclose the receivables in terms of the bank reconciliation performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Receivables from Non-exchange Transactions* have been restated to correctly disclose the receivables in terms of the reconciliation performed on Finance Leases. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Assessment Rates are billed monthly, latest end of month. Interest is charged on outstanding rates after 60 days upon billing thereof. Thereafter interest is charged at a rate determined by council on the outstanding balance. No interest is charges on other receivables.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	2 160 864	880 834	639 728	32 129 014	35 810 440
Less: Provision for Impairment	554 592	396 291	326 142	15 114 808	16 391 834
Net Balances	1 606 272	484 543	313 586	17 014 205	19 418 606
Payments made in Advance:					
Gross Balances	367 223	-	-	-	367 223
Less: Provision for Impairment	-	-	-	-	-
Net Balances	367 223	-	-	-	367 223
Sundry Debtors:					
Gross Balances	5 095 849	-	-	-	5 095 849
Less: Provision for Impairment	-	-	-	-	-
Net Balances	5 095 849	-	-	-	5 095 849
Debtors in Credit:					
Gross Balances	2 235 834	-	-	-	2 235 834
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2 235 834	-	-	-	2 235 834

As at 30 June Receivables of R17 812 334 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	880 834	639 728	32 129 014	33 649 576
Less: Provision for Impairment	396 291	326 142	15 114 808	15 837 242
Net Balances	484 543	313 586	17 014 205	17 812 334

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R			2012 R	
As at 30 June 2012					
	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	2 157 365	775 900	702 206	28 793 660	32 429 130
Less: Provision for Impairment	548 824	322 279	282 158	11 115 243	12 268 504
Net Balances	1 608 540	453 620	420 048	17 678 417	20 160 626
Payments made in Advance:					
Gross Balances	234 612	-	-	-	234 612
Less: Provision for Impairment	-	-	-	-	-
Net Balances	234 612	-	-	-	234 612
Sundry Debtors:					
Gross Balances	4 519 113	-	-	-	4 519 113
Less: Provision for Impairment	-	-	-	-	-
Net Balances	4 519 113	-	-	-	4 519 113
Debtors in Credit:					
Gross Balances	1 530 734	-	-	-	1 530 734
Less: Provision for Impairment	-	-	-	-	-
Net Balances	1 530 734	-	-	-	1 530 734

As at 30 June Receivables of R18 552 085 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	775 900	702 206	28 793 660	30 271 765
Less: Provision for Impairment	322 279	282 158	11 115 243	11 719 680
Net Balances	453 620	420 048	17 678 417	18 552 085

5.2 Summary of Assessment Rates Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	1 792 331	318 126	50 408	-
<u>Past Due:</u>				
31 - 60 Days	687 590	160 663	32 581	-
61 - 90 Days	507 115	100 111	32 502	-
+ 90 Days	23 902 629	3 038 173	5 188 212	-
Sub-total	26 889 665	3 617 072	5 303 703	-
Less: Provision for Impairment	14 448 314	1 943 520	-	-
Total Rates Debtors by Customer Classification	12 441 350	1 673 552	5 303 703	-

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2012 R
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2012				
<i>Current:</i>				
0 - 30 days	1 729 848	339 958	87 559	-
<i>Past Due:</i>				
31 - 60 Days	590 685	144 234	40 981	-
61 - 90 Days	468 644	127 654	105 908	-
+ 90 Days	21 702 013	3 077 027	4 014 620	-
Sub-total	24 491 190	3 688 872	4 249 068	-
Less: Provision for Impairment	10 662 513	1 605 991	-	-
Total Rates Debtors by Customer Classification	13 828 677	2 082 880	4 249 068	-

	2013 R	2012 R
5.3 Reconciliation of Provision for Impairment		
Balance at beginning of year	12 268 504	10 880 688
Impairment Losses recognised	4 123 330	4 597 408
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	(3 209 592)
Balance at end of year	16 391 834	12 268 504

Provision for Impairment has been restated to correctly disclose the amount for impairment of debtors, previously incorrectly calculated. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

6. VAT RECEIVABLE

Vat Receivable	1 658 397	-
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
7. CASH AND CASH EQUIVALENTS		
Current Investments	5 700 124	49 560 577
Bank Accounts	4 128 619	3 432 762
Cash and Cash Equivalents	3 950	3 950
Total Bank, Cash and Cash Equivalents	9 832 693	52 997 288

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	4 404 863	46 593 137
Notice Deposits	1 295 261	2 967 440
Total Current Investment Deposits	5 700 124	49 560 577

Current Investment Deposits have been restated to correctly disclose the amount for Current Deposits held, previously disclosed as non-current instead of current investments. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 1,00 % to 4,80 % (2012: 4,90% to 5,50%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 2,70 % to 4,90 % (2012: 5,40 % to 6,53 %)per annum.

Deposits attributable to Unspent Conditional Grants	5 700 124	49 560 577
Total Deposits attributable to Commitments of the Municipality	5 700 124	49 560 577

7.2 Bank Accounts

Cash in Bank	4 128 619	3 432 762
Total Bank Accounts	4 128 619	3 432 762

The Municipality has the following bank accounts:

Primary Bank Account

Cash book balance at beginning of year	3 432 762	(1 851 454)
Cash book balance at end of year	4 128 619	3 432 762

First National Bank, Grahamstown - Account Number 620 312 325 31:

Bank statement balance at beginning of year	7 415 493	1 061 715
Bank statement balance at end of year	17 777 349	7 415 493

Standard Bank, Grahamstown - Account Number 081 999 356:

Bank statement balance at beginning of year	522 693	3 026 124
Bank statement balance at end of year	167 762	522 693

Bank Accounts have been restated to correctly disclose the amount for Bank Accounts held in terms of the bank reconciliation performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
7.3 Cash and Cash Equivalents		
Cash Floats and Advances	3 950	3 950
Total Cash on hand in Cash Floats, Advances and Equivalents	3 950	3 950

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

8. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	35 338	47 591
Operating Lease Revenue recorded	(68 646)	(191 397)
Operating Lease Revenue effected	50 273	179 145
Total Operating Lease Receivables	16 966	35 338

Operating Lease Receivables have been restated to correctly disclose the amount for Operating Lease Receivables in terms of GRAP 13, contracts not previously straight-lined. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

8.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 4 to 29 (2012: 9 to 41) months, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its Investment Property, all of which is leased out under operating leases, amounted to R439 451 (2012: R0).

8.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	37 881	68 646
2 to 5 years	20 134	58 014
More than 5 years	-	-
Total Operating Lease Arrangements	58 014	126 660

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R-18 373 (2012: decrease of R12 252) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2013

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Housing Development Fund	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2012	319 236 991	324 409 993	488 455 258	43 635 380	24 940 523	-	1 200 678 144
Cost	319 236 991	359 997 174	572 273 958	49 283 610	37 289 786	-	1 338 081 520
- Completed Assets	319 236 991	359 997 174	528 182 916	46 281 057	37 289 786	-	1 290 987 924
- Under Construction	-	-	44 091 042	3 002 553	-	-	47 093 595
Correction of error (Note 41)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	-	(35 587 182)	(83 818 701)	(5 648 230)	(12 349 263)	-	(137 403 375)
- Cost	-	(35 587 182)	(83 818 701)	(5 648 230)	(12 349 263)	-	(137 403 375)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	1 131 616	6 990 783	154 667	10 277 401	-	18 554 466
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	72 580 793	83 010	-	-	72 663 803
- Cost	-	-	72 580 793	83 010	-	-	72 663 803
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(12 031 032)	(28 875 769)	(1 861 912)	(3 456 568)	-	(46 225 281)
- Based on Cost	-	(12 031 032)	(28 875 769)	(1 861 912)	(3 456 568)	-	(46 225 281)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	(279 178)	-	(279 178)
- Cost	-	-	-	-	(465 000)	-	(465 000)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	185 822	-	185 822
- Based on Cost	-	-	-	-	185 822	-	185 822
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	(233 485)	-	(233 485)
Capital under Construction - Completed	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2013	319 236 991	313 510 576	539 151 065	42 011 145	31 248 693	-	1 245 158 470
Cost	319 236 991	361 128 790	651 845 534	49 521 287	47 102 186	-	1 428 834 789
- Completed Assets	319 236 991	361 128 790	535 173 699	46 435 723	47 102 186	-	1 309 077 390
- Under Construction	-	-	116 671 835	3 085 564	-	-	119 757 398
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	(233 485)	-	(233 485)
Accumulated Depreciation:	-	(47 618 214)	(112 694 469)	(7 510 142)	(15 620 009)	-	(183 442 834)
- Cost	-	(47 618 214)	(112 694 469)	(7 510 142)	(15 620 009)	-	(183 442 834)
- Revaluation	-	-	-	-	-	-	-

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2012

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Housing Development Fund	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2011	319 236 991	335 306 871	476 218 599	41 907 418	18 958 804	-	1 191 628 683
Cost	319 236 991	358 921 319	531 281 617	45 661 571	28 698 669	-	1 283 800 167
- Completed Assets	319 236 991	358 921 319	514 697 481	45 190 189	28 698 669	-	1 266 744 649
- Under Construction	-	-	16 584 136	471 382	-	-	17 055 518
Correction of error (Note 41)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	-	(23 614 448)	(55 063 018)	(3 754 153)	(9 739 866)	-	(92 171 484)
- Cost	-	(23 614 448)	(55 063 018)	(3 754 153)	(9 739 866)	-	(92 171 484)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	1 075 855	13 485 436	1 090 868	8 689 117	-	24 341 275
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	27 506 906	2 531 171	-	-	30 038 078
- Cost	-	-	27 506 906	2 531 171	-	-	30 038 078
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(11 972 734)	(28 755 683)	(1 894 077)	(2 609 397)	-	(45 231 891)
- Based on Cost	-	(11 972 734)	(28 755 683)	(1 894 077)	(2 609 397)	-	(45 231 891)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	(98 000)	-	(98 000)
- Cost	-	-	-	-	(98 000)	-	(98 000)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2012	319 236 991	324 409 993	488 455 258	43 635 380	24 940 523	-	1 200 678 144
Cost	319 236 991	359 997 174	572 273 958	49 283 610	37 289 786	-	1 338 081 520
- Completed Assets	319 236 991	359 997 174	528 182 916	46 281 057	37 289 786	-	1 290 987 924
- Under Construction	-	-	44 091 042	3 002 553	-	-	47 093 595
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	-	(35 587 182)	(83 818 701)	(5 648 230)	(12 349 263)	-	(137 403 375)
- Cost	-	(35 587 182)	(83 818 701)	(5 648 230)	(12 349 263)	-	(137 403 375)
- Revaluation	-	-	-	-	-	-	-

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment have been restated to correctly disclose the amount for Property, Plant & Equipment in terms of GRAP 17, previously incorrectly disclosed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* have been restated to correctly disclose the amount for Heritage Assets, previously classified as Property, Plant & Equipment and depreciated accordingly. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to disclose the amount for the rehabilitation of Landfill Sites in terms of GRAP 19. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to disclose the correct amount for Assets acquired in terms of the asset reconciliation performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to disclose the correct amount for Assets acquired in terms of the reconciliation performed on Finance Leases. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment is for the transfer of Work-in-Progress of R0 (2012: R0) completed and transferred to Cost.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 6,75%. Borrowing costs to the amount of R130 534 have been capitalised and are included in Capital under Construction.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
9 PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
Other	-	98 000
Carrying Amount of PPE retired from active use and held for disposal	-	98 000
9.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
9.4 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R233 485 (2012: R0) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 34.		
The amount disclosed for impairment losses on Property, Plant and Equipment is in respect of an individual amount of impairment losses applicable to a vehicle damaged in an accident:		
Other Assets: Motor Vehicles	194 193	-
Other Assets: Specilased Vehicles	39 292	-
Total Impairment of Property, Plant and Equipment	233 485	-
The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has been fully impaired as it became totally redundant and idle, and therefore had a fair value of R0.		
9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
There was no change (2011/12: R0) in the estimated useful life of various assets of the municipality for the financial year.		
9.6 Land and Buildings carried at Fair Value		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
10 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	447 916	304 137
The movement in Intangible Assets is reconciled as follows:		
	Software & Systems	Total
Carrying values at 01 July 2012	304 137	304 137
Cost	361 120	361 120
Accumulated Amortisation	(56 983)	(56 983)
Acquisitions:	145 707	145 707
Purchased	145 707	145 707
Amortisation:	(1 928)	(1 928)
Purchased	(1 928)	(1 928)
Internally Developed	-	-
Carrying values at 30 June 2013	447 916	447 916
Cost	506 827	506 827
Accumulated Amortisation	(58 911)	(58 911)
	Software & Systems	Total
Carrying values at 01 July 2011	201 367	201 367
Cost	223 080	223 080
Accumulated Amortisation	(21 713)	(21 713)
Acquisitions:	138 040	138 040
Purchased	138 040	138 040
Amortisation:	(35 270)	(35 270)
Purchased	(35 270)	(35 270)
Internally Developed	-	-
Carrying values at 30 June 2012	304 137	304 137
Cost	361 120	361 120
Accumulated Amortisation	(56 983)	(56 983)

Intangible Assets have been restated to correctly classify amounts held for Intangible Assets, previously not recognised. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

10.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

10.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

11 INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

226 882 150 **227 125 875**

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

227 125 875 **227 456 273**

Cost

228 306 677 228 243 120

Accumulated Depreciation

(1 180 801) (786 847)

Acquisitions during the Year

153 673 63 557

Depreciation during the Year

(397 398) (393 954)

Carrying values at 30 June

226 882 150 **227 125 875**

Cost

228 460 350 228 306 677

Accumulated Depreciation

(1 578 200) (1 180 801)

Estimated Fair Value of Investment Property at 30 June

248 977 515 **241 725 742**

Investment Property has been restated to correctly disclose the properties held as Investment Property in terms of GRAP 16, previously incorrectly disclosed. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property

439 451 -

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

11.1 Fair value of Investment Property

Fair values of properties was not determined by an independent professional valuer. Fair values were calculated and increased at a rate of 3% per annum, according to trends in the market value of properties in the Grahamstown area as obtained from estate agents.

11.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
At Cost less Accumulated Impairment Losses	25 769 649	23 100 874

The movement in Heritage Assets is reconciled as follows:

	Conservation Areas	Historical / Memorial Sites	Total
Carrying values at 01 July 2012	20 468 850	2 632 024	23 100 874
Cost	20 468 850	784 092	21 252 942
Work-in-Progress	-	1 847 932	1 847 932
Accumulated Impairment	-	-	-
Acquisitions:	-	2 668 775	2 668 775
At Cost	-	-	-
Work-in-Progress	-	2 668 775	2 668 775
Carrying values at 30 June 2013	20 468 850	5 300 799	25 769 649
Cost	20 468 850	784 092	21 252 942
Work-in-Progress	-	4 516 707	4 516 707
Accumulated Impairment Losses	-	-	-
	Conservation Areas	Historical / Memorial Sites	Total
Carrying values at 01 July 2011	20 468 850	784 092	21 252 942
Cost	20 468 850	784 092	21 252 942
Work-in-Progress	-	-	-
Accumulated Impairment	-	-	-
Acquisitions:	-	1 847 932	1 847 932
At Cost	-	-	-
Work-in-Progress	-	1 847 932	1 847 932
Carrying values at 30 June 2012	20 468 850	2 632 024	23 100 874
Cost	20 468 850	784 092	21 252 942
Work-in-Progress	-	1 847 932	1 847 932
Accumulated Impairment Losses	-	-	-

The municipality has taken advantage of the transitional provisions in Directive 4 from the Accounting Standards Board with the implementation of GRAP 103. The municipality is currently in a process of identifying all Heritage Assets and having it valued in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2014/15 Annual Financial Statements. It is possible that certain Heritage Assets are currently being recognised as Property, Plant and Equipment.

Heritage Assets have been restated to correctly classify the amount for Heritage Assets, previously classified as Property, Plant & Equipment and depreciated accordingly. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Heritage Assets.

12.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

12.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
13 NON-CURRENT INVESTMENTS		
Financial Instruments		
Fixed Deposits	<u>485 442</u>	<u>1 039 815</u>
Total Investments		
All Investments	485 442	1 039 815
Total Non-current Investments	<u>485 442</u>	<u>1 039 815</u>

Non-current Investments have been restated to correctly disclose the amount for Long-term Deposits held, previously disclosed as non-current instead of current investments. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 4,80 % to 5,64 % (2012: 9,42% to 15,27%) per annum.

The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

14 CONSUMER DEPOSITS

Electricity and Water	2 206 448	2 071 018
Total Consumer Deposits	<u>2 206 448</u>	<u>2 071 018</u>

Consumer Deposits have been restated to correctly disclose the payables in terms of the bank reconciliation performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
15 PROVISIONS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 21)	1 785 912	1 709 976
Current Portion of Non-Current Provisions (See Note 22):	986 176	812 858
Long-term Service	986 176	812 858
Rehabilitation of Land-fill Sites	-	-
Total Provisions	2 772 088	2 522 834

Provisions have been restated to correctly disclose the amount for the Short-term Portion of Health Benefits, previously calculated on wrong assumptions made. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Long-term Service	Post-retirement
	R	R
30 June 2013		
Balance at beginning of year	812 858	1 709 976
Transfer from non-current	986 176	1 785 912
Expenditure incurred	(812 858)	(1 709 976)
Balance at end of year	986 176	1 785 912
	Long-term Service	Post-retirement
	R	R
30 June 2012		
Balance at beginning of year	756 671	1 505 052
Transfer from non-current	812 858	1 709 976
Expenditure incurred	(756 671)	(1 505 052)
Balance at end of year	812 858	1 709 976
	2013	2012
	R	R

16 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	26 957 133	21 149 752
Payments Received in Advance	263 876	270 256
Retentions	1 422 742	1 422 742
Total Payables	28 643 751	22 842 750

Payables from Exchange Transactions have been restated to correctly disclose the amount for Payables in terms of GRAP 1 and 23. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Exchange Transactions* have been restated to correctly disclose the revenue for Pre-paid Electricity, accrued for an estimate of unused units sold. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Exchange Transactions* have been restated to correctly disclose the payables in terms of the bank reconciliation performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

The average credit period on purchases is 70 (2012: 55) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

17 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Staff Bonuses	3 062 684	2 735 150
Staff Leave Accrued	9 078 645	7 738 050
Sundry Deposits	1 825 429	1 549 588
Other Creditors	47 473 535	43 620 655
Debtors in Credit	11 884 644	7 474 955
Total Payables	73 324 938	63 118 399

Payables from Non-exchange Transactions have been restated to correctly disclose the amount for Payables in terms of GRAP 1 and 23. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Non-exchange Transactions* have been restated to correctly disclose the revenue for Pre-paid Electricity, accrued for 2010/11 and not previously reversed in 2011/12. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Non-exchange Transactions* have been restated to correctly disclose the expenditure for Staff Bonuses, previously not accrued for. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Non-exchange Transactions* have been restated to correctly disclose the expenditure for Staff Leave, previously incorrectly accrued for. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Non-exchange Transactions* have been restated to correctly disclose the amount for credit amounts on debtors, previously incorrectly calculated. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Non-exchange Transactions* have been restated to correctly disclose the payables in terms of the bank reconciliation performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Staff Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
18 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
18.1 Conditional Grants from Government	45 126 359	50 759 239
National Government Grants	40 133 002	43 795 701
Provincial Government Grants	2 164 321	3 786 889
Other Spheres of Government	2 829 037	3 176 650
Total Conditional Grants and Receipts	45 126 359	50 759 239

Unspent Conditional Grants and Receipts have been restated to correctly classify disclose the amount for unspent grants, previously incorrectly calculated and recognised. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Unspent Conditional Grants and Receipts* have been restated to correctly disclose the payables in terms of the bank reconciliation performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

See Note 26 for the reconciliation of Grants from Government for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

19 VAT PAYABLE

Vat Payable	-	4 475 571
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VAT Payable has been restated to correctly disclose the payables in terms of the bank reconciliation performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *VAT Payable* has been restated to correctly disclose assets acquired in terms of the asset reconciliation performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
20 LONG-TERM LIABILITIES		
Annuity Loans	23 356 742	463 213
Finance Lease Liabilities	283 034	671 101
Sub-total	23 639 776	1 134 314
Less: Current Portion transferred to Current Liabilities:-	1 726 790	851 279
Annuity Loans	1 443 755	463 213
Finance Lease Liabilities	283 034	388 066
Total Long-term Liabilities (Neither past due, nor impaired)	21 912 987	283 035

Long-term Liabilities have been restated to correctly classify amounts to be included in Long-term Liabilities in terms of the reconciliation performed on Finance Leases. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

20.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 0 to 20 (2012: 1) years and at interest rates varying from 6,75% to 9,50% (2012: 9,50%) per annum. Annuity Loans are not secured.

Included in Annuity Loans is an INCA Loan Agreement with a closing balance of R0 (2012: R463 213) that is secured by the Property Rates Revenue from the Rhodes University.

Finance Lease Liabilities relates to Office Equipment with lease terms of 5 (2012: 5) years. The effective interest rate on Finance Leases is between 3,79% and 15,50% (2012: 3,79 and 15,50%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Refer to Appendix "A" for more detail on Long-term Liabilities.

20.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2012: 5 years). The effective interest rate on Finance Leases is between 3,79% and 15,50% (2012: 3,79% and 15,50%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
Amounts payable under finance leases:				
Within one year	290 110	415 693	283 034	388 066
In the second to fifth years, inclusive	-	290 110	-	283 034
Over five years	-	-	-	-
	290 110	705 803	283 034	671 101
Less: Future Finance Obligations	7 076	34 702		
Present Value of Minimum Lease Obligations	283 034	671 101	283 034	671 101
Less: Amounts due for settlement within 12 months (Current Portion)			(283 034)	(388 066)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			(0)	283 034

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

Included in these classes are the following significant leases:

(i) Office Equipment	R 290 110	R 705 803
- Installments are payable quarterly in advance		
- Average period outstanding	6 months	18 months
- Average effective interest rate	12.13%	12.13%
- Average quarterly installment	R 9 901.50	R 9 496.14

20.3 Breach of Loan Agreement

The municipality did default once on payment of its Long-term Liabilities, for which interest was raised against the municipality for late payment. No terms for payment have been re-negotiated by the municipality.

21 RETIREMENT BENEFIT LIABILITIES

21.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	47 892 933	40 188 427
Contributions to Provision	6 169 921	5 510 375
Increase due to Discounting	(8 200 556)	3 904 107
 Balance at end of Year	 45 862 298	 49 602 909
 Transfer to Current Provisions	 (1 785 912)	 (1 709 976)
 Total Post-retirement Health Care Benefits Liability	 44 076 386	 47 892 933

Retirement Benefit Liabilities have been restated to correctly disclose the amount for Health Benefits, previously calculated on wrong assumptions made. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	312	296
In-service Non-members (Employees)	299	297
Continuation Members (Retirees, widowers and orphans)	66	69
 Total Members	 677	 662

The liability in respect of past service has been estimated as follows:

In-service Members	19 319 415	22 855 002
In-service Non-members	4 537 091	4 294 035
Continuation Members	22 005 792	22 453 872
 Total Liability	 45 862 298	 49 602 909

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2013 is estimated to be R2 300 358, whereas the cost for the ensuing year is estimated to be R2 113 734 (30 June 2012: R1 938 233 and R2 300 358 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.84%	7.94%
Health Care Cost Inflation Rate	7.75%	6.89%
Net Effective Discount Rate	1.01%	0.98%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	49 602 909	41 693 479
Current service costs	2 300 358	1 938 233
Interest cost	3 869 563	3 572 142
Benefits paid	(1 709 976)	(1 505 052)
Actuarial losses / (gains)	(8 200 556)	3 904 107

Total Recognised Benefit Liability	45 862 298	49 602 909
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	45 862 298	49 602 909
Unfunded Accrued Liability	45 862 298	49 602 909
Unrecognised Actuarial Gains / (Losses)	-	-

Total Benefit Liability	45 862 298	49 602 909
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	2 300 358	1 938 233
Interest cost	3 869 563	3 572 142
Actuarial losses / (gains)	(8 200 556)	3 904 107
Adjustment for Short-term Portion from Previous Year	-	-

Total Post-retirement Benefit included in Employee Related Costs (Note 31)	(2 030 635)	9 414 482
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The history of experienced adjustments is as follows:

	2013	2012	2011	2010	2009
	R	R	R	R	R
Present Value of Defined Benefit Obligation	45 862 298	49 602 909	41 693 479	35 319 312	-
Deficit	45 862 298	49 602 909	41 693 479	35 319 312	-
Experienced adjustments on Plan Liabilities	(7 717 126)	1 130 715	1 454 212	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1 056 000	925 400
Effect on the defined benefit obligation	6 954 696	7 258 091
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(882 000)	(771 000)
Effect on the defined benefit obligation	(5 817 888)	(6 141 909)

The municipality expects to make a contribution of R6 090 958 (2012: R6 169 921) to the Defined Benefit Plans during the next financial year.

Refer to Note 50, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

22 NON-CURRENT PROVISIONS

Provision for Long Service Awards	3 617 706	3 544 625
Provision for Rehabilitation of Land-fill Sites	749 691	720 164
Total Non-current Provisions	4 367 397	4 264 789

Non-current Provisions have been restated to adhere to the amount for the rehabilitation of Landfill Sites in terms of GRAP 19. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards	Land-fill Sites
	R	R
30 June 2013		
Balance at beginning of year	3 544 625	720 164
Contributions to provision	1 148 782	29 527
Increase due to discounting	(89 525)	-
	4 603 882	749 691
Transfer to current provisions	(986 176)	-
Balance at end of year	3 617 706	749 691
30 June 2012		
Balance at beginning of year	3 008 959	691 800
Contributions to provision	1 122 424	-
Increase due to discounting	226 100	28 364
	4 357 483	720 164
Transfer to current provisions	(812 858)	-
Balance at end of year	3 544 625	720 164

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

22.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees for every 5 years of continuous service completed, from 5 years of service to 25 years of service, inclusive. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 611 (2012: 546) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2013 is estimated to be R909 523, whereas the cost for the ensuing year is estimated to be R703 547 (30 June 2012: R869 583 and R909 523 respectively).

2013
R **2012**
R

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	6.90%	6.05%
Cost Inflation Rate	6.68%	5.97%
Net Effective Discount Rate	0.21%	0.07%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	4 357 483	3 765 630
Current service costs	909 523	869 583
Interest cost	239 259	252 841
Benefits paid	(812 858)	(756 671)
Actuarial losses / (gains)	(89 525)	226 100
Total Recognised Benefit Liability	<u>4 603 882</u>	<u>4 357 483</u>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	4 603 882	4 357 483
Unfunded Accrued Liability	4 603 882	4 357 483
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	<u>4 603 882</u>	<u>4 357 483</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	909 523	869 583
Interest cost	239 259	252 841
Actuarial losses / (gains)	(89 525)	226 100
Adjustment for Short-term Portion from Previous Year	-	-
Total Post-retirement Benefit included in Employee Related Costs (Note 31)	<u>1 059 257</u>	<u>1 348 524</u>

The history of experienced adjustments is as follows:

	2013 R	2012 R	2011 R	2010 R	2009 R
Present Value of Defined Benefit Obligation	4 603 882	4 357 483	3 765 630	2 502 902	-
Deficit	<u>4 603 882</u>	<u>4 357 483</u>	<u>3 765 630</u>	<u>2 502 902</u>	<u>-</u>
Experienced adjustments on Plan Liabilities	(39 262)	(25 957)	(351 586)	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	52 100	46 947
Effect on the defined benefit obligation	233 597	210 517
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(47 400)	(42 879)
Effect on the defined benefit obligation	(214 714)	(193 483)

The municipality expects to make a contribution of R987 691 (2012: R1 148 782) to the defined benefit plans during the next financial year.

22.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R1 120 442 (2012: R1 120 442) to restore the sites at the end of their useful lives. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

The municipality will incur rehabilitation cost on its dumping/landfill site in the period 2023/24. Provision has been made for the net present value of this cost.

	Proposed Rehabilitation		
Grahamstown Landfill	2023/24	1 120 442	1 120 442
		1 120 442	1 120 442

23 STATUTORY FUNDS

Housing Development Fund:	5 408 556	5 389 576
Total Statutory Funds	5 408 556	5 389 576

23.1 Housing Development Fund

The Housing Development Fund has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate Unappropriated Surplus Account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Reconciliation of the Housing Development Fund:

Balance at beginning of year	5 389 576	5 370 586
Revenue:	18 980	18 990
Housing Rental Debtors	18 980	18 990
Less - Expenditure:	-	-
Balance at end of year	5 408 556	5 389 576

The Housing Development Fund is represented by the following Assets and Liabilities:

Receivables from Exchange Transactions (See Note 4)	5 408 556	5 389 576
Total Housing Development Fund Assets and Liabilities	5 408 556	5 389 576

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
24 ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Accumulated Surplus / (Deficit) due to the results of Operations	1 454 626 559	1 448 133 157
Total Accumulated Surplus	<u>1 454 626 559</u>	<u>1 448 133 157</u>

Accumulated Surplus has been restated to correctly disclose the assets and liabilities of the municipality. Refer to Note 41.1 "Correction of Error" for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

25 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2013 R000's	July 2012 R000's		
Agricultural	933 211	935 153	813 760	748 122
Commercial	1 707 612	1 714 969	8 358 840	7 876 535
Educational	1 556 424	1 513 183	8 878 779	8 150 142
Industrial	153 097	155 650	817 688	762 685
Institutional	2 898	66 646	14 018	12 860
Municipal	423 241	259 443	-	-
Residential	4 483 151	4 486 770	12 972 178	14 920 745
State	8 543 164	857 657	9 135 801	8 387 620
Undetermined	2 151	2 151	-	-
-Less: Revenue Foregone	-	-	(2 906 601)	(2 725 380)
Total Property Rates	<u>17 804 948</u>	<u>9 991 621</u>	<u>38 084 464</u>	<u>38 133 329</u>

Property Rates are levied on the value of land and improvements, which valuation is performed every five years. The last valuation came into effect on 1 July 2009.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

- Residential Properties: 0,2235 c/R (2011/12: 0,2100 c/R)
- Business Properties: 0,4088 c/R (2011/12: 0,3800 c/R)
- Agricultural Properties: 0,0872 c/R (2011/12: 0,0800 c/R)

A rebate of R15 000 (2011/12: R15 000) was allowed on residential properties whilst a discount of 20,00% (2011/12: 20,00%) was granted on properties owned by the State.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26 GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	66 809 000	58 871 000
Other Subsidies	1 378 006	(0)
Operational Grants	68 187 006	58 871 000
Conditional Grants	65 565 138	34 257 658
National: Expanded Public Works Program Grant (EPWP)	802 607	-
National: Finance Management Grant (FMG)	1 487 050	-
National: Municipal Infrastructure Grant (MIG)	30 935 474	10 682 599
National: Municipal Systems Improvement Grant (MSIG)	-	362 349
National: Neighbourhood Development Partnership Grant (NDPG)	21 601 051	17 321 745
National: Department Housing	2 224 977	-
National: Department Minerals & Energy (DME)	-	169 646
National: Department Sport, Recreation, Arts & Culture	3 451 721	-
Provincial: Department Health	-	1 310 818
Provincial: Department Water Affairs (DWA)	3 293 890	3 525 334
Other Government: LG Seta	457 244	549 445
Other Government: Other Grants	1 311 124	335 723
Total Government Grants and Subsidies	133 752 144	93 128 658

Government Grants and Subsidies have been restated to correctly classify disclose the amount for revenue from unspent grants realised, previously incorrectly calculated and recognised. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

Operational Grants:

26.1 National: Equitable Share

	66 809 000	58 871 000
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All registered indigent households receive 10 kl water and 50 kWh electricity free every month. No funds have been withheld.

Conditional Grants:

26.2 National: Equitable Share

Balance unspent at beginning of year	5 768 315	5 768 315
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	0
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	5 768 315	5 768 315

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.

26.3 National: Expanded Public Works Program Grant (EPWP)

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	(802 607)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	197 393	-

The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects. No funds have been withheld.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26.4 National: Finance Management Grant (FMG)		
Balance unspent at beginning of year	1 450 000	-
Current year receipts	1 500 000	1 450 000
Conditions met - transferred to Revenue: Operating Expenses	(1 454 386)	-
Conditions met - transferred to Revenue: Capital Expenses	(32 663)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	1 462 950	1 450 000

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

26.5 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	22 110 696	8 481 295
Current year receipts	29 490 000	24 312 000
Conditions met - transferred to Revenue: Operating Expenses	(837 951)	(616 926)
Conditions met - transferred to Revenue: Capital Expenses	(30 097 523)	(10 065 673)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	20 665 222	22 110 696

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

26.6 National: Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	427 651	-
Current year receipts	800 000	790 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(362 349)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	1 227 651	427 651

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

26.7 National: Neighbourhood Development Partnership Grant (NDPG)

Balance unspent at beginning of year	8 823 679	14 345 424
Current year receipts	13 300 000	11 800 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(21 601 051)	(17 321 745)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	522 628	8 823 679

Expenses were incurred to promote development of communities. No funds have been withheld.

26.8 National: Department Housing

Balance unspent at beginning of year	4 805 392	4 805 392
Current year receipts	765 181	-
Conditions met - transferred to Revenue: Operating Expenses	(765 181)	-
Conditions met - transferred to Revenue: Capital Expenses	(1 459 797)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	3 345 595	4 805 392

This grant was allocated to assist the municipality to provide housing services to the poor. No funds have been withheld.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26.9 National: Department Minerals & Energy (DME)		
Balance unspent at beginning of year	-	169 646
Current year receipts	6 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(169 646)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>6 000 000</u>	<u>-</u>

Expenses were incurred to upgrade electricity infrastructure. No funds have been withheld.

26.10 National: Department Sport, Recreation, Arts & Culture

Balance unspent at beginning of year	409 968	409 968
Current year receipts	3 985 000	-
Conditions met - transferred to Revenue: Operating Expenses	(3 085 500)	-
Conditions met - transferred to Revenue: Capital Expenses	(366 221)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>943 247</u>	<u>409 968</u>

This grant was received for the building and maintenance of libraries in the community. No funds have been withheld.

26.11 Provincial: Department Cooperative Governance, Housing & Traditional Affairs (CoGHTA)

Balance unspent at beginning of year	44 494	44 494
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>44 494</u>	<u>44 494</u>

This grant was allocated for the funding of various projects e.g. LED Strategy, IDP, PMS, PMS, etc to assist in the improvement of the performance of the municipality. No funds have been withheld.

26.12 Provincial: Department Health

Balance unspent at beginning of year	-	-
Current year receipts	-	1 310 818
Conditions met - transferred to Revenue: Operating Expenses	-	(1 310 818)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

This grant is a contribution towards addressing environmental health issues in the area of the municipality. No funds have been withheld.

26.13 Provincial: Department Sport & Recreation

Balance unspent at beginning of year	(98 371)	(98 371)
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>(98 371)</u>	<u>(98 371)</u>

This grant was received for the development of sport in the community. No funds have been withheld.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
26.14 Provincial: Department Water Affairs (DWA)		
Balance unspent at beginning of year	(525 334)	-
Current year receipts	1 171 322	3 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(3 293 890)	(3 525 334)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>(2 647 902)</u>	<u>(525 334)</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality and the refurbishment of water infrastructure. No funds have been withheld.

26.15 Provincial: Other Grants

Balance unspent at beginning of year	4 366 099	4 366 099
Current year receipts	500 000	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>4 866 099</u>	<u>4 366 099</u>

This grant was received to support the municipality in the improvement of its financial administration. No funds have been withheld.

26.16 Other Government: LG Seta

Balance unspent at beginning of year	-	-
Current year receipts	457 244	549 445
Conditions met - transferred to Revenue: Operating Expenses	(457 244)	(549 445)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

This grant was utilised for training needs within the municipality. No funds have been withheld.

26.17 Other Government: Other Grants

Balance unspent at beginning of year	3 176 650	2 057 617
Current year receipts	963 511	1 454 756
Conditions met - transferred to Revenue: Operating Expenses	(1 311 124)	(335 723)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>2 829 037</u>	<u>3 176 650</u>

This grant was used for various needs as per grants conditions in the jurisdiction area of the municipality. No funds have been withheld.

26.18 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2013), government grant funding is expected to increase over the forthcoming three financial years.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
27 SERVICE CHARGES		
Sale of Electricity	106 422 540	97 459 034
Sale of Water	34 412 526	39 415 414
Refuse Removal	8 444 740	7 762 059
Sewerage and Sanitation Charges	16 844 403	17 306 150
Other Service Charges	128 567	84 157
Total Service Charges	166 252 775	162 026 814

Service Charges have been restated to correctly disclose the revenue for Pre-paid Electricity, accrued for 2010/11 and not previously reversed in 2011/12. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

Furthermore, *Service Charges* have been restated to correctly disclose the revenue for Pre-paid Electricity for 2011/12, accrued for an estimate of unused units sold. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

Furthermore, *Service Charges* have been restated to correctly disclose the revenue received in terms of the bank reconciliation performed. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

28 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Amenities	27 919	34 300
Rental Revenue from Halls	116 474	97 696
Rental Revenue from Other Facilities	914 592	1 073 196
Total Rental of Facilities and Equipment	1 058 985	1 205 193

Rental of Facilities and Equipment has been restated to correctly disclose the amount for Operating Lease Receivables in terms of GRAP 13, contracts not previously straight-lined. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

29 INTEREST EARNED

External Investments:

Investments	1 325 220	3 971 235
	1 325 220	3 971 235

Outstanding Debtors:

Outstanding Billing Debtors	9 710 615	9 228 364
	9 710 615	9 228 364

Total Interest Earned

	11 035 835	13 199 599
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Interest Earned has been restated to correctly disclose the revenue received in terms of the bank reconciliation performed. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Financial Assets at Fair Value	61 517	2 760 278
Held-to-Maturity Investments	1 263 703	1 210 957
Loans and Receivables	9 710 615	9 228 364
	11 035 835	13 199 599

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
30 OTHER REVENUE		
Administration / Sale Of Plots	358 123	408 764
Fees: Advertising	784	2 024
Fees: Building Plans	427 999	448 444
Fees: Car Pound	17 034	8 141
Fees: Grazing	20 400	20 640
Fees: Weighbridge	10 422	3 120
Insurance Claims	-	78 535
Licences: Dog	-	192
Prints	18 920	21 472
Royalties: General	-	35 246
Sale: Refuse Bins & Bags	19 607	21 193
Search Fees	2 815	1 225
Sundry Revenue	835 813	1 529 720
Tow-In Charges	4 850	3 891
Total Other Revenue	1 716 767	2 582 607

Other Revenue has been restated to correctly disclose the revenue received in terms of the bank reconciliation performed. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 25 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

31 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	84 425 012	76 546 802
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	17 984 604	17 344 556
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 517 408	3 144 371
Housing Benefits and Allowances	367 008	415 306
Overtime Payments	7 853 995	6 078 830
Defined Benefit Plan Expense:	(1 784 236)	7 909 430
Current Service Cost	-	-
Interest Cost	-	-
Net Actuarial (gains)/losses recognised	(1 784 236)	7 909 430
Total Employee Related Costs	112 363 790	111 439 294

Employee Related Costs have been restated to correctly disclose the amount for Health Benefits, previously calculated on wrong assumptions made. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *Employee Related Costs* have been restated to correctly disclose the expenditure for Staff Bonuses, previously not accrued for. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *Employee Related Costs* have been restated to correctly disclose the expenditure for Staff Leave, previously incorrectly accrued for. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *Employee Related Costs* have been restated to correctly disclose the expenditure incurred in terms of the bank reconciliation performed. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

No advances were made to employees.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	586 633	875 823
Performance Bonus	-	-
Acting Allowance	179 127	35 236
Car and Other Allowances	112 546	163 697
Company Contributions to UIF, Medical and Pension Funds	7 771	11 526
Total	886 078	1 086 283

The post was vacant from 11 May 2012 to 31 March 2013. An Acting Allowance was paid for the period.

<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	455 930	567 936
Performance Bonus	-	-
Acting Allowance	133 091	126 088
Car and Other Allowances	67 982	133 011
Company Contributions to UIF, Medical and Pension Funds	6 131	110 211
Total	663 134	937 246

The post was vacant from 18 January 2012 to 31 December 2012. An Acting Allowance was paid for the period.

<i>Remuneration of the Director: Community & Social Services</i>		
Annual Remuneration	510 137	661 811
Performance Bonus	-	-
Acting Allowance	87 261	-
Car and Other Allowances	106 970	133 011
Company Contributions to UIF, Medical and Pension Funds	7 791	9 249
Total	712 159	804 072

The post was vacant from 30 July 2012 to 02 November 2012. An Acting Allowance was paid for the period.

<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	644 492	539 826
Performance Bonus	-	-
Acting Allowance	14 234	18 741
Car and Other Allowances	133 000	56 629
Company Contributions to UIF, Medical and Pension Funds	9 242	95 032
Total	800 968	710 228

The post was vacant from 30 May 2013 to 14 June 2013. An Acting Allowance was paid for the period.

<i>Remuneration of the Director: Local Economic Development Services</i>		
Annual Remuneration	691 142	661 811
Performance Bonus	-	-
Acting Allowance	-	-
Car and Other Allowances	142 627	133 011
Company Contributions to UIF, Medical and Pension Funds	10 319	9 249
Total	844 087	804 072

<i>Remuneration of the Director: Technical & Infrastructure Services</i>		
Annual Remuneration	658 858	442 552
Performance Bonus	-	-
Acting Allowance	-	-
Car and Other Allowances	135 965	76 359
Company Contributions to UIF, Medical and Pension Funds	9 785	6 103
Total	804 608	525 014

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	-	134 802
Chief Financial Officer	37 147	131 924
Director: Community & Social Services	52 165	150 596
Director: Corporate Services	12 330	-
Director: Local Economic Development Services	78 362	77 839
Director: Technical & Infrastructure Services	81 290	5 992
Total	261 294	501 153

32 REMUNERATION OF COUNCILLORS

Mayor	472 033	472 033
Speaker	207 695	207 695
Mayoral Committee Members	1 770 120	1 770 120
Councillors	3 132 688	3 073 691
Company Contributions to UIF, Medical and Pension Funds	-	-
Other Allowances (Cellular Phones, Housing, Transport, etc)	2 199 962	2 180 168
Total Councillors' Remuneration	7 782 498	7 703 708

Remuneration of Councillors:

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker and five members of the Mayoral Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. Some Councillors are provided with office space only.

The Mayor has use of a Council owned vehicle for official duties.

33 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	46 225 281	45 231 891
Amortisation: Intangible Assets	1 928	35 270
Depreciation: Investment Property	397 398	393 954
Total Depreciation and Amortisation	46 624 607	45 661 115

Depreciation and Amortisation have been restated to correctly disclose the expense for Intangible Assets, previously not recognised. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *Depreciation and Amortisation* have been restated to correctly disclose the expense for Heritage Assets, previously classified as Property, Plant & Equipment and depreciated accordingly. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
34 IMPAIRMENT LOSSES		
34.1 Impairment Losses on Fixed Assets		
Impairment Losses Recognised:	233 485	-
Property, Plant and Equipment	233 485	-
Intangible Assets	-	-
Impairment Losses Reversed:	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
	233 485	-
34.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	23 004 269	21 425 282
Receivables from Exchange Transactions	18 880 939	16 827 874
Receivables from Non-exchange Transactions	4 123 330	4 597 408
Impairment Losses Reversed:	283 808	(581 163)
Receivables from Exchange Transactions	283 808	(581 163)
Receivables from Non-exchange Transactions	-	-
	23 288 077	20 844 119
Total Impairment Losses	23 521 561	20 844 119

Impairment Losses have been restated to correctly disclose the expenditure for impairment of debtors, previously incorrectly calculated. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

35 FINANCE COSTS

Bank Overdraft	-	4 900
Creditors Overdue	161 406	-
Landfill Provision	29 527	28 364
Loans and Payables at amortised cost	23 934	309 380
Total Interest Paid on External Borrowings	214 867	342 644

Finance Costs have been restated to correctly classify interest expenditure incurred for the rehabilitation of Landfill Sites in terms of GRAP 19. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *Finance Costs* have been restated to correctly disclose the expenditure incurred in terms of the bank reconciliation performed. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *Finance Costs* have been restated to correctly disclose the expenditure incurred in terms of the reconciliation performed on Finance Leases. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
36 BULK PURCHASES		
Electricity	67 875 089	72 252 029
Water	1 353 738	2 028 314
Total Bulk Purchases	69 228 827	74 280 343

Bulk Purchases have been restated to correctly disclose the expenditure for electricity purchases, previously allocated to departmental charges. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *Bulk Purchases* have been restated to correctly disclose the expenditure incurred in terms of the bank reconciliation performed. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom, and Water is purchased from the Department of Water Affairs.

37 CONTRACTED SERVICES

Professional Fees	4 331 710	2 706 241
Total Contracted Services	4 331 710	2 706 241

38 GRANTS AND SUBSIDIES PAID

Free Basic Services	15 252 116	19 500 928
Grants-in-Aid	44 345	70 000
Internship	1 275 777	846 492
Tourism	604 219	542 284
Other Grants and Subsidies Paid	10 959	258 486
Total Grants and Subsidies	17 187 417	21 218 189

Grants and Subsidies Paid have been restated to correctly disclose the expenditure incurred in terms of the bank reconciliation performed. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Grants-in-Aid are in respect of rebates on assessment rates.

Internship Grants are in respect of the National Treasury Internship Program, and funded by the Finance Management Grant

Tourism Grants are paid to Makana Tourism, in order to promote tourism in the Makana area of jurisdiction.

Other Grants are in respect of aid to various individuals and organisations in the community on deemed merit.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
39 GENERAL EXPENSES		
Included in General Expenses are the following:		
Audit Fees	3 480 420	4 373 535
Administration Charges	3 159 519	2 991 535
Advertising	1 357 687	2 130 818
Bank Charges	1 081 895	456 023
Chemicals and Poison	2 542 394	2 449 108
Cleaning Material	170 234	150 705
Commissions Paid	1 285 247	1 201 149
Complaints	202 447	102 686
Conference Expenses	1 836 032	1 737 986
Connection Fees	194 707	444 441
Corporate Branding	73 243	129 638
Electricity and Water	4 196 021	4 423 776
Entertainment	303 837	382 272
Fuel and Oil	4 833 930	3 828 529
General Expenditure incurred from Grants	-	335 723
Insurance and Security	3 750 890	3 555 652
Internal Audit Fees	628 540	547 483
Interview Expenses	120 302	59 821
Legal Costs	3 150 635	4 453 613
License Cards and Licences	416 509	562 937
Loss Control	-	616 233
Materials and Stocks	430 631	1 780 350
Newsletter	190 276	81 627
Other General Expenses	1 296 256	2 402 341
Postage and Telephone	696 358	908 057
Printing and Stationery	4 903	-
Project Expenses from Own Funds	5 528 918	4 017 970
Protective Clothing	517 822	241 852
Purchases	493 974	833 217
Relocation Expenses	201 632	77 991
Rental Expenses	143 829	213 805
Skills Development Levy	930 187	859 987
Telephone Cost	1 832 456	2 314 802
Training Costs	1 401 443	765 406
Travelling and Subsistence	1 034 596	978 459
Uniforms	41 479	97 652
Valuation Expenses	258 840	326 942
Inter-departmental Transfers	143 600	178 618
Total General Expenses	47 931 690	51 012 741

MAKANA MUNICIPALITY
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General Expenses have been restated to correctly disclose the expenditure for electricity purchases, previously allocated to departmental charges. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly disclose the expenditure for Water Stock, previously calculated incorrectly. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly disclose the expenditure incurred in terms of the bank reconciliation performed. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly disclose assets acquired in terms of the asset reconciliation performed. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly disclose the expenditure incurred in terms of the reconciliation performed on Finance Leases. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

No other extra-ordinary expenses were incurred.

40 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments

40.1 GRAP 21 - Impairment of Non-cash-generating Assets

The Accounting Standard for *Impairment of Non-cash-generating Assets* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 21.

The municipality has developed Accounting Policies to fully comply with GRAP 21 (*Impairment of Non-cash-generating Assets*). Previously the municipality used the principles set out in IPSAS 21 to account for impairment of non-cash-generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IPSAS 21 are similar.

40.2 GRAP 23 - Revenue from Non-exchange Transactions

The Accounting Standard for *Revenue from Non-exchange Transactions* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 23.

The municipality has developed Accounting Policies to fully comply with GRAP 23 (*Revenue from Non-exchange Transactions*). Previously the municipality used the principles set out in GAMAP 9 to account for revenue from non-exchange transactions. GRAP 23 is applied prospectively and there is no need for restatement of prior year figures.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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40.3 GRAP 24 - Presentation of Budget Information in the Financial Statements

The Accounting Standard for *Presentation of Budget Information in the Financial Statements* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 24.

The municipality has developed Accounting Policies to fully comply with GRAP 24 (*Presentation of Budget Information in the Financial Statements*). Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively. To fully comply with the requirements set out in this Standard, the municipality have included the following budget information:

- Budget Statement
- Appendix E1: Reconciliation of Budgeted Financial Performance by Standard Classification
- Appendix E2: Reconciliation of Budgeted Financial Performance by Municipal Vote
- Appendix E3: Reconciliation of Budgeted Financial Performance
- Appendix E4: Reconciliation of Budgeted Capital Expenditure
- Appendix E5: Reconciliation of Budgeted Cash Flows

40.4 GRAP 26 - Impairment of Cash-generating Assets

The Accounting Standard for *Impairment of Cash-generating Assets* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 26.

The municipality has developed Accounting Policies to fully comply with GRAP 26 (*Impairment of Cash-generating Assets*). Previously the municipality used the principles set out in IAS 36 to account for impairment of cash-generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IAS 36 are similar.

40.5 GRAP 103 - Heritage Assets

The Accounting Standard for *Heritage Assets* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 103.

The municipality has previously developed Accounting Policies to fully comply with GRAP 103 (*Heritage Assets*) and Heritage Assets have accordingly been recognised retrospectively in the Annual Financial Statements.

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

MAKANA MUNICIPALITY
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40.6 GRAP 104 - Financial Instruments

The Accounting Standard for *Financial Instruments* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 104.

The municipality has developed Accounting Policies to fully comply with GRAP 104 (Financial Instruments). Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets and Liabilities.

Reclassification of Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments. The effect of this change in Accounting Policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's Financial Instruments as at 30 June 2012.

	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
FINANCIAL ASSETS:				
Non-current Investments				
Fixed Deposits	Held to maturity	Amortised cost	1 039 815	1 039 815
Receivables from Exchange Transactions				
Electricity	Loans and receivables	Amortised cost	35 528 993	35 528 993
Refuse	Loans and receivables	Amortised cost	5 659 462	5 659 462
Sewerage	Loans and receivables	Amortised cost	20 682 354	20 682 354
Water	Loans and receivables	Amortised cost	40 183 750	40 183 750
Other Receivables	Loans and receivables	Amortised cost	5 506 076	5 506 076
Debtors in Credit	Loans and receivables	Amortised cost	5 944 221	5 944 221
Receivables from Non-exchange Transactions				
Assessment Rates Debtors	Loans and receivables	Amortised cost	20 160 626	20 160 626
Payments made in Advance	Loans and receivables	Amortised cost	234 612	234 612
Sundry Debtors	Loans and receivables	Amortised cost	4 519 113	4 519 113
Debtors in Credit	Loans and receivables	Amortised cost	1 530 734	1 530 734
Cash and Cash Equivalents				
Call Deposits	Available for sale	Fair value	46 593 137	46 593 137
Notice Deposits	Held to maturity	Amortised cost	2 967 440	2 967 440
Bank Balances	Available for sale	Fair value	3 432 762	3 432 762
Cash Floats and Advances	Available for sale	Fair value	3 950	3 950
FINANCIAL LIABILITIES:				
Long-term Liabilities				
Annuity Loans	Financial liabilities at amortised cost	Amortised cost	0	0
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	283 034	283 034
Payables from Exchange Transactions				
Trade Creditors	Financial liabilities at amortised cost	Amortised cost	21 149 752	21 149 752
Retentions	Financial liabilities at amortised cost	Amortised cost	1 422 742	1 422 742
Payables from Non-exchange Transactions				
Staff Bonuses	Financial liabilities at amortised cost	Amortised cost	2 735 150	2 735 150
Staff Leave Accrued	Financial liabilities at amortised cost	Amortised cost	7 738 050	7 738 050
Sundry Deposits	Financial liabilities at amortised cost	Amortised cost	1 549 588	1 549 588
Other Creditors	Financial liabilities at amortised cost	Amortised cost	43 620 655	43 620 655
Current Portion of Long-term Liabilities				
Annuity Loans	Financial liabilities at amortised cost	Amortised cost	463 213	463 213
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	388 066	388 066

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2012 and the Accumulated Surplus of prior years was not affected either.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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41 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

41.1 Restatement of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balances published as at 30 June 2011		1 399 972 198
Correction of Error:-		
Reclassify Inventories for Water Stock - Note 41.4	(9 301 797)	
Reclassify impairment of Receivables - Note 41.4	68 391 305	
Reclassify Bank Account - Note 41.4	1 671 421	
Reclassify Operating Lease Receivables - Note 41.4	(7 162)	
Reclassify Assets in terms of GRAP - Note 41.4	9 494 290	
Reclassify Property, Plant & Equipment acquired - Note 41.4	(2 120 779)	
Reclassify Property, Plant & Equipment and Depreciation Charges - Note 41.4	50 497	
Reclassify Intangible Assets and Amortisation Charges - Note 41.4	145 238	
Reclassify Provision for Landfill Sites - Note 41.4	1 156 388	
Reclassify Staff Bonuses Accrued - Note 41.4	(2 516 741)	
Reclassify Leave Pay Accrued - Note 41.4	(834 656)	
Reclassify Unspent Grants - Note 41.4	22 612 477	
Reclassify Finance Leases - Note 41.4	1 497	
Reclassify Provision for Landfill Sites - Note 41.4	<u>2 973 888</u>	91 715 866
Restated Balances as at 30 June 2011		<u>1 491 688 064</u>
Transactions incurred for the Year 2011/12		(22 247 969)
Correction of Error:-		
Adjustment of accrual for Pre-paid Electricity - Notes 41.2 and 41.4	106 899	
Adjustment for rental on Lease Receivables - Notes 41.2 and 41.4	(12 252)	
Adjustment for revenue realised on Unspent Grants - Notes 41.2 and 41.4	(14 266 617)	
Adjustment for purchases of Water Stock - Notes 41.3 and 41.4	(910 233)	
Adjustment for impairment of Receivables - Notes 41.3 and 41.4	8 816 264	
Adjustment for impairment of Receivables - Notes 41.3 and 41.4	(11 674 100)	
Adjustment for Assets in terms of GRAP - Notes 41.3 and 41.4	(3 884 149)	
Adjustment for Property, Plant & Equipment acquired - Notes 41.3 and 41.4	(279 057)	
Adjustment for depreciation on Heritage Assets - Notes 41.3 and 41.4	24 247	
Adjustment for depreciation on Intangible Assets - Notes 41.3 and 41.4	(151 265)	
Adjustment of accrual for Staff Bonuses - Notes 41.3 and 41.4	(218 409)	
Adjustment of accrual for Staff Leave - Notes 41.3 and 41.4	(30 020)	
Adjustment of Finance Leases - Notes 41.3 and 41.4	649 789	
Adjustment for provision of Landfill Sites - Notes 41.3 and 41.4	(28 364)	
Adjustment for provision of Health Care Benefits- Notes 41.3 and 41.4	<u>550 331</u>	(21 306 938)
Restated Balances as at 30 June 2012		<u><u>1 448 133 157</u></u>

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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41.2 Restatement of Revenue

The prior year figures of Revenue Classes have been restated to correctly disclose the Revenue of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2011/12 Revenue	Current Year 2011/12 Revenue	Restated Amount
Property Rates	38 133 329	38 133 329	(0)
Fines	567 259	621 350	(54 091)
Licences and Permits	2 098 696	2 098 696	-
Income for Agency Services	1 138 804	1 138 804	-
Government Grants and Subsidies Received	107 395 275	93 128 658	14 266 617
Service Charges	163 366 888	162 026 814	1 340 074
Rental of Facilities and Equipment	1 217 445	1 205 193	12 252
Interest Earned - External Investments	3 939 181	3 971 235	(32 054)
Interest Earned - Outstanding Debtors	9 228 364	9 228 364	-
Other Revenue	2 491 480	2 582 607	(91 127)
	329 576 721	314 135 050	15 441 671

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	Fines	Government Grants	Service Charges
Balance previously reported	567 259	107 395 275	163 366 888
Adjustment for reconciliation of Bank Accounts	54 091		(1 446 973)
Adjust transactions of revenue realised from Unspent Grants		(14 266 617)	
Reversal of Accrual for Pre-paid Electricity made for 2010/11			377 155
Accrual for Pre-paid Electricity for 2011/12			(270 256)
Restated Balance now reported	621 350	93 128 658	162 026 814
	Rental of Facilities	Interest Earned: External	Other Revenue
Balance previously reported	1 217 445	3 939 181	2 491 480
Adjustment for Operating Lease Receivables	(12 252)		
Adjustment for reconciliation of Bank Accounts		32 054	91 127
Restated Balance now reported	1 205 193	3 971 235	2 582 607

Fines:

The prior year amounts for *Fines* and Cash & Cash Equivalents have been restated to correctly disclose the revenue realised from banking transactions in terms of the bank reconciliation performed.

Government Grants and Subsidies Received:

The prior year amounts for *Government Grants & Subsidies Received* and Unspent Conditional Grants & Receipts have been restated to correctly disclose the revenue realised from unspent grants, previously incorrectly calculated and recognised.

Service Charges:

The prior year amounts for *Service Charges* and Cash & Cash Equivalents have been restated to correctly disclose the revenue realised from banking transactions in terms of the bank reconciliation performed.

Furthermore, the prior year amounts for *Service Charges* and Payables from Non-exchange Transactions have been restated to correctly disclose the revenue for Pre-paid Electricity, accrued for 2010/11 and not previously reversed in 2011/12.

Furthermore, the prior year amounts for *Service Charges* and Payables from Non-exchange Transactions have been restated to correctly disclose the revenue for Pre-paid Electricity for 2011/12, accrued for an estimate of unused units sold.

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Rental of Facilities and Equipment:

The prior year amounts for *Rental of Facilities & Equipment* and Operating Lease Receivables have been restated to correctly disclose the revenue for Rentals in terms of GRAP 13, previously not straight-lined.

Interest Earned - External Investments:

The prior year amounts for *Interest Earned - External Investments* and Cash & Cash Equivalents have been restated to correctly disclose the revenue realised from banking transactions in terms of the bank reconciliation performed.

Other Revenue:

The prior year amounts for *Other Revenue* and Cash & Cash Equivalents have been restated to correctly disclose the revenue realised from banking transactions in terms of the bank reconciliation performed.

41.3 Restatement of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly disclose the Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2011/12 Expenditure	Current Year 2011/12 Expenditure	Restated Amount
Employee Related Costs	102 704 129	111 439 294	(8 735 164)
Remuneration of Councillors	7 703 708	7 703 708	-
Depreciation and Amortisation	44 212 315	45 661 115	(1 448 801)
Impairment Losses	29 660 382	20 844 119	8 816 264
Repairs and Maintenance	10 868 470	13 042 631	(2 174 161)
Finance Costs	218 377	342 644	(124 266)
Bulk Purchases	64 578 888	74 280 343	(9 701 454)
Contracted Services	2 706 241	2 706 241	-
Grants and Subsidies Paid	20 053 402	21 218 189	(1 164 787)
General Expenses	51 270 082	51 012 741	257 340
Surplus / (Deficit) for the Year	(4 399 273)	(34 115 974)	29 716 701
	329 576 721	314 135 050	15 441 671

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	Employee Related Costs	Depreciation & Amortisation	Impairment Losses	Repairs & Maintenance
Balance previously reported	102 704 129	44 212 315	29 660 382	10 868 470
Adjustment for Salary Expense	6 812 528			
Adjustment for Health Care Benefits	(550 331)			
Adjustment for Staff Bonuses	218 409			
Adjustment for Staff Leave	30 020			
Adjustment for reconciliation of Bank Accounts	2 224 538			2 073 687
Adjustment for depreciation in terms of GRAP		1 505 069		
Adjustment for depreciation of Intangible Assets		(32 021)		
Adjustment for depreciation of Heritage Assets		(24 247)		
Adjustment for impairment of Receivables			(8 816 264)	
Adjustment for acquisition of Assets				100 474
Restated Balance now reported	111 439 294	45 661 115	20 844 119	13 042 631

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R		
	Finance Costs	Bulk Purchases	Grants & Subsidies Paid	General Expenses
Balance previously reported	218 377	64 578 888	20 053 402	51 270 082
Adjustment for unwinding of interest to Landfill Site	28 364			
Adjustment for reconciliation of Bank Accounts	121 787	3 928 359	1 164 787	5 050 844
Adjustment for reconciliation of Finance Leases	(25 885)			(623 904)
Adjustment for Bulk Electricity Purchases		5 773 096		(5 773 096)
Adjustment for Water Bulk Purchases				910 233
Adjustment for Electricity Infrastructure				
Adjustment for acquisition of Assets				178 583
Restated Balance now reported	342 644	74 280 343	21 218 189	51 012 741

Employee Related Costs:

The prior year amounts for *Employee Related Costs*, Provisions and Retirement Benefit Liabilities have been restated to correctly disclose the expenditure for Health Benefits, previously calculated on wrong assumptions made.

Furthermore, the prior year amounts for *Employee Related Costs* and Payables from Non-exchange Transactions have been restated to correctly disclose the expenditure for Staff Bonuses for 2011/12, previously not accrued for.

Furthermore, the prior year amounts for *Employee Related Costs* and Payables from Non-exchange Transactions have been restated to correctly disclose the expenditure for Staff Leave for 2011/12, previously incorrectly accrued for.

Furthermore, the prior year amounts for *Employee Related Costs* and Cash & Cash Equivalents have been restated to correctly disclose the expenditure incurred from banking transactions in terms of the bank reconciliation performed.

Depreciation and Amortisation:

The prior year amounts for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the carrying value for Heritage Assets, previously classified as Property, Plant & Equipment and depreciated accordingly.

Furthermore, the prior year amounts for *Depreciation & Amortisation*, Intangible Assets and Accumulated Surplus have been restated to correctly disclose the carrying value for Intangible Assets, previously not recognised.

Impairment Losses:

The prior year amounts for *Impairment Losses*, Receivables from Exchange Transactions and Receivables from Non-exchange Transactions have been restated to correctly disclose the expenditure for impairment of debtors, previously incorrectly calculated.

Repairs and Maintenance:

The prior year amounts for *Repairs & Maintenance* and Cash & Cash Equivalents have been restated to correctly disclose the expenditure incurred from banking transactions in terms of the bank reconciliation performed.

Furthermore, the prior year amounts for *Repairs & Maintenance* and Property, Plant & Equipment have been restated to correctly disclose the acquisition of assets in terms of the asset reconciliation performed.

Finance Costs:

The prior year amounts of *Finance Costs* and Non-current Provisions have been restated to correctly disclose the expenditure for interest cost on the rehabilitation of Landfill Sites in terms of GRAP 19.

Furthermore, the prior year amounts for *Finance Costs* and Cash & Cash Equivalents have been restated to correctly disclose the expenditure incurred from banking transactions in terms of the bank reconciliation performed.

Furthermore, the prior year amounts for *Finance Costs* and Long-term Liabilities have been restated to correctly disclose the expenditure incurred from finance leases in terms of the reconciliation performed.

Bulk Purchases:

The prior year amounts for *Bulk Purchases* and Cash & Cash Equivalents have been restated to correctly disclose the expenditure incurred from banking transactions in terms of the bank reconciliation performed.

Furthermore, the prior year amounts of *Bulk Purchases* and General Expenses have been restated to correctly disclose the expenditure for electricity purchases, previously allocated to departmental charges.

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Grants and Subsidies Paid:

The prior year amounts for *Grants & Subsidies Paid* and Cash & Cash Equivalents have been restated to correctly disclose the expenditure incurred from banking transactions in terms of the bank reconciliation performed.

General Expenses:

The prior year amounts for *General Expenses* and Cash & Cash Equivalents have been restated to correctly disclose the expenditure incurred from banking transactions in terms of the bank reconciliation performed.

Furthermore, the prior year amounts for *General Expenses* and Bulk Purchases have been restated to correctly disclose the expenditure for electricity purchases, previously allocated to departmental charges.

Furthermore, the prior year amounts for *General Expenses* and Inventories have been restated to correctly disclose the amount for Water Stock in terms of a revised stock calculation.

Furthermore, the prior year amounts for *General Expenses* and Property, Plant & Equipment have been restated to correctly disclose the acquisition of assets in terms of the asset reconciliation performed.

Furthermore, the prior year amounts for *General Expenses* and Long-term Liabilities have been restated to correctly disclose the expenditure incurred from finance leases in terms of the reconciliation performed.

41.4 Restatement of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly disclose the Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2011/12 Balance	Current Year 2011/12 Balance	Restated Amount
Current Assets			
Inventories	17 487 197	7 275 167	10 212 030
Non-current Assets Held-for-Sale	98 000	98 000	-
Receivables from Exchange Transactions	52 017 803	113 504 856	(61 487 054)
Receivables from Non-exchange Transactions	8 868 085	26 445 084	(17 577 000)
Cash and Cash Equivalents	44 397 893	52 997 288	(8 599 395)
Operating Lease Receivables	54 753	35 338	19 414
Non-Current Assets			
Property, Plant and Equipment	1 301 240 357	1 200 678 144	100 562 213
Intangible Assets	310 165	304 137	6 028
Investment Property	143 259 906	227 125 875	(83 865 969)
Heritage Assets	1 847 932	23 100 874	(21 252 942)
Non-current Investments	12 587 802	1 039 815	11 547 987
Current Liabilities			
Consumer Deposits	(2 097 299)	(2 071 018)	(26 281)
Provisions	(2 565 446)	(2 522 834)	(42 612)
Payables from Exchange Transactions	(75 120 726)	(22 842 750)	(52 277 976)
Payables from Non-exchange Transactions	-	(63 118 399)	63 118 399
Unspent Conditional Grants and Receipts	(56 865 099)	(50 759 239)	(6 105 860)
VAT Payable	(5 346 888)	(4 475 571)	(871 317)
Current Portion of Long-term Liabilities	(819 590)	(851 279)	31 689
Non-Current Liabilities			
Long-term Liabilities	(138 237)	(283 035)	144 798
Retirement Benefit Liabilities	(51 374 540)	(47 892 933)	(3 481 607)
Non-current Provisions	(4 728 260)	(4 264 789)	(463 471)
Net Assets			
Statutory Funds	(5 389 576)	(5 389 576)	-
Accumulated Surplus / (Deficit)	(1 377 724 229)	(1 448 133 157)	70 408 928
	<u>(0)</u>	<u>-</u>	<u>(0)</u>

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Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	Inventories	Receivables: Exchange	Receivables: Non-exchange	Lease Receivables
Balances previously published per AFS as at 30 June 2011	15 472 293	60 717 278	8 222 638	54 753
Reclassify opening balance for Water Stock	(9 301 797)			
Reclassify opening balance for Impairment		54 515 910	13 875 395	
Reclassify opening balance for Credit Balances		(9 355 644)	4 975 389	
Reclassify opening balance for Non-exchange Payables				(7 162)
Balances now published per AFS as at 30 June 2011	6 170 496	105 877 544	27 073 422	47 591
Transactions incurred for the Year 2011/12	2 014 904	(8 699 476)	645 447	-
Adjustment for Water Bulk Purchases	(910 233)			
Adjustment for reconciliation of Bank Accounts		552 810	2 250 246	
Adjustment for Impairment of Receivables		8 921 523	(105 259)	
Adjustment for Credit Balances on Receivables		6 852 455	(3 444 655)	
Adjustment for reconciliation of Finance Leases			25 885	
Adjustment for Operating Lease Receivables				(12 252)
Balances now published per AFS as at 30 June 2012	7 275 167	113 504 856	26 445 084	35 338
	Property, Plant & Equipment	Intangible Assets	Investment Property	Heritage Assets
Balances previously published per AFS as at 30 June 2011	1 286 539 581	56 129	144 907 868	-
Reclassify opening balance in terms of GRAP	(73 054 115)		82 548 405	-
Reclassify opening balance for Heritage Assets	(21 252 942)			21 252 942
Reclassify opening balance for Depreciated Heritage Assets	50 497			
Recognition of opening balance for Landfill Site	664 554			
Recognition of opening balance for Assets acquired	(2 120 779)			
Adjustment for reconciliation of Finance Leases	801 888			
Reclassify opening balance for Intangible Assets		145 238		
Balances now published per AFS as at 30 June 2011	1 191 628 683	201 367	227 456 273	21 252 942
Transactions incurred for the Year	14 700 776	254 035	(1 647 962)	1 847 932
Adjustment for Assets in terms of GRAP	(5 201 714)		1 317 565	
Adjustment for depreciation of Heritage Assets	24 247			
Adjustment for acquisition of Assets	(473 848)			
Adjustment for cost of Intangible Assets		(183 286)		
Adjustment for depreciation of Intangible Assets		32 021		
Balances now published per AFS as at 30 June 2012	1 200 678 144	304 137	227 125 875	23 100 874
	Bank & Cash	Non-current Investments	Consumer Deposits	Current Provisions
Balances previously published per AFS as at 30 June 2011	71 149 754	11 777 283	(1 985 768)	(2 321 399)
Reclassify opening balance for Investments	10 854 343	(10 854 343)		
Adjustment for reconciliation of Bank Accounts	1 671 421			
Adjust Current Portion of Provision for Health Care Benefits				59 676
Balances now published per AFS as at 30 June 2011	83 675 518	922 940	(1 985 768)	(2 261 723)
Transactions incurred for the Year	(26 751 861)	810 519	(111 532)	(244 047)
Adjustment for reconciliation of Bank Accounts	(4 620 013)		26 281	
Reclassify transactions for Investments	693 645	(693 645)		
Adjust transactions of Provision for Health Care Benefits				(17 064)
Balances now published per AFS as at 30 June 2012	52 997 288	1 039 815	(2 071 018)	(2 522 834)

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	2013 R	2012 R
	Payables: Exchange	Payables: Non-exchange	Unspent Grants	VAT Payable
Balances previously published per AFS as at 30 June 2011	(63 890 307)	0	(62 962 356)	(13 520 542)
Reclassification of Payables for Non-exchange Payables	61 904 108	(61 904 108)		
Adjust opening balance for Staff Bonuses		(2 516 741)		
Adjust opening balance for Staff Leave		(834 656)		
Reclassify opening balance for Credit Balances		4 380 255		
Reclassify opening balance for Operating Grants			22 612 477	
Balances now published per AFS as at 30 June 2011	(1 986 200)	(60 875 250)	(40 349 879)	(13 520 542)
Transactions incurred for the Year	(11 230 418)	-	6 097 257	8 173 654
Adjustment for reconciliation of Bank Accounts	(7 520 671)	(799 280)	(2 240 000)	676 527
Reclassification of Payables for Exchange Payables	45 268	(45 268)		
Reclassification of Payables for Non-exchange Payables	(1 880 472)	1 880 472		
Accrual for Pre-paid Electricity for 2011/12	(270 256)			
Reversal of Accrual for Pre-paid Electricity made for 2010/11		377 155		
Adjustment for contribution to Staff Bonuses		(218 409)		
Adjustment for contribution to Staff Leave		(30 020)		
Adjustment for Credit Balances on Receivables		(3 407 799)		
Adjust transactions of revenue realised from Unspent Grants			(14 266 617)	
Adjustment for acquisition of Assets				194 791
Balances now published per AFS as at 30 June 2012	(22 842 750)	(63 118 399)	(50 759 239)	(4 475 571)
	ST Portion of LT Liabilities	Long-term Liabilities	Retirement Liabilities	Non-current Provisions
Balances previously published per AFS as at 01 July 2011	(977 738)	(601 449)	(43 102 639)	(4 192 594)
Adjustment for reconciliation of Finance Leases	(267 527)	(532 864)		
Adjust opening balance of Provision for Health Care Benefits			2 914 212	
Reversal of opening balance for Landfill Sites Provision				1 183 635
Recognition of opening balance for Landfill Site				(664 554)
Recognition of interest in opening balance for Landfill Site				(27 247)
Balances now published per AFS as at 01 July 2011	(1 245 264)	(1 134 314)	(40 188 427)	(3 700 759)
Transactions incurred for the Year	158 147	463 213	(8 271 901)	(535 666)
Adjustment for reconciliation of Finance Leases	235 838	388 066		
Adjust transactions of Provision for Health Care Benefits			567 395	
Adjustment for unwinding of interest to Landfill Site				(28 364)
Balances now published per AFS as at 30 June 2012	(851 279)	(283 035)	(47 892 933)	(4 264 789)

Inventories:

The **opening balances** for *Inventories* and Accumulated Surplus have been restated to correctly disclose the amount for Water Stock as at 30 June 2011, previously calculated incorrectly.

The **prior year amounts** for *Inventories* and Bulk Purchases have been restated to correctly disclose the amount for Water Stock in terms of a revised stock calculation.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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Receivables from Exchange Transactions:

The **opening balances** of *Receivables from Exchange Transactions*, *Receivables from Non-exchange Transactions* and *Accumulated Surplus* have been restated to correctly disclose the amount for impairment of debtors, previously incorrectly calculated.

Furthermore, the **opening balances** of *Receivables from Exchange Transactions*, *Receivables from Non-exchange Transactions* and *Payables from Non-exchange Transactions* have been restated to correctly disclose the amount for credit amounts on debtors, previously incorrectly calculated.

The **prior year amounts** for *Receivables from Exchange Transactions*, *Receivables from Non-exchange Transactions* and *Impairment Losses* have been restated to correctly disclose the amount for impairment of debtors, previously incorrectly calculated.

Furthermore, the **prior year amounts** of *Receivables from Exchange Transactions*, *Receivables from Non-exchange Transactions* and *Payables from Non-exchange Transactions* have been restated to correctly disclose the amount for credit amounts on debtors, previously incorrectly calculated.

Furthermore, the **prior year amounts** for *Receivables from Exchange Transactions*, *Revenue*, *Expenditure* and *Cash & Cash Equivalents* have been restated to correctly disclose the revenue received from banking transactions in terms of the bank reconciliation performed.

Receivables from Non-exchange Transactions:

The **opening balances** of *Receivables from Non-exchange Transactions*, *Receivables from Exchange Transactions* and *Accumulated Surplus* have been restated to correctly disclose the amount for impairment of debtors, previously incorrectly calculated.

Furthermore, the **opening balances** of *Receivables from Non-exchange Transactions*, *Receivables from Exchange Transactions* and *Payables from Non-exchange Transactions* have been restated to correctly disclose the amount for credit amounts on debtors, previously incorrectly calculated.

The **prior year amounts** for *Receivables from Non-exchange Transactions*, *Receivables from Exchange Transactions* and *Impairment Losses* have been restated to correctly disclose the amount for impairment of debtors, previously incorrectly calculated.

Furthermore, the **prior year amounts** of *Receivables from Non-exchange Transactions*, *Receivables from Exchange Transactions* and *Payables from Non-exchange Transactions* have been restated to correctly disclose the amount for credit amounts on debtors, previously incorrectly calculated.

Furthermore, the **prior year amounts** for *Receivables from Non-exchange Transactions*, *Revenue*, *Expenditure* and *Cash & Cash Equivalents* have been restated to correctly disclose the revenue received from banking transactions in terms of the bank reconciliation performed.

Furthermore, the **prior year amounts** for *Receivables from Non-exchange Transactions*, *Expenditure* and *Long-term Liabilities* have been restated to correctly disclose the amount for Finance Leases in terms of the reconciliation performed.

Cash and Cash Equivalents:

The **opening balances** of *Cash & Cash Equivalents* and *Non-current Investments* have been restated to correctly classify the nature of Investments held by the municipality.

Furthermore, the **opening balances** for *Cash & Cash Equivalents* and *Accumulated Surplus* have been restated to correctly disclose the transactions incurred from banking transactions in terms of the bank reconciliation performed.

The **prior year amounts** of *Cash & Cash Equivalents* and *Non-current Investments* have been restated to correctly classify the nature of Investments held by the municipality.

Furthermore, the **prior year amounts** for *Cash & Cash Equivalents*, *Revenue*, *Expenditure*, *Assets* and *Liabilities* have been restated to correctly disclose the transactions incurred from banking transactions in terms of the bank reconciliation performed.

Operating Lease Receivables:

The **opening balances** of *Operating Lease Receivables* and *Accumulated Surplus* have been restated to correctly disclose the amount for Operating Lease Receivables in terms of GRAP 13 as at 30 June 2011, contracts not previously straight-lined.

The **prior year amounts** of *Operating Lease Receivables* and *Rental of Facilities & Equipment* have been restated to correctly disclose the amount for Operating Lease Receivables in terms of GRAP 13 for 2011/12, contracts not previously straight-lined.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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Property, Plant and Equipment:

The **opening balances** of *Property, Plant & Equipment* and Heritage Assets have been restated to correctly disclose the amount for Heritage Assets, previously classified as Land & Buildings and Community Assets.

Furthermore, the **opening balances** of *Property, Plant & Equipment* and Accumulated Surplus have been restated to correctly disclose the carrying value for Heritage Assets, previously classified as Property, Plant & Equipment and depreciated accordingly.

Furthermore, the **opening balances** of *Property, Plant & Equipment* and Non-current Provisions have been restated to correctly disclose the amount for the rehabilitation of Landfill Sites in terms of GRAP 19.

Furthermore, the **opening balances** of *Property, Plant & Equipment* and Accumulated Surplus have been restated to correctly disclose the acquisition of assets in terms of the asset reconciliation performed.

Furthermore, the **opening balances** of *Property, Plant & Equipment*, Short-term Portion of LT Liabilities and Long-term Liabilities have been restated to correctly disclose the amount for Finance Leases in terms of the reconciliation performed.

The **prior year amounts** for *Property, Plant & Equipment* and Depreciation & Amortisation have been restated to correctly disclose the carrying value for Heritage Assets, previously classified as Property, Plant & Equipment and depreciated accordingly.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment*, VAT Payable and Expenditure have been restated to correctly disclose the acquisition of assets in terms of the asset reconciliation performed.

Intangible Assets:

The **opening balances** of *Intangible Assets* and Accumulated Surplus have been restated to correctly disclose the correct amount for Intangible Assets, previously not recognised.

The **prior year amounts** for *Intangible Assets*, Depreciation & Amortisation and Accumulated Surplus have been restated to correctly disclose the carrying value for Intangible Assets, previously not recognised.

Heritage Assets:

The **opening balances** of *Heritage Assets* and Property, Plant & Equipment have been restated to correctly disclose the amount for Heritage Assets, previously classified as Land & Buildings and Community Assets.

Non-current Investments:

The **opening balances** of *Non-current Investments* and Cash & Cash Equivalents have been restated to correctly classify the nature of Investments held by the municipality.

The **prior year amounts** of *Non-current Investments* and Cash & Cash Equivalents have been restated to correctly classify the nature of Investments held by the municipality.

Consumer Deposits:

The **prior year amounts** for *Consumer Deposits*, Revenue, Expenditure and Cash & Cash Equivalents have been restated to correctly disclose the revenue received from banking transactions in terms of the bank reconciliation performed.

Provisions:

The **opening balances** of *Provisions*, Retirement Benefit Liabilities and Accumulated Surplus have been restated to correctly disclose the amount for Health Benefits, previously calculated on wrong assumptions made.

The **prior year amounts** for *Provisions*, Retirement Benefit Liabilities and Employee Related Costs have been restated to correctly disclose the expenditure for Health Benefits, previously calculated on wrong assumptions made.

Payables from Exchange Transactions:

The **opening balances** for *Payables from Exchange Transactions* and Payables from Non-exchange Transactions have been restated to correctly disclose the amount for Payables in terms of GRAP 1 and 23.

The **prior year amounts** for *Payables from Exchange Transactions* and Payables from Non-exchange Transactions have been restated to correctly disclose the amount for Payables in terms of GRAP 1 and 23.

Furthermore, the **prior year amounts** for *Payables from Exchange Transactions* and Service Charges have been restated to correctly disclose the revenue for Pre-paid Electricity for 2011/12, accrued for an estimate of unused units sold.

Furthermore, the **prior year amounts** for *Payables from Exchange Transactions*, Revenue, Expenditure and Cash & Cash Equivalents have been restated to correctly disclose the expenditure incurred from banking transactions in terms of the bank reconciliation performed.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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Payables from Non-exchange Transactions:

The **opening balances** of *Payables from Non-exchange Transactions* and Payables from Exchange Transactions have been restated to correctly disclose the amount for Payables in terms of GRAP 1 and 23.

Furthermore, the **opening balances** of *Payables from Non-exchange Transactions* and Accumulated Surplus have been restated to correctly disclose the amount for Staff Bonuses, previously not accrued for.

Furthermore, the **opening balances** of *Payables from Non-exchange Transactions* and Accumulated Surplus have been restated to correctly disclose the amount for Staff Leave, previously incorrectly accrued for.

Furthermore, the **opening balances** of *Payables from Non-exchange Transactions*, Receivables from Exchange Transactions and Receivables from Non-exchange Transactions have been restated to correctly disclose the amount for credit amounts on debtors, previously incorrectly calculated.

The **prior year amounts** for *Payables from Non-exchange Transactions* and Payables from Exchange Transactions have been restated to correctly disclose the amount for Payables in terms of GRAP 1 and 23.

Furthermore, the **prior year amounts** for *Payables from Non-exchange Transactions* and Service Charges have been restated to correctly disclose the revenue for Pre-paid Electricity, accrued for 2010/11 and not previously reversed in 2011/12.

Furthermore, the **prior year amounts** for *Payables from Non-exchange Transactions* and Employee Related Costs have been restated to correctly disclose the expenditure for Staff Bonuses for 2011/12, previously not accrued for.

Furthermore, the **prior year amounts** for *Payables from Non-exchange Transactions* and Employee Related Costs have been restated to correctly disclose the expenditure for Staff Leave for 2011/12, previously incorrectly accrued for.

Furthermore, the **prior year amounts** of *Payables from Non-exchange Transactions*, Receivables from Exchange Transactions and Receivables from Non-exchange Transactions have been restated to correctly disclose the amount for credit amounts on debtors, previously incorrectly calculated.

Furthermore, the **prior year amounts** for *Payables from Non-exchange Transactions*, Revenue, Expenditure and Cash & Cash Equivalents have been restated to correctly disclose the expenditure incurred from banking transactions in terms of the bank reconciliation performed.

Unspent Conditional Grants and Receipts:

The **opening balances** of *Unspent Conditional Grants & Receipts* and Accumulated Surplus have been restated to correctly disclose the amount for unspent grants, previously incorrectly calculated and recognised.

The **prior year amounts** for *Unspent Conditional Grants & Receipts* and Government Grants & Subsidies Received have been restated to correctly disclose the amount for unspent grants, previously incorrectly calculated and recognised.

Furthermore, the **prior year amounts** for *Unspent Conditional Grants & Receipts*, Revenue, Expenditure and Cash & Cash Equivalents have been restated to correctly disclose the revenue received from banking transactions in terms of the bank reconciliation performed.

VAT Payable:

The **prior year amounts** for *VAT Payable*, Revenue, Expenditure and Cash & Cash Equivalents have been restated to correctly disclose the expenditure incurred from banking transactions in terms of the bank reconciliation performed.

Furthermore, the **prior year amounts** for *VAT Payable*, Property, Plant & Equipment and Expenditure have been restated to correctly disclose the acquisition of assets in terms of the asset reconciliation performed.

Current Portion of Long-term Liabilities:

The **opening balances** of *Current Portion of Long-term Liabilities*, Long-term Liabilities and Property, Plant & Equipment have been restated to correctly disclose the amount for Finance Leases in terms of the reconciliation performed.

The **prior year amounts** for *Current Portion of Long-term Liabilities* and Long-term Liabilities have been restated to correctly disclose the amount for Finance Leases in terms of the reconciliation performed.

Long-term Liabilities:

The **opening balances** of *Long-term Liabilities*, Short-term Portion of LT Liabilities, Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose the amount for Finance Leases in terms of the reconciliation performed.

The **prior year amounts** for *Long-term Liabilities*, Short-term Portion of LT Liabilities, Receivables from Non-exchange Transactions and Expenditure have been restated to correctly disclose the expenditure incurred from finance leases in terms of the reconciliation performed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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Retirement Benefit Liabilities:

The **opening balances** of *Retirement Benefit Liabilities*, Provisions and Accumulated Surplus have been restated to correctly disclose the amount for Health Benefits, previously calculated on wrong assumptions made.

The **prior year amounts** for *Retirement Benefit Liabilities*, Provisions and Employee Related Costs have been restated to correctly disclose the expenditure for Health Benefits, previously calculated on wrong assumptions made.

Non-current Provisions:

The **opening balances** of *Non-current Provisions* and Accumulated Surplus have been restated to reverse the amount for the rehabilitation of Landfill Sites, previously incorrectly accounted for.

Furthermore, the **opening balances** of *Non-current Provisions* and Property, Plant & Equipment have been restated to correctly disclose the amount for the rehabilitation of Landfill Sites in terms of GRAP 19.

Furthermore, the **opening balances** of *Non-current Provisions* and Accumulated Surplus have been restated to correctly disclose the amount for interest cost on the rehabilitation of Landfill Sites in terms of GRAP 19.

The **prior year amounts** of *Non-current Provisions* and Finance Costs have been restated to correctly disclose the amount for interest cost on the rehabilitation of Landfill Sites in terms of GRAP 19.

42 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	8 256 889	(34 115 974)
Adjustment for:		
Correction of Prior Year Errors	(1 744 507)	(9 419 943)
Depreciation and Amortisation	46 624 607	45 661 115
Impairment Losses on Property, Plant and Equipment	233 485	-
Losses / (Gains) on Disposal of Property, Plant and Equipment	148 328	-
Property, Plant and Equipment transferred to Assets Held-for-Sale	-	98 000
Contribution to Retirement Benefit Liabilities	(2 030 635)	9 414 482
Expenditure incurred from Retirement Benefit Liabilities	(1 709 976)	(1 505 052)
Contribution to Provisions - Non-current	1 088 784	1 376 888
Expenditure incurred from Provisions - Current	(812 858)	(756 671)
Contribution to Impairment Provision	23 288 077	20 844 119
Bad Debts Written-off	(934 760)	(12 431 292)
Operating surplus before working capital changes	72 407 432	19 165 672
Decrease/(Increase) in Inventories	(1 430 835)	(1 104 671)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	98 000	(98 000)
Decrease/(Increase) in Receivables from Exchange Transactions	(42 842 190)	(14 652 322)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(4 795 757)	(759 479)
Decrease/(Increase) in VAT Receivable	(1 658 397)	-
Decrease/(Increase) in Operating Lease Assets	18 373	12 252
Increase/(Decrease) in Consumer Deposits	135 430	85 250
Increase/(Decrease) in Payables from Exchange Transactions	5 801 001	20 856 550
Increase/(Decrease) in Payables from Non-exchange Transactions	10 206 539	2 243 149
Increase/(Decrease) in Conditional Grants and Receipts	(5 632 880)	10 409 360
Increase/(Decrease) in VAT Payable	(4 475 571)	(9 044 971)
Cash generated by / (utilised in) Operations	27 831 145	27 112 790

43 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
44 FINANCING FACILITIES		
Secured Bank Overdraft Facility:		
- Amount used	-	1 000 000
- Amount unused	-	(1 000 000)
	-	-

The Secured Bank Overdraft Facility was cancelled during the 2012/13 financial year.

45 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 20)	23 639 776	1 134 314
Used to finance Property, Plant and Equipment - at cost	(23 639 776)	(1 134 314)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 7 and 13)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

46.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
Opening balance	140 601 054	78 976 534
Unauthorised Expenditure current year	46 412 207	61 624 520
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 53)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	187 013 261	140 601 054

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Executive and Council - R2 978 832 (2012: R1 736 816)	
- Finance and Administration - R16 732 788 (2012: R50 249 400)	
- Health - R279 262 (2012: R0)	
- Public Safety - R596 066 (2012: R0)	
- Sport and Recreation - R639 562 (2012: R0)	
- Roads and Transport - R3 392 234 (2012: R0)	
- Water - R20 097 942 (2012: R3 819 375)	
- Electricity - R1 663 616 (2012: R5 773 371)	
- Other - R31 906 (2012: R45 559)	

46.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	-	-
Fruitless and Wasteful Expenditure current year	174 406	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 53)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	174 406	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>Course paid for, not attended - R13 000 (2012: R0)</i>	<i>None</i>
<i>Interest on late payment - Various Creditors - R161 406 (2012: R0)</i>	<i>None</i>

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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46.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	-	-
Irregular Expenditure current year	43 799 316	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 53)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	43 799 316	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>Irregular payments made - R38 783 832 (2012: R0)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>Expenditure contrary to SCM Processes as described in Note 47.8 - R5 015 483 (2012: R0)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	915 224	490 633
Amount Paid - current year	(915 224)	(490 633)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

47.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	3 480 420	4 373 535
Amount Paid - current year	(3 480 420)	(4 373 535)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

47.3 VAT

The net of VAT input payables and VAT output receivables are shown in Notes 6 and 19. All VAT returns have been submitted by the due date throughout the year.

47.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	13 060 104	11 741 146
Amount Paid - current year	(13 060 104)	(11 741 146)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

47.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	26 786 201	23 532 683
Amount Paid - current year	(26 786 201)	(23 532 683)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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47.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2013	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Jackson BPN	2 575	806	1 769
Councillor Masoma NC (Ms)	2 490	-	2 490
Councillor May L (Ms)	17 085	1 417	15 667
Councillor Reynolds LM	4 307	4 098	209
Councillor Tame MS	3 147	1 108	2 040
Total Councillor Arrear Consumer Accounts	29 604	7 430	22 175

30 June 2012	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Bonani B (Ms)	3 244	-	3 244
Councillor Madinda-Isaacs RM (Ms)	1 398	-	1 398
Councillor Masoma NC (Ms)	3 370	761	2 609
Councillor May L (Ms)	13 664	2 212	11 452
Councillor Meti N (Ms)	407	137	271
Councillor Ngeleza TC (Ms)	9 375	-	9 375
Councillor Reynolds LM	12 631	12 561	70
Councillor Tame MS	3 763	3 543	220
Total Councillor Arrear Consumer Accounts	47 852	19 214	28 638

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

30 June 2013	Highest amount outstanding	Ageing
Councillor Jackson BPN	1 769	> 90 Days
Councillor Masoma NC (Ms)	2 490	> 90 Days
Councillor May L (Ms)	15 667	> 90 Days
Councillor Reynolds LM	209	> 90 Days
Councillor Tame MS	6 136	> 90 Days

30 June 2012	Highest amount outstanding	Ageing
Councillor Bonani B (Ms)	3 244	> 90 Days
Councillor Madinda-Isaacs RM (Ms)	1 398	> 90 Days
Councillor Masoma NC (Ms)	2 609	> 90 Days
Councillor May L (Ms)	11 452	> 90 Days
Councillor Meti N (Ms)	1 134	> 90 Days
Councillor Ngeleza TC (Ms)	9 375	> 90 Days
Councillor Reynolds LM	70	> 90 Days
Councillor Tame MS	220	> 90 Days

47.7 Non-Compliance with the Municipal Finance Management Act

The municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
General responsibilities	7	52	(d)
Budgetary control and early identification of financial problems	7	54	(i)
Revenue management	8	64	(3)
Expenditure on staff benefits	8	66	
Budget implementation	8	69	(3)
Monthly budget statements	8	71	(i) to (v)
Mid-year budget and performance assessment	8	72	(1) to (3)
General reporting obligation	8	74	(1) to (2)
Information to be placed on websites of municipalities	8	75	(1) to (2)
Preparation and adoption of annual reports	12	121	(1)
Other compulsory disclosures	12	125	(2)
Oversight reports on annual reports	12	129	(1)
Issues raised by Auditor-General in audit reports	12	131	(1)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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47.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Office of the Mayor	Dec 2012	Uhuru Communications	Sole Service Provider	22 000.00
<i>Procuring advertising services amounting to R22 000,00</i>				
Office of the Municipal Manager	Jun 2013	Cecil Nurse	Urgency	12 900.00
<i>Procuring renovation services amounting to R12 900,00</i>				
Community Services	Oct 2012	Elands Rivery Nursery	Emergency	2 571.71
<i>Procuring plants and ground cover services amounting to R2 571,71</i>				
Corporate Services	Year 2012/13	Albany & Bathurst Engineering Hi-Tech Hide & Shade	Various reasons like sole service provider, break-ins, urgency, etc	44 503.40
<i>4 Occasions during the financial year procuring various services amounting to R44 507,40</i>				
Electrical Services	May 2013	Elecpert (Pty) Ltd	Non-responsive Bidders	196 650.00
<i>Procuring tariff adjustment services amounting to R196 650,00</i>				
Financial Services	Year 2012/13	CQS Technology Lithotech Hue-Toni and Rhini Developers	Sole service providers and urgency	163 130.83
<i>4 Occasions during the financial year procuring various services amounting to R163 134,83</i>				
Fire Brigade Services	Jan 2013 Apr 2013	Afrisec Strategic Solutions Chubb	Sole service provider // Impossible to follow SCM procedures	18 950.00 22 698.40
<i>Procuring security and fire equipment services amounting to R41 648,40</i>				
Information Technology Services	Apr 2013 Apr 2013	SMS Lct Choice Datacentrix	Sole service provider // Urgency	52 600.74 164 854.45
<i>Procuring e-mail and licence renewal services amounting to R217 455,19</i>				
Special Project Unit	Year 2012/13	Various occasions (5)	Improper planning and impossible to follow SCM procedures	68 287.00
<i>5 Occasions during the financial year procuring various services amounting to R68 287,00</i>				
Technical & Infrastructure Services	Year 2012/13	Various occasions (36)	Various reasons like sole service provider, urgency, etc	4 208 683.34
<i>36 Occasions during the financial year procuring various services amounting to R4 208 683,34</i>				
Traffic Services	Year 2012/13	Various occasions (5)	Sole service provider & manufacturer	37 653.53
<i>5 Occasions during the financial year procuring various services amounting to R37 653,53</i>				

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
48 COMMITMENTS FOR EXPENDITURE		
48.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	92 386 933	56 908 962
<i>Infrastructure</i>	92 386 933	56 908 962
Total Capital Commitments	92 386 933	56 908 962
This expenditure will be financed from:		
External Loans	52 922 604	29 045 068
Government Grants	39 464 329	27 863 894
	92 386 933	56 908 962

48.2 Lease Commitments

Finance Lease Liabilities Commitments are disclosed in Note 20.

48.3 Other Commitments

The municipality has entered into a contract with Ubertech IT Consulting & Services during 2012/13 for the maintenance and service of the Abakus System and the Linux Platform for 3 years, which will give rise to a total charge of R462 240. The contract terminates on 31 March 2016.

49 FINANCIAL INSTRUMENTS

49.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Fixed Deposits	Amortised cost	485 442	1 039 815
Receivables from Exchange Transactions			
Electricity	Amortised cost	38 518 509	35 528 993
Refuse	Amortised cost	9 032 235	5 659 462
Sewerage	Amortised cost	21 907 171	20 682 354
Water	Amortised cost	42 636 433	40 183 750
Other Receivables	Amortised cost	16 373 902	5 506 076
Debtors in Credit	Amortised cost	9 648 809	5 944 221
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	19 418 606	20 160 626
Payments made in Advance	Amortised cost	367 223	234 612
Sundry Debtors	Amortised cost	5 095 849	4 519 113
Debtors in Credit	Amortised cost	2 235 834	1 530 734
Cash and Cash Equivalents			
Call Deposits	Fair value	4 404 863	46 593 137
Notice Deposits	Amortised cost	1 295 261	2 967 440
Bank Balances	Fair value	4 128 619	3 432 762
Cash Floats and Advances	Fair value	3 950	3 950

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
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R

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Non-current Investments	Fixed Deposits	485 442	1 039 815
Receivables from Exchange Transactions	Electricity	38 518 509	35 528 993
Receivables from Exchange Transactions	Refuse	9 032 235	5 659 462
Receivables from Exchange Transactions	Sewerage	21 907 171	20 682 354
Receivables from Exchange Transactions	Water	42 636 433	40 183 750
Receivables from Exchange Transactions	Other Receivables	16 373 902	5 506 076
Receivables from Exchange Transactions	Debtors in Credit	9 648 809	5 944 221
Receivables from Non-exchange Transactions	Assessment Rates Debtors	19 418 606	20 160 626
Receivables from Non-exchange Transactions	Payments made in Advance	367 223	234 612
Receivables from Non-exchange Transactions	Sundry Debtors	5 095 849	4 519 113
Receivables from Non-exchange Transactions	Debtors in Credit	2 235 834	1 530 734
Cash and Cash Equivalents	Notice Deposits	1 295 261	2 967 440
		167 015 276	143 957 195

Financial Assets at Fair Value:

Cash and Cash Equivalents	Call Deposits	4 404 863	46 593 137
Cash and Cash Equivalents	Bank Balances	4 128 619	3 432 762
Cash and Cash Equivalents	Cash Floats and Advances	3 950	3 950
		8 537 431	50 029 849
Total Financial Assets		175 552 707	193 987 044

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	21 912 987	0
Finance Lease Liabilities	Amortised cost	(0)	283 034
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	26 957 133	21 149 752
Retentions	Amortised cost	1 422 742	1 422 742
Payables from Non-exchange Transactions			
Staff Bonuses	Amortised cost	3 062 684	2 735 150
Staff Leave Accrued	Amortised cost	9 078 645	7 738 050
Sundry Deposits	Amortised cost	1 825 429	1 549 588
Other Creditors	Amortised cost	47 473 535	43 620 655
Debtors in Credit	Amortised cost	11 884 644	7 474 955
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	1 443 755	463 213
Finance Lease Liabilities	Amortised cost	283 034	388 066

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Annuity Loans	21 912 987	0
Long-term Liabilities	Finance Lease Liabilities	(0)	283 034
Payables from Exchange Transactions	Trade Creditors	26 957 133	21 149 752
Payables from Exchange Transactions	Retentions	1 422 742	1 422 742
Payables from Non-exchange Transactions	Staff Bonuses	3 062 684	2 735 150
Payables from Non-exchange Transactions	Staff Leave Accrued	9 078 645	7 738 050
Payables from Non-exchange Transactions	Sundry Deposits	1 825 429	1 549 588
Payables from Non-exchange Transactions	Other Creditors	47 473 535	43 620 655
Payables from Non-exchange Transactions	Debtors in Credit	11 884 644	7 474 955
Current Portion of Long-term Liabilities	Annuity Loans	1 443 755	463 213
Current Portion of Long-term Liabilities	Finance Lease Liabilities	283 034	388 066
		<u>125 344 589</u>	<u>86 825 206</u>
Total Financial Liabilities		<u>125 344 589</u>	<u>86 825 206</u>

49.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2013, as a result of the short-term maturity of these assets and liabilities.

The Financial Instruments of the municipality have been reclassified as disclosed in Note 40.6, Change in Accounting Policy.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2013

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	4 404 863	-	4 404 863
Bank Balances and Cash	-	4 132 568	-	4 132 568
Total Financial Assets	-	8 537 431	-	8 537 431
FINANCIAL LIABILITIES				
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	8 537 431	-	8 537 431

30 June 2012

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	46 593 137	-	46 593 137
Bank Balances and Cash	-	3 436 711	-	3 436 711
Total Financial Assets	-	50 029 849	-	50 029 849
FINANCIAL LIABILITIES				
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	50 029 849	-	50 029 849

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R R

49.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 24 and the Statement of Changes in Net Assets.

Gearing Ratio

2013 **2012**
R R

The gearing ratio at the year-end was as follows:

Debt	113 459 945	79 350 251
Cash and Cash Equivalents	(9 832 693)	(52 997 288)
Net Debt	103 627 253	26 352 963
Equity	1 460 035 115	1 453 522 733
Net debt to equity ratio	7.10%	1.81%

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

49.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

49.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 49.8 and 49.9 to the Annual Financial Statements.

49.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

49.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

49.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 49.9 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2013 would have increased / decreased by R292 797 (30 June 2012: R663 382). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

49.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
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2012
R

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2013		30 June 2012	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
Rhodes RU	-	8 878 060	-	8 698 893
Nalithemba Hospital	-	3 882 633	-	3 977 108
Bushman Sands Sub Station	-	2 315 714	-	3 888 830
St Andrews College Administration	-	2 299 567	-	1 655 890
South African Police Service	-	1 836 080	-	1 341 188

2013
R
2012
R

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Fixed Deposit Investments	485 442	1 039 815
Receivables from Exchange Transactions	222 451 277	179 609 087
Receivables from Non-exchange Transactions	43 509 346	38 713 589
Bank, Cash and Cash Equivalents	9 832 693	52 997 288
Maximum Credit and Interest Risk Exposure	276 278 758	272 359 778

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	2013	2012
	%	%
Consumer Debtors:		
- Household	80.19%	74.18%
- Industrial / Commercial	10.97%	15.65%
- National and Provincial Government	5.95%	7.30%
Other Debtors:		
- Other not Classified	2.89%	2.88%
Total Credit Risk	100.00%	100.00%

Bank and Cash Balances

ABSA Bank Ltd	350 375	2 390 093
First National Bank	5 966 810	34 445 986
GBS Mutual	1 663 517	300 283
Invest Bonds	161 477	161 477
Investec	-	1 478 181
Nedbank	1 440 900	-
Standard Bank	731 106	15 257 133
Cash Equivalents	3 950	3 950
Total Bank and Cash Balances	10 318 135	54 037 103

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

Credit quality of 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:

Receivables from Exchange Transactions

Counterparties without external credit rating:-

Group 1	12 412 734	10 206 236
Group 2	5 750 471	5 150 725
	<u>18 163 205</u>	<u>15 356 961</u>
Total Receivables from Exchange Transactions	18 163 205	15 356 961

Receivables from Non-exchange Transactions

Group 1	9 305 178	7 892 999
Group 2	-	-
	<u>9 305 178</u>	<u>7 892 999</u>
Total Receivables from Non-exchange Transactions	9 305 178	7 892 999

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

49 FINANCIAL INSTRUMENTS (Continued)

49.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 44 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2013								
Non-interest Bearing		0.00%	165 238 522	165 238 522	-	-	-	-
Variable Interest Rate Instruments		0.21%	8 533 482	8 533 482	-	-	-	-
Fixed Interest Rate Instruments		59.29%	1 780 704	1 295 261	485 442	-	-	-
			175 552 707	175 067 265	485 442	-	-	-
30 June 2012								
Non-interest Bearing		0.00%	139 953 890	139 953 890	-	-	-	-
Variable Interest Rate Instruments		4.16%	50 025 899	50 025 899	-	-	-	-
Fixed Interest Rate Instruments		41.49%	4 007 254	2 967 440	1 039 815	-	-	-
			193 987 044	192 947 229	1 039 815	-	-	-

The municipality has access to financing facilities, the total unused amount which is R0 (2012: R1 000 000), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

49.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

50 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

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

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

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

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

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R11 561 661 (2012: R10 181 960) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the fund had a deficit of R18,3 (30 June 2011: R58,9) million, with a funding level of 99,4% (30 June 2011: 98,1%). The balance of the Solvency Reserve was R0,0 (30 June 2011: R0,0) million. The contribution rate paid by the members (9,00%) and the municipalities (23,06%) is less than the recommended contribution rate of 35,62%.

The proposed conversion of the Defined Benefit Scheme to a Defined Contribution Scheme is under consideration.

South African Local Authorities Pension Fund (SALA):

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2011.

The statutory valuation performed as at 1 July 2011 revealed that the fund had a deficit of 307,6 (1 July 2010: Deficit of R307,6) million, with a funding level of 98,1% (1 July 2010: 95,9%). The contribution rate paid by the members (7,50% to 9,00%) and the municipalities (15,00% to 20,80%) is sufficient to fund the benefits accruing from the fund in the future.

Although the fund is less than 100% funded at the valuation date, no additional action is required at this stage to rectify the situation. If the current employer contribution rate is maintained, the fund is expected to be close to 100% funded at the next tri-annual valuation, provided the assumptions are borne out in practice.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the investment reserve of the fund amounted to R21,231 (30 June 2011: R15,285) million, with a funding level of 105,3% (30 June 2011: 104,1%). The contribution rate paid by the members (9,00%) and the municipalities (23,06%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R11 348 (30 June 2011: R9 869) million, with funding levels of 99,9% and 108,0% (30 June 2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

Liberty Life Pension Fund:

No details could be provided for the fund and of any valuation performed.

Municipal Councillors Pension Fund:

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed as at 30 June 2009. The latest interim valuation was performed as at 30 June 2011.

The interim valuation performed as at 30 June 2011 revealed that the market value of the fund was R1 446,8 (30 June 2010: R1 223,7) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2011.

SAMWU (South African Municipal Workers Union) National Provident Fund:

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005.

The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100.0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.

No further details could be obtained for the fund and of any subsequent valuations performed.

SANLAM Annuity Fund:

No details could be provided for the fund and of any valuation performed.

SANLAM Retirement Fund:

No details could be provided for the fund and of any valuation performed.

None of the above mentioned plans are State Plans.

51 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

51.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Gojela M	Councillor	Director of Thinago General Trading
Khubalo MM	Councillor	Director of Rising Hope Worker
Madinda MG	Councillor	Director of Lukhanyiso Poultry Products
Ngeleza TC	Councillor	Member of Siz'Ukukhanya Bed and Breakfast
Peter ZJ	Councillor	Director of The Grahamstown Foundation
Plaatjie NR	Councillor	Director of Ithemba Labafazi Investments
Ranchhod P	Councillor	100% Ownership in Neelshal Properties; Member of and 37% Interest in Brill Properties; Member of and 25% Interest in Dinran; Member of and 11% Interest in Central Plaxa (Pty) Ltd
Wells JC	Councillor	100% Ownership in Imagine That CC; Member of and 25% Interest in The Wolery
Meiring MJ	Director	Director of Isandla Partners
Myalato ET	Director	Member of Vendzo Engineering & Management; Spouse, Mrs N Myalato, is a Director of with 50% Qwnership in 2M Travel and Tours
Planga MC	Director	Director of LNV Management Consultants
Kona S	Manager	Director of Onojawolo Trading
Lazarus SA	Manager	Brother is the Director of Umiselo Forefront
Sizani L	Manager	Member of Ikwezi Tours
Welkom W	Manager	Member of 26 Market Street

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

51.2 Loans granted to Related Parties

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

51.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

2013
R **2012**
R

51.4 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
City Steam Laundry and Dry Cleaners	Ranchhod P	Owner (Brother)	Councillor	3 870	1 680
Masakhe Engineering	Mager E	Owner (Brother)	Official	1 093 772	232 607
Total Purchases				1 097 642	234 287

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

52 CONTINGENT LIABILITIES

52.1 Court Proceedings:

6 626 471 **6 156 599**

(i) SALA Pension fund - Claim of non-payment of increased fund premiums:	1 111 244	500 000
(ii) Prudence Jane Ruck (Erf 2190):	-	150 000
(iii) Divan Bellingham Anglo Africa Street Clinic:	-	150 000
(iv) Zingiswa Vivian Nontshinga, Mkhululi - Accident due to pot holes on the road:	244 500	450 000
(v) VDZ Construction :	-	250 000
(vi) Give Ziyawa Construction CC - Breach of contract:	21 944	279 076
(vii) A.K. Preston - Damages/losses as a result of injury:	1 379 029	450 000
(viii) Bell Oak Investments:	-	180 000
(ix) Pumza Nano:	-	100 000
(x) The Albany and Bathurst Farmer's League:	-	100 000
(xi) Makana Municipality vs Councillors - Garnishee Orders:	-	150 000
(xii) Ms Nduda:	-	150 000
(xiii) Mrs Martin:	-	150 000
(xiv) Prudence Jane Ruck:	-	100 000
(xv) Mthombo Resorts:	-	250 000

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
(xvi) Phumi Trading CC:	-	200 000
(xvii) Beer Properties - Approval of Building Plans:	39 196	200 000
(xviii) Telkom SA - Liability for damages caused to Telkom power line by faulty electrical apparatus:	-	199 445
(xix) Erasmus, Leon - Overflow of Sewer Tank on Claimant's Property:	-	114 008
(xx) Bowles, Adrian - Plaintiff sued Municipality for malicious prosecution:	-	93 556
(xxi) Eviction - Illegal occupiers invaded land earmarked by Municipality for it's own purposes:	-	116 066
(xxii) Bates and Konstant - Damages for alleged failure/refusal to empty conservancy tank:	300 000	504 818
(xxiii) Mubesko Africa CC - Supply Chain Management Policy not followed:	-	390 000
(xxiv) Uhambano Sports Academy - Supply Chain Management Policy not followed:	-	390 000
(xxv) Montla Labour Court Review - Damages allegedly caused by a post level dispute:	-	249 760
(xxvi) Xamleko, Kaiser - Salary scale disagreement:	-	289 870
(xxvii) Dr P. Naidoo - Non-renewal of Service Contract:	3 500 000	-
(xxviii) G.R. Emslie, W.J. Fourie & G. Vlok - Reduced contribution to Post-retirement Benefits:	30 558	-
(xxix) N. Ngcelwane - Unfair dismissal:	-	-
52.2 Other:	248 463	-

(i) Kudec Engineering - Non-payment for Services rendered::

The municipality has withheld payment for services rendered by Kudec Engineering, as it perceived non-performance by the service provider. A dispute has therefore arisen regarding this matter, which requires disclosure of this contingent liability.

	248 463	-
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(ii) Pending litigation on Wage Curve Agreement:

On 21 April 2010 SALGA signed the "Categorisation and Job Evaluation Wage Curves Collective Agreement" (Wage Curve Agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system.

	-	-
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Subsequent to the signing of the agreement, the unions declared a dispute which was referred to the Labour Court. A ruling was delivered that employees receive a salary increase backdated with effect from 01 July 2010 instead of 01 July 2011. SALGA, on behalf of municipalities, appealed this ruling on 29 August 2012 and to date this Labour Court of Appeal case has not been finalised.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the Wage Curve Agreement, the municipality may have an additional payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this payable prior to the outcome of the pending litigation.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R

53 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

53.1 Insurance Claims:

	486 439	311 188
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(i) Lost / Damaged Assets:

	486 439	311 188
--	---------	---------

The municipality has claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R486 439 (2012: R311 188) will be recovered.

54 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

55 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

56 EVENTS AFTER THE REPORTING DATE

56.1 Water Crisis:

The municipality is experiencing problems to uphold the consistent supply of water to its community because of faltering infrastructure. This may lead to further pressure on the municipality's cash flow position should it become necessary to allocate funds to urgent repair of water supply.

56.2 Damaged LDV:

On the 9th of September 2013 a municipal vehicle (Isuzu KB200 LDV with registration number FPY918EC), was involved in an accident and declared a write-off. The carrying value of the vehicle at 30 June 2013 is R113 907. The replacement value is estimated at R167 700. The Insurance Company is still in the process of determining the claimable amount.

57 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 40) and Prior Period Errors (Note 41).

58 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

Unspent Conditional Grants were not cash backed by an amount of R34 808 224 at 30 June 2014 (30 June 2013: R0).

The liquidity position of the municipality has deteriorated, which is evident by the current assets exceeding the current liabilities by 20,6% compared to the 36,6% of the previous financial period, indicating that the municipality has had challenges operating as a going concern.

Uncertainty exists regarding the municipality's ability to meet its obligations in the foreseeable future without financial support from government.

APPENDIX A
MAKANA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2012	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2013
	R				R	R	R	R
ANNUITY LOANS								
INCA	4 000 000	8.00%	MAKA-00-0001	2013/02/28	463 213	-	463 213	-
DBSA	30 000 000	6.75%	103886/1	2031/06/30	-	23 407 122	50 380	23 356 742
Total Annuity Loans	34 000 000				463 213	23 407 122	513 593	23 356 742
CAPITAL LEASE LIABILITIES								
Konica Minolta	-	Various	Various	Various	623 437	-	355 925	267 513
Panasonic	-	Various	Various	Various	34 455	-	18 933	15 522
Siemens	-	Various	Various	Various	13 209	-	13 209	-
Total Capital Lease Liabilities	-				671 101	-	388 066	283 034
TOTAL EXTERNAL LOANS	34 000 000				1 134 314	23 407 122	901 660	23 639 776

APPENDIX B
MAKANA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
<i>Land:</i>												
Land	319 236 991	-	-	-	-	319 236 991	-	-	-	-	-	319 236 991
<i>Buildings:</i>												
Buildings	359 997 174	1 131 616	-	-	-	361 128 790	35 587 182	12 031 032	-	-	47 618 214	313 510 576
	679 234 165	1 131 616	-	-	-	680 365 781	35 587 182	12 031 032	-	-	47 618 214	632 747 567
Infrastructure												
<i>Airports:</i>												
Airfields	3 954 500	-	-	-	-	3 954 500	745 242	248 414	-	-	993 656	2 960 844
<i>Electricity:</i>												
High Voltage	150 889 314	340 428	5 507 448	-	-	156 737 191	19 680 117	7 018 560	-	-	26 698 676	130 038 515
<i>Roads and Transport:</i>												
Roads	209 597 400	481 050	51 306 989	-	-	261 385 439	35 034 655	12 274 416	-	-	47 309 071	214 076 368
<i>Sanitation:</i>												
Other Solid Waste Disposal	1 396 218	10 800	422 472	-	-	1 829 490	227 928	77 021	-	-	304 949	1 524 541
<i>Sewerage:</i>												
Sewers / Reticulation	88 756 357	3 743 398	25 456 635	-	-	117 956 390	13 477 301	4 654 523	-	-	18 131 823	99 824 567
<i>Water:</i>												
Supply and Reticulation	73 589 127	2 415 106	33 978 291	-	-	109 982 524	14 653 459	4 602 835	-	-	19 256 294	90 726 230
	528 182 916	6 990 783	116 671 835	-	-	651 845 534	83 818 701	28 875 769	-	-	112 694 469	539 151 065
Community Assets												
<i>Recreational Facilities:</i>												
Parks and Recreational Facilities	36 583 868	154 667	3 085 564	-	-	39 824 098	4 217 151	1 388 579	-	-	5 605 729	34 218 369
<i>Other Facilities:</i>												
Cemeteries	9 697 189	-	-	-	-	9 697 189	1 431 079	473 333	-	-	1 904 412	7 792 776
	46 281 057	154 667	3 085 564	-	-	49 521 287	5 648 230	1 861 912	-	-	7 510 142	42 011 145

APPENDIX B
MAKANA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Other Assets												
<i>Computer Equipment:</i>												
Computer Hardware	2 366 533	1 221 427	-	-	-	3 587 960	817 006	516 468	-	-	1 333 475	2 254 485
<i>Emergency Equipment:</i>												
Emergency / Rescue Equipment	209 685	-	-	-	-	209 685	58 091	29 955	-	-	88 046	121 639
<i>Furniture and Fittings:</i>												
Bookcases and Shelving	103 240	80 301	-	-	-	183 541	35 833	20 680	-	-	56 514	127 027
Cabinets and Cupboards	818 758	59 978	-	-	-	878 736	281 361	120 075	-	-	401 436	477 300
Chairs and Couches	1 428 583	127 643	-	-	-	1 556 226	557 189	209 102	-	-	766 291	789 935
Desks and Tables	789 000	68 450	-	-	-	857 449	266 781	115 296	-	-	382 077	475 372
Other Furniture and Fittings	21 435	50 221	-	-	-	71 656	7 700	8 193	-	-	15 893	55 762
<i>Motor Vehicles:</i>												
Buses, Trucks and LDV's	9 368 848	3 400 477	-	-	-	12 769 325	3 531 569	759 497	-	-	4 291 065	8 478 260
Motor Vehicle Assecories	564 140	20 800	-	-	-	584 940	139 280	66 179	-	-	205 459	379 481
Passenger Vehicles and Cycles	2 137 014	909 906	-	-	(465 000)	2 581 920	802 583	177 639	-	(185 822)	794 399	1 787 521
Tractors	2 372 422	-	-	-	-	2 372 422	827 275	65 550	-	-	892 825	1 479 597
Trailers and Accessories	554 205	180 000	-	-	-	734 205	329 548	13 748	-	-	343 296	390 909
<i>Office Equipment:</i>												
Audiovisual Equipment	98 057	52 853	-	-	-	150 911	28 090	17 920	-	-	46 010	104 901
Domestic Equipment	139 233	63 664	-	-	-	202 897	37 803	21 474	-	-	59 277	143 620
Office Machines	106 089	102 840	-	-	-	208 929	25 466	18 645	-	-	44 111	164 818
Office Machines - Leased	2 483 488	-	-	-	-	2 483 488	1 859 159	624 329	-	-	2 483 488	-
Other Office Equipment	49 501	60 657	-	-	-	110 158	7 092	9 008	-	-	16 099	94 059
<i>Plant and Equipment:</i>												
Compressors, Generators & Allied	114 711	110 355	-	-	-	225 066	296	27 767	-	-	28 062	197 003
Earthmoving Equipment	3 937 709	193 810	-	-	-	4 131 519	1 019 976	92 406	-	-	1 112 382	3 019 138
Laboratory Equipment	118 726	7 820	-	-	-	126 546	12 365	17 447	-	-	29 812	96 735
Law Enforcement Equipment	20 395	223 684	-	-	-	244 079	4 166	29 160	-	-	33 326	210 753
Lawnmowers / Gardening Equipm	394 173	166 475	-	-	-	560 648	81 005	62 442	-	-	143 448	417 201
Radio Equipment	114 259	-	-	-	-	114 259	34 011	16 323	-	-	50 334	63 925
Workshop Equipment & Tools	181 628	57 656	-	-	-	239 284	44 859	30 600	-	-	75 459	163 825
Other Plant and Equipment	196 422	369 079	-	-	-	565 501	45 356	41 318	-	-	86 674	478 827
<i>Specialised Vehicles:</i>												
Emergency Vehicles	4 346 594	-	-	-	-	4 346 594	1 006 523	225 173	-	-	1 231 696	3 114 898
Specialised Vehicles	4 254 938	2 749 303	-	-	-	7 004 241	488 880	353 659	-	-	842 540	6 161 702
	37 289 786	10 277 401	-	-	(465 000)	47 102 186	12 349 263	3 690 052	-	(185 822)	15 853 494	31 248 693
Total	1 290 987 924	18 554 466	119 757 398	-	(465 000)	1 428 834 789	137 403 375	46 458 765	-	(185 822)	183 676 319	1 245 158 470
						0.00					0.00	0.00

APPENDIX B
MAKANA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R

MAKANA MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R
Land	209 377 320	-	-	-	-	209 377 320	-	-	-	-	-	209 377 320
Buildings	18 929 358	153 673	-	-	-	19 083 031	1 180 802	397 398	-	-	1 578 201	17 504 830
	-	-	-	-	-	-	-	-	-	-	-	-
	228 306 678	153 673	-	-	-	228 460 351	1 180 802	397 398	-	-	1 578 201	226 882 150
						0.00						

MAKANA MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R
Software and Systems	361 120	145 707	-	-	-	506 827	56 983	1 928	-	-	58 911	447 916
	361 120	145 707	-	-	-	506 827	56 983	1 928	-	-	58 911	447 916
						0.00						

MAKANA MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Heritage Assets	R	R	R	R	R	R	R	R	R	R	R	R
Conservation Areas	20 468 850	-	-	-	-	20 468 850	-	-	-	-	-	20 468 850
Historical / Memorial Sites	784 092	-	4 516 707	-	-	5 300 799	-	-	-	-	-	5 300 799
	21 252 942	-	4 516 707	-	-	25 769 649	-	-	-	-	-	25 769 649
						0.00						
Total Asset Register	1 540 908 664	18 853 846	124 274 105	-	(465 000)	1 683 571 616	138 641 161	46 858 091	-	(185 822)	185 313 430	1 498 258 186

APPENDIX C
MAKANA MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	566 552	660 122	-	-	-	1 226 674	212 328	90 996	-	-	303 324	923 350
Finance and Administration	933 902 330	3 525 516	4 516 707	-	-	941 944 553	39 346 532	13 442 917	-	-	52 789 450	889 155 103
Planning and Development	499 602	201 481	-	-	-	701 084	122 004	73 403	-	-	195 407	505 677
Health	886 835	197 092	-	-	-	1 083 927	202 660	85 335	-	-	287 995	795 933
Community and Social Services	10 513 156	237 027	-	-	-	10 750 182	1 758 893	602 187	-	-	2 361 079	8 389 103
Housing	59 196	-	-	-	-	59 196	25 776	8 483	-	-	34 259	24 937
Public Safety	7 832 675	580 923	-	-	-	8 413 598	1 931 644	591 166	-	-	2 522 810	5 890 788
Sport and Recreation	40 556 066	404 024	3 085 564	-	-	44 045 653	5 857 511	1 677 217	-	-	7 534 728	36 510 925
Environmental Protection	61 655	14 110	-	-	-	75 765	22 524	9 277	-	-	31 801	43 964
Waste Management	96 888 255	6 292 843	25 879 107	-	(465 000)	128 595 205	15 407 932	5 241 602	-	(185 822)	20 463 712	108 131 492
Roads and Transport	216 394 180	1 944 358	51 306 989	-	-	269 645 526	37 148 496	12 671 420	-	-	49 819 916	219 825 611
Water	75 024 724	3 778 425	33 978 291	-	-	112 781 440	15 018 791	4 876 731	-	-	19 895 522	92 885 919
Electricity	153 768 937	1 017 925	5 507 448	-	-	160 294 311	20 840 829	7 238 943	-	-	28 079 772	132 214 539
Other	3 954 500	-	-	-	-	3 954 500	745 242	248 414	-	-	993 656	2 960 844
Total	1 540 908 664	18 853 846	124 274 105	-	(465 000)	1 683 571 616	138 641 161	46 858 091	-	(185 822)	185 313 430	1 498 258 186

**APPENDIX D
MAKANA MUNICIPALITY**

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income	2012 Budgeted Income	2012 Actual Expenditure	2012 Budgeted Expenditure	2012 Surplus/ (Deficit)	Description	2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
3 049 727	3 441 620	19 828 516	18 091 700	(16 778 789)	Executive and Council	5 518 952	5 424 000	24 621 552	21 642 720	(19 102 599)
57 837 677	57 447 930	93 337 700	43 088 300	(35 500 024)	Finance and Administration	56 819 677	59 562 150	70 202 869	53 470 081	(13 383 192)
2 796 521	769 630	9 813 704	12 149 320	(7 017 183)	Planning and Development	1 991 596	6 906 230	12 130 174	13 238 320	(10 138 578)
2 040 527	1 699 850	5 263 449	5 678 940	(3 222 922)	Health	4 795 158	4 587 670	5 814 642	5 535 380	(1 019 484)
503 958	405 020	4 451 014	4 835 900	(3 947 056)	Community and Social Services	471 967	449 660	4 821 159	5 275 490	(4 349 192)
-	-	14 800	44 750	(14 800)	Housing	197	-	24 855	45 960	(24 658)
676 234	933 610	14 275 016	17 836 790	(13 598 782)	Public Safety	1 051 284	877 280	14 437 046	13 840 980	(13 385 762)
15 012 642	209 630	3 028 955	3 058 690	11 983 687	Sport and Recreation	21 726 092	73 700	3 809 512	3 169 950	17 916 581
63 689	18 830	3 507 315	3 725 920	(3 443 626)	Environmental Protection	512 207	20 000	3 423 013	3 559 560	(2 910 806)
52 196 960	49 953 600	36 655 925	38 178 560	15 541 035	Waste Management	66 665 605	53 443 830	35 573 846	36 600 940	31 091 759
6 802 611	2 972 260	14 328 156	15 774 950	(7 525 545)	Roads and Transport	13 162 547	3 397 180	17 943 824	14 551 590	(4 781 277)
71 092 458	65 813 650	50 869 925	47 050 550	20 222 533	Water	74 987 011	74 422 890	59 351 402	39 253 460	15 635 609
102 054 716	112 922 650	92 597 291	86 823 920	9 457 425	Electricity	108 610 816	119 651 350	95 636 286	93 972 670	12 974 530
7 332	21 800	279 259	233 700	(271 927)	Other	472	10 000	266 516	234 610	(266 044)
314 135 050	296 610 080	348 251 024	296 571 990	(34 115 974)	Sub-Total	356 313 582	328 825 940	348 056 694	304 391 710	8 256 889
					Revenue Foregone					
314 135 050	296 610 080	348 251 024	296 571 990	(34 115 974)	Total	356 313 582	328 825 940	348 056 694	304 391 710	8 256 889

**APPENDIX E(1)
MAKANA MUNICIPALITY**

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13										2011/12				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD															
Governance and Administration:															
Executive and Council	5 424 000	-	5 424 000	-	-	5 424 000	5 518 952	-	94 952	101.75	101.75				3 049 727
Budget and Treasury Office	56 360 060	-	56 360 060	-	-	56 360 060	54 381 527	-	(1 978 533)	96.49	96.49				54 967 796
Corporate Services	3 202 090	-	3 202 090	-	-	3 202 090	2 438 150	-	(763 940)	76.14	76.14				2 869 881
Community and Public Safety:															
Community and Social Services	449 660	-	449 660	-	-	449 660	471 967	-	22 307	104.96	104.96				503 958
Sport and Recreation	73 700	-	73 700	-	-	73 700	21 726 092	-	21 652 392	29 479.09	29 479.09				15 012 642
Public Safety	877 280	-	877 280	-	-	877 280	1 051 284	-	174 004	119.83	119.83				676 234
Housing	-	-	-	-	-	-	197	-	197	0.00	0.00				-
Health	4 587 670	-	4 587 670	-	-	4 587 670	4 795 158	-	207 488	104.52	104.52				2 040 527
Economic and Environmental Services:															
Planning and Development	6 906 230	-	6 906 230	-	-	6 906 230	1 991 596	-	(4 914 634)	28.84	28.84				2 796 521
Road Transport	3 397 180	-	3 397 180	-	-	3 397 180	13 162 547	-	9 765 367	387.46	387.46				6 802 611
Environmental Protection	20 000	-	20 000	-	-	20 000	512 207	-	492 207	2 561.04	2 561.04				63 689
Trading Services:															
Electricity	119 651 350	-	119 651 350	-	-	119 651 350	108 610 816	-	(11 040 534)	90.77	90.77				102 054 716
Water	74 422 890	-	74 422 890	-	-	74 422 890	74 987 011	-	564 121	100.76	100.76				71 092 458
Waste Water Management	32 783 090	-	32 783 090	-	-	32 783 090	46 114 907	-	13 331 817	140.67	140.67				35 040 726
Waste Management	20 660 740	-	20 660 740	-	-	20 660 740	20 550 698	-	(110 042)	99.47	99.47				17 156 234
Other:															
Tourism	10 000	-	10 000	-	-	10 000	472	-	(9 528)	4.72	4.72				7 332
Total Revenue - Standard	328 825 940	-	328 825 940	-	-	328 825 940	356 313 582	-	27 487 642	108.36	108.36	-	-	-	314 135 050
EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	21 906 460	(263 741)	21 642 720	-	-	21 642 720	24 621 552	2 978 832	2 978 832	113.76	112.39				19 828 516
Budget and Treasury Office	20 996 700	(82 410)	20 914 290	-	-	20 914 290	23 460 229	2 545 939	2 545 939	112.17	111.73				34 853 114
Corporate Services	31 000 890	1 554 901	32 555 791	-	-	32 555 791	46 742 640	14 186 849	14 186 849	143.58	150.78				58 484 586
Community and Public Safety:															
Community and Social Services	5 449 240	(173 750)	5 275 490	-	-	5 275 490	4 821 159	-	(454 331)	91.39	88.47				4 451 014
Sport and Recreation	3 119 950	50 000	3 169 950	-	-	3 169 950	3 809 512	639 562	639 562	120.18	122.10				3 028 955
Public Safety	13 660 980	180 000	13 840 980	-	-	13 840 980	14 437 046	596 066	596 066	104.31	105.68				14 275 016
Housing	45 960	-	45 960	-	-	45 960	24 855	-	(21 105)	54.08	54.08				14 800
Health	5 520 380	15 000	5 535 380	-	-	5 535 380	5 814 642	279 262	279 262	105.05	105.33				5 263 449
Economic and Environmental Services:															
Planning and Development	12 139 320	1 099 000	13 238 320	-	-	13 238 320	12 130 174	-	(1 108 146)	91.63	99.92				9 813 704
Road Transport	14 731 590	(180 000)	14 551 590	-	-	14 551 590	17 943 824	3 392 234	3 392 234	123.31	121.81				14 328 156
Environmental Protection	3 559 560	-	3 559 560	-	-	3 559 560	3 423 013	-	(136 547)	96.16	96.16				3 507 315
Trading Services:															
Electricity	93 972 670	-	93 972 670	-	-	93 972 670	95 636 286	1 663 616	1 663 616	101.77	101.77				92 597 291
Water	41 897 460	(2 644 000)	39 253 460	-	-	39 253 460	59 351 402	20 097 942	20 097 942	151.20	141.66				50 869 925
Waste Water Management	27 003 950	445 000	27 448 950	-	-	27 448 950	28 905 156	1 456 206	1 456 206	105.31	107.04				27 279 890
Waste Management	9 151 990	-	9 151 990	-	-	9 151 990	6 668 690	-	(2 483 300)	72.87	72.87				9 376 035
Other:															
Tourism	234 610	-	234 610	-	-	234 610	266 516	31 906	31 906	113.60	113.60				279 259
Total Expenditure - Standard	304 391 710	-	304 391 710	-	-	304 391 710	348 056 694	47 868 413	43 664 984	114.34	114.34	-	-	-	348 251 024
Surplus/(Deficit) for the year	24 434 230	-	24 434 230	-	-	24 434 230	8 256 889	(47 868 413)	(16 177 341)	33.79	33.79	-	-	-	(34 115 974)

**APPENDIX E (2)
MAKANA MUNICIPALITY**

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13										2011/12				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - Technical & Infrastructure	41 585 510	-	41 585 510	-	-	41 585 510	58 970 335	-	17 384 825	141.81	141.81				40 851 500
Vote 2 - Corporate Services	3 608 900	-	3 608 900	-	-	3 608 900	3 587 620	-	(21 280)	99.41	99.41				2 425 844
Vote 3 - Financial Services	56 360 060	-	56 360 060	-	-	56 360 060	54 381 527	-	(1 978 533)	96.49	96.49				54 967 796
Vote 4 - Community and Social Services	30 016 850	-	30 016 850	-	-	30 016 850	52 514 588	-	22 497 738	174.95	174.95				38 685 011
Vote 5 - Executive Mayor	376 100	-	376 100	-	-	376 100	375 419	-	(681)	99.82	99.82				179 107
Vote 6 - Municipal Manager	2 803 000	-	2 803 000	-	-	2 803 000	2 083 463	-	(719 537)	74.33	74.33				1 473 441
Vote 7 - Local Economic Development	-	-	-	-	-	-	802 607	-	802 607	0.00	0.00				2 404 986
Vote 8 - Housing	-	-	-	-	-	-	197	-	197	0.00	0.00				-
Vote 9 - Electricity	119 651 350	-	119 651 350	-	-	119 651 350	108 610 816	-	(11 040 534)	90.77	90.77				102 054 716
Vote 10 - Water	74 422 890	-	74 422 890	-	-	74 422 890	74 987 011	-	564 121	100.76	100.76				71 092 458
Vote 11 - Dog Tax	1 280	-	1 280	-	-	1 280	-	-	(1 280)	0.00	0.00				192
Total Revenue by Vote	328 825 940	-	328 825 940	-	-	328 825 940	356 313 582	-	27 487 642	108.36	108.36	-	-	-	314 135 050
EXPENDITURE BY VOTE															
Vote 1 - Technical & Infrastructure	44 523 670	95 000	44 618 670	-	-	44 618 670	56 360 575	11 741 905	11 741 905	126.32	126.59				67 573 468
Vote 2 - Corporate Services	28 376 340	1 322 410	29 698 750	-	-	29 698 750	30 514 880	816 130	816 130	102.75	107.54				26 726 051
Vote 3 - Financial Services	20 996 700	(82 410)	20 914 290	-	-	20 914 290	23 460 229	2 545 939	2 545 939	112.17	111.73				34 853 114
Vote 4 - Community and Social Services	54 729 210	10 000	54 739 210	-	-	54 739 210	60 602 061	5 862 851	5 862 851	110.71	110.73				57 396 687
Vote 5 - Executive Mayor	1 993 470	(120 000)	1 873 470	-	-	1 873 470	3 120 131	1 246 661	1 246 661	166.54	156.52				1 651 394
Vote 6 - Municipal Manager	11 589 750	320 000	11 909 750	-	-	11 909 750	11 006 134	-	(903 616)	92.41	94.96				10 515 491
Vote 7 - Local Economic Development	6 266 270	1 099 000	7 365 270	-	-	7 365 270	7 981 223	615 953	615 953	108.36	127.37				6 053 407
Vote 8 - Housing	44 910	-	44 910	-	-	44 910	23 774	-	(21 137)	52.94	52.94				14 196
Vote 9 - Electricity	93 972 670	-	93 972 670	-	-	93 972 670	95 636 286	1 663 616	1 663 616	101.77	101.77				92 597 291
Vote 10 - Water	41 897 460	(2 644 000)	39 253 460	-	-	39 253 460	59 351 402	20 097 942	20 097 942	151.20	141.66				50 869 925
Vote 11 - Dog Tax	1 260	-	1 260	-	-	1 260	-	-	(1 260)	0.00	0.00				-
Total Expenditure by Vote	304 391 710	-	304 391 710	-	-	304 391 710	348 056 694	44 590 996	43 664 984	114.34	114.34	-	-	-	348 251 024
Surplus/(Deficit) for the year	24 434 230	-	24 434 230	-	-	24 434 230	8 256 889	(44 590 996)	(16 177 341)	33.79	33.79	-	-	-	(34 115 974)

APPENDIX E (3)
MAKANA MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13										2011/12				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source															
Property Rates	44 372 780	-	44 372 780	-	-	44 372 780	38 084 464	-	(6 288 316)	85.83	85.83	-	-	-	38 133 329
Service Charges - Electricity	117 091 260	-	117 091 260	-	-	117 091 260	106 422 540	-	(10 668 720)	90.89	90.89	-	-	-	97 459 034
Service Charges - Water	45 081 850	-	45 081 850	-	-	45 081 850	34 412 526	-	(10 669 324)	76.33	76.33	-	-	-	39 415 414
Service Charges - Sanitation	18 108 570	-	18 108 570	-	-	18 108 570	16 844 403	-	(1 264 167)	93.02	93.02	-	-	-	17 306 150
Service Charges - Refuse	8 488 970	-	8 488 970	-	-	8 488 970	8 444 740	-	(44 230)	99.48	99.48	-	-	-	7 762 059
Service Charges - Other	81 100	-	81 100	-	-	81 100	128 567	-	47 467	158.53	158.53	-	-	-	84 157
Rental of Facilities and Equipment	1 368 170	-	1 368 170	-	-	1 368 170	1 058 985	-	(309 185)	77.40	77.40	-	-	-	1 205 193
Interest Earned - External Investments	4 000 000	-	4 000 000	-	-	4 000 000	1 325 220	-	(2 674 780)	33.13	33.13	-	-	-	3 971 235
Interest Earned - Outstanding Debtors	8 750 290	-	8 750 290	-	-	8 750 290	9 710 615	-	960 325	110.97	110.97	-	-	-	9 228 364
Fines	832 380	-	832 380	-	-	832 380	995 661	-	163 281	119.62	119.62	-	-	-	621 350
Licences and Permits	2 199 950	-	2 199 950	-	-	2 199 950	2 410 544	-	210 594	109.57	109.57	-	-	-	2 098 696
Agency Services	1 179 130	-	1 179 130	-	-	1 179 130	1 006 407	-	(172 723)	85.35	85.35	-	-	-	1 138 804
Transfers Recognised - Operational	(159 743 481)	(196 706 574)	(356 450 055)	-	-	(356 450 055)	76 900 999	-	433 351 054	0.00	0.00	-	-	-	93 128 658
Other Revenue	1 519 820	-	1 519 820	-	-	1 519 820	1 716 767	-	196 947	112.96	112.96	-	-	-	2 582 607
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Revenue (excluding Capital Transfers & Contributions)	93 330 789	(196 706 574)	(103 375 785)			(103 375 785)	299 462 437		402 838 222	0.00	320.86				314 135 050
Expenditure															
Employee Related Costs	109 265 920	23 550	109 289 470	-	-	109 289 470	112 363 790	3 074 320	3 074 320	102.81	102.84	-	-	-	111 439 294
Remuneration of Councillors	7 844 020	-	7 844 020	-	-	7 844 020	7 782 498	-	(61 522)	99.22	99.22	-	-	-	7 703 708
Debt Impairment	6 800 000	-	6 800 000	-	-	6 800 000	23 288 077	16 488 077	16 488 077	342.47	342.47	-	-	-	20 844 119
Depreciation and Asset Impairment	5 487 760	-	5 487 760	-	-	5 487 760	46 858 091	41 370 331	41 370 331	853.87	853.87	-	-	-	45 661 115
Finance Charges	-	-	-	-	-	-	214 867	214 867	214 867	0.00	0.00	-	-	-	342 644
Bulk Purchases	73 907 480	-	73 907 480	-	-	73 907 480	69 228 827	-	(4 678 653)	93.67	93.67	-	-	-	74 280 343
Other Materials	23 148 670	(50 000)	23 098 670	-	-	23 098 670	18 721 400	-	(4 377 270)	81.05	80.87	-	-	-	13 042 631
Contracted Services	4 087 590	(323 300)	3 764 290	-	-	3 764 290	4 331 710	567 420	567 420	115.07	105.97	-	-	-	2 706 241
Transfers and Grants	23 402 820	(105 000)	23 297 820	-	-	23 297 820	17 187 417	-	(6 110 403)	73.77	73.44	-	-	-	21 218 189
Other Expenditure	50 447 450	454 750	50 902 200	-	-	50 902 200	47 931 690	-	(2 970 510)	94.16	95.01	-	-	-	51 012 741
Loss on Disposal of PPE	-	-	-	-	-	-	148 328	148 328	148 328	0.00	0.00	-	-	-	-
Total Expenditure	304 391 710	-	304 391 710			304 391 710	348 056 694	61 863 343	43 664 984	114.34	114.34				348 251 024
Surplus/(Deficit)	(211 060 921)	(196 706 574)	(407 767 495)			(407 767 495)	(48 594 256)	(61 863 343)	359 173 239	0.00	0.00				(34 115 974)
Transfers Recognised - Capital	235 495 151	196 706 574	432 201 725	-	-	432 201 725	56 851 145	-	(375 350 580)	13.15	24.14	-	-	-	-
Surplus/(Deficit) for the Year	24 434 230	-	24 434 230			24 434 230	8 256 889	(61 863 343)	(16 177 341)	33.79	33.79				(34 115 974)

APPENDIX E(4)
MAKANA MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13										2011/12				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE															
Multi-year Expenditure															
Vote 1 - Technical & Infrastructure	48 816 800	-	48 816 800	-	-	48 816 800	51 030 343	2 213 543	2 213 543	104.53	104.53	-	-	-	-
Vote 2 - Corporate Services	163 600	-	163 600	-	-	163 600	5 278 269	5 114 669	5 114 669	3 226.33	3 226.33	-	-	-	-
Vote 3 - Financial Services	2 573 000	-	2 573 000	-	-	2 573 000	916 023	-	(1 656 977)	35.60	35.60	-	-	-	-
Vote 4 - Community & Social Services	2 656 500	-	2 656 500	-	-	2 656 500	237 027	-	(2 419 473)	8.92	8.92	-	-	-	-
Vote 5 - Executive Mayor	268 500	-	268 500	-	-	268 500	660 122	391 622	391 622	245.86	245.86	-	-	-	-
Vote 6 - Municipal Manager	50 500	-	50 500	-	-	50 500	-	-	(50 500)	0.00	0.00	-	-	-	-
Vote 7 - Local Economic Development	-	-	-	-	-	-	201 481	201 481	201 481	0.00	0.00	-	-	-	-
Vote 8 - Housing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 9 - Electricity	10 285 000	-	10 285 000	-	-	10 285 000	4 859 918	-	(5 425 082)	47.25	47.25	-	-	-	-
Vote 10 - Water	59 922 010	-	59 922 010	-	-	59 922 010	31 003 242	-	(28 918 768)	51.74	51.74	-	-	-	-
Total Capital Expenditure - Multi-year	124 735 910	-	124 735 910	-	-	124 735 910	94 186 425	7 921 315	(30 549 485)	75.51	75.51	-	-	-	-
Single-year Expenditure															
Vote 1 - Technical & Infrastructure	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 2 - Corporate Services	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 3 - Financial Services	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 4 - Community & Social Services	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 5 - Executive Mayor	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 6 - Municipal Manager	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 7 - Local Economic Development	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 8 - Housing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 9 - Electricity	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 10 - Water	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Expenditure - Single-year	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Expenditure - Vote	124 735 910	-	124 735 910	-	-	124 735 910	94 186 425	7 921 315	(30 549 485)	75.51	75.51	-	-	-	-
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	268 500	-	268 500	-	-	268 500	660 122	391 622	391 622	245.86	245.86	-	-	-	-
Budget and Treasury Office	2 573 000	-	2 573 000	-	-	2 573 000	916 023	-	(1 656 977)	35.60	35.60	-	-	-	-
Corporate Services	163 600	-	163 600	-	-	163 600	5 278 269	5 114 669	5 114 669	3 226.33	3 226.33	-	-	-	-
Community and Public Safety:															
Community and Social Services	389 500	-	389 500	-	-	389 500	237 027	-	(152 473)	60.85	60.85	-	-	-	-
Sport and Recreation	406 000	-	406 000	-	-	406 000	487 034	81 034	81 034	119.96	119.96	-	-	-	-
Public Safety	321 000	-	321 000	-	-	321 000	580 923	259 923	259 923	180.97	180.97	-	-	-	-
Housing	1 390 000	-	1 390 000	-	-	1 390 000	-	-	(1 390 000)	0.00	0.00	-	-	-	-
Health	150 000	-	150 000	-	-	150 000	197 092	47 092	47 092	131.39	131.39	-	-	-	-
Economic and Environmental Services:															
Planning and Development	28 152 300	-	28 152 300	-	-	28 152 300	201 481	-	(27 950 819)	0.72	0.72	-	-	-	-
Road Transport	3 010 000	-	3 010 000	-	-	3 010 000	31 541 835	28 531 835	28 531 835	1 047.90	1 047.90	-	-	-	-
Environmental Protection	-	-	-	-	-	-	14 110	14 110	14 110	0.00	0.00	-	-	-	-
Trading Services:															
Electricity	10 285 000	-	10 285 000	-	-	10 285 000	4 859 918	-	(5 425 082)	47.25	47.25	-	-	-	-
Water	59 922 010	-	59 922 010	-	-	59 922 010	31 003 242	-	(28 918 768)	51.74	51.74	-	-	-	-
Waste Water Management	17 705 000	-	17 705 000	-	-	17 705 000	17 776 077	71 077	71 077	0.00	0.00	-	-	-	-
Waste Management	-	-	-	-	-	-	433 272	433 272	433 272	0.00	0.00	-	-	-	-
Other:															
Aerodrome	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	56 428 881
Total Capital Expenditure - Standard	124 735 910	-	124 735 910	-	-	124 735 910	94 186 425	34 944 634	(30 549 485)	75.51	75.51	-	-	-	56 428 881
FUNDED BY:															
National Government	28 030 500	-	28 030 500	-	-	28 030 500	53 557 255	25 526 755	25 526 755	191.07	191.07	-	-	-	-
Provincial Government	-	-	-	-	-	-	3 293 890	3 293 890	3 293 890	0.00	0.00	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Other Transfers and Grants	29 781 910	-	29 781 910	-	-	29 781 910	-	-	(29 781 910)	0.00	0.00	-	-	-	-
Transfers Recognised - Capital	57 812 410	-	57 812 410	-	-	57 812 410	56 851 145	28 820 645	(961 265)	98.34	98.34	-	-	-	-
Public Contributions & Donations	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Borrowing	43 000 000	-	43 000 000	-	-	43 000 000	23 407 122	-	(19 592 878)	54.44	54.44	-	-	-	-
Internally Generated Funds	23 923 500	-	23 923 500	-	-	23 923 500	13 928 158	-	(9 995 342)	58.22	58.22	-	-	-	-
Total Capital Funding	124 735 910	-	124 735 910	-	-	124 735 910	94 186 425	28 820 645	(30 549 485)	75.51	75.51	-	-	-	-

**APPENDIX E(5)
MAKANA MUNICIPALITY**

RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13								2011/12
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other	224 416 000	-	224 416 000	224 416 000	171 158 915	(53 257 085)	76.27	76.27	189 289 566
Government - Operating	(109 685 151)	(196 706 574)	(306 391 725)	(306 391 725)	71 268 119				72 093 272
Government - Capital	235 495 151	196 706 574	432 201 725	432 201 725	56 851 145	(375 350 580)	13.15	24.14	31 444 747
Interest	14 107 000	-	14 107 000	14 107 000	1 325 220	(12 781 780)	9.39	9.39	3 971 235
Payments									
Suppliers and Employees	(257 927 180)	(105 000)	(258 032 180)	(258 032 180)	(255 369 972)	2 662 208	0.00	0.00	(248 125 197)
Finance Charges	(150 000)	-	(150 000)	(150 000)	(214 867)	(64 867)	0.00	0.00	(342 644)
Transfers and Grants	(23 402 820)	105 000	(23 297 820)	(23 297 820)	(17 187 417)	6 110 403	0.00	0.00	(21 218 189)
NET CASH FROM / (USED) OPERATING ACTIVITIES	82 853 000	-	82 853 000	82 853 000	27 831 145	(432 681 699)	33.59	33.59	27 112 790
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	-	-	-	-	130 850	130 850	0.00	0.00	-
Decrease / (Increase) in Non-current Investments	-	-	-	-	554 372	554 372	0.00	0.00	(116 875)
Payments									
Capital Assets	-	-	-	-	(94 186 425)	(94 186 425)	0.00	0.00	(56 428 881)
NET CASH FROM / (USED) INVESTING ACTIVITIES	-	-	-	-	(93 501 203)	(93 501 203)	0.00	0.00	(56 545 756)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	43 626 622	-	43 626 622	43 626 622	23 407 122	(20 219 500)	53.65	53.65	-
Payments									
Loans repaid	(730 721)	-	(730 721)	(730 721)	(901 660)	(170 939)	0.00	0.00	(1 245 264)
NET CASH FROM / (USED) FINANCING ACTIVITIES	42 895 901	-	42 895 901	42 895 901	22 505 463	(20 390 439)	52.47	52.47	(1 245 264)
NET INCREASE / (DECREASE) IN CASH HELD	(125 748 901)	0	(125 748 901)	(125 748 901)	43 164 596	168 913 497	0.00	0.00	30 678 230
Cash / Cash Equivalents at the Year begin:	10 564 129	(26 783 068)	(16 218 939)	(16 218 939)	52 997 288	69 216 227	0.00	501.67	83 675 518
Cash / Cash Equivalents at the Year end:	136 313 031	(26 783 068)	109 529 963	109 529 963	9 832 693	(99 697 270)	8.98	7.21	52 997 288

**APPENDIX F
MAKANA MUNICIPALITY**

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

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	27 918 000	22 141 000	16 750 000	0	16 702 250	16 702 250	16 702 250	16 702 250	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	1 500 000	0	0	0	371 762	371 762	371 762	371 762	N/A	N/A	N/A	N/A	N/A	Yes	N/A
NDPG	Nat Treasury	11 300 000	0	2 000 000	0	5 400 263	5 400 263	5 400 263	5 400 263	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG	MIG	14 077 000	11 058 000	4 355 000	0	7 733 868	7 733 868	7 733 868	7 733 868	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWA	DWAF	292 830	292 830	292 830	292 830	823 472	823 472	823 472	823 472	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME	DME	0	4 000 000	2 000 000	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	800 000	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPWP Incentive Grant	Province	400 000	300 000	300 000	0	200 652	200 652	200 652	200 652	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sport & Recreation	Province	996 250	996 250	996 250	996 250	862 930	862 930	862 930	862 930	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		57 284 080	38 788 080	26 694 080	1 289 080	32 095 198	32 095 198	32 095 198	32 095 198	0	0	0	0			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																

APPENDIX G
MAKANA MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2013

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Mayor												
Peter Z.J.	-	488 886	-	176 539	5 513	-	-	-	-	-	-	670 938
Speaker												
Madinda-Isaacs R.M. (Ms)	-	215 205	-	81 231	2 484	-	-	-	-	-	-	298 920
Executive Committee												
Gaga N.S. (Ms)	-	366 794	-	137 243	4 426	-	-	-	-	-	-	508 463
Masoma N.C. (Ms)	-	366 794	-	137 243	4 178	-	-	-	-	-	-	508 216
Matyumza M.	-	366 794	-	137 243	5 112	-	-	-	-	-	-	509 150
Notyawa M.P.G. (Adv)	-	366 794	-	137 243	5 112	-	-	-	-	-	-	509 150
Ranchhod P.	-	366 794	-	137 243	4 817	-	-	-	-	-	-	508 855
Other Councillors												
Bonani B. (Ms)	-	146 834	-	59 225	1 737	-	-	-	-	-	-	207 796
Booyesen M.C. (Ms)	-	146 834	-	59 225	2 132	-	-	-	-	-	-	208 191
Fargher B.W.	-	146 834	-	59 225	2 132	-	-	-	-	-	-	208 191
Gojela M.	-	146 834	-	59 225	2 132	-	-	-	-	-	-	208 191
Jackson B.P.N.	-	146 834	-	59 225	2 132	-	-	-	-	-	-	208 191
Khubalo M.M.	-	146 834	-	59 225	2 132	-	-	-	-	-	-	208 191
Kolisi V.C.	-	146 834	-	59 225	2 132	-	-	-	-	-	-	208 191
Louw E.	-	146 834	-	59 225	2 132	-	-	-	-	-	-	208 191
Madinda M.G.	-	146 834	-	59 225	2 033	-	-	-	-	-	-	208 092
Madyo X.G.	-	146 834	-	59 225	1 737	-	-	-	-	-	-	207 796
May L. (Ms)	-	146 834	-	59 225	1 737	-	-	-	-	-	-	207 796
Meti N. (Ms)	-	146 834	-	59 225	2 001	-	-	-	-	-	-	208 060
Ngeleza T.C. (Ms)	-	146 834	-	59 225	1 737	-	-	-	-	-	-	207 796
Ngoqo N.J. (Ms)	-	146 834	-	59 225	2 132	-	-	-	-	-	-	208 191
Plaatjie N.R. (Ms)	-	146 834	-	59 225	2 145	-	-	-	-	-	-	208 205
Reynolds L.M.	-	146 834	-	59 225	1 836	-	-	-	-	-	-	207 895
Jela-Solomon K.H. (Ms)	-	146 834	-	59 225	1 953	-	-	-	-	-	-	208 012
Tame M.S.	-	146 834	-	59 225	2 132	-	-	-	-	-	-	208 191
Tyantsula N.C. (Ms)	-	146 834	-	59 225	1 737	-	-	-	-	-	-	207 796
Waldick D.L.	-	98 418	-	38 955	1 359	-	-	-	-	-	-	138 732
Wells J.C. (Dr)	-	146 834	-	59 225	1 836	-	-	-	-	-	-	207 895
Total for Councillors	-	5 573 163	-	2 167 449	72 677	-	-	-	-	-	-	7 813 288

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Municipal Manager												
Baart N.L. (Ms)	-	363 412	-	69 722	4 743	-	-	-	-	-	-	437 876
Planga M.C. (Acting)	-	-	-	20 555	-	-	-	-	-	-	-	20 555
Meiring M.J. (Ms) (Acting)	-	-	-	42 097	-	-	-	-	-	-	-	42 097
Myalato E.T. (Acting)	-	-	-	116 476	-	-	-	-	-	-	-	116 476
Naidoo P. (Dr)	-	223 221	-	42 825	3 028	-	-	-	-	-	-	269 074
Chief Financial Officer												
Ngcelwana M.J.	-	-	-	-	1 390	126 501	-	-	-	-	-	127 890
Crouse M. (Acting)	-	-	-	105 726	-	-	-	-	-	-	-	105 726
Sizani L.R. (Acting)	-	-	-	27 365	-	-	-	-	-	-	-	27 365
Sahibdeen D.	-	329 429	-	67 982	4 741	-	-	-	-	-	-	402 152
Director: Community & Social Services												
Planga M.C.	-	510 137	-	106 970	7 791	-	-	-	-	-	-	624 899
Bates K. (Acting)	-	-	-	87 261	-	-	-	-	-	-	-	87 261
Director: Corporate Services												
Madlavu M.	-	644 492	-	133 000	9 242	-	-	-	-	-	-	786 734
Mager E. (Acting)	-	-	-	14 234	-	-	-	-	-	-	-	14 234
Director: Local Economic Development Services												
Meiring M.J. (Ms)	-	680 381	-	142 627	10 319	-	-	-	-	-	-	833 326
Director: Technical & Infrastructure Services												
Myalato E.T.	-	658 858	-	135 965	9 785	-	-	-	-	-	-	804 608
Total for Senior Managers	-	3 409 930	-	1 112 804	51 039	126 501	-	-	-	-	-	4 700 273
Total for Management	-	8 983 092	-	3 280 252	123 716	126 501	-	-	-	-	-	12 513 561

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Mayor												
Peter Z.J.	-	464 247	-	178 334	6 031	-	-	-	-	-	-	648 612
Speaker												
Madinda-Isaacs R.M. (Ms)	-	201 926	-	79 054	3 175	-	-	-	-	-	-	284 156
Executive Committee												
Gaga N.S. (Ms)	-	344 194	-	133 572	4 901	-	-	-	-	-	-	482 666
Masoma N.C. (Ms)	-	344 194	-	133 572	4 625	-	-	-	-	-	-	482 391
Matyumza M.	-	344 194	-	133 572	5 700	-	-	-	-	-	-	483 466
Notyawa M.P.G. (Adv)	-	344 194	-	133 572	5 700	-	-	-	-	-	-	483 466
Ranchhod P.	-	344 194	-	133 572	5 327	-	-	-	-	-	-	483 093
		-		-	-							
Other Councillors												
Bonani B. (Ms)	-	137 680	-	57 635	2 477	-	-	-	-	-	-	197 792
Booyesen M.C. (Ms)	-	137 680	-	57 635	2 853	-	-	-	-	-	-	198 167
Fargher B.W.	-	137 680	-	57 635	2 876	-	-	-	-	-	-	198 191
Gojela M.	-	137 680	-	57 635	2 876	-	-	-	-	-	-	198 191
Jackson B.P.N.	-	137 680	-	57 635	2 876	-	-	-	-	-	-	198 191
Khubalo M.M.	-	137 680	-	57 635	2 876	-	-	-	-	-	-	198 191
Kolisi V.C.	-	170 457	-	68 564	3 313	-	-	-	-	-	-	242 334
Louw E.	-	137 680	-	57 635	2 876	-	-	-	-	-	-	198 191
Madinda M.G.	-	137 680	-	57 634	2 806	-	-	-	-	-	-	198 120
Madyo X.G.	-	137 680	-	57 635	2 477	-	-	-	-	-	-	197 792
May L. (Ms)	-	137 680	-	57 635	2 477	-	-	-	-	-	-	197 792
Meti N. (Ms)	-	137 680	-	57 635	2 812	-	-	-	-	-	-	198 127
Ngeleza T.C. (Ms)	-	137 680	-	57 635	2 574	-	-	-	-	-	-	197 889
Ngoqo N.J. (Ms)	-	137 680	-	57 635	2 876	-	-	-	-	-	-	198 191
Plaatjie N.R. (Ms)	-	137 680	-	57 635	2 876	-	-	-	-	-	-	198 191
Reynolds L.M.	-	137 680	-	57 635	2 588	-	-	-	-	-	-	197 902
Jela-Solomon K.H. (Ms)	-	137 680	-	57 635	2 818	-	-	-	-	-	-	198 133
Tame M.S.	-	137 680	-	57 635	2 876	-	-	-	-	-	-	198 191
Tyantsula N.C. (Ms)	-	137 680	-	57 635	2 477	-	-	-	-	-	-	197 792
Waldick D.L.	-	137 680	-	57 635	2 756	-	-	-	-	-	-	198 070
Wells J.C. (Dr)	-	137 680	-	57 635	2 588	-	-	-	-	-	-	197 902
Total for Councillors	-	5 311 194	-	2 146 508	93 483	-	-	-	-	-	-	7 551 186

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Municipal Manager												
Baart N.L. (Ms)	-	875 823	-	163 697	11 526	-	-	-	-	-	-	1 051 046
Planga M.C. (Acting)	-	-	-	35 236	-	-	-	-	-	-	-	35 236
Chief Financial Officer												
Ngcelwana M.J.	-	567 936	-	133 011	110 211	-	-	-	-	-	-	811 158
Crouse M. (Acting)	-	-	-	126 088	-	-	-	-	-	-	-	126 088
Director: Community & Social Services												
Planga M.C.	-	661 811	-	133 011	9 249	-	-	-	-	-	-	804 072
Director: Corporate Services												
Klaas T.	-	418 337	-	89 580	95 032	88 538	-	-	-	-	-	691 488
Mager E. (Acting)	-	-	-	18 741	-	-	-	-	-	-	-	18 741
Director: Local Economic Development Services												
Meiring M.J. (Ms)	-	661 811	-	133 011	9 249	-	-	-	-	-	-	804 072
Director: Technical & Infrastructure Services												
Njilo D.	-	329 747	-	65 029	5 333	57 900	-	-	-	-	-	458 009
Myalato E.T.	-	54 905	-	11 330	8 366	-	-	-	-	-	-	74 601
Total for Senior Managers	-	3 570 371	-	908 735	248 967	146 438	-	-	-	-	-	4 874 511
Total for Management	-	8 881 566	-	3 055 243	342 450	146 438	-	-	-	-	-	12 425 698