Planning by	Reviewed	Performed by	Final review

Client details
Client name: Gariep Municipality
Year end: 30 June 2013

File details
Ver No: 2013.10.02
File name: Gariep trial 1
Doc name: Gariep trial 1FSNG0000ZAFS.cvw
File path C:\USERS\41123_000\DESKTOP\GARIEP BACKUP\BACKUP OF GARIEP TRIAL 1 (2013-11-10 03-38-18 PM)\
Last update: 32
Design mode has been entered
Builder mode has been entered

Balance Check — Controlling entity

			2013	2012
	Statement of financial position balances			
	Cash flow statement balances			
	Net Surplus per the Statement of Financial Performance does not agree with the NETINC account	Diff	1	2
	Opening Accumulated Surplus (deficit) equals prior year's closing balance			

Print details
Printed by
Date printed

Gariep Municipality
(Registration number EC 144)
Financial statements
for the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Gariep municipality provides municipal services within the Gariep area which includes the towns of Burgersdorp, Venterstad and Steynsburg
Mayoral committee	
Executive Mayor	NW Ngoqo
Councillors	NW Ngoqo
	SB Kolase
	E Brien
	MK Mnyombolo
	TZ Notyeke
	N Mabunu
	B Kweyiya
	P Kayster
	AM Van Zyl
	NTT Kula
Chief Finance Officer (CFO)	M.L Mosala
Accounting Officer	T. A Mawonga
Business address	1 Jan Greyling Street Burgersdorp 9744
Postal address	P O Box 13 Burgersdorp 9744
Bankers	ABSA
Auditors	Auditor General of South Africa Registered Auditors

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9
Accounting Policies	11 - 29
Notes to the Financial Statements	30 - 46
Appendixes:	
Appendix A: Schedule of External loans	47
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	48

Index

Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The financial statements set out on pages 5 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Accounting Officer
T.A Mawonga

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012 Restated
Assets			
Current Assets			
Inventories	6	420 695	638 156
Receivables from exchange transactions	7	783 635	664 893
Receivables from non-exchange transactions	8	6 755 250	6 249 250
VAT receivable	9	1 163 378	-
Consumer debtors	10	12 268 011	13 317 401
Cash and cash equivalents	11	883 504	3 111 920
		22 274 473	**23 981 620**
Non-Current Assets			
Biological assets that form part of an agricultural activity		164 785	-
Investment property	2	1 472 000	1 527 200
Property, plant and equipment	3	348 837 450	206 181 272
Intangible assets	4	689 589	-
		351 163 824	**207 708 472**
Total Assets		**373 438 297**	**231 690 092**
Liabilities			
Current Liabilities			
Finance lease obligation	13	561 329	1 172 271
Payables from exchange transactions	18	107 374 401	87 877 302
VAT payable	19	-	703 737
Unspent conditional grants and receipts	14	6 677 418	12 785 721
Provisions	15	870 564	579 912
Short term portion of long term loan	16	588 676	749 612
		116 072 388	**103 868 555**
Non-Current Liabilities			
Finance lease obligation	13	279 069	840 398
Retirement benefit obligation	5	12 204 000	12 191 000
Provisions	15	1 122 280	1 106 852
Long-term loan	16	1 468 788	1 714 976
Other long-term employee benefits	17	3 150 000	2 460 000
		18 224 137	**18 313 226**
Total Liabilities		**134 296 525**	**122 181 781**
Net Assets		**239 141 772**	**109 508 311**
Accumulated surplus		239 141 772	109 508 311

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Sale of goods		55 526	-
Service charges	22	20 859 133	20 112 943
Rendering of services		81 136	178 564
Rental of facilities and equipment	21	131 843	222 936
Interest received (trading)	20	6 064 619	7 046 111
Income from agency services	24	8 420 928	11 337 146
Licences and permits		1 156 336	1 129 256
Miscellaneous other revenue		98 088	593 953
Donations		1 754	-
Interest received - investment		87 353	75 460
Fines		22 218	40 434
Property rates	21	6 292 100	6 900 692
Government grants revenue	23	45 997 253	31 490 032
Total revenue		**89 268 287**	**79 127 527**
Expenditure			
Personnel	26	(28 419 930)	(27 463 718)
Remuneration of councillors	27	(2 843 329)	(2 518 451)
Administration		-	(8 390)
Depreciation and amortisation		(12 193 081)	(21 348 951)
Finance costs	30	(2 408 678)	(924 455)
Debt impairment	28	(8 375 921)	(53 321 699)
Repairs and maintenance		(1 344 086)	(1 133 066)
Bulk purchases	33	(19 070 499)	(20 785 170)
Free Basic Services		(216 221)	(5 497 182)
General Expenses	25	(23 621 089)	(14 580 090)
Total expenditure		**(98 492 834)**	**(147 581 172)**
Operating deficit		**(9 224 547)**	**(68 453 645)**
Deficit for the year from continuing operations		**(9 224 547)**	**(68 453 645)**
Discontinued operations (Filtered)	12	(8 719 152)	7 839 285
Deficit for the year		**(17 943 699)**	**(60 614 360)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	143 322 113	143 322 113
Adjustments		
Correction of errors	6 609 504	6 609 504
Balance at 01 July 2011 as restated	**149 931 617**	**149 931 617**
Changes in net assets		
Adjustments in equity	12 052 443	12 052 443
Net adjustments directly in equity	7 512 468	7 512 468
Other fair value gains (losses)	666 139	666 139
Net income (losses) recognised directly in net assets	20 231 050	20 231 050
Surplus for the year	(60 614 360)	(60 614 360)
Total recognised income and expenses for the year	(40 383 310)	(40 383 310)
Issue of shares	(39 996)	(39 996)
Total changes	(40 423 306)	(40 423 306)
Opening balance as previously reported	103 577 207	103 577 207
Adjustments		
Correction of errors - Note 36	6 265 550	6 265 550
Balance at 01 July 2012 as restated	**109 842 757**	**109 842 757**
Changes in net assets		
Newly found PPE Items	142 170 699	142 170 699
Other adjustments directly in equity	5 070 107	5 070 107
Adjustment of short-term deposit	1 908	1 908
Net income (losses) recognised directly in net assets	147 242 714	147 242 714
Surplus for the year	(17 943 699)	(17 943 699)
Total recognised income and expenses for the year	129 299 015	129 299 015
Total changes	129 299 015	129 299 015
Balance at 30 June 2013	**239 141 772**	**239 141 772**

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		55 401 611	32 127 710
Grants		42 863 556	40 544 309
Interest income		87 353	75 460
		98 352 520	72 747 479
Payments			
Employee costs		(30 326 082)	(32 280 636)
Suppliers		(50 803 560)	(27 686 641)
Finance costs		(2 408 678)	(924 455)
Other cash item		(2 875 045)	4 044 056
		(86 413 365)	(56 847 676)
Net cash flows from operating activities	34	**11 939 155**	**15 899 803**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(155 239 107)	(5 704 602)
Proceeds from sale of property, plant and equipment	3	642 606	-
Purchase of other intangible assets	4	(1 034 384)	-
Proceeds from sale of other intangible assets	4	344 795	-
Purchase of biological assets that form part of an agricultural activity		(164 785)	-
Other cash item		142 172 699	-
Net cash flows from investing activities		**(13 278 176)**	**(5 704 602)**
Cash flows from financing activities			
Movement in long-term loan		(407 124)	(194 648)
Movement in other long-term employee benefits		690 000	629 000
Finance lease payments		(1 172 271)	(521 110)
Net cash flows from financing activities		**(889 395)**	**(86 758)**
Net increase/(decrease) in cash and cash equivalents		**(2 228 416)**	**10 108 443**
Cash and cash equivalents at the beginning of the year		3 111 920	(6 996 523)
Cash and cash equivalents at the end of the year	11	**883 504**	**3 111 920**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	-	-	**-**	55 526	**55 526**	
Service charges	11 370 537	2 656 915	**14 027 452**	20 859 133	**6 831 681**	47
Rendering of services	388 552	(132 561)	**255 991**	81 136	**(174 855)**	
Rental of facilities and equipment	267 976	(164 888)	**103 088**	131 843	**28 755**	
Interest received (trading)	3 989	11	**4 000**	6 064 619	**6 060 619**	47
Income from agency services	4 195 031	15 433	**4 210 464**	8 420 928	**4 210 464**	47
Licences and permits	1 323 405	(469 045)	**854 360**	1 156 336	**301 976**	
Miscellaneous other revenue	42 225	(14 867)	**27 358**	98 088	**70 730**	47
Miscalleneous	28 260 564	(4 779 805)	**23 480 759**	1 754	**(23 479 005)**	47
Interest received - investment	-	-	**-**	87 353	**87 353**	
Total revenue from exchange transactions	**45 852 279**	**(2 888 807)**	**42 963 472**	**36 956 716**	**(6 006 756)**	
Revenue from non-exchange transactions						
Taxation revenue						
Direct taxes (Income tax, estate duty)	98 618	363	**98 981**	22 218	**(76 763)**	
Property rates	6 532 711	24 035	**6 556 746**	6 292 100	**(264 646)**	47
Government grants & subsidies	42 163 414	90 086	**42 253 500**	45 997 253	**3 743 753**	47
Total revenue from non-exchange transactions	**48 794 743**	**114 484**	**48 909 227**	**52 311 571**	**3 402 344**	
Total revenue	**94 647 022**	**(2 774 323)**	**91 872 699**	**89 268 287**	**(2 604 412)**	
Expenditure						
Personnel	(35 615 602)	6 841 475	**(28 774 127)**	(28 419 930)	**354 197**	47
Remuneration of councillors	(2 627 263)	(427 709)	**(3 054 972)**	(2 843 329)	**211 643**	
Administration	(9 567)	(33)	**(9 600)**	-	**9 600**	
Depreciation and amortisation	(2 695 301)	(9 922)	**(2 705 223)**	(12 193 081)	**(9 487 858)**	47
Finance costs	(615 985)	(44 926)	**(660 911)**	(2 408 678)	**(1 747 767)**	47
Debt impairment	(5 056 571)	(18 613)	**(5 075 184)**	(8 375 921)	**(3 300 737)**	47
Repairs and maintenance	(2 576 667)	495 380	**(2 081 287)**	(1 344 086)	**737 201**	
Bulk purchases	(14 515 517)	(10 129 291)	**(24 644 808)**	(19 070 499)	**5 574 309**	47
Grants and subsidies paid	(7 252 937)	694 978	**(6 557 959)**	(216 221)	**6 341 738**	
General Expenses	(43 900 836)	2 750 985	**(41 149 851)**	(23 621 089)	**17 528 762**	47
Total expenditure	**(114 866 246)**	**152 324**	**(114 713 922)**	**(98 492 834)**	**16 221 088**	
Deficit before taxation	**(20 219 224)**	**(2 621 999)**	**(22 841 223)**	**(9 224 547)**	**13 616 676**	
Deficit for the year from continuing operations	**(20 219 224)**	**(2 621 999)**	**(22 841 223)**	**(9 224 547)**	**13 616 676**	
Discontinued operations (Filtered)	(3 024 593)	3 080 023	**55 430**	(8 719 152)	**(8 774 582)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(23 243 817)**	**458 024**	**(22 785 793)**	**(17 943 699)**	**4 842 094**	

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

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

Taxation

Value Added Tax

Revenue, expenses and assets are recognised net of amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.2 Biological assets that form part of an agricultural activity

An entity shall recognise a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a biological assets that form part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets that form part of an agricultural activity where fair value cannot be determined, to write down the cost, less residual value, by equal installments over their useful lives as follows:

Item	Useful life
Trees in a plantation forest	x years / indefinite
Maize	x years
Wheat	x years
Sheep	x years
Pigs	x years
Farm fish	x years
Pine trees	x years
Biological assets - Consumable 1	x years
Biological assets - Consumable 2	x years
Other consumable biological assets	x years
Dairy cattle	x years
Vines	x years
Fruit trees	x years
Plants	x years
Bushes	x years
Biological assets - Bearer 1	x years
Biological assets - Bearer 2	x years
Other bearer biological assets	x years

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Fair value

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

The fair value of investment property reflects market conditions at the reporting date. This is usually the values reflected in the municipality's valuation roll and this is determined with each valuation cycle.

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

Investment property is derecognised 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.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

Item	**Average useful life**
Land	Indefinite
Buildings	30
Plant and machinery	
• Graders	10-15
• Lawnmowers	2
• Tractors	10-15
• Compressors	5
Furniture and fixtures	
• Chairs	7-10
• Tables and desks	7-10
• Cabinets and cupboards	7-10
Motor vehicles	
• Ambulances	5-10
• Fire engines	20
• Buses	15
• Trucks and light delivery vehicles	5-7
• Ordinary motor vehicles	5-7
• Motor cycles	5-7
Office equipment	
• Computer hardware	3-5
• Computer software	3-5
• Office machines	3-5
• Air conditioners	5-7

1.4 Property, plant and equipment (continued)

Electricity	
• Power stations	30
• Transformer kiosks	30
• Supply and reticulation networks	20
• Mains	20
Roads	
• Motorways	15
• Other roads	10
• Traffic islands	10
• Street lights	25
• Overhead bridges	30
• Stormwater drains	20
• Bridges, subways and culverts	30
• Car parks	20
• Bus terminals	20
Pedestrian malls	
• Footways	20
• Kerbing	20
• Paving	20
Security measures	
• Access control systems	5
• Security systems	5
• Security fencing	3
Community assets	
• Buildings	30
• Recreation facilities	20
Bins and containers	
• Household refuse bins	5
• Bulk refuse containers	10

1.5 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.5 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:
(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Intangible assets

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

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

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Item	Useful life
Licenses and franchises	Licence period

1.6 Intangible assets (continued)

Computer software, other	3-5

1.7 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - held for trading
- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

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

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

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

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends or similar distributions and interest.

Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

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

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends or similar distributions received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Receivables from exchange transactions

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

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

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

Cash and cash equivalents

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

1.7 Financial instruments (continued)

Bank overdraft and borrowings

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

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.7 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.8 Leases

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

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

1.8 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

1.9 Inventories (continued)

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

1.10 Non-current assets held for sale and disposal groups

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

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

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

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

1.11 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

1.12 Provisions and contingencies (continued)

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;

1.12 Provisions and contingencies (continued)
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

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

1.14 Revenue from non-exchange transactions

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

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

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

Measurement

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

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

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

Fines

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

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

Levies

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

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

1.14 Revenue from non-exchange transactions (continued)

Government grants

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

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

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

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

Other grants and donations

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

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

1.15 Investment income

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

1.16 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

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

1.18 Unauthorised expenditure

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

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

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

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

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

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

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

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

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

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

1.21 Use of estimates

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

1.22 Presentation of currency

These financial statements are presented in South African Rand.

Accounting Policies

1.23 Offsetting

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

1.24 Conditional grants and receipts

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

1.25 Budget information

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

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012-07-01 to 2013-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.26 Related parties

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

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

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

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

2. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	1 472 000	-	1 472 000	1 527 200	-	1 527 200

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

3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	86 990 188	-	86 990 188	86 990 188	-	86 990 188
Buildings	68 626 886	(11 315 464)	57 311 422	68 626 886	(9 074 252)	59 552 634
Motor vehicles	4 525 384	(4 525 384)	-	4 525 384	(4 265 265)	260 119
Leased assets - Office equipment	6 861 877	(6 651 523)	210 354	6 861 877	(6 482 405)	379 472
Infrastructure	196 483 992	(40 660 195)	155 823 797	57 086 688	(32 663 560)	24 423 128
Community	13 099 278	(4 386 930)	8 712 348	10 490 758	(3 527 134)	6 963 624
Other property, plant and equipment	5 861 818	(4 962 969)	898 849	5 410 427	(3 906 920)	1 503 507
Work in progress - Infrastructure	38 890 492	-	38 890 492	26 108 600	-	26 108 600
Total	**421 339 915**	**(72 502 465)**	**348 837 450**	**266 100 808**	**(59 919 536)**	**206 181 272**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	86 990 188	-	-	-	86 990 188
Buildings	59 552 634	-	-	(2 241 212)	57 311 422
Motor vehicles	260 119	-	-	(260 119)	-
Leased assets - Office equipment	379 472	-	-	(169 118)	210 354
Infrastructure	24 423 128	139 397 304	-	(7 996 635)	155 823 797
Community	6 963 624	2 608 520	-	(859 796)	8 712 348
Other property, plant and equipment	1 503 507	451 391	(642 606)	(413 443)	898 849
Work in progress - Infrastructure	26 108 600	12 781 892	-	-	38 890 492
	206 181 272	**155 239 107**	**(642 606)**	**(11 940 323)**	**348 837 450**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	86 990 188	-	-	-	86 990 188
Buildings	61 837 607	-	-	(2 284 973)	59 552 634
Motor vehicles	548 358	-	-	(288 239)	260 119
Leased assets - Office equipment	1 018 821	507 352	-	(1 146 701)	379 472
Infrastructure	32 553 171	-	-	(8 130 043)	24 423 128
Community	7 845 407	-	-	(881 783)	6 963 624
Other property, plant and equipment	2 164 515	-	191 215	(852 223)	1 503 507
Work in progress - Infrastructure	20 911 350	5 197 250	-	-	26 108 600
	213 869 417	**5 704 602**	**191 215**	**(13 583 962)**	**206 181 272**

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

4. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 034 384	(344 795)	689 589	-	-	-

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Total
Computer software, other	-	1 034 384	(344 795)	689 589

5. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

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

	2013	2012
Opening balance	12 191 000	11 955 000
Net expense recognised in the statement of financial performance	13 000	236 000
	12 204 000	**12 191 000**

Net expense recognised in the statement of financial performance

	2013	2012
Current service cost	531 000	515 000
Interest cost	990 000	1 079 000
Actuarial (gains) losses	(79 934)	(333 421)
Benefits paid	(1 428 066)	(1 024 579)
	13 000	**236 000**

Figures in Rand	2013	2012

5. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7,25 %	8,25 %
Net discount rate	1,41 %	1,41 %
Expected increase in healthcare costs	6,75 %	6,75 %

The municipality appointed actuaries to value the defined benefit plan for both financial years presented. This valuation was performed as at June 2013. A full valuation report is available for inspection at the registered office of the municipality.

6. Inventories

Consumable stores	420 695	638 156

7. Receivables from exchange transactions

Agency services	783 635	664 893

8. Receivables from non-exchange transactions

Government grants and subsidies	6 755 250	6 249 250

9. VAT receivable

VAT	1 163 378	-

10. Consumer debtors

Gross balances		
Rates	8 416 778	14 781 778
Electricity	6 057 303	4 945 430
Water	13 783 637	45 349 052
Sewerage	13 766 502	12 384 655
Refuse	13 155 076	12 165 169
Other (specify)	17 126 367	20 613 010
	72 305 663	**110 239 094**
Less: Allowance for impairment		
Rates	(4 822 871)	(11 207 856)
Electricity	(2 047 643)	(2 551 608)
Water	(14 149 055)	(41 398 948)
Sewerage	(12 165 374)	(10 911 381)
Refuse	(12 249 113)	(10 965 988)
Other (specify)	(14 603 596)	(19 885 912)
	(60 037 652)	**(96 921 693)**

Notes to the Financial Statements

Figures in Rand	2013	2012

10. Consumer debtors (continued)

Net balance		
Rates	3 593 907	3 573 922
Electricity	4 009 660	2 393 822
Water	(365 418)	3 950 104
Sewerage	1 601 128	1 473 274
Refuse	905 963	1 199 181
Other (specify)	2 522 771	727 098
	12 268 011	**13 317 401**

Rates		
Current (0 -30 days)	265 023	2 342 449
31 - 60 days	242 074	529 784
61 - 90 days	217 489	-
91 - 120 days	228 806	701 689
121 - 365 days	1 963 323	-
> 365 days	677 192	-
	3 593 907	**3 573 922**

Electricity		
Current (0 -30 days)	404 233	579 778
31 - 60 days	399 893	230 274
61 - 90 days	360 411	178 438
91 - 120 days	348 704	796 943
121 - 365 days	1 850 400	-
> 365 days	646 019	608 389
	4 009 660	**2 393 822**

Water		
Current (0 -30 days)	539 260	2 607 560
31 - 60 days	536 395	1 342 544
	1 075 655	**3 950 104**

Sewerage		
Current (0 -30 days)	302 683	1 010 911
31 - 60 days	286 522	-
61 - 90 days	282 555	-
91 - 120 days	283 007	-
> 365 days	446 361	462 363
	1 601 128	**1 473 274**

Refuse		
Current (0 -30 days)	282 985	1 199 181
31 - 60 days	268 899	-
61 - 90 days	261 374	-
91 - 120 days	92 705	-
	905 963	**1 199 181**

Figures in Rand	2013	2012

10. Consumer debtors (continued)

Miscalleneous & Interest		
Current (0 -30 days)	816 696	-
31 - 60 days	100 895	-
61 - 90 days	100 258	-
91 - 120 days	103 190	-
121 - 365 days	-	727 098
> 365 days	1 401 732	-
	2 522 771	**727 098**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(96 921 693)	(73 774 337)
Contributions to allowance	(10 023 914)	(53 321 697)
Debt impairment written off against allowance	45 260 461	-
Reversal of allowance	-	30 174 341
	(61 685 146)	**(96 921 693)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8 400	5 400
Bank balances	308 529	588 717
Short-term deposits	566 575	2 517 803
	883 504	**3 111 920**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	**30 June 2012**	**30 June 2011**	**30 June 2013**	**30 June 2012**	**30 June 2011**
Primary Bank account - ABSA - 18-00-0022-0161	321 595	603 576	(914 331)	308 529	588 717	(194 439)
Premier's fund account - ABSA - 5064344937	1 938	79 407	79 327	1 939	79 407	79 327
Investment account - ABSA - 2067401932	374 226	354 415	335 017	374 226	354 415	335 017
Nosizwe account - ABSA - 9064489631	6 239	6 220	-	6 329	6 220	-
Call account - ABSA - 9272831416	104 588	2 077 762	-	104 588	2 077 762	-
DBSA Debt Services - ABSA - 90-5996-7363	79 493	-	-	79 493	-	-
Total	**888 079**	**3 121 380**	**(499 987)**	**875 104**	**3 106 521**	**219 905**

Notes to the Financial Statements

Figures in Rand	2013	2012

12. Discontinued operations or disposal groups or non-current assets held for sale

The municipality has decided to discontinue its water and sanitations operations as these are the functions of the district municipality. The assets and liabilities of the disposal group comprise of:

Consumer debtors:

Water : R 3,214,895
Sanitation: R 1,603,585

The decision was made by the municipal council to discontinue these operations based on an agreement with the district municipality.

Surplus / Deficit

Revenue	14 801 282	25 431 492
Expenses	(27 771 888)	(39 553 268)
	(12 970 606)	**(14 121 776)**

13. Finance lease obligation

Minimum lease payments due		
- within one year	561 329	1 172 271
- in second to fifth year inclusive	279 069	840 398
	840 398	2 012 669
less: future finance charges	(61 117)	(173 515)
Present value of minimum lease payments	**779 281**	**1 839 154**

Non-current liabilities	279 069	840 398
Current liabilities	561 329	1 172 271
	840 398	**2 012 669**

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2012: 9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
INEPG	602 040	3 537 405
FMG	(10 050)	494 192
JL DE BRUIN DAM GRANT	193 973	193 973
EPWP	(2 010)	-
MIG	5 885 797	8 290 131
MSIG	7 668	270 020
	6 677 418	**12 785 721**

See note 23 for reconciliation of grants from National/Provincial Government.

Notes to the Financial Statements

Figures in Rand	2013	2012

15. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	1 106 852	10 942	-	4 486	1 122 280
Bonus provision - 13th cheque	579 912	1 905 140	(1 614 488)	-	870 564
	1 686 764	**1 916 082**	**(1 614 488)**	**4 486**	**1 992 844**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	1 102 389	-	-	4 463	1 106 852
Provision 1	524 638	1 726 594	(1 671 320)	-	579 912
	1 627 027	**1 726 594**	**(1 671 320)**	**4 463**	**1 686 764**

	2013	2012
Non-current liabilities	1 122 280	1 106 852
Current liabilities	870 564	579 912
	1 992 844	**1 686 764**

16. Long-term loan

The municipality acquired two loans from the DBSA. The loans are payable monthly and half yearly at the rate of 15.1% and 5% respectively. The loans one loans has been fully redeemed during the current financial year and the other one is redeemable on 30 September 2018 respectively. The loans are unsecured. Further details of the loans are included in Appendix A to the annual financial statements.

	2013	2012
DBSA Loan		
Long-term portion	1 468 788	1 769 669
Short term portion	588 676	749 612
	2 057 464	**2 519 281**

17. Other long-term employee benefits

	2013	2012
Long service bonus	3 150 000	2 460 000

The municipality provides long-service bonus to employees who completed a number of years in service in accordance with its policy on employee benefits.

18. Payables from exchange transactions

	2013	2012
Trade payables	63 023 646	41 476 809
3rd party payments	7 012 821	16 182 306
Employee pension	7 945 451	4 701 563
Accrued leave pay	2 631 459	2 652 794
Deposits received	2 669 619	(182 115)
Unallocated receipts	23 711 207	23 045 945
Other creditors #1	380 198	-
	107 374 401	**87 877 302**

Notes to the Financial Statements

Figures in Rand	2013	2012

19. VAT payable

Tax payables	-	703 737

20. Revenue

Sale of goods	55 526	-
Rendering of services	81 136	178 564
Service charges	20 859 133	20 112 943
Rental of facilities and equipment	131 843	222 936
Interest received (trading)	6 064 619	7 046 111
Income from agency services	8 420 928	11 337 146
Licences and permits	1 156 336	1 129 256
Miscellaneous other revenue	98 088	593 953
Donations	1 754	-
Interest received - investment	87 353	75 460
Fines	22 218	40 434
Property rates	6 292 100	6 900 692
Government grants & subsidies	45 997 253	31 490 032
	89 268 287	**79 127 527**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	55 526	-
Service charges	20 859 133	20 112 943
Rendering of services	81 136	178 564
Rental of facilities and equipment	131 843	222 936
Interest received (trading)	6 064 619	7 046 111
Income from agency services	8 420 928	11 337 146
Licences and permits	1 156 336	1 129 256
Miscellaneous other revenue	98 088	593 953
Donations	1 754	-
Interest received - investment	87 353	75 460
	36 956 716	**40 696 369**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Fines	22 218	40 434
Property rates	6 292 100	6 900 692
Transfer revenue		
Government grants & subsidies	45 997 253	31 490 032
	52 311 571	**38 431 158**

21. Property rates

Rates received

Residential	3 704 333	3 621 157
Commercial	1 365 523	1 284 348
State	1 439 029	1 353 302
Municipal	543 348	512 584
Small holdings and farms	3 820 260	3 610 198
Less: Income forgone	(4 580 393)	(3 480 897)
	6 292 100	**6 900 692**

Notes to the Financial Statements

Figures in Rand	2013	2012

22. Service charges

Sale of electricity	10 461 610	11 131 689
Solid waste	(1 097)	84
Refuse removal	10 398 620	8 981 170
	20 859 133	**20 112 943**

Notes to the Financial Statements

Figures in Rand	2013	2012

23. Government grants and subsidies

Equitable share	25 503 079	22 874 559
INEPG	2 935 365	2 306 735
FMG	2 004 241	1 073 544
OTHER GRANTS	1 417 880	954 183
COGTA - CAPACITY BUILDING	2 204 990	-
EPWP	1 002 010	-
MIG	9 827 335	3 618 129
MSIG	1 102 353	662 882
	45 997 253	**31 490 032**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is funded from the grant.

INEPG

Balance unspent at beginning of year	3 537 405	5 844 140
Conditions met - transferred to revenue	(2 935 365)	(2 306 735)
	602 040	**3 537 405**

Conditions still to be met - remain liabilities (see note 14).

FMG

Balance unspent at beginning of year	494 192	117 736
Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(2 004 242)	(1 073 544)
	(10 050)	**494 192**

J DE BRUIN DAM GRANT

Balance unspent at beginning of year	193 973	193 973

Grant has remained unspent over a number of years. Council is investigating the possibility of write-off due to lack of obligation to settle.

EPWP

Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 002 010)	-
	(2 010)	**-**

MIG

Balance unspent at beginning of year	8 290 131	1 980 261
Current-year receipts	12 044 000	9 928 000
Conditions met - transferred to revenue	(9 827 334)	(3 618 130)
Amounts returned to the National Revenue Fund -(By witholding equitable share)	(4 621 000)	-

Notes to the Financial Statements

Figures in Rand	2013	2012

23. Government grants and subsidies (continued)

	5 885 797	**8 290 131**

Conditions still to be met - remain liabilities (see note 14).

MSIG

Balance unspent at beginning of year	270 020	142 902
Current-year receipts	840 000	790 000
Conditions met - transferred to revenue	(1 102 352)	(662 882)
	7 668	**270 020**

Conditions still to be met - remain liabilities (see note 14).

24. Other income

Income from agency services	8 420 928	11 337 146

This is the income from agency services provided to the Joe Gqabi District Municipality for water and sanitation.

25. General expenses

Advertising	188 188	198 857
Assessment rates & municipal charges	1 016 515	-
Auditors remuneration	2 321 561	2 754 405
Bank charges	168 104	138 909
Cleaning	157 911	164 717
Commission paid	85 202	29 407
Computer expenses	19 441	412 127
Consulting and professional fees	7 591 502	643 010
Consumables	707 867	27 748
Entertainment	2 915	55 172
Insurance	317 341	497 878
Community development and training	190 637	51 471
Lease rentals on operating lease	2 022 236	2 287 197
Marketing	(39 818)	160 148
Motor vehicle expenses	336 103	484 582
Fuel and oil	1 302 192	1 579 705
Postage and courier	33 113	44 638
Printing and stationery	1 052 972	648 337
Protective clothing	-	574
Royalties and license fees	939	359
Software expenses	801 916	-
Staff welfare	99 718	88 630
Subscriptions and membership fees	14 202	32 707
Telephone and fax	1 373 027	1 332 400
Training	36 256	62 028
Travel - local	1 888 866	1 519 882
Title deed search fees	6 678	4 630
Electricity	1 616 325	1 201 120
Sewerage and waste disposal	2 921	36 705
Water	18 056	58 844
Refuse	3 814	19 148
Grants and subsidies paid	272 051	33 815
Other expenses	12 338	10 940
	23 621 089	**14 580 090**

Notes to the Financial Statements

Figures in Rand	2013	2012

26. Employee related costs

Basic	18 563 153	18 118 215
Bonus	-	427 884
Medical aid - company contributions	560 833	1 034 089
UIF	176 126	166 038
SDL	238 636	37 195
Other payroll levies	12 418	8 872
Leave pay provision charge	447 575	(270 303)
Post-employment benefits - Pension - Defined contribution plan	2 967 271	3 114 913
Travel, motor car, accommodation, subsistence and other allowances	1 826 315	1 416 787
Overtime payments	647 527	568 369
Long-service awards	776 194	740 877
13th Cheques	1 982 848	1 771 881
Housing benefits and allowances	41 159	43 917
Telephone allowance	129 892	143 264
Standby allowance	47 796	80 438
Protective clothing allowance	2 187	61 282
	28 419 930	**27 463 718**

Remuneration of municipal manager

Annual Remuneration	807 190	763 828
Car Allowance	276 546	262 034
Bargaining council	71	49
UIF	1 498	1 498
Medical aid	25 690	20 700
	1 110 995	**1 048 109**

Remuneration of chief finance officer

Annual Remuneration	469 375	428 022
Car Allowance	171 066	178 367
UIF	1 497	1 497
Bargaining council	71	49
13th cheque	38 046	35 537
Pension fund	81 975	69 996
	762 030	**713 468**

Corporate and human resources (corporate services)

Annual Remuneration	559 006	523 976
13th cheque	46 813	42 550
UIF	1 497	1 497
Pension fund	118 800	97 095
Bargaining council	71	49
Cellphone allowance	-	9 600
	726 187	**674 767**

Community services

Annual Remuneration	455 586	427 810
Car Allowance	188 606	176 309
Medical	69 502	64 290
13th cheque	38 060	35 281
UIF	1 497	1 497

Notes to the Financial Statements

Figures in Rand	2013	2012

26. Employee related costs (continued)

Bargaining council	71	49
	753 322	**705 236**

Technical services

Annual Remuneration	-	303 930
Car Allowance	-	112 572
Cellphone allowance	-	7 440
UIF	-	1 248
Medical	-	9 021
Bargaining council	-	41
13th cheque	-	31 729
	-	**465 981**

27. Remuneration of councillors

Councillors allowances	2 842 972	2 518 189
Other benefit	357	262
	2 843 329	**2 518 451**

28. Debt impairment

Debts impaired/ reversals	8 375 921	53 321 699

29. Investment revenue

Interest revenue

Interest on call accounts	87 353	75 460

30. Finance costs

Non-current borrowings	135 997	315 959
Trade and other payables	1 277 388	604 250
Bank	767	(217)
Unwinding of provisions	4 486	4 463
Other interest paid	990 040	-
	2 408 678	**924 455**

31. Auditors' remuneration

Fees	2 321 561	2 754 405

32. Rental of facilities and equipment

Premises

Premises	12 623	78 815
Venue hire	79 563	85 757
	92 186	**164 572**

Figures in Rand	2013	2012

32. Rental of facilities and equipment (continued)

Facilities and equipment		
Rental of facilities	23 510	40 305
Rental of equipment	16 147	18 059
	39 657	**58 364**
	131 843	**222 936**

33. Bulk purchases

Electricity	19 070 499	20 785 170

34. Cash generated from operations

Deficit	(17 943 699)	(60 614 360)
Adjustments for:		
Depreciation and amortisation	12 193 081	21 348 951
Debt impairment	8 375 921	53 321 699
Movements in retirement benefit assets and liabilities	13 000	236 000
Movements in provisions	306 080	-
Free Basic services	-	10 533 602
Other non-cash items	5 206 903	(1 247 464)
Changes in working capital:		
Inventories	217 461	(260 745)
Receivables from exchange transactions	(118 742)	720 232
Other receivables from non-exchange transactions	(506 000)	(707 500)
Consumer debtors	(7 326 531)	(59 836 554)
Payables from exchange transactions	19 497 099	46 131 764
VAT	(1 867 115)	1 767 469
Unspent conditional grants and receipts	(6 108 303)	4 506 709
	11 939 155	**15 899 803**

35. Commitments

Authorised capital expenditure

Capital commitments approved and contracted for		
• Property, plant and equipment	12 653 725	8 730 965

Capital commitments approved but not contracted for		
• Property, plant and equipment	9 683 000	15 221 000

The municipal has opeational commitments of R 2,519,016 as a result of various contracts which it entered into.

36. Contingencies

Different parties instiuted legal claims against the municipality relating to various disputes. These include suppliers and consumers. Should the municipality loose the disputes, it will incur losses of approximately R 543,091 (2012:R 2,685,0000).

In addition, the municipality remains exposed to possible penalty from the Department of Environmental affairs (up to R 10 million) for each illegal dumping site and landfill sites which do not meet the minimum requirements.

Figures in Rand	2013	2012

37. Prior period errors

An error was made in the 2010/11 financial year with the municipality's migration from DATA-M to SEBATA FMS financial systems when the balances of the bank votes were transferred. This resulted in incorrect values being transferred and therefore misstating the bank balances going foward. This was corrected in the current financial year.

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

Statement of financial position		
Payables from exchange transactions	-	(19 444 024)
Cash and cash equivalents	-	6 500 936
Consumer debtors	-	9 354 303
Opening Accumulated Surplus or Deficit	-	3 604 500
Cash and cash equivalents	-	15 714

38. Comparative figures

No comparative figures have been presented as these are the first financial statements of the municipality.

Statement of Financial Performance		
Property Rates - Rates rebates	-	3 480 897

39. Risk management

Financial risk management

Liquidity risk

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

Credit risk

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

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

Financial instrument	2013	2012
Consumer debtors	23 236 779	23 015 245

40. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated deficits of R 239 141 772 and that the municipality's total liabilities exceed its assets by R 239 141 772.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality improves the implementation of its debt collection policy. In this regard, there are a number of interventions including renegotiating alternative credit terms with suppliers, support from other state entities, strict implementation of the crredit control policy and alternative cash flow management methods have been applied in order to manage the liquidity and solvency of the municipality.

41. Events after the reporting date

No significant events after reporting date took place.

Notes to the Financial Statements

Figures in Rand	2013	2012

42. Unauthorised expenditure

Opening balance	115 796 599	68 879 791
Condonement supported by council	(115 796 599)	(28 170 195)
Incurred current year	28 621 175	75 087 003
	28 621 175	**115 796 599**

The process of investigating the above has not yet been concluded by Council.

43. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - opening balance	2 398 111	2 398 111
Incurred current year	3 404 116	1 572 222
Condonement supported by council	-	(1 572 222)
	5 802 227	**2 398 111**

Interest and penalties were incurred by the municipality due to late payments at periods when the municipality experienced adverse cash flow situation during the financial year. The process of investigating the above has not yet been concluded by Council

44. Irregular expenditure

Opening balance	8 419 504	8 419 504
Add: Irregular Expenditure - current year	7 976 111	6 839 894
Condonement supported by council	-	(6 839 894)
	16 395 615	**8 419 504**

45. Additional disclosure in terms of Municipal Finance Management Act

Electricity Distribution Losses

Current year loss	5 407 601	12 706 146

The municipality monitors on a monthly basis the losses incurred on the distribution of electricity. These losses are investigated and remedial action taken, which normally includes disconnection of illegal electricity connections with the municipal are and also obtaining assistance from the District Municipality to curb the losses. A technical analysis of the losses is done whenever there are sufficient funds to do this which did not take place in the current year.

VAT

VAT receivable	1 163 378	-
VAT payable	-	703 737
	1 163 378	**703 737**

VAT output payables and VAT input receivables are shown in note 9.

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

Figures in Rand	2013	2012

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

Councillors' arrear consumer accounts

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

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Ntemi	404	-	404
Councillor Kweyiya	1 004	603	1 607
Councillor Mnyombolo	2 812	3 961	6 773
Councillor Notyeke	388	1 092	1 480
Councillor Kula	2 054	15 633	17 687
Councillor Mabunu	2 072	4 524	6 596
Councillor Ngoqo	1 870	-	1 870
Councillor Kayster	2 065	17 440	19 505
Councillor Van Zyl	815	-	815
	13 484	**43 253**	**56 737**

46. Deviation from supply chain management regulations

Paragraph 36 of the Municipal Supply Chain Management Regulations states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the municipal council and includes a note to the financial statements.

Expenditure was incurred during the year financial year where the municipality deviated from the SCM regulations. The details of the deviations are contained in the deviations register available at the main office of the municipality.

47. Budget differences

Material differences between budget and actual amounts

Note: Differences in excess of 10% or R 2m are considered to be material

1.The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of management re-assesing its financial performance after the first 6 months of the financial year as part of the mid-term assessment process. Council then resolved to adopt an adjustment budget which increased the deficit from R 17,8 million to R 38,8 million.

Appendix A

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
			2 519 281	-	461 817	2 057 464	-	-
			2 519 281	**-**	**461 817**	**2 057 464**	**-**	**-**
Total external loans			**2 519 281**	**-**	**461 817**	**2 057 464**	**-**	**-**

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts			Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Sep	Dec	Mar	Jun	Sep		Yes/ No
Financial Management Grant	National Treasury	1 500 000	-	-	424 021	359 556	129 477	1 091 188	-		Yes
Equitable Share	National Treasury	3 711 000	9 525 000	7 140 000	3 711 000	9 525 000	7 140 000	-	4 621 000	Unspent Grants being returned to National Revenue Fund	Yes
Municipal Infrastructure Grant	COGTA	-	6 022 000	6 022 000	-	1 736 269	1 703 080	4 590 007	-		Yes
Municipal Systems Improvement Grant	COGTA	840 000	-	-	114 000	250 000	342 000	396 353	-		Yes
Extended Public Works Programme	Department of Public Works	400 000	300 000	300 000	1 800	49 399	184 505	766 306	-		Yes
LGWSETA Incentive Grant	SETA	272 191	-	-	-	272 191	-	-	-		Yes
DSRAC Libraries	DSRAC	1 145 689	-	-	-	1 145 689	-	-	-		Yes
Capacity Building Grant	COGTA	1 000 000	1 000 000	204 990	-	1 000 000	1 000 000	204 990	-		Yes
Integrated National Electrification Programme Grant	Department of Minerals and Energy	-	-	-	-	2 935 367	-	-	-		Yes
		-	-	-	-	-	-	-	-		Yes
		8 868 880	16 847 000	13 666 990	4 250 821	17 273 471	10 499 062	7 048 844	4 621 000		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.