THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Financial statements
for the year ended 30 June 2013

General Information

Legal form of entity	District Municipality (DC19)
Mayoral committee	
Executive Mayor	Dr. BE Mzangwa
Councillors	Ms SM Moleleki (Chief Whip: Resigned 30 October 2012)
	Mr. MM Radebe (Chief Whip) (Elected 1 November 2012)
	Mr M Maduna (Speaker)
	Mr M Mamba
	Mr P Mavundla
	Ms M Majara (Resigned: 10 October 2012)
	Ms M Vilakazi
	Ms J Komako
	Mr MA Nhlapo
	Ms M Motloung
	Mr CJ Makhoba
	Mr S Motaung
Ordinary councillors	Ms MR Naidoo
	Ms Z Tshabalala
	Ms N Taylor
	Mr K Tsoene
	Ms C Msibi
	Mr R Ndlebe
	Mr CHE Badenhorst
	Mr R Mota
	Mr S Nkopane
	Mr L Kere
	Ms V Mohala
	Ms R Bath
	Ms M Nakedi
	Ms P Sibeko
	Ms SE Tshabalala
	Ms TN Masiteng
	Ms Y Jacobs
	Mr ME Ncwada (Resigned: 31 May 2013)
	Mr L Mohlabi
	Mr PB Matsunyane (Elected: 31 May 2013)
	Ms T Zim (Deceased: 26 July 2012)
	Ms E Mohoaladi
	Ms O Tolofi
	Mr T Thebe
	Mr M Lebesa
	Mr P Lebesana
	Mr T Mosikidi
	Ms L Kleynhans

General Information

	Ms MA Mokoena Ms HE Mokoena Mr TJ Tseki Mr T Ramaele Mr. M Visagie (Elected 1 October 2012) Mr T Mkhwanazi (Elected 26 July 2012)
Grading of local authority	Grade 11
Accounting Officer	TPM Lebenya (Acting Accounting Officer) (Appointed 1 March 2012) VLT Moloi (Acting Accounting Officer) (Seconded 1 October 2012) Bennett Molotsi (Appointed 1 November 2012)
Chief Finance Officer (CFO)	Hopolang Lebusa (Re-appointed 1 November 2012)
Registered office	1 Mampoi Street Old Parliament Building Witsieshoek 9870
Postal address	Private Bag X810 Witsieshoek 9870
Bankers	ABSA FNB
Auditors	Auditor-General of South Africa
Attorneys	Balden, Vogel & Vennote Inc Podbielski Mhlambi Inc Sunil Narian Inc

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

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Abbreviations

COGTA	Department of Cooperative Governance and Traditional Affairs (Free State)
SCM	Supply Chain Management Policy
MEC	Member of Executive Council
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IT	Information Technology
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
LED	Local Economic Development
PIMSS	Planning Implementation Management Support Structures
MMC	Member of Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PT	Provincial Treasury (Free State)
RSC	Regional Service Council
IFRS	International Financial Reporting Standards
PPPFA	Preferential Procurement Policy Framework Act

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 places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or 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 2014 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 municipality is wholly dependent on the Government Grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Government of the Republic has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The financial statements set out on page 15 to 82, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on behalf of council by:

Bennett Molotsi
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2013.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference. During the current year four meetings were held.

Name of member	Number of meetings attended
Mrs. L. M. Sefako (Chairperson)	2
Mrs. S. D. Lebeko	4
Mr. G. A. Ntsala	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and/or deviations from there were reported by the internal auditors and the Auditor-General South Africa. In certain instances, the matters reported previously have not been fully and satisfactorily addressed.

The quality of monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act

The audit committee is not satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review. There were no internal audit report prepared and submitted for the third quarter of the year.

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the accounting officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report on the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Audit Committee Report

Internal audit

The audit committee is not satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ____________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The municipality is engaged in rendering support to the local municipalities within the district and operates principally in South Africa.

The operating results for the year were satisfactory as the financial position of the municipality is stable.

2. Going concern

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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows: Mr. Bennett Molotsi.

Name	Changes
Bennett Molotsi	Appointed 01 November 2012

Statement of Financial Position as at 30 June 2013

Figures in Rand	Notes	2013	2012 Restated
Assets			
Current Assets			
Receivables from non-exchange transactions	4	1 042 742	851 767
Receivables from non-exchange transactions - RSC Levies	5	7 212	7 212
VAT receivable	6	919 046	260 061
Cash and cash equivalents	7	43 314 285	41 535 826
		45 283 285	**42 654 866**
Non-Current Assets			
Property, plant and equipment	8	1 473 141	1 888 716
Intangible assets	9	492 517	992 364
		1 965 658	**2 881 080**
Total Assets		**47 248 943**	**45 535 946**
Liabilities			
Current Liabilities			
Finance lease obligation	10	193 405	359 880
Operating lease liability	11	-	3 200
Payables from exchange transactions	12	25 309 749	25 994 381
Unspent conditional grants and receipts	13	2 901 068	1 066 722
		28 404 222	**27 424 183**
Non-Current Liabilities			
Finance lease obligation	10	-	141 792
Provision for long service awards	14	1 942 000	1 790 000
		1 942 000	**1 931 792**
Total Liabilities		**30 346 222**	**29 355 975**
Net Assets		**16 902 721**	**16 179 971**
Net Assets			
Accumulated surplus/(deficit)		16 902 721	16 179 971

Statement of Financial Performance

Figures in Rand	Notes	2013	2012 Restated
Revenue			
Government grants & subsidies	15	83 402 347	94 082 121
Interest received - investment	16	2 518 928	2 098 728
Sundry income	17	42 150	23 200
Total revenue		**85 963 425**	**96 204 049**
Expenditure			
Debt impairment	18	(14 336)	(1 862 027)
Depreciation and amortisation	19	(1 202 241)	(1 362 417)
Finance costs	20	(283 042)	(335 618)
General expenses	21	(40 839 799)	(30 831 242)
Remuneration of staff	22	(42 435 485)	(35 685 645)
Repairs and maintenance	24	(646 383)	(1 445 161)
Total expenditure		**(85 421 286)**	**(71 522 110)**
Operating surplus		**542 139**	**24 681 939**
Gains on disposal of assets		180 609	61 137
Surplus for the year		**722 748**	**24 743 076**
Attributable to:			
Owners of the controlling entity		722 748	24 743 076

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	(5 155 389)	(5 155 389)
Adjustments		
Correction of prior period errors (note 42)	(3 407 314)	(3 407 314)
Balance at 01 July 2011 as restated	**(8 562 703)**	**(8 562 703)**
Changes in net assets		
Surplus for the year	24 743 076	24 743 076
Total changes	24 743 076	24 743 076
Balance at 01 July 2012 as restated	**16 179 974**	**16 179 974**
Changes in net assets		
Surplus for the year	722 748	722 748
Total changes	722 748	722 748
Balance at 30 June 2013	**16 902 722**	**16 902 722**

Cash Flow Statement

Figures in Rand	Notes	2013	2012 Restated
Cash flows from operating activities			
Receipts			
Grants		85 236 693	93 085 106
Interest income received		2 518 928	2 098 728
Other receipts		42 150	23 200
		87 797 771	95 207 034
Payments			
Employee costs		(42 175 484)	(35 248 645)
Finance costs		(283 042)	(335 618)
Other payments		(42 755 268)	(32 666 869)
		(85 213 794)	(68 251 132)
Net cash flows from operating activities	25	**2 583 977**	**26 955 902**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(292 070)	(641 708)
Proceeds from sale of property, plant and equipment	8	185 861	97 238
Purchase of other intangible assets	9	-	(1 485 896)
Net cash flows from investing activities		**(106 209)**	**(2 030 366)**
Cash flows from financing activities			
Finance lease payments		(591 309)	(561 211)
Benefits paid relating to long service awards		(108 000)	(77 000)
Net cash flows from financing activities		**(699 309)**	**(638 211)**
Net increase/(decrease) in cash and cash equivalents		**1 778 459**	**24 287 325**
Cash and cash equivalents at the beginning of the year		41 535 826	17 248 509
Cash and cash equivalents at the end of the year	7	**43 314 285**	**41 535 826**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Deviation as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
ASSETS											
Current Assets											
Cash	14,251,578	-	14,251,578	-	-	14,251,578	6,396,852	-	(7,854,726)	44.89	(55.11)
Call investment deposits	5,852,262	-	5,852,262	-	-	5,852,262	36,917,433	-	31,065,171	630.82	530.82
Consumer debtors	-	-	-	-	-	-	-	-	-	0.00	0.00
Other debtors	2,392,883	-	2,392,883	-	-	2,392,883	4,384,280	-	1,991,397	183.22	83.22
Current portion of long-term receivables	1,533,573	-	1,533,573	-	-	1,533,573	-	-	(1,533,573)	0.00	(100.00)
Inventory	-	-	-	-	-	-	-	-	-	0.00	0.00
					-						
Non-Current Assets					-						
Long-term receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Investments	-	-	-	-	-	-	-	-	-	0.00	0.00
Investment property	-	-	-	-	-	-	-	-	-	0.00	0.00
Investment in Associate	-	-	-	-	-	-	-	-	-	0.00	0.00
Property, plant and equipment	7,968,009	-	7,968,009	-	-	7,968,009	1,473,141	-	(6,494,868)	18.49	(81.51)
Agricultural	-	-	-	-	-	-	-	-	-	0.00	0.00
Biological	-	-	-	-	-	-	-	-	-	0.00	0.00
Intangible	-	-	-	-	-	-	-	-	-	0.00	0.00
Other non-current assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Assets	31,998,305	-	31,998,305	-	-	31,998,305	49,171,706	-	17,173,401	153.67	153.67
Current Liabilities											
Bank overdraft	-	-	-	-	-	-	-	-	-	0.00	0.00
Borrowing	581,586	-	581,586	-	-	581,586	193,405	-	(388,181)	33.25	(66.75)
Consumer deposits	-	-	-	-	-	-	-	-	-	0.00	0.00
Trade and other payables	17,303,926	961,000	18,264,926	-	-	18,264,926	25,309,749	-	7,044,823	138.57	38.57
Provisions	-	-	-	-	-	-	-	-	-	0.00	0.00
Non-Current Liabilities											
Borrowing	790,425	-	790,425	-	-	790,425	-	-	(790,425)	0.00	(100.00)
Provisions	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Liabilities	18,675,937	961,000	19,636,937	-	-	19,636,937	25,503,154	-	5,866,217	129.87	136.56
Total Assets and Liabilities	**13,322,368**	**(961,000)**	**12,361,368**	**-**	**-**	**12,361,368**	**23,668,552**	**-**	**11,307,184**	**191.47**	**177.66**
Net Assets (Equity)											
Accumulated Surplus/(Deficit)	-	-	-	-	-	-	23,668,552	-	23,668,552	0.00	0.00
Reserves	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Net Assets	**-**	**-**	**-**	**-**	**-**	**-**	**23,668,552**	**-**	**23,668,552**	**0.00**	**0.00**

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% and R100 000 between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Cash:

The municipality budgeted with the view that the RSC levy dispute would be settled in the financial year. Thus, it was budgeted for an amount to be received from the levy payers and thus an increase in the cash on hand at year-end. The RSC levy is still in dispute and therefore the difference resulted in the cash balance.

Call investment deposits:

The municipality budgeted with the view that the RSC levy dispute would be settled in the financial year. Thus, most of the excess cash in the investment accounts would have been utilised for this purpose. However, at year-end this contingency was still outstanding and this resulted in the difference in the investment accounts.

Other debtors:

The municipality budgeted that the May 2013 VAT refund would have been received in the current financial year. Furthermore, the overpayment made to the councillors were not budgeted for and it was budgeted for that the Motheo District funds receivable would have been received. This resulted in an increase in the actual other debtors in comparison with the budgeted amount.

Current portion of long-term receivables:

The municipality budgeted to receive the unallocated deposits relating to RSC levies receipts received from unidentified levy payers. Since the RSC levy is still in dispute, this amount was not received.

Property, plant and equipment:

The budget incorrectly included some assets that are transferred to the local municipalities after completion of projects. These assets were correctly excluded from the actual amount and thus the difference resulted.

Borrowing (non-current and current):

The municipality budgeted for additional lease agreements. However, no new lease agreements were entered into during the financial year under review.

Trade and other payables:

The municipality budgeted to pay an additional amount to Podbielski Mhlambi Inc attorneys once the RSC levy dispute was resolved. Since this dispute is still ongoing, the trade and other payables are more than the budgeted amount.

Accumulated Surplus / (Deficit):

Due to the variances noted above, the surplus was understated.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Deviation as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Property rates	-	-	-	-	-	-	-	-	-	0.00	0.00
Service charges	-	-	-	-	-	-	-	-	-	0.00	0.00
Investment revenue	1,533,573	600,000	2,133,573	-	-	2,133,573	2,518,928	-	385,355	118.06	18.06
Transfers recognised - operational	80,565,000	-	80,565,000	-	-	80,565,000	85,236,693	-	4,671,693	105.80	5.80
Other own revenue	2,392,883	41,500,071	43,892,954	-	-	43,892,954	42,150	-	(43,850,804)	0.10	(99.90)
Total Revenue (excluding capital transfers and contributions)	**84,491,456**	**42,100,071**	**126,591,527**	**-**	**-**	**126,591,527**	**87,797,771**	**-**	**(38,793,756)**	**69.36**	**103.91**
Employee costs	39,042,682	1,727,090	40,769,772	-	-	40,769,772	35,191,106	-	(5,578,666)	86.32	(13.68)
Remuneration of councillors	7,743,348	922,298	8,665,646	-	-	8,665,646	7,092,378	-	(1,573,268)	81.84	(18.16)
Depreciation & asset impairment	-	900,000	900,000	-	-	900,000	702,393	-	(197,607)	78.04	(21.96)
Finance charges	56,875	-	56,875	-	-	56,875	-	-	(56,875)	0.00	(100.00)
Materials and bulk purchases	-	-	-	-	-	-	-	-	-	0.00	0.00
Transfers and grants	5,379,252	40,593,000	45,972,252	-	-	45,972,252	24,888,445	-	(21,083,807)	54.14	(45.86)
Other expenditure	32,269,297	(2,042,480)	30,226,817	-	-	30,226,817	18,149,866	-	(12,076,951)	60.05	(39.95)
Total Expenditure	**84,491,454**	**42,099,908**	**126,591,362**	**-**	**-**	**126,591,362**	**86,024,188**	**-**	**(40,567,174)**	**67.95**	**101.81**
Surplus/(Deficit)	2	164	166	-	-	166	1,773,583	-	1,773,417	1,071,651.29	1,071,551.29
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	0.00	0.00
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	2	164	166	-	-	166	1,773,583	-	1,773,417	1,071,651.29	1,071,551.29
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit for the Year	**2**	**164**	**166**	**-**	**-**	**166**	**1,773,583**	**-**	**1,773,417**	**1,071,651.29**	**88,679,144.00**

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% and R100 000 between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Investment revenue:

Since the investments were more than budgeted for, the interest received on these investments are also higher than the budgeted amount.

Transfers recognised - operational:

The only grants budgeted for were the amount receivable per DORA. The difference between the budgeted and actual transfers are the COGTA Provincial Infrastructure Grant received and the LG Seta - skills development grant received.

Other own revenue:

The municipality budgeted to utilise the surplus cash rolled-over at the end of the prior financial year. The projects budgeted for were not implemented and thus the decrease in the actual outcome.

Employee costs:

The decrease in the employee costs are due to delays in filling vacant positions.

Remuneration of councillors:

During the preparation of the budget, the upper limits of the councillors are unknown, hence there is a difference between the budgeted and actual amount paid to councillors.

Depreciation & asset impairment:

The municipality budgeted for additional additions and thus an increase in the depreciation expense. Since additions were limited during the financial year, the actual expense is less than budgeted for.

Transfers and grants:

The underspending was caused due to delays in project implementation.

Other expenditure:

The budgeted expenditure is more than the actual expenditure since the municipality expected to resolve the RSC levy dispute during the current financial year and therefore expected to incur additional costs. Since the dispute is still ongoing, less expenditure was incurred than budgeted for.

Accounting Policies

1. Presentation of Financial Statements

The financial statements are 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 and the amounts have been rounded off to the nearest Rand.

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

These accounting policies are consistent with the previous period.

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:

Receivables from non-exchange transactions

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Property, plant and equipment

As described in accounting policies 1.2 and 1.3, the municipality depreciates / amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation.

Management considered the impact of technology, availabiliity of capital funding, service requirement and required return on assets in order to determine the optimum useful life expectation, where appropriate.

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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provision for long service awards

The present value of the provision for long service awards 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 the provision for long service awards.

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 obligation. 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 liability.

Other key assumptions for the provision for long service awards are based on current market conditions. Additional information is disclosed in Note 14.

Impairment of receivables

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 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.

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.

Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

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

Item	**Average useful life**
Property, plant and equipment	
• IT Equipment	3 - 7 years
• Furniture and fixtures	7 years
• Motor vehicles	5 years

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

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

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

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

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

Accounting Policies

1.3 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.

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

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

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

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

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
Computer software	3 years

Intangible assets are derecognised:

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

1.4 Investments

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

Accounting Policies

1.5 Financial instruments

Classification

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another entity.

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

A concessionary loan is a loan granted to or received by a municipality on terms that are not market related.

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

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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.

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

1.5 Financial instruments (continued)

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.

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of a municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Accounting Policies

1.5 Financial instruments (continued)

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
-> it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
-> on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
-> non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair
value at initial recognition in accordance with paragraph 17 of GRAP 104; and
-> financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	**Category**
Receivables from non-exchange transactions	Financial assets measured at amortised cost
Receivables from non-exchange transactions - RSC Levies	Financial assets measured at amortised cost
VAT Receivable	Financial assets measured at amortised cost
Cash and cash equivalents	Financial assets measured at amortised cost

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

Finance lease obligation	Financial liabilities measured at amortised cost
Operating lease liability	Financial liabilities measured at amortised cost
Payables from exchange transactions	Financial liabilities measured at amortised cost
Unspent conditional grants and receipts	Financial liabilities measured at amortised cost

Initial recognition

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

The municipaliity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

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

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value.

This requires a reclassification of the instrument from amortised cost or cost to fair value.
If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

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

Gains and losses

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

Accounting Policies

1.5 Financial instruments (continued)

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

Impairment and uncollectibility of financial assets

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

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

1.5 Financial instruments (continued)

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

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

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.

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.

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.

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.

Accounting Policies

1.6 Leases

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

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the 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 on the remaining balance of the liability.

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

Subsequent to initial recognition, the asset is account for in accordance with the accounting policy applicable to that asset. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using the standard of GRAP on leases.

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.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.7 Impairment of cash-generating assets

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

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

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

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

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

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

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

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

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

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.7 Impairment of cash-generating assets (continued)

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.9 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), is recognised in the period in which the service is rendered and is 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.

Provision for long service awards

For the provision for long service awards the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

1.9 Employee benefits (continued)

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality’s liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long term incentives are accounted for through the statement of financial performance.

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

1.10 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 expenditure expected to be required to settle the obligation.

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

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

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

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

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.

1.10 Provisions and contingencies (continued)

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 29.

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;
- 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.

Accounting Policies

1.10 Provisions and contingencies (continued)

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.

1.11 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.

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.

1.11 Revenue from exchange transactions (continued)

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

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

Interest received

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

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

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

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

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

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

Measurement

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.13 Investment income

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

1.14 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.

Accounting Policies

1.15 Comparative figures

When the presentation or classification of an item in the annual financial statements are amended, comparative amounts are reclassified.

1.16 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.

1.17 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.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) which has not been condoned in terms of section 170;
(c) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of Municipality Systems Act, and which has not been condoned in terms of the Act;
(d) expenditure incurred by a municipality in contraversion of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No.20 of 1998); or
(e) expenditure inurred by a municipality or municipal entity in contravention of , or that is not in accordance with a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-laws but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure

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.

Accounting Policies

1.18 Irregular expenditure (continued)

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.

1.19 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.

Estimates in the financial statements include but are not limited to the following:
- Depreciation
- Bad debts
- Long service awards

1.20 Presentation of currency

These financial statements are presented in South African Rand.

1.21 Offsetting

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

1.22 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.

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential 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.

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.23 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.24 Budget information

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

Deviations between budget and actual amounts are regarded as material differences when a 10% and R100 000 deviation exists. All material differences are explained in the Statement of comparison of budget and actual amounts.

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

Accounting Policies

1.24 Budget information (continued)

The financial statements are prepared on the accrual basis of accounting, and the budget is prepared on the cash basis. A comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts.

The annual budget figures have been prepared in accordance with the GRAP standard. The amounts are scheduled as a separate additional financial statement, called the Statement of comparison of budget and actual amounts.

Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on a cash basis.

1.25 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.

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

1.26 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the financial statements.

Accounting Policies

1.27 Commitments

The term ‘commitments’ is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the entity of resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. An entity may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the entity has contracted for expenditure but no work has started and no payments have been made. The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)	01 April 2012	Impact on annual financial statements will reflect in Note 6 VAT Receivable and Note 15 Government Grants and Subsidies
• GRAP 24: Presentation of Budget Information	01 April 2012	Impact on annual financial statements will reflect in the Statement of comparison of budget and actual amounts and appendix E.
• GRAP 103: Heritage Assets	01 April 2012	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 26: Impairment of cash-generating assets	01 April 2012	Impact on annual financial statements will reflect in Note 8 Property, plant and equipment.
• GRAP 104: Financial Instruments	01 April 2012	Impact on annual financial statements will reflect in Note 3, Note 26, Note 31 and Note 41

2.2 Standards issued and not yet effective

The following standards expected to be applicable to the municipality have been issued, but are not yet effective:

The GRAP standards below will be applied by the municipality from the effective date determined by the Minister of Finance.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

Notes to the Financial Statements

2. New standards and interpretations (continued)

• GRAP 18: Segment Reporting	01 April 2013	Impact on annual financial statements will reflect in Appendix D Segmental statement of financial performance
• GRAP 25: Employee benefits	01 April 2013	Impact on annual financial statements will reflect in Note 22 Remuneration of staff
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 107: Mergers	01 April 2014	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 20: Related parties	01 April 2013	Impact on annual financial statements will reflect in Note 30 Related parties
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Financial Statements

2. New standards and interpretations (continued)

• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Impact will reflect throughout the annual financial statements.
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Impact on annual financial statements will reflect in Note 42 Prior period error.
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Impact on annual financial statements will reflect in Note 44 Revenue
• GRAP 12 (as revised 2012): Inventories	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 13 (as revised 2012): Leases	01 April 2013	Impact on annual financial statements will reflect in Note 10 Finance lease obligation
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Impact on annual financial statements will reflect in Note 8 Property, plant and equipment.
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Impact on annual financial statements will reflect in Note 9 Intangible assets
• IGRAP16: Intangible assets website costs	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Financial Statements

2. New standards and interpretations (continued)

• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Financial assets by category

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

2013

	Financial assets at amortised cost	Total
Receivables from non-exchange transactions	1 042 742	1 042 742
Cash and cash equivalents	43 314 285	43 314 285
VAT receivable	919 046	919 046
Receivables from non-exchange transactions - RSC Levies	7 212	7 212
	45 283 285	**45 283 285**

2012

	Financial assets at amortised cost	Total
Receivables from non-exchange transactions	851 767	851 767
Cash and cash equivalents	41 535 826	41 535 826
VAT receivable	260 061	260 061
Receivables from non-exchange transactions - RSC Levies	7 212	7 212
	42 654 866	**42 654 866**

4. Receivables from non-exchange transactions

Sundry debtors	416 533	352 990
Suspense account - unidentified payment	304 143	304 143
Seconded councillor's salaries overpayment	1 784 288	1 784 288
Councillors over payments	251 204	109 436
Motheo District funds receivable	709 066	709 066
Impairment provision	(2 422 492)	(2 408 156)
	1 042 742	**851 767**

Notes to the Financial Statements

Figures in Rand	2013	2012

4. Receivables from non-exchange transactions (continued)

Suspense account - unidentified payment

Payment relates to a transaction against the bank account and cashbook on 14 May 2009. No supporting documentation can be traced to identify the nature and the depositors of this batch payment processed.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions impaired

As of 30 June 2013, R 2 422 492 (2012: R 2 408 156) sundry receivables with a carrying amount of R3 465 234 (2012: R3 259 924) were impaired and provided for.

The ageing of these receivables are as follows:

0 to 3 months	255 183	758 216
3 to 6 months	-	48 154
Over 6 months	787 559	45 397

Reconciliation of impairment of receivables from non-exchange transactions

Opening balance	2 408 156	546 129
Impairment - current year	14 336	1 862 027
	2 422 492	**2 408 156**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The municipality does not hold any collateral as security.

5. Receivables from non-exchange transactions - RSC Levies

RSC levies	49 087 074	49 087 074
Impairment	(49 079 862)	(49 079 862)
	7 212	**7 212**

Receivables from non-exchange transactions - RSC Levies impaired

As of 30 June 2013, receivables from non-exchange transactions - RSC levies with a carrying amount of

R 49 087 084 (2012: R 49 087 084) were impaired and provided for.

The amount of the provision was R 49 079 862 as of 30 June 2013 (2012: R 49 079 862).

The ageing of these receivables is as follows:

Over 12 months	49 087 074	49 087 074

Notes to the Financial Statements

Figures in Rand	2013	2012

5. Receivables from non-exchange transactions - RSC Levies (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions - RSC levies

	2013	2012
Opening balance	49 079 862	49 079 862

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The municipality does not hold any collateral as security.

6. VAT receivable

	2013	2012
VAT receivable	919 046	260 061

The municipality accounts for VAT on the payments basis.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Bank balances	6 396 852	1 239 156
Short-term deposits	36 917 433	40 296 670
	43 314 285	**41 535 826**

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
ABSA Bank - Cheque Account - 770-150-841	6 396 852	1 239 156	1 747 403	6 396 852	1 239 156	1 747 403
ABSA Bank - Call Account - 921-300-0832	633 120	613 747	613 131	633 120	613 747	613 131
ABSA Bank - Fixed Deposit Account - 206-206-4985	1 487 547	36 389 828	11 748 844	1 487 547	36 389 828	11 748 844
FNB Bank - Fixed Deposit Account - 712-733-40-226	3 441 351	3 293 095	3 139 131	3 441 351	3 293 095	3 139 131
ABSA Bank - Fixed Deposit account - 207-253-7209	31 355 415	-	-	31 355 415	-	-
Total	**43 314 285**	**41 535 826**	**17 248 509**	**43 314 285**	**41 535 826**	**17 248 509**

Figures in Rand	2013	2012

8. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value
Furniture and fixtures	982 195	(475 353)	506 842	956 688	(339 012)	617 676
Motor vehicles	682 438	(682 438)	-	870 628	(870 628)	-
IT equipment	3 025 672	(2 059 373)	966 299	2 766 609	(1 495 571)	1 271 038
Non-current assets held for sale	-	-	-	2	-	2
Total	**4 690 305**	**(3 217 164)**	**1 473 141**	**4 593 927**	**(2 705 211)**	**1 888 716**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	617 676	25 507	-	(136 341)	506 842
IT equipment	1 271 038	266 563	(5 250)	(566 052)	966 299
Non-current assets held for sale	2	-	(2)	-	-
	1 888 716	**292 070**	**(5 252)**	**(702 393)**	**1 473 141**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Classified as held for sale	Depreciation	Impairment loss	Total
Furniture and fixtures	723 928	27 285	-	(133 537)	-	617 676
Motor vehicles	206 322	-	(2)	(176 441)	(29 879)	-
IT equipment	1 211 556	614 423	-	(548 719)	(6 222)	1 271 038
Non-current assets held for sale	-	-	2	-	-	2
	2 141 806	**641 708**	**-**	**(858 697)**	**(36 101)**	**1 888 716**

Other information

Proceeds for property, plant and equipment that were impaired, lost or given up and is included in surplus or deficit		
IT equipment	8 080	97 238
Motor vehicles	177 781	-
	185 861	**97 238**

Motor vehicles with a zero book value are still in use at 30 June 2013.

IT equipment with a carrying value of R57 562 (2012: R287 809) is leased under a finance lease. Refer to note 10.

Notes to the Financial Statements

Figures in Rand	2013	2012

9. 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	1 602 044	(1 109 527)	492 517	1 602 044	(609 680)	992 364

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software, other	992 364	(499 847)	492 517

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	10 183	1 485 896	(503 715)	992 364

10. Finance lease obligation

	2013	2012
Minimum lease payments due		
- within one year	216 873	635 397
- in second to fifth year inclusive	-	162 249
	216 873	797 646
less: future finance charges	(23 468)	(295 974)
Present value of minimum lease payments	**193 405**	**501 672**
Present value of minimum lease payments due		
- within one year	193 405	359 880
- in second to fifth year inclusive	-	141 792
	193 405	**501 672**
Non-current liabilities	-	141 792
Current liabilities	193 405	359 880
	193 405	**501 672**

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

The average lease term is between 3-5 years and the average effective borrowing rate was between 9% and 15.5% (2012: 9% to 15.5%).

Interest rates are linked to prime at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

Notes to the Financial Statements

Figures in Rand	2013	2012

11. Operating lease liability

Non-current liabilities	-	-
Current liabilities	-	3 200
	-	**3 200**

12. Payables from exchange transactions

Accrued leave pay	2 667 882	2 365 974
Accrued bonus	930 491	782 682
Bank transactions outstanding at year end	202 785	1 152 791
Councillors pension funds	19 977	224 069
UIF over deducted from employees	191 563	191 563
Councillors salaries under payments	5 535	5 535
Legal fees - RSC levies	15 049 155	16 725 354
South African Revenue Services - employees taxes	620 355	496 395
Trade payables	4 105 594	2 533 857
Unallocated deposits - RSC levies	1 516 161	1 516 161
Metropolitan	251	-
	25 309 749	**25 994 381**

Unallocated deposits relate to RSC levies receipts received from unidentifed levy payers. These amounts are to be transferred to the municipal attorney to be held in trust until all legal matters pending between the RSC levy payers association and the municipality are resolved.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Unspent conditional grants and receipts		
Department of Public Works Programme	1 138 119	961 000
Municipal System Improvement Grant (MSIG)	202	105 722
COGTA Provincial Infrastructure Grant	1 727 735	-
Financial Management Grant	35 012	-
	2 901 068	**1 066 722**

Movement during the year

Balance at the beginning of the year	1 066 722	1 354 671
Received during the year	8 658 693	5 001 000
Income recognition during the year	(6 824 347)	(4 501 133)
Deducted from equitable share grant	-	(787 816)
	2 901 068	**1 066 722**

The nature and extent of government grants and their conditions, restrictions and other contingencies attached to these government grants have not been fulfilled and hence recognised in the financial statements as unspent conditional grants.

See note 15 for the reconciliation of other grants from National/Provincial Government.

Notes to the Financial Statements

Figures in Rand	2013	2012

14. Provision for long service awards

Long service awards

Valuation method

The projected unit credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The expected value of each employee's long service award is projected to the next interval by allowing for future growth.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation, allowing for mortality, retirements and withdrawals from service.

Sensitivity analysis

The valuation is only an estimate of the cost of providing Long service award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of the results to changes in certain key variables, the municipality has recalculated the liability using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;

- 1% increase/decrease in the Normal Salary cost inflation

Notes to the Financial Statements

Figures in Rand	2013	2012

14. Provision for long service awards (continued)

The effect of a 20% movement in the assumed level of withdrawal rate is as follows:

Increase		
	114 000	98 000
Effect on the aggregate of the provision for long service awards		
Effect on the aggregate of the current service costs	29 000	23 000
Effect on the aggregate of the interest cost	9 000	9 000
Decrease		
	130 000	111 000
Effect on the aggregate of the provision for long service awards		
Effect on the aggregate of the current service costs	35 000	26 000
Effect on the aggregate of the interest cost	11 000	9 000

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase		
	141 000	123 000
Effect on the aggregate of the provision for long service awards		
Effect on the aggregate of the current service costs	30 000	23 000
Effect on the aggregate of the interest cost	12 000	10 000
Decrease		
	127 000	111 000
Effect on the aggregate of the provision for long service awards		
Effect on the aggregate of the current service costs	25 000	21 000
Effect on the aggregate of the interest cost	10 000	10 000

Figures in Rand	2013	2012

14. Provision for long service awards (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Balance at the beginning	(1 790 000)	(1 430 000)
Current service costs	(276 000)	(183 000)
Interest cost	(150 000)	(129 000)
Benefits paid	108 000	77 000
Actuarial gain / (loss)	166 000	(125 000)
	(1 942 000)	**(1 790 000)**

Net expense recognised in the statement of financial performance

Current service cost	276 000	183 000
Interest cost	150 000	129 000
Actuarial (gain) / loss	(166 000)	125 000
	260 000	**437 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7,40 %	7,92 %
Consumer price inflation	5,66 %	5,74 %
Normal salary increase rate	6,66 %	6,74 %
Net effective discount rate	0,69 %	1,11 %
Expected retirement age - males	65	65
Expected retirement age - females	63	63
Expected mortality rate	SA 85-90	SA 85-90

15. Government grants and subsidies

Equitable share	76 578 000	70 308 000
Finance Management Grant	1 214 988	1 250 000
Department of Public Works Programme	1 559 881	-
LG Seta skills development grant	171 693	152 595
Municipal Systems Improvement Grant	1 105 520	684 278
COGTA Grant - Legal fees assistance	-	2 000 000
COGTA - Finance support grant	-	566 855
Motheo District Grant	-	18 332 577
Conditional grants deducted from equitable share	-	787 816
COGTA - Provincial Infrastructure Grant	2 772 265	-
	83 402 347	**94 082 121**

Notes to the Financial Statements

Figures in Rand	2013	2012

15. Goverment grants and subsidies (continued)

MIG Grant

Balance unspent at beginning of year	-	780 911
Deducted from equitable share	-	(780 911)
	-	**-**

COGTA - Legal support grant

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

COGTA - Finance support grant

Balance unspent at beginning of year	-	566 855
Conditions met - transferred to revenue	-	(566 855)
	-	**-**

Department of Transport

Balance unspent at beginning of year	-	6 904
Deducted from equitable share	-	(6 904)
	-	**-**

Equitable share

Amount receivable per DORA	76 578 000	72 399 000
Amount actually received	(76 578 000)	(70 308 000)
Deducted from outstanding conditional grants	-	(787 816)
Overdeduction on current year equitable share per DORA	-	(1 303 184)
	-	**-**

Financial Management Grant

Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 214 988)	(1 250 000)
	35 012	**-**

Conditions still to be met - remain liabilities (see note 13)

Figures in Rand	2013	2012

15. Goverment grants and subsidies (continued)

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	105 722	-
Current-year receipts	1 000 000	790 000
Conditions met - transferred to revenue	(1 105 520)	(684 278)
	202	**105 722**

Conditions still to be met - remain liabilities (see note 13)

COGTA Provincial Infrastructure Grant

Current-year receipts	4 500 000	-
Conditions met - transferred to revenue	(2 772 265)	-
	1 727 735	**-**

Conditions still to be met - remain liabilities (see note 13)

LG Seta - skills development grant

Current-year receipts	171 693	152 595
Conditions met - transferred to revenue	(171 693)	(152 595)
	-	**-**

Motheo District Grant

Current-year receipts	-	18 332 577
Conditions met - transferred to revenue	-	(18 332 577)
	-	**-**

Department of Public Works Programme

Balance unspent at beginning of year	961 000	-
Current-year receipts	1 737 000	961 000
Conditions met - transferred to revenue	(1 559 881)	-
	1 138 119	**961 000**

Conditions still to be met - remain liabilities (see note 13)

Notes to the Financial Statements

Figures in Rand	2013	2012

16. Investment revenue

Finance income		
Bank	2 518 928	2 098 314
Interest on VAT deposit	-	414
	2 518 928	**2 098 728**

The amount included in Investment revenue arising from exchange transactions amounted to R 2 518 928.

17. Sundry income

Tender documents	42 150	23 200

18. Impairment of receivables

Contribution to doubtful debt allowance	14 336	1 862 027

19. Depreciation and amortisation

Property, plant and equipment	702 393	858 700
Intangible assets	499 848	503 717
	1 202 241	**1 362 417**

20. Finance costs

Finance leases	283 042	335 618

Notes to the Financial Statements

Figures in Rand	2013	2012

21. General expenses

Advertising	754 733	539 855
Auditors remuneration	2 197 924	1 214 487
Bank charges	43 327	31 601
Bursary fund	939 954	-
Cleaning	128 743	349 904
Community development and training	2 554	208 160
Computer expenses	1 157 211	2 751 493
Consulting and professional fees	949 437	2 318 388
District audit committee	66 895	25 102
District municipality community projects	918 169	1 403 662
Entertainment	103 483	209 251
Finalisation of creditable IDP	-	46 810
Grants and subsidies paid	24 888 445	13 556 851
Infrastructure project expenditure	-	468 315
Insurance	192 592	160 838
Lease rentals on operating lease	471 579	488 966
Legal Fees	1 159 970	2 246 287
MFMA support programme	68 385	334 932
Magazines, books and periodicals	419 080	58 529
Mantsopa EHP support grant	571 694	-
Marketing and promotions	571 246	359 373
Motor vehicle expenses	308 438	341 466
Placement fees	49 819	1 120
Printing and stationery	306 716	325 885
Public participation	316 358	144 164
Royalties and license fees	-	12 418
Sampling of food and water	44 457	184 581
Security	-	208 333
Sports development programme	294 887	-
Subscriptions and membership fees	595 305	408 849
Telephone and fax	737 139	1 042 309
Tourism development	815 979	18 800
Training	315 099	45 210
Travel and subsistence	1 450 181	1 325 303
	40 839 799	**30 831 242**

Notes to the Financial Statements

Figures in Rand	2013	2012

22. Remuneration related costs

Basic	30 425 895	26 400 796
Bonus	1 545 088	717 979
Car allowance	5 032 782	4 358 315
Cellphone allowance	234 148	129 558
Housing benefits and allowances	278 354	318 454
Leave pay provision charge	301 908	(49 468)
Leave redemption	616 127	270 882
Long service awards	260 000	437 000
Medical aid - company contributions	2 891 941	2 453 781
Other payroll levies	3 921	2 727
Overtime payments	49 443	12 571
SDL	337 987	284 433
Travel, motor car, accommodation, subsistence and other allowances	340 121	243 948
UIF contributions	117 770	104 669
	42 435 485	**35 685 645**

Included in the long service awards line item above is the following:

Current service costs	276 000	183 000
Interest costs	150 000	129 000
Net actuarial (gains) / losses recognised	(166 000)	125 000
	260 000	**437 000**

The above total remuneration cost includes the cost to company of officials and councillors for the period ended 30 June 2013.
Remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations. The details of remuneration paid to councillors are disclosed in note 23.
Remuneration paid to key personnel are disclosed below

Remuneration of Acting Accounting Officer - Ms. TPM Lebenya

Annual Remuneration	310 317	465 476
Car Allowance	98 737	169 264
Contributions to UIF, Medical, Pension Funds and Skills Development	5 666	7 881
Travel, motor car, accommodation, subsistence and other allowances	97 043	41 440
Cellphone allowance	8 400	14 400
Acting allowance	-	38 119
	520 163	**736 580**

Ms. TPM Lebenya was appointed as the Acting Accounting Officer and commenced her term of office on the 1st of March 2012 and ended on the 30 September 2012.

Notes to the Financial Statements

Figures in Rand	2013	2012

22. Remuneration related costs (continued)

Remuneration of Acting Accounting Officer - Mr. VLT Moloi

Annual Remuneration	169 220	-
Car allowance	25 000	-
Contributions to UIF, Medical, Pension Funds and Skills Development	2 552	-
Travel, motor car, accommodation, subsistence and other allowances	55 780	-
	252 552	**-**

Mr. VLT Moloi was seconded by the Free State MEC of Corporate Governance and Traditional Affairs to act as the Accounting Officer and commenced his term on the 1st of October 2012 until 31 October 2012.

Remuneration of Accounting Officer - Mr. B Molotsi

Annual Remuneration	327 509	-
Car allowance	120 000	-
Cellphone allowance	12 000	-
Housing allowance	48 000	-
Contributions to UIF, Medical, Pension Funds and Skills Development	19 271	-
Travel, motor car, accommodation, subsistence and other allowances	244 672	-
	771 452	**-**

Mr. B Molotsi was appointed as the Municipal Manager and commenced his term of office on the 1st of November 2012.

Remuneration of former Municipal Manager - Ms. MRE Mogopodi

Annual Remuneration	-	439 989
Car Allowance	-	69 676
Housing allowance	-	40 142
Contributions to UIF, Medical, Pension Funds and Skills Development	-	132 472
Travel, motor car, accommodation, subsistence and other allowances	-	35 915
Leavepay	-	46 492
Cellphone	-	11 469
	-	**776 155**

Ms. MRE Mogopodi was appointed as the Municipal Manager and commenced her term of employment on 14 June 2010. She resigned at the end of February 2012.

Figures in Rand	2013	2012

22. Remuneration related costs (continued)

Remuneration of Chief Financial Officer - Mr. HI Lebusa

Annual Remuneration	593 592	572 100
Car Allowance	165 000	180 000
Housing allowance	11 975	47 900
Contributions to UIF, Medical, Pension Funds and Skills Development	8 071	9 281
Travel, motor car, accommodation, subsistence and other allowances	133 893	60 026
Cellphone	13 200	14 400
	925 731	**883 707**

Mr HI Lebusa was re-appointed as the Chief Financial Officer and commenced his new term of office from 1 November 2012.

Remuneration of executive manager Corporate Service - Ms P Moloi

Annual Remuneration	121 000	484 000
Car Allowance	39 000	156 000
Contributions to UIF, Medical, Pension Funds and Skills Development	2 759	92 019
Travel, motor car, accommodation, subsistence and other allowances	101 918	31 779
Cellphone	3 600	14 400
	268 277	**778 198**

Ms. P Moloi was appointed as the Executive manager Corporate Service and commenced her term of office from 1 October 2010. Her contract ended on the 30th of September 2012.

Remuneration of acting executive manager Corporate Services - Mr. NK Rens

Annual Remuneration	192 400	-
Car allowance	54 027	-
Cellphone allowance	5 000	-
Contributions to UIF, Medical and Pension Funds	54 390	-
Travel, motor car, accommodation, subsistence and other allowances	234 990	-
	540 807	**-**

Mr. NK Rens, HR Manager, was appointed as the acting executive manager corporate services from the 1st of October 2012 to the 28th of February 2013.

Remuneration of acting executive manager corporate services - Mr VJ Matshila

Annual Remuneration	33 029	-
Travel, motor car, accommodation, subsistence and other allowances	26 496	-
	59 525	**-**

Mr. VLT Matshila was seconded by the Free State MEC of Corporate Governance and Traditional Affairs to act as the executive manager Corporate Services and commenced his term on the 1st of March 2013 until the end of the financial year.

Notes to the Financial Statements

Figures in Rand	2013	2012

23. Remuneration of councillors

Executive Mayor - Dr BE Mzangwa	880 050	797 548
Mayoral Committee Members	3 425 313	3 911 645
Councillors	1 686 938	1 977 414
Chief Whip - Mr. MM Radebe	372 938	-
Speaker - Mr. MS Maduna	376 796	370 939
Chief Whip - Ms. MS Moleleki	193 517	534 009
	6 935 552	**7 591 555**

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the constitution.

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. The Executive Mayor, Deputy Executive Mayor, Speaker and Chief whip is provided with an office and secretarial support at the cost of the Council. The Mayoral Committee Members are provided with pool secretarial support and offices at the cost of the Council.

The Executive Mayor has the use of separate Council owned vehicles for official duties.

24. Repairs and maintenance

Current year expense	646 383	1 445 161

25. Cash generated from operations

(Deficit)/surplus	722 748	24 743 076
Adjustments for:		
Depreciation and amortisation	1 202 241	1 362 417
(Gain) / Loss of assets due to theft/disposal	(180 609)	(61 137)
Finance costs - Finance leases	283 042	335 618
Debt impairment	14 336	1 862 027
Movements in operating lease assets and accruals	(3 200)	(9 500)
Expenditure incurred from provision for long service awards	260 000	437 000
Changes in working capital:		
Receivables from non-exchange transactions	(205 311)	(730 573)
Payables from exchange transactions	(684 631)	(1 317 182)
VAT receivable	(658 985)	622 105
Unspent conditional grants and receipts	1 834 346	(287 949)
	2 583 977	**26 955 902**

Notes to the Financial Statements

Figures in Rand	2013	2012

26. Financial liabilities by category

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

2013

	Financial liabilities at amortised cost	Total
Finance lease - current	193 405	193 405
Other financial liabilities - current	2 901 068	2 901 068
Payables from exchange transactions	21 711 376	21 711 376
	24 805 849	**24 805 849**

2012

	Financial liabilities at amortised cost	Total
Finance lease - non current	141 792	141 792
Finance lease - current	359 880	359 880
Other financial liabilities - current	1 066 722	1 066 722
Payables from exchange transactions	22 845 724	22 845 724
Operating leases	3 200	3 200
	24 417 318	**24 417 318**

27. Operating lease

Operating lease payments represent rentals payable by the municipality for the premises at 154 Cambridge Street, Bethlehem, Free State.

The lease was negotiated for a period of three years. The rentals escalate at 10% on an annual basis. Currently monthly rentals repayments are R13 794 including VAT.

The municipality has the option of renewing the lease for a further period of 3 years at the end of the current lease period on the same terms and conditions as the original lease agreement, at a rental to be agreed upon amongst the parties on termination of the current lease agreement. Should the lessee not give the lessor notice of his intention not to exercise the said option by registered post, not later than 6 months before expiry of the first period of the lease, the option will be deemed to have been automatically renewed on a month to month basis.

The lease agreement was not renewed during the current financial year.

Operating lease payments represent rentals payable by the municipality for the mayoral vehicle leased from the Department of Roads and Transport.

The lease was negotiated for a period of three years. The daily and kilometer tariff is reviewed annually. The tariff charged to the Municipality will at all times be on standard tariff scales applicable to other government departments. Currently monthly rentals repayments are R33 203 including VAT.

Notes to the Financial Statements

Figures in Rand	2013	2012

28. Commitments

28.1 Commitments in respect of operating expenditure

	2013	2012
Approved and contracted for - Budget rolled forward		
• Bolata Gravel Road Upgrade	2 865 955	-
• Brick Block Project - Ladybrand	-	947 085
• Brick Block Project - Qholaqhwa village	6 000 000	-
• Compilation of GRAP compliant fixed asset register	-	12 919
• E-Venus financial management system	-	631 179
• Installation of solar spotlights	-	8 982 526
• Installation of toilet in Platberg	-	2 500 000
• Layout, design and printing of annual and oversight report	124 680	-
• Oxidation Ponds - Memel / Zamani	405 000	1 445 543
• Oxidation Ponds - Thaba Patchoa	5 891	1 085 000
• Production of corporate dvd	174 240	-
• Supply and delivery of newspapers	171 697	-
• Upgrade of gravel road - Arlington	-	83 768
• Upgrade of gravel road - Hasethunya	28 879	2 599 010
• Upgrade of gravel road - Leratswana	882 041	-
• Upgrade of gravel road - Maqheleng	-	1 658 559
• Upgrade of gravel road - Petsana	939 172	-
• Upgrade of gravel road - Rosendal	-	149 889
• Compilation of annual financial statements	1 317 791	-
• Photocopy machine maintenance	6 235	-
	12 921 581	**20 095 478**

This committed expenditure relates to Infrastructure support in various areas and will be financed by available bank facilities. These projects are expected to be completed by the fourth quarter of the 2013/2014 financial period.

28.2 Operating leases - as lessee (expense)

	2013	2012
Minimum lease payments due		
- within one year	438 479	434 736
- in second to fifth year inclusive	146 160	531 248
	584 639	**965 984**

Notes to the Financial Statements

29. Contingencies

RSC levy payers association vs Municipality

The municipality has a contingent liability of R80 million as a result of a legal dispute between the municipality and levy rate payers. The background and details of this contingent liability are provided below.

According to the now abolished RSC Levies Act all entities doing business within the jurisdiction of the District Municipality must pay levies to that municipality. This legislation was terminated on 30 June 2006, and the 13 555 levy payers had until 30 June 2008 to settle their outstanding levies.

During 2007/08, the municipality appointed Podbielski Mhlambi Inc attorneys to assist with the levies debt collection of the amount owed by rate payers. The RSC legislation stipulated that the amount to be recovered should be calculated as a percentage of the levy payer's revenue and salaries cost.

The total value of these levy debtors (both registered and unregistered) was originally estimated at R49 million before impairment (refer note 5).

Some of the levy rate payers opposed the method of calculation of the levies in court and the municipality lost the first case. The municipality is currently preparing its case for application for leave to appeal the previous Court judgement, which commenced in August 2010 and is still currently proceeding. Should the municipality be unsuccessful in their appeal, it is estimated that legal costs of R80 million will be payable to the attorneys acting for the levy payers. An accurate valuation and possible outcome cannot be determined due to the unique nature of the case.

Additional details on the legal fees incurred and paid to date as well as levy debtors recovered are provided below.

To date only R4 697 667 was recovered from levy rate payers by Podbielski Mhlambi Inc and an additional R1 516 161 was paid directly to the municipality. The total levy debtors amount recovered to date is therefore R6 213 828. The legal fee billed to date is R41 798 650 of which R26 749 495 has been paid to Podbielski Mhlambi Inc attorneys.

The reconciliation below shows the legal fees billed and paid and debt collection to date per financial year.

Financial year	Legal fees billed	Legal fees paid	Fees outstanding	Debt Collected**
Prior 2009	21 976 005	(13 043 932)	8 932 073	3 178 053
2010	13 954 357	(6 500 000)	7 454 357	1 195 207
2011	4 648 786	(3 961 961)	686 825	221 930
2012	1 219 502	(2 000 000)	(780 498)	102 477
2013	-	(1 243 602)	(1 243 602)	-
Total	41 798 650	(26 749 495)	15 049 155	4 697 667

***Debt collected to date excludes the additional amount of R1 516 161 paid directly to the municipality (Refer to note 12).*

Figures in Rand	2013	2012

29. Contingencies (continued)

The outstanding legal fees of R15 049 155 has been raised as a liability (refer to note 12). The municipality estimates that a further R7 million in legal fees to its attorneys, Podbielski Mhlambu will be incurred to bring all the matters to completion.

It is estimated by Podbielski Mhlambi that the recovery process will be finalised by the end of 2013 pending the decision of the Supreme Court of Appeal.

RSC levies received by Podbielski Mhlambi Attorneys on behalf of council

RSC levies collected to date amount to R4 697 667 as disclosed above, this money was received by Podbielski Mhlambi Attorneys acting on behalf of the municipality. This money is kept in a trust account pending the legal outcome on the RSC levy dispute between the municipality and the levy payers, should the court rule against Council, Podbielski Mhlambi Attorneys will be obliged to refund the levy payers all monies received.

Podbielski Mhlambi Attorneys have off-set the RSC levies received against the legal fees owed to the firm, thus mean if the legal outcome is against Council, the debt owed to Podbielski Mhlambi Attorneys will increase by the amount RSC levies collected.

MSMM Attorneys vs Municipality

The municipality has a contingent liability of R2 000 000 as a result of a legal dispute between the municipality and MSMM Attorneys. The background and details of this contingent liability are provided below.

MSMM attorneys have issued summons for an amount of R2 000 000 against the municipality. According to MSMM Attorneys this amount is for legal services they rendered for collecting outstanding levy debt for the municipality based on their arrangement with Thakangoaga Investment CC. The municipality has appointed Podbielski Mhlambi Inc attorneys to defend the matter.

When the legislation on RSC levies was terminated on 30 June 2006, the municipality appointed Thakangoaha Investments CC in November 2007 to identify the outstanding levy payers and recover the outstanding levies due to the municipality. For this purpose, Thakangoaha appointed MSMM Attorneys to take the necessary legal action against these outstanding levy payers. Thakangoaha was to receive R150 for each of the then 13 000 outstanding cases, and also 20% of the total amount to be recovered from the levy payers.

As at February 2008, in an attempt to recover outstanding levies, MSMM issued 6 000 summons to levy payers. The municipality received numerous counter claims from levy payers. According to levy payers, summons issued did not comply with legal requirements. The municipality then sought legal opinion, which confirmed that summons issued did not comply with legal requirements.

MSMM Attorneys are now suing the municipality for not paying fees for legal services rendered by them based on instruction from Thakangoaha Investment CC. The municipality will defend this R2 000 000 claim by MSMM Attorneys based on legal advice received. It is expected that the court hearing for this matter will take place in 2013.

The municipality estimates to incur legal cost of R150 000 to defend the above matter.

29. Contingencies (continued)

Infrastructure Finance Corporation vs Municipality

The municipality has a contingent liability of R2 269 693 as a result of a legal dispute between the municipality and Infrastructure Finance Corporation. The background and details of this contingent liability are provided below.

The municipality purchased copiers from Nashua Bethlehem. Nashua Bethlehem erroneously made use of two financing houses to finance the purchase of these office machines. Subsequently the municipality paid both financing houses for these copiers. It was only after a year that they realised payments were being made in duplicate. The municipality stopped all payments (to both financing houses) after the fraudulent nature of the transaction was discovered.

Podbielski Mhlambi Inc was appointed by the municipality and identified that the one financing house produced falsified documentation. The copiers delivered to the municipality also differed from the goods purchased as per the supporting documentation. It was later determined that the goods delivered were stolen goods.

The Municipality instructed its attorney to recover the overpayment from the financing house and it was established that they have been liquidated. The Municipality's attorney advised the municipality not to attempt recovering the over payments as there were no sufficient funds available in the estate.

Infrastructure Finance Corporation is suing the municipality for the outstanding payments, which amount to R2 million.

The Municipality is currently defending the matter in the Free State High Court. It’s expected that it will probably proceed to trial towards the end of 2013. It is expected that a further R200 000 legal costs will be incurred to bring this matter to completion.

Thakangoaha Investments vs Municipality

Thakangoaha Investments was originally awarded the tender relating to the collection of outstanding RSC levies in 2006/2007. Due to the unsuccessful attempts at collection of levies, incorrect legal practices followed and the legal nature of the RSC levies matter, the municipality had to terminate their contract and appoint Phodbielski Mhlambi Law Firm to correct the unlawful and unsuccessful attempts at collection made by Thakangoaha Investments and to proceed to defend the RSC levies matter in court.

Thakangoaha issued summon against the Municipality for an amount of R3 500 000 including interest and cost. The Municipality at that time failed to defend the matter. When the Deputy Sheriff attached the Municipality's property as a result of the judgement, the Municipality instructed Podbielski Mhlambi to apply for a Rescission of Judgement.
This application was processed and the matter placed on the court-role.

The municipality has also filed a counter claim of R2 000 000 against Thakangoaha Investments.
The expected legal cost to be incurred to finalise this matter which is expected to be towards the end of 2013 is R150 000.

29. Contingencies (continued)

Housing guarantees

A contingent liability exists for the municipality to pay the guarantee amount in the event of the employee not being able to settle their bond / default on payment.
The Municipality has provided housing guarantee's to the employees listed below. The maximum amount each qualifying employee may receive is R85 000.

Name of employee	Effective date	Guarantee amount
Mazibuko Mwelase	25/05/2005	17 000
Mollo Ngobese	22/03/2006	17 000
Motloung Mohoabadi	04/10/2006	17 000
Moloi Khesa	25/05/2005	17 000
Motloung Sylvia	30/01/2007	17 000
Moloi Materonko	08/10/2002	13 000
Mthombeni Sthembiso	01/10/2004	14 000
Dusse Ronald	01/07/2006	17 000
Majoro Matsiliso	01/07/2006	17 000
Swart Pierre	01/07/2006	17 000
Viljoen Johannes	01/07/2006	17 000
Du toit Pieter	01/07/2006	17 000
Malan M.P	01/07/2006	17 000
Oosthuizen Corrie	01/07/2006	17 000
Mani Koahela	01/07/2009	17 000
	Total guarantees issued	248 000

Contingencies arising from pending litigation on wage curve agreement

On 21 April 2010 SALGA signed the “Categorisation and job evaluation wage curves collective agreement” (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees’ jobs per the TASK job evaluation system.

Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.

Employees’ job evaluations were not completed by the Municipality and employees were not paid according to the wage scales and rates in the wage curve agreement and did not receive the 9 months retrospective increases / back-pay.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation.

30. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.
- entities that control or exert significant influence over the municipality

The economic entity's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004.

The only related party transactions for the current financial year were with key management personnel. Refer to note 22 for detailed disclosure.

31. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risk, market risk, credit risk and liquidity risk.

Credit risk

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

Notes to the Financial Statements

Figures in Rand	2013	2012

31. Risk management (continued)

Financial assets which expose the economic entity to credit risk at year end were as follows:

Financial instrument	2013	2012
ABSA Bank - Cheque account	6 396 852	1 239 156
ABSA Bank - Call account	633 120	613 747
ABSA Bank - Fixed deposit	32 842 962	36 389 828
First National Bank - Fixed deposit	3 441 351	3 293 095

These balances represent the maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the economic entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	21 711 376	-	-	-
Gross finance lease obligations	216 873	-	-	-
Other current liabilities	2 901 068	-	-	-

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	-	-	-	-
Payables from exchange transactions	22 845 724	-	-	-
Gross finance lease obligations	635 393	162 248	-	-
Other current liabilities	1 066 722	-	-	-

Market risk

Cash flow and fair value interest rate risk

The municipality's interest rate risk arises from finance lease liabilities and short term investments. Finance leases and short term investments at variable rates expose the municipality to cash flow interest rate risk. The sensitivity analysis for cash flow and fair value interest rate risk to which the municipality is exposed at the end of the reporting period is not considered material on profit and loss and were therefore not disclosed. During 2012 and 2013, the municipality's borrowings and investments at variable rates were denominated in the Rand.

32. Going concern

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.

33. Events after the reporting date

The were no material events to report after the reporting date.

Notes to the Financial Statements

Figures in Rand	2013	2012

34. Unauthorised expenditure

Reconciliation of unauthorised expenditure

Management performed a review of transactions and identified none of the transactions to be unauthorised expenditure in accordance to the guidelines set per Chapter 1 of the MFMA.

35. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2013	2012
Opening balance	1 323 279	1 263 201
Fruitless and wasteful expenditure - current year	-	60 078
	1 323 279	**1 323 279**

Management performed a review of transactions and identified no fruitless and wasteful expenditure for the current year.

Fruitless and wasteful expenditure for the prior year consists of penalties and interest on employee taxes submitted late for the 2012/01 period. Declaration was made in time, but payment was only made on 10 February 2012.

36. Irregular expenditure

	2013	2012
Opening balance	43 497 045	40 356 093
Irregular Expenditure - current year	2 595 928	3 140 952
	46 092 973	**43 497 045**

Details of irregular expenditure – current year

	Details	
Procurement without three written price quotations	Deviation from procurement processes	1 490 343
Procurement of legal services without SCM process	Deviation from procurement process	1 105 585
		2 595 928

Details of irregular expenditure - prior period

	Details	
Procurement without three written price quotations	Deviation from procurement processes	197 789
Procurement where tax clearance certificates were not obtained	Non compliance to supply chain management policy	541 969
Procurement awarded to person or partner in service of the state	Non compliance to supply chain management policy	174 006
Procurement of legal services without SCM process	Deviation from procurement process	2 227 188
		3 140 952

Notes to the Financial Statements

Figures in Rand	2013	2012

36. Irregular expenditure (continued)

Deviations from SCM process

Deviations for the current year	2 426 537	365 727

Details of deviation

Procurement of advertising	966 274	365 727
Procurement of accommodation	984 965	-
Procurement of other goods and services	475 298	-
	2 426 537	**365 727**

37. Presentation of budget information

37.1 Reconciliation between budget and statement of financial performance

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

Net surplus per the statement of financial performance	722 748	24 743 076
Adjusted for:		
Government grants (over)/under budgeted	(2 837 347)	100 879
Investment revenue	(385 355)	(583 723)
Other income	43 670 195	10 993 663
Employee costs	(6 999 933)	179 645
Depreciation, amortisation and impairment	316 577	3 224 444
Finance charges	226 167	289 618
Grants and subsidies	(21 083 807)	(18 930 149)
Other expenditure	(13 629 080)	(17 377 448)
Net surplus per approved budget	**165**	**2 640 005**

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	396 200	213 319
Current year subscription / fee	456 000	400 000
Amount paid - current year	(402 200)	(217 119)
	450 000	**396 200**

Material losses through criminal conduct

The municipality incurred no material losses through criminal conduct during the reporting period.

There was however an incident of alleged fraud. The case is currently still being investigated by the SAPS and therefore no further information can be given.

Notes to the Financial Statements

Figures in Rand	2013	2012

38. Leases (Effects of transitional provisions) (continued)

Audit fees

Opening balance	2 116	3 801
Prior year fees	2 492 554	1 212 630
Amount paid - previous years	(2 385 100)	(1 214 315)
	109 570	**2 116**

PAYE and UIF

Opening balance	496 395	-
Current year subscription / fee	7 188 606	5 928 306
Amount paid - current year	(7 082 695)	(5 431 911)
	602 306	**496 395**

Pension and Medical Aid Deductions

Current year subscription / fee	5 746 169	7 267 962
Amount paid - current year	(5 746 169)	(7 267 962)
	-	**-**

VAT

VAT receivable	919 046	260 061

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council.

39. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix (E1) for the comparison of actual operating expenditure versus budgeted expenditure.

Refer to Appendix (E2) for the comparison of actual capital expenditure versus budgeted expenditure.

40. Municipal office occupation

The Municipal head office situated at 1 Mampoi Street, Old Parliament Building, Witsieshoek is leased from the Free State Department of Public Works for no rental consideration.

Notes to the Financial Statements

41. Changes in accounting policy

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

GRAP 24	Presentation of Budget information in Financial Statements
GRAP 26	Impairment of Cash-generating Assets
GRAP 104	Financial Instruments

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of te Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2013.

GRAP 9	Revenue (Sections applicable to non-exchange transactions)
GRAP 03	Accounting Plocies, Changes in Accounting Estimates and errors
GRAP 06	Consolidated and separate financial statements
GRAP 07	Investments in Associates
GRAP 08	Interests in Joint ventures
GRAP 09	Revenue from Exchangge transactions
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment reporting
GRAP 21	Impairment of Non-cash-generating Asseets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of budget information in Financial Statements
GRAP 25	Employee benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosure
IFRS 8	Operating Segments
IAS 14	Segment Reporting
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and measurement

GRAP 24 - Presentation of budget information in Financial Statements

The standard has been inspected and it has been found that the standard must be applied prospectively. There is therefore no effect on prior year (comparative) figures and no retrospective adjustment is required.

Notes to the Financial Statements

Figures in Rand	2013	2012

41. Changes in accounting policy (continued)

GRAP 26 - Impairment of cash-generating assets

The standard has been inspected and it has been found that the standard must be applied prospectively. There is therefore no effect on prior year (comparative) figures and no retrospective adjustment is required. The recognition and measurement criteria included in the standard will be used when (and if) cash generating assets are impaired.

Reclassification of Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments. The effect of this change in Accounting Policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's Financial Instruments as at 30 June 2013.

Financial Assets	**Old classification as per IAS 9**	**Classification as per GRAP 104**	**Old carrying amount**	**New carrying amount**
Receivables from non-exchange transactions	Loans and receivables	Financial assets at amortised cost	851 767	851 767
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	41 535 826	41 535 826
VAT receivable	Loans and receivables	Financial assets at amortised cost	260 061	260 061
Receivables from non-exchange transactions - RSC Levies	Loans and receivables	Financial assets at amortised cost	7 212	7 212
Financial liabilities				
Finance lease - non-current	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(141 792)	(141 792)
Finance lease - current	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(359 880)	(359 880)
Payables from exchange transactions	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(22 845 724)	(22 845 724)
Other financial liabilities - current	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(1 066 722)	(1 066 722)
Operating leases	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(3 200)	(3 200)
			18 237 548	**18 237 548**

The comparative amounts were not restated, since the balances remained unchanged.

Notes to the Financial Statements

Figures in Rand	2013	2012

42. Prior period errors

During the current financial year, management investigated the total balance of the VAT receivable. Based on this investigation, it was noted that items included in this balance are not appropriate, since these items were not valid VAT invoices or the valid VAT invoices are not available. This correction resulted in the restatement of the prior year figures of the following line items:

Decrease in VAT Receivables	(1 977 314)
Decrease in Accumulated Surplus	1 977 314

The municipality has a contract to provide long service awards. This contract was previously not accounted for. This correction resulted in the restatement of the prior year figures of the following line items:

Increase in provision for long service awards	(1 790 000)
Increase in remuneration of staff	360 000
Decrease in accumulated surplus	1 430 000

43. Comparative figures

Certain expenses were incorrectly classified during the prior year and have been reclassified during the current year to promote fair presentation. R2 246 287 was reclassified to legal fees from consulting and professional fees. R355 466 was reclassified to lease rentals on operating lease from motor vehicle expenses. The effect of the reclassification on the prior year comparative figures are as follows:

Statement of financial performance
Disclosure as per note 21 - General expenses for the year ended 30 June 2012

Consulting and professional fees	4 564 675
Lease rentals on operating lease	133 500
Legal fees	-
Motor vehicle expenses	696 932

Statement of Financial Performance
Disclosure as per note 21 - General expenses for the year ended 30 June 2013

Consulting and Professional Fees	2 318 388
Lease rentals on operating lease	488 966
Legal fees	2 246 287
Motor vehicle expenses	341 466

Notes to the Financial Statements

Figures in Rand	2013	2012

44. Revenue

Sundry income	42 150	23 200
Government grants & subsidies	83 402 347	94 082 121
Interest received - investment	2 518 928	2 098 728
	85 963 425	**96 204 049**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received - investment	2 518 928	2 098 728
Sundry income	42 150	23 200
	2 561 078	**2 121 928**

The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	83 402 347	94 082 121

45. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The financial statements for the municipality are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the financial statements for timing differences associated with the continuing appropriation and differences in the municipality were made to express the actual amounts on a comparable basis to the final approved budget.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

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 & Equipment Rand	Other Costs in accordance with the MFMA Rand
Lease liability								
Kyocera KM C2525E full colour copier	L02.01		49 489	-	29 503	19 986	-	-
Kyocera KM C2525E full colour copier	L02.02		57 169	-	32 363	24 806	-	-
Kyocera KM C3232 full colour copier	L02.03		64 719	-	37 488	27 231	-	-
Riso HC 5500	L02.04		145 304	-	92 478	52 826	-	-
Riso HC 5500	L02.05		145 304	-	92 478	52 826	-	-
Kyocera KM3060	L02.06		36 400	-	22 540	13 860	-	-
Samsung CLX3160FN Multi functional copier	L02.07		3 281	-	1 411	1 870	-	-
			501 666	**-**	**308 261**	**193 405**	**-**	**-**
Total external loans								
Lease liability			501 666	-	308 261	193 405	-	-
			501 666	**-**	**308 261**	**193 405**	**-**	**-**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Appendix B
June 2013

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Motor vehicles	870 628	-	(188 190)	-	-	-	**682 438**	(870 628)	188 190	-	-	-	**(682 438)**	-
Furniture & Fittings	956 688	25 507	-	-	-	-	**982 195**	(339 012)	-	-	(136 341)	-	**(475 353)**	506 842
IT Equipment	2 766 609	266 563	(7 500)	-	-	-	**3 025 672**	(1 495 571)	2 250	-	(566 052)	-	**(2 059 373)**	966 299
Non-current assets held for sale	2	-	(2)	-	-	-	**-**	-	-	-	-	-	**-**	-
	4 593 927	**292 070**	**(195 692)**	**-**	**-**	**-**	**4 690 305**	**(2 705 211)**	**190 440**	**-**	**(702 393)**	**-**	**(3 217 164)**	**1 473 141**
Total property plant and equipment														
Other assets	4 593 927	292 070	(195 692)	-	-	-	**4 690 305**	(2 705 211)	190 440	-	(702 393)	-	**(3 217 164)**	1 473 141
	4 593 927	**292 070**	**(195 692)**	**-**	**-**	**-**	**4 690 305**	**(2 705 211)**	**190 440**	**-**	**(702 393)**	**-**	**(3 217 164)**	**1 473 141**
Intangible assets														
Computers - software & programming	1 602 044	-	-	-	-	-	**1 602 044**	(609 680)	-	-	(499 848)	-	**(1 109 528)**	492 516
	1 602 044	**-**	**-**	**-**	**-**	**-**	**1 602 044**	**(609 680)**	**-**	**-**	**(499 848)**	**-**	**(1 109 528)**	**492 516**
Total														
Other assets	4 593 927	292 070	(195 692)	-	-	-	**4 690 305**	(2 705 211)	190 440	-	(702 393)	-	**(3 217 164)**	1 473 141
Intangible assets	1 602 044	-	-	-	-	-	**1 602 044**	(609 680)	-	-	(499 848)	-	**(1 109 528)**	492 516
	6 195 971	**292 070**	**(195 692)**	**-**	**-**	**-**	**6 292 349**	**(3 314 891)**	**190 440**	**-**	**(1 202 241)**	**-**	**(4 326 692)**	**1 965 657**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix C
June 2013

Segmental analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Corporate services	574 241	42 924	-	-	-	**-**	**617 165**	(338 151)	-	-	(87 799)	-	**(425 950)**	191 215
Finance	574 241	64 775	(195 692)	-	-	**-**	**443 324**	(338 151)	-	-	(87 799)	-	**(425 950)**	17 374
Local economic development and tourism	574 241	42 700	-	-	-	**-**	**616 941**	(338 151)	190 440	-	(87 799)	-	**(235 510)**	381 431
Mayco and Council	574 241	7 285	-	-	-	**-**	**581 526**	(338 151)	-	-	(87 799)	-	**(425 950)**	155 576
Office of Municipal Manager	574 240	60 763	-	-	-	**-**	**635 003**	(338 151)	-	-	(87 799)	-	**(425 950)**	209 053
Office of Executive Mayor	574 240	29 631	-	-	-	**-**	**603 871**	(338 151)	-	-	(87 799)	-	**(425 950)**	177 921
Office of the Speaker	574 240	9 985	-	-	-	**-**	**584 225**	(338 151)	-	-	(87 799)	-	**(425 950)**	158 275
Technical services	574 240	34 006	-	-	-	**-**	**608 246**	(338 151)	-	-	(87 799)	-	**(425 950)**	182 296
	4 593 924	**292 069**	**(195 692)**	**-**	**-**	**-**	**4 690 301**	**(2 705 208)**	**190 440**	**-**	**(702 392)**	**-**	**(3 217 160)**	**1 473 141**
Municipal Owned Entities														
Total														
Municipality	4 593 924	292 069	(195 692)	-	-	**-**	**4 690 301**	(2 705 208)	190 440	-	(702 392)	-	**(3 217 160)**	1 473 141
	4 593 924	**292 069**	**(195 692)**	**-**	**-**	**-**	**4 690 301**	**(2 705 208)**	**190 440**	**-**	**(702 392)**	**-**	**(3 217 160)**	**1 473 141**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix D
June 2013

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
			Municipal Owned Entities			
			Other charges			

Budget Analysis of Capital Expenditure as at 30 June 2013

	Additions Rand	Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Corporate services	42 924	58 786	15 862	**27**	
Finance	64 775	88 712	23 937	**27**	
Local economic development and tourism	42 700	58 479	15 779	**27**	
Office of Municipal Manager	60 763	83 217	22 454	**27**	
Office of Executive Mayor	29 631	40 581	10 950	**27**	
Office of the Speaker	9 985	13 675	3 690	**27**	
Technical Services	14 150	19 379	5 229	**27**	
Mayco & Council	27 142	37 171	10 029	**27**	
	292 070	**400 000**	**107 930**	**27**	

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2013

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
		Jun			
COGTA Provincial Infrastructure Grant	Department of Corporative Governance and Traditional Affairs	4 500 000	2 772 265	-	
EPWP	Department of Public Works	1 737 000	1 559 881	-	
MSIG	Department of Corporate Governance and Traditional Affairs	1 000 000	1 105 520	-	
FMG	Department of Treasury	1 250 000	1 214 988	-	To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme guidelines.
Equitable Share	Department of Treasury	76 578 000	-	-	To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy.
Skills development grant	Department of labour	171 693	171 693	-	
		-	-	-	
		-	-	-	
		-	-	-	
		-	-	-	
		85 236 693	6 824 347	-	

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

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Appendix G(1)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13										
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD											
Governance and Administration:											
Executive and Council	33,024,747	1,869,978	34,894,725	-	-	34,894,725	24,201,200	-	(10,693,524)	69.35	73.28
Budget and Treasury Office	9,354,892	1,886,834	11,241,726	-	-	11,241,726	7,796,688	-	(3,445,038)	69.35	83.34
Corporate Services	14,573,242	200,685	14,773,927	-	-	14,773,927	10,246,442	-	(4,527,485)	69.35	70.31
Community and Public Safety:											
Community and Social Services	15,241,666	(139,250)	15,102,416	-	-	15,102,416	10,474,265	-	(4,628,151)	69.35	68.72
Sport and Recreation	-	-	-	-	-	-	-	-	-	0.00	0.00
Public Safety	-	-	-	-	-	-	-	-	-	0.00	0.00
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00
Health	-	-	-	-	-	-	-	-	-	0.00	0.00
Economic and Environmental Services:											
Planning and Development	6,997,147	(2,178,676)	4,818,472	-	-	4,818,472	3,341,846	-	(1,476,626)	69.35	47.76
Road Transport	5,299,762	40,461,000	45,760,762	-	-	45,760,762	31,737,330	-	(14,023,432)	69.35	598.84
Environmental Protection	-	-	-	-	-	-	-	-	-	0.00	0.00
Trading Services:											
Electricity	-	-	-	-	-	-	-	-	-	0.00	0.00
Water	-	-	-	-	-	-	-	-	-	0.00	0.00
Waste Water Management	-	-	-	-	-	-	-	-	-	0.00	0.00
Waste Management	-	-	-	-	-	-	-	-	-	0.00	0.00
Other:											
Tourism	-	-	-	-	-	-	-	-	-	0.00	0.00
Intergovernmental & Special Projects		-		-	-			-	-	0.00	0.00
Total Revenue - Standard	84,491,456	42,100,571	126,592,027	-	-	126,592,027	87,797,771	-	(38,794,256)	69.35	103.91
EXPENDITURE - STANDARD											
Governance and Administration:											
Executive and Council	27,645,496	1,869,978	29,515,474	-	-	29,515,474	20,056,909	-	(9,458,565)	67.95	72.55
Budget and Treasury Office	9,354,892	1,886,834	11,241,726	-	-	11,241,726	7,639,189	-	(3,602,537)	67.95	81.66
Corporate Services	14,573,242	300,685	14,873,927	-	-	14,873,927	10,107,410	-	(4,766,517)	67.95	69.36
Community and Public Safety:											
Community and Social Services	15,241,666	(239,250)	15,002,416	-	-	15,002,416	10,194,723	-	(4,807,693)	67.95	66.89
Sport and Recreation	-	-	-	-	-	-	-	-	-	0.00	0.00
Public Safety	-	-	-	-	-	-	-	-	-	0.00	0.00
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00
Health	-	-	-	-	-	-	-	-	-	0.00	0.00
Economic and Environmental Services:											
Planning and Develiopment	6,997,147	(2,178,676)	4,818,471	-	-	4,818,471	3,274,338	-	(1,544,133)	67.95	46.80
Road Transport	10,679,010	40,461,000	51,140,010	-	-	51,140,010	34,751,620	-	(16,388,390)	67.95	325.42
Environmental Protection	-	-	-	-	-	-	-	-	-	0.00	0.00
Trading Services:											
Electricity	-	-	-	-	-	-	-	-	-	0.00	0.00
Water	-	-	-	-	-	-	-	-	-	0.00	0.00
Waste Water Management	-	-	-	-	-	-	-	-	-	0.00	0.00
Waste Management	-	-	-	-	-	-	-	-	-	0.00	0.00
Other:											
Total Expenditure - Standard	84,491,453	42,100,571	126,592,024	-	-	126,592,024	86,024,188	-	(40,567,836)	67.95	101.81
Surplus/(Deficit) for the year	**3**	**1**	**4**	**-**	**-**	**4**	**1,773,583**	**-**	**1,773,579**	**50,673,796.57**	**59,119,429.33**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G(2)
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13										
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE											
Vote 1 - Council and council	31,571,889	(3,308,578)	28,263,311	-	-	28,263,311	19,601,961	-	(8,661,350)	69.35	62.09
Vote 2 - Finance and administration	23,928,134	2,187,519	26,115,653	-	-	26,115,653	18,112,457	-	(8,003,196)	69.35	75.70
Vote 3 - Planning and development	13,749,767	43,461,073	57,210,840	-	-	57,210,840	39,678,459	-	(17,532,381)	69.35	288.58
Vote 4 - Community and Social	15,241,666	(239,250)	15,002,416	-	-	15,002,416	10,404,894	-	(4,597,522)	69.35	68.27
Total Revenue by Vote	84,491,456	42,100,764	126,592,220	-	-	126,592,220	87,797,771	-	(38,794,449)	69.35	103.91
EXPENDITURE BY VOTE											
Vote 1 - Council and council	26,192,638	2,070,615	28,263,253	-	-	28,263,253	19,206,014	-	(9,057,239)	67.95	73.33
Vote 2 - Finance and administration	23,928,134	2,187,519	26,115,653	-	-	26,115,653	17,746,634	-	(8,369,019)	67.95	74.17
Vote 3 - Planning and development	19,129,015	38,081,437	57,210,452	-	-	57,210,452	38,876,797	-	(18,333,655)	67.95	203.23
Vote 4 - Community and Social	15,241,666	(239,250)	15,002,416	-	-	15,002,416	10,194,743	-	(4,807,673)	67.95	66.89
Total Expenditure by Vote	84,491,453	42,100,321	126,591,774	-	-	126,591,774	86,024,188	-	(40,567,586)	67.95	101.81
Surplus/(Deficit) for the year	**3**	**443**	**446**	**-**	**-**	**446**	**1,773,583**	**-**	**1,773,137**	**397,530.62**	**59,119,429.33**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Appendix G(3)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13										
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source											
Property rates	-	-	-	-	-	-	-	-	-	0.00	0.00
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	0.00	0.00
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	0.00	0.00
Service charges - water revenue	-	-	-	-	-	-	-	-	-	0.00	0.00
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	0.00	0.00
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	0.00	0.00
Service charges - other	-	-	-	-	-	-	-	-	-	0.00	0.00
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Interest earned - external investments	1,533,573	600,000	2,133,573	-	-	2,133,573	2,518,928	-	385,355	118.06	164.25
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	0.00	0.00
Dividends received	-	-	-	-	-	-	-	-	-	0.00	0.00
Fines	-	-	-	-	-	-	-	-	-	0.00	0.00
Licences and permits	-	-	-	-	-	-	-	-	-	0.00	0.00
Agency services	-	-	-	-	-	-	-	-	-	0.00	0.00
Transfers recognised - operating	80,565,000	-	80,565,000	-	-	80,565,000	85,236,693	-	4,671,693	105.80	105.80
Other revenue	2,392,883	41,500,071	43,892,954	-	-	43,892,954	42,150	-	(43,850,804)	0.10	1.76
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Revenue (excluding Capital Transfers & Contributions)	84,491,456	42,100,071	126,591,527	-	-	126,591,527	87,797,771	-	(38,793,756)	69.36	103.91
Expenditure											
Employee related costs	39,042,682	1,727,090	40,769,772	-	-	40,769,772	35,191,106	-	(5,578,666)	86.32	90.13
Remuneration of councillors	7,743,348	922,298	8,665,646	-	-	8,665,646	7,092,378	-	(1,573,268)	81.84	91.59
Debt impairment	-	-	-	-	-	-	-	-	-	0.00	0.00
Depreciation & asset impairment	-	900,000	900,000	-	-	900,000	702,393	-	(197,607)	78.04	0.00
Finance charges	56,875	-	56,875	-	-	56,875	-	-	(56,875)	0.00	0.00
Bulk purchases	-	-	-	-	-	-	-	-	-	0.00	0.00
Other materials	-	-	-	-	-	-	-	-	-	0.00	0.00
Contracted services	1,750,000	-	1,750,000	-	-	1,750,000	949,437	-	(800,563)	54.25	54.25
Transfers and grants	5,379,252	40,593,000	45,972,252	-	-	45,972,252	24,888,445	-	(21,083,807)	54.14	462.67
Other expenditure	30,519,297	(2,042,480)	28,476,817	-	-	28,476,817	17,200,429	-	(11,276,388)	60.40	56.36
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure	84,491,454	42,099,908	126,591,362	-	-	126,591,362	86,024,188	-	(40,567,174)	67.95	101.81
Surplus/(Deficit)	2	164	166	-	-	166	1,773,583	-	1,773,417	1,071,651.29	88,679,144.00
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	2	164	166	-	-	166	1,773,583	-	1,773,417	1,071,651.29	88,679,144.00
Surplus/(Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) for the Year	**2**	**164**	**166**	**-**	**-**	**166**	**1,773,583**	**-**	**1,773,417**	**1,071,651.29**	**88,679,144.00**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013

	2013/2012											2012/2011			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Single-year expenditure															

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013

	2013/2012											2012/2011			
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Capital Expenditure - Standard															
Governance and administration	**322 142**	**-**	**322 142**	**-**	**-**	**322 142**	**235 220**	**-**	**(86 922)**	**73 %**	**73 %**	**-**	**-**	**-**	**-**
Executive and council	174 644	-	174 644	-	-	174 644	127 521	-	(47 123)	73 %	73 %	-	-	-	-
Budget and treasury office	88 712	-	88 712	-	-	88 712	64 775	-	(23 937)	73 %	73 %	-	-	-	-
Corporate services	58 786	-	58 786	-	-	58 786	42 924	-	(15 862)	73 %	73 %	-	-	-	-
Economic and environmental services	**77 858**	**-**	**77 858**	**-**	**-**	**77 858**	**56 850**	**-**	**(21 008)**	**73 %**	**73 %**	**-**	**-**	**-**	**-**
Planning and development	58 479	-	58 479	-	-	58 479	42 700	-	(15 779)	73 %	73 %	-	-	-	-
Road transport	19 379	-	19 379	-	-	19 379	14 150	-	(5 229)	73 %	73 %	-	-	-	-
Total Capital Expenditure - Standard	**400 000**	**-**	**400 000**	**-**	**-**	**400 000**	**292 070**	**-**	**(107 930)**	**73 %**	**73 %**	**-**	**-**	**-**	**-**
Funded by:															

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G(5)
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	2,392,883	407,117	2,800,000	2,800,000	42,150	(2,757,850)	1.51	1.76
Government - operating	80,565,000	-	80,565,000	80,565,000	85,236,693	4,671,693	105.80	105.80
Government - capital	-	5,461,000	5,461,000	5,461,000	-	(5,461,000)	0.00	0.00
Interest	1,533,573	366,571	1,900,144	1,900,144	2,518,928	618,784	132.57	164.25
Dividends	-	-	-	-	-	-	0.00	0.00
Payments								
Suppliers and employees	(79,055,330)	-	(79,055,330)	(79,055,330)	(60,433,350)	18,621,980	0.00	0.00
Finance charges	(56,875)	-	(56,875)	(56,875)	-	56,875	0.00	0.00
Transfers and Grants	(5,379,251)	-	(5,379,251)	(5,379,251)	(24,888,445)	(19,509,194)	0.00	0.00
NET CASH FROM / (USED) OPERATING ACTIVITIES	-	6,234,688	6,234,688	6,234,688	2,475,976	(3,758,712)	39.71	0.00
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	-	-	-	-	-	0.00	0.00
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	0.00	0.00
Decrease (increase) other non-current receivables	-	-	-	-	-	-		
Decrease (increase) in non-current investments	-	-	-	-	-	-	0.00	0.00
Payments								
Capital Assets	-	-	-	-	-	-	0.00	0.00
NET CASH FROM / (USED) INVESTING ACTIVITIES	-	-	-	-	-	-	0.00	0.00
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	-	-	-	0.00	0.00
Borrowing long term/refinancing	-	-	-	-	-	-		
Increase (decrease) in consumer deposits	-	-	-	-	-	-	0.00	0.00
Payments								
Repayment of borrowing	-	-	-	-	-	-	0.00	0.00
NET CASH FROM / (USED) FINANCING ACTIVITIES	-	-	-	-	-	-	0.00	0.00
		6,234,688	**6,234,688**	**6,234,688**	2,475,976			
NET INCREASE / (DECREASE) IN CASH HELD	-	-	-	-	-	-	0.00	0.00
Cash / Cash Equivalents at the Year begin:	-	-	-	-	-	-	0.00	0.00
Cash / Cash Equivalents at the Year end:	-	-	-	-	-	-	0.00	0.00