Nkangala District Municipality

Financial Statements

30 JUNE 2013

Improved quality of life through balanced, sustainable development and service excellence

NKANGALA DISTRICT MUNICPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended
30 June 2013

I am responsible for the preparation of these annual financial statements, which are set out on pages 10 to 83, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors as disclosed in note 23 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act for the year ended 30 June 2013.

A G ZIMBWA
Acting Municipal Manager

24-08-2013
Date

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GENERAL INFORMATION

Executive Mayor, Speaker, Chief Whip and Members of the Mayoral Committee

Executive Mayor:	Clr. Mashilo S K
Speaker:	Clr. Nkwanyana B A
Council Whip:	Clr. Letlaka T
MMC for Finance:	Clr. Masombuka I M
MMC for Infrastructure & Service Delivery:	Clr. Dikgale LJ
MMC for Social Services, Disaster, Youth, Health & Education:	Clr. Hlope N E
MMC for Local Economic Development and Rural Development:	Clr. Mufume AP
MMC for Corporate, Human Resources & Legal Services:	Clr. Motau C
MMC for Rural Development, Public Safety and Transport:	Clr. Radebe J F

Grading of Local Authority

Grade 9 High Capacity Municipality

Auditors

Auditor-General South Africa

Bankers

ABSA Bank Middelburg

Primary Bank Account

Name of Bank:	ABSA
Account No:	1040 161 836
Branch Code:	334350
Type of Acc:	Current Account

Registered Office

2A Walter Sisulu Street, Middelburg, 1050

Acting Municipal Manager/Acting Accounting Officer

Mr A G Zimbwa

Manager: Finance/Chief Financial Officer

Mrs A L Stander

Credit rating

International Long Term:	BBB+
Long Term:	AA-
Short Term:	F1+

Contact details

Telephone : +27 (13) 249 2000
Fax : +27 (13) 249 2114

REPORT OF THE MANAGER: FINANCE

1. INTRODUCTION

The financial objective of the municipality is to secure sound and sustainable management of the financial affairs of the municipality and to assist the six local municipalities to be financially viable.

Critical functional areas for the district municipality and local municipalities include the payment for services, revenue collection, capacity for municipal infrastructure expenditure and compliance with legislation.

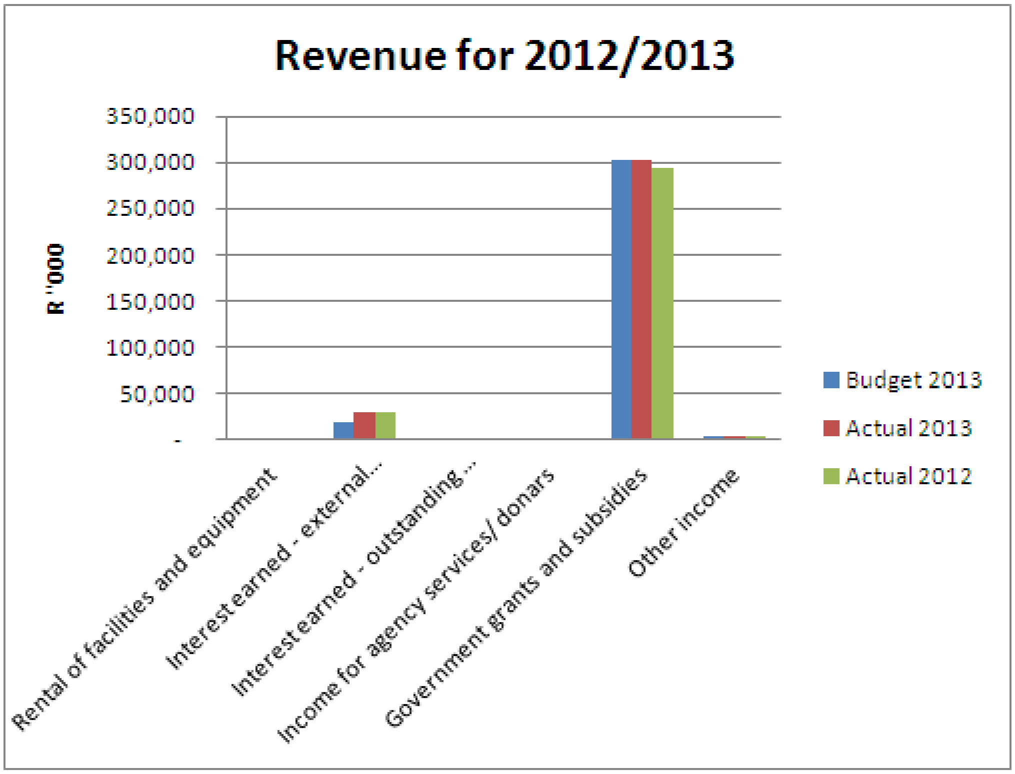
Issue 3 of the IDP relates to financial viability and includes projects that contributed to the financial viability of the district and local municipalities.

2. REVIEW OF OPERATING RESULTS

The 2012/2013 budget of the Nkangala District Municipality was approved by Council on the 30th of May 2012. An adjustment budget was approved on the 27th of March 2013. Herewith is commentary on the financial results.

2.1 REVENUE

Budget			R 30-Jun-13	R 30-Jun-12
	REVENUE			Restated
	Revenue from exchange transactions		**30,404,041**	**30,935,332**
100,000	Rental of facilities and equipment		129,828	256,152
18,180,000	Interest earned - external investments	19	29,655,700	30,256,521
18,000	Interest earned - outstanding receivables		1,025	20,878
590,000	Other income	21	617,488	401,782
	Revenue from non-exchange transactions		**307,152,348**	**299,217,398**
-	Income for agency services/ donars		6,428	226,864
303,175,000	Government grants and subsidies	20	303,175,000	294,684,832
2,900,000	Other income	21	3,970,920	4,305,702
324,963,000	**Total revenue**		**337,556,388**	**330,152,730**



INTEREST EARNED

Interest earned on external investments decreased by 1.99% from R30,256,521 (2011/2012) to R29,655,700 (2012/2013). This decrease is attributed to a decrease in interest rates on call deposits.

Interest earned on outstanding debtors decreased by 95.09% from R20,878 (2011/2012) to R1,025 (2012/2013) due to better credit control measures.

GOVERNMENT GRANTS AND SUBSIDIES

Government Grants and subsidies increased by 2.88 % from R294,684,832 (2011/12) to R303,175,000 (2012/13). Government Grants and Subsidies include the RSC Levy Replacement grant, the Equitable Share, Municipal System Improvement Grant, Finance Management Grant and the Expanded Public Works Programme Incentive Grant .

According to the accounting policies only the portion that has been expended and meets the conditions of the grant are recognized as revenue.

OTHER INCOME

Other income decreased by 2.53% from R4,707,485 (2011/12) to R4,588,408 (2012/13), which include discount received.

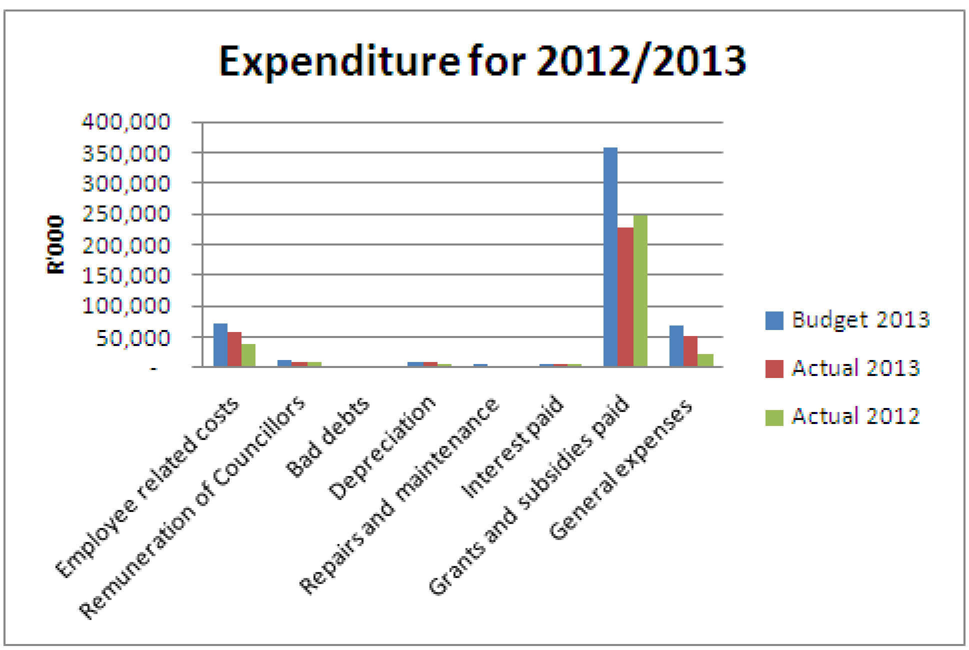
Total revenue increased by 2.24% from R330,152,720 (2011/12) to R337,556,388 2012/2013 financial year. This amount exceeded the budget amount with R12,593,388.

Indicative allocations published in Division of Revenue Act (DORA) point to an increase in the RSC Levy Replacement Grant.

The outlook for the next financial year is that the total revenue will increase compared to the year under review.

2.2 EXPENDITURE

Budget	EXPENDITURE		30-Jun-13	30-Jun-12
70,384,486	Employee related costs	22	59,753,425	38,325,483
12,728,021	Remuneration of councillors	23	10,884,898	10,254,697
50,000	Bad debts		0	17,710
8,726,586	Depreciation/ amortisation		7,950,773	7,100,128
5,996,587	Repairs and maintenance		4,169,471	2,087,666
5,811,546	Interest paid	24	5,253,472	5,973,380
358,935,055	Grants and subsidies paid	25	227,544,496	248,856,578
66,544,123	General expenses	27	52,042,832	23,399,077
529,176,404	**Total expenditure**		**367,599,366**	**336,014,720**



EMPLOYEE RELATED COST

Actual employee related costs increased by 55.91 % from R38,325,483 (2011/12) to R59,753,425 (2012/13). Actual employee related costs are 84.90 % of the budget, which is due to the few vacancies which have not been filled in the year under review. The increase expenditure is due to the major drive to fill vacant positions and combat unemployment.

REMUNERATION OF COUNCILLORS

Payments made to councillors are in terms of the legislation on remuneration of public office bearers.

Actual councillor allowance costs increased by 6.15 % from R10,254,697 (2011/12) to R10,884,898 (2012/13). Actual councillor allowance costs are 85.52% of the budget.

DEPRECIATION/ AMORTISATION

Depreciation is charged on Property, Plant & Equipment at rates determined in the accounting policies and asset useful lifeôs is reviewed annually and amortisation is charged on Intangible assets at rates determined by the accounting policies and the assets useful lifeôs is reviewed annually.

Actual depreciation/amortisation costs increased by 11.98 % from R7,100,128 (2011/12) to R7,950,773 (2012/13). Actual depreciation/amortisation costs are 97.80% of the budget.

REPAIRS & MAINTENANCE

This expenditure relates to maintenance on the office building which was used for the full duration of the year under review.

Actual repair and maintenance costs increased by 99.72 % from R2,087,666 (2011/12) to R4,169,471 (2012/13). Actual repair and maintenance costs are 69.53% of the budget.

INTEREST PAID

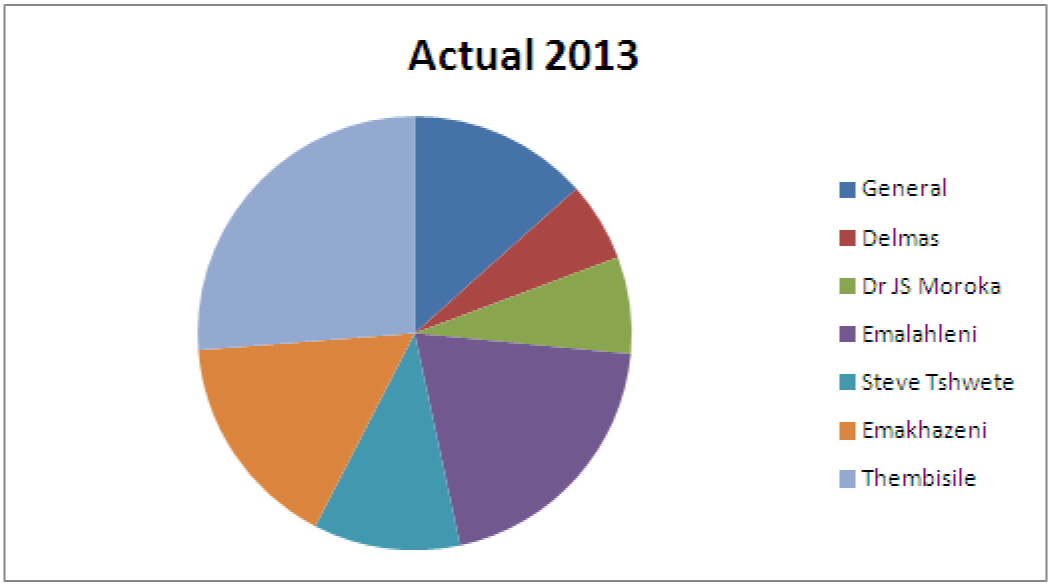
This interest relates to interest on long term loans with INCA, DBSA and financial leases for office equipment.

Actual interest costs decreased by 12.05 % from R5,973,380 (2011/12) to R5,253,472 (2012/13). Actual interest costs are 90.40% of the budget.

GRANTS & SUBSIDIES

This expenditure relates to expenditure on infrastructure for local municipalities and regional functions for which the District Municipality is the primary authority.

Actual grants and subsidies paid represent 61.90% (74.90%:2011/12) of the total expenditure and decreased by 8.56% from R248,856,578 (2011/12) to R227,544,496 (2012/13).



GENERAL EXPENDITURE

General Expenditure comprises of operating expenditure not disclosed elsewhere on the statement of financial performance. Detail of general expenditure is disclosed under note 27 to the financial statements.

Actual general expenditure costs increased by 122.41 % from R23,399,077 (2011/12) to R52,042,832 (2012/13). Actual general expenditure costs are 78.21% of the budget.

DEFICIT

The municipality realised a deficit of R5,861,990 for 2011/12 and R30,042,978 for 2012/13, which is an indication that the municipality is eradicating the backlog of project implementation. These deficits are funded by the accumulated surplus of the municipality.

3. **FINANCIAL POSITION**

The Statement of Financial position represents the financial strength of the municipality by a comparison of assets over liabilities.

The total assets of the municipality decreased by 3.80% from R830,473,476 (2011/12) to R798,379,503 (2012/13). The contributing factors of this decrease in inventory and call investments.

Liabilities decreased by 1.84% from R111,184,049 (2011/12) to R109,133,055 (2012/13), which is mainly due to the redemption of liabilities for 2013.

4. KEY RATIOS

CURRENT RATIO

This ratio represents the ability of the municipality to pay short term obligations within the next 12 months.

	Current assets	Current Liabilities	
	R	R	Ratio
2011/12	701,505,086	64,149,949	10.94:1
2012/13	675,107,679	65,499,877	10.31:1

ACID TEST

A stringent indicator that determines whether a company/institution has enough short-term assets to cover its immediate liabilities without considering inventory. Institutions with ratios of less than 1 cannot pay their current liabilities and should be looked at with extreme caution.

	Current assets - Inventory	Current Liabilities	
	R	R	Ratio
2011/12	467,209,191	64,149,949	7.28:1
2012/13	488,475,632	65,499,877	7.46:1

SOLVENCY RATIO

This represents the ability of the municipality to pay both its long term and short term obligations.

	Total Assets	Total Liabilities	
	R	R	Ratio
2011/12	830,473,476	111,184,049	7.47:1
2012/13	798,379,543	109,133,055	7.32:1

OTHER RATIOS

	30-Jun-13	30-Jun-12
Employee related cost/Total Expenditure	16.26	11.41
Actual Grants and subsidies paid/Total Expenditure	61.90	74.06
Actual Grants and subsidies paid/Budget	63.39	30.41

5. **CREDIT RATING**

Fitch's international credit rating committee has in March 2012 affirmed the Nkangala District Municipalityœs the Long-term local currency rating at 'BBB+' and National Long-term rating at 'AA-(zaf)'. The Outlook for both ratings is Stable.

At the same time the Committee has decided to upgrade the National Short-term rating to 'F1+(Zaf)' from 'F1(Zaf)'

A new rating will be performed on the annual financial statements of the 2012/13 financial year.

6. **GENERALLY RECOGNISED ACCOUNTING PRACTICES**

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

7. **CONCLUSION**

Good governance, sound financial management and financial viability remain critical success factors for the municipality.

8. **ACKNOWLEDGEMENT**

I would like to extend my appreciation to the Honourable Executive Mayor, Mayoral Committee and Councillors for strategic direction and leadership demonstrated during the financial year.

The guidance and vision of the Acting Municipal Manager and Heads of Departments are acknowledged with gratitude. A special word of appreciation is extended to all my colleagues for their loyalty and support.

Thank you

AL STANDER
MANAGER: FINANCE (CHIEF FINANCIAL OFFICER)

NKANGALA DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Note	2013 R	2012 R
NET ASSETS AND LIABILITIES			
			Restated
Net assets		**689,246,449**	**719,289,427**
Accumulated surplus/(deficit)		689,246,449	719,289,427
Non-current liabilities		**43,633,178**	**47,034,100**
Long-term liabilities	2	34,033,715	39,821,513
Long-term lease liabilities	3	3,535	84,681
Long term employee benefits	4	9,595,928	7,127,905
Current liabilities		**65,499,876**	**64,149,949**
Retentions	5	24,205,988	25,370,163
Current portion of employee benefits	6	1,579,828	1,290,360
Provisions	7	7,512,370	5,330,848
Payables from exchange transactions	8	25,740,482	25,590,656
Unspent conditional grants and receipts	9	-	-
Current portion of long-term liabilities	2	6,380,061	6,167,369
Current portion of long-term lease liabilities	3	81,146	400,554
Total net assets and liabilities		***798,379,503***	***830,473,476***
ASSETS			
Non-current assets		**123,271,824**	**128,968,390**
Property, plant and equipment	11	91,832,838	89,965,789
Intangible assets	12	353,651	147,975
Investments	13	31,085,334	38,854,626
Current assets		**675,107,679**	**701,505,086**
VAT	10	22,273,504	19,021,830
Inventory	14	186,682,047	234,295,896
Other receivables from exchange transactions	15	99,902	139,153
Grants receivable from other spheres of government	16	-	-
Call investment deposits	17	457,510,506	437,065,084
Bank balances and cash	18	8,541,721	10,983,124
Total assets		***798,379,503***	***830,473,476***

NKANGALA DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2013

2013 Budget		Note	2013 R	2012 R
	REVENUE			Restated
	Revenue from exchange transactions		**30,404,041**	**30,935,332**
100,000	Rental of facilities and equipment		129,828	256,152
18,180,000	Interest earned - external investments	19	29,655,700	30,256,521
18,000	Interest earned - outstanding receivables		1,025	20,878
590,000	Other income	21	617,488	401,782
	Revenue from non-exchange transactions		**307,152,348**	**299,217,398**
-	Income for agency services/ donars		6,428	226,864
303,175,000	Government grants and subsidies	20	303,175,000	294,684,832
2,900,000	Other income	21	3,970,920	4,305,702
324,963,000	**Total revenue**		**337,556,388**	**330,152,730**
Budget	**EXPENDITURE**			
70,384,486	Employee related costs	22	59,753,425	38,325,483
12,728,021	Remuneration of councillors	23	10,884,898	10,254,697
50,000	Bad debts		0	17,710
8,726,586	Depreciation/ amortisation		7,950,773	7,100,128
5,996,587	Repairs and maintenance		4,169,471	2,087,666
5,811,546	Interest paid	24	5,253,472	5,973,380
358,935,055	Grants and subsidies paid	25	227,544,496	248,856,578
66,544,123	General expenses	27	52,042,832	23,399,077
529,176,404	**Total expenditure**		**367,599,366**	**336,014,720**
(204,213,404)	SURPLUS/(DEFICIT) FOR THE PERIOD		(30,042,978)	(5,861,990)

Refer to the statement of comparison between budget and actual amounts and annexure E(1) for the comparison with the approved budget

NKANGALA DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 3O JUNE 2013

	Note	Accumulated Surplus/ (Deficit)	Total
			R
2012			
Balance at 1 July 2011		722,426,641	722,426,641
Correction of error	29	2,724,776	2,724,776
Restated balance		725,151,417	725,151,417
Surplus/(deficit) for the year		(5,861,990)	(5,861,990)
Balance at 30 June 2012		719,289,427	719,289,427
2013			-
Restated balance		**719,289,427**	**719,289,427**
Surplus/(deficit) for the period		(30,042,978)	(30,042,978)
Balance at 30 June 2013		**689,246,449**	**689,246,449**

NKANGALA DISTRICT MUNICIAPLITY
CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2013

	Note	2013 R 00-Jan-00	2012 R 00-Jan-00
CASH FLOW FROM OPERATING ACTIVITIES			
			Restated
Cash receipts from ratepayers, government and other		**333,403,283**	**321,932,318**
Government grants received		303,175,000	294,224,000
Other		30,228,283	27,708,318
Cash paid to suppliers and employees		**(331,578,053)**	**(348,074,151)**
Salaries and re-imbursements		(68,870,047)	(48,221,170)
Suppliers		(259,045,926)	(298,547,829)
Other		(3,662,080)	(1,305,152)
Cash generated from/(utilised in) operations	28	**1,825,230**	**(26,141,833)**
Interest received		27,195,969	30,277,398
Interest paid		(5,253,472)	(5,973,380)
NET CASH FROM OPERATING ACTIVITIES		**23,767,727**	**(1,837,816)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10,017,071)	(7,064,237)
Decrease/(Increase) in non-current investments		10,229,023	(3,390,640)
NET CASH FROM INVESTING ACTIVITIES		**211,952**	**(10,454,877)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(5,975,660)	(5,811,374)
NET CASH FROM FINANCING ACTIVITIES		**(5,975,660)**	**(5,811,374)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**18,004,018**	**(18,104,066)**
Cash and cash equivalents at the beginning of the year		**448,048,208**	**466,152,274**
Cash and cash equivalents at the end of the period	30	**466,052,227**	**448,048,208**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		18,004,019	(18,104,066)

NKANGALA DISTRICT MUNICIAPLITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDING 30 JUNE 2013

	2012/13								
Description	Original Budget	Budget Adjustment	Virement	Final Budget	Actual outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual outcome as % of Original Budget
				(1+2+3)			(5-4)	(5/4*100)	(5/1*100)
	1	2	3	4	5	6	7	8	9
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Rental of facilities and equipm	-	100,000	-	100,000	129,828		29,828	129.83	-
Investment Revenue	23,561,680	18,198,000	-	18,198,000	29,656,725	-	11,458,725	162.97	125.87
Transfer recognised	303,175,000	303,175,000	-	303,175,000	303,175,000	-	-	100.00	100.00
Other own revenue	1,467,040	3,490,000	-	3,490,000	4,594,835	-	1,098,408	131.47	312.77
Total Revenue	**328,203,720**	**324,963,000**	**-**	**324,963,000**	**337,556,388**	**-**	**12,586,961**	**103.87**	**102.85**
Employee cost	82,393,365	68,443,853	1,940,633	70,384,486	59,753,425	-	(10,894,149)	84.52	72.20
Remuneration to councilors	14,503,630	12,728,021	-	12,728,021	10,884,898	-	(1,580,034)	87.59	76.86
Debt impairment	134,620	50,000	-	50,000	0	-	(50,000)	0.00	0.00
Depreciation and asset impairment	6,510,940	7,875,300	851,286	8,726,586	7,950,773	-	(775,813)	91.11	122.11
Finance Charges	8,600,718	5,871,000	(59,454)	5,811,546	5,253,472	-	(558,075)	90.40	61.08
Transfer & Grants	449,856,202	358,323,394	611,661	358,935,055	227,544,496	-	(131,390,559)	63.39	50.58
Other expenditure	48,646,385	75,884,836	(3,344,126)	72,540,710	56,212,302	-	(16,328,408)	77.49	115.55
Total Expenditure	**610,645,860**	**529,176,404**	**0**	**529,176,404**	**367,599,366**	**-**	**(161,577,038)**	**69.47**	**60.20**
Surplus / (Defecit)	**(282,442,140)**	**(204,213,404)**	**(0)**	**(204,213,404)**	**(30,042,978)**	**-**	**174,163,999**	**14.71**	**10.64**
Capital Expenditure & Funds sources									
Capital Expenditure									
Transfers									
Public contributions & Donations	-	-	-	-	6,428	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	66,365,015	(29,373,360)	-	36,991,655	10,017,071	-	26,968,156	27.08	15.09
Total sources of capital expenditure	**66,365,015**	**(29,373,360)**	**-**	**36,991,655**	**10,023,499**	**-**	**26,968,156**	**27.10**	**15.10**
Cash flows									
Cash/ cash equivalents at the beginning of the year	466,151,840	466,151,840		466,151,840	448,048,208		(18,103,632)	96.12	96.12
Nett cash flow from operating	(275,796,580)	79,508,476		(196,288,104)	23,767,726	-	220,055,831	(12.11)	(8.62)
Nett cash flow from investing	(66,365,015)	29,373,360		(36,991,655)	211,952	-	37,203,607	(0.57)	(0.32)
Nett cash flow from financing	(5,060,000)	-		(5,060,000)	(5,975,659)	-	(915,659)	118.10	118.10
Nett cash outflow	**(347,221,595)**	**108,881,836**	**-**	**(238,339,759)**	**18,004,020**	**-**	**256,343,779**	**(7.55)**	**(5.19)**
Cash/ cash equivalents at the year end	**118,930,245**	**575,033,676**	**-**	**227,812,081**	**466,052,228**	**-**	**238,240,147**	**204.58**	**391.87**

Explanatory Notes

Revenue

Other own revenue — In the Statement of Financial Performance of 2012/13 AFS, the revenue relating to rental of facilities and equipment and interest on outstanding debtors are separately disclosed, whilst it is combined into Other own revenue on the statement of comparison with budget and actual amounts

Income from agency services/donars	6,428
Other income	4,588,408
	4,594,836

Expenditure

Materials and bulk purchases — In the Statement of Financial Performance of 2012/13 AFS, the expenditure for materials and bulk purchases is included in general expenditure, whilst it is separate on the budget schedule A1

Other expenditure — In the Statement of Financial Performance of 2012/13 AFS, the expenditure for repair and maintenance is indicated separately whilst it forms part of other expenditure on the budget schedule A1

Repairs and maintenance	4,169,471
General expenditure	52,042,832
	56,212,303

NKANGALA DISTRICT MUNICIAPLITY

STATEMENT OF RECONCILIATION OF TABLE A1 BUDGET SUMMARY FOR THE YEAR ENDING 30 JUNE 2013

Description	2012/2013											2011/2012			
R thousands	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
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Financial Performance															
Investment revenue	23,453	(5,273)	18,180	–		18,180	29,656		11,476	163.12	126.45				30,257
Transfers recognised - operational	303,175	–	303,175	–		303,175	303,175		–	100.00	100.00				294,912
Other own revenue	1,576	2,032	3,608	–		3,608	4,719		1,111	130.80	299.40				4,985
Total Revenue (excluding capital transfers and contributions)	**328,204**	**(3,241)**	**324,963**	**–**		**324,963**	**337,550**		**12,587**	**103.87**	**102.85**				**330,153**
Employee costs	82,393	(13,950)	68,444	1,941		70,384	59,753		(10,631)	84.90	72.52				38,325
Remuneration of councillors	14,504	(1,776)	12,728	–		12,728	10,885		(1,843)	85.52	75.05				10,255
Debt impairment	135	(85)	50	–		50	0		(50)	0.00	0.00				18
Depreciation & asset impairment	6,511	1,364	7,875	851		8,727	7,951		(776)	91.11	122.11				7,100
Finance charges	8,601	(2,730)	5,871	(59)		5,812	5,253		(558)	90.40	61.08				5,973
Materials and bulk purchases	1,180	(894)	286	12		298	245		(54)	82.01	20.72				202
Transfers and grants	449,856	(91,533)	358,323	612		358,935	227,544		(131,391)	63.39	50.58				248,857
Other expenditure	47,466	28,132	75,599	(3,356)		72,242	55,968		(16,275)	77.47	117.91				25,284
Total Expenditure	**610,646**	**(81,469)**	**529,176**	**0**	**–**	**529,176**	**367,599**		**(161,577)**	**69.47**	**60.20**				**336,015**
Surplus/(Deficit)	**(282,442)**	**78,229**	**(204,213)**	**(0)**	**–**	**(204,213)**	**(30,049)**		**174,164**	**14.71**	**10.64**				**(5,862)**
Contributions recognised - capital & contributed assets	–	–	–	–		–	6		6	-	-				–
Surplus/(Deficit) after capital transfers & contributions	**(282,442)**	**78,229**	**(204,213)**	**(0)**		**(204,213)**	**(30,043)**		**174,170**	**14.71**	**10.64**				**(5,862)**
Share of surplus/ (deficit) of associate			–			–			–	-	-				
Surplus/(Deficit) for the year	**(282,442)**	**78,229**	**(204,213)**	**(0)**		**(204,213)**	**(30,043)**		**174,170**	**14.71**	**10.64**				**(5,862)**
Capital expenditure & funds sources															
Capital expenditure															
Public contributions & donations	–	–	–	–	–	–	6	–	0	0	0	–	–	–	–
Internally generated funds	66,365	(29,373)	36,992	–	–	36,992	10,017	–	26,968	27.08	15.09	-	–	–	7,064
Total sources of capital funds	**66,365**	**(29,373)**	**36,992**	**–**	**–**	**36,992**	**10,023**	**–**	**26,968**	**27.08**	**15.09**	**–**	**–**	**–**	**7,064**
Cash flows															
Net cash from (used) operating	(275,797)	79,508	(196,288)			(196,288)	23,768		220,056	(12.11)	(8.62)				(1,838)
Net cash from (used) investing	(66,365)	29,373	(36,992)			(36,992)	212		37,204	(0.57)	(0.32)				(10,455)
Net cash from (used) financing	(5,060)	–	(5,060)			(5,060)	(5,976)		(916)	118.10	118.10				(5,811)
Cash/cash equivalents at the year end	**118,930**	**575,034**	**693,964**			**227,812**	**466,052**		**238,240**	**204.58**	**391.87**				**448,048**

Explanatory Notes

Revenue

Other own revenue

In the Statement of Financial Performance of 2012/13 AFS, the revenue relating to rental of facilities and equipment and interest on outstanding debtors are separately disclosed, whilst it is combined into Other own revenue on the budget schedule A1

Rental of facilities and equipment	129,828
Interest earned - outstanding debtors	1,025
Other income	4,588,408
	4,719,261

Expenditure

Materials and bulk purchases

In the Statement of Financial Performance of 2012/13 AFS, the expenditure for materials and bulk purchases is included in general expenditure, whilst it is separate on the budget schedule A1

Other expenditure

In the Statement of Financial Performance of 2012/13 AFS, the expenditure for repair and maintenance is indicated separately whilst it forms part of other expenditure on the budget schedule A1

Repairs and maintenance	4,169,471
General expenditure	52,042,832
Materials and bulk purchases	(244,557)
	55,967,746

Surplus/(Deficit)

Public contributions & donations

In the Statement of Financial Performance of 2012/13 AFS, the income for agency services/donars is indicated separately as part of revenue, whilst it is included in the surplus/defecit section on the budget schedule A1

Income from agency services/donars	6,428

1. ACCOUNTING POLICIES

1.1. *BASIS OF PREPARATION*

The municipality's annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous year.

1.2. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Trade receivables

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

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

Impairment testing

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 7 Provisions.

Useful lives of property, plant and equipment, investment property and intangible assets

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for property, plant and equipment, investment property and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for impairment

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

Defined benefit plan and other long-term employee benefits

The municipality obtains actuarial valuations of its defined benefit plan and other long term employee benefits.
The defined benefit plan and other long-term employee benefits identified are post-retirement health benefit obligations. The estimated liabilities are recorded in accordance with GRAP 25. Additional information is disclosed in notes 4 and 6.

1.3. *PRESENTATION CURRENCY*

These annual financial statements are presented in South African Rand.

1.4. *GOING CONCERN ASSUMPTION*

These annual financial statements have been prepared on a going concern basis.

1.5. *COMPARATIVES INFORMATION*

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.5.1. Prior year comparatives

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

1.6. OFFSETTING

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

1.7. *PROPERTY, PLANT AND EQUIPMENT*

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

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.

An item of property plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

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

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Directly attributable costs include the following:

- Cost of site preparation.
- Initial delivery and handling costs.
- Installation cost.
- Professional fees.
- Estimate cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.

Subsequently, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite life.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. 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 annual depreciation rates are based on the following estimated asset lives:-

DETAILS	YEARS	DETAILS	YEARS
Infrastructure		***Other***	
Electricity		**Office Equipment**	
Supply & Reticulation	20	Computer Hardware	5 -7
Roads		Computer Software	3
Roads	10	Office Machines	3 - 10
Bridges	30	Air Conditioners	5 - 7
Sewerage		**Furniture & Fittings**	
Sewers	20	Chairs	7 - 10
Water		Tables/Desks	7 - 10
Supply & reticulation	20	Cabinets/Cupboards	7 - 10
Reservoirs & tanks	20	Miscellaneous	7 - 10
Pumps	15	**Emergency Equipment**	
		Fire	15
Community Assets		Ambulances	5
Buildings		Fire hoses	5
Clinics	30	Emergency Lights	5
Parks	30	**Plant & Equipment**	
Community Centres	30	General	7
Fire Stations	30	Telecommunication equipment	5
		Radio	7
Recreational Facilities		Graders	10
Fire Breaks	20	Generator	7
		Vehicles	
Other		Fire Engines	20
Buildings	30	Motor Vehicles	7
Paving	30	Bakkies	7
Fencing	20	Trucks	10 - 15
Fire Stations	30	**Bins**	
		Bins	5-10

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

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

The gain or loss from 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. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

1.7.1. Impairment of assets

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

Impairment of cash generating assets

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the statement of financial performance immediately. The recoverable amount of the asset is the higher of the asset's fair value less cost to sell and its value in use.

The fair value represents the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.

The value in use of an asset represents the expected future cash flows, from continuing use and disposal that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, R1.00 or fair value less cost to sell.

An impairment loss is recognised immediately in surplus or deficit.

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

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.

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.

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

Irrespective of whether there is any indication of impairment, the municipality also tests 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 should be tested for impairment before the end of the current reporting period.

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

The replacement cost and reproduction cost of an asset is determined on an ñoptimisedò basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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.

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

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating 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 assetœ 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 is recognised immediately in surplus or deficit.

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 assetœ revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8. <u>INTANGIBLE ASSETS</u>

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

An item of intangible assets which qualifies for recognition as an asset shall initially be measured at cost.

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

The cost of an item of intangible assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequently, intangible assets are stated at cost less accumulated amortisation and any impairment losses.
Amortisation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual amortisation rates are based on the following estimated asset lives:-

Details	**Years**
Computer soft ware	10-15 years

Intangible assets are derecognised when the asset is disposed of or when no further economic benefit or service potential expected from the use of the asset.

The gain or loss from derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in surplus or deficit.

1.9. FINANCIAL INSTRUMENTS

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

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**
Other receivables	Financial asset 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:
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Class	**Category**
Other payables	Financial liability 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 municipality recognises financial assets using trade date accounting.
Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, 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 all other financial assets and financial liabilities 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.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

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

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 rate 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 uncollectability in the case of a financial asset.

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 entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-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, the municipality 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.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and un-collectability of financial assets

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

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

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.

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

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:
    - derecognises the asset; and
    - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is 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 recognized in surplus or deficit in the period of the transfer.
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.

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 entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10. REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

1.10.1. Revenue from exchange transactions

1.10.1.1. Rental of facilities:

Rental of facilities shall be recognised as revenue when:

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

1.10.1.2. Interest:

Revenue arising from the use of assets by others of the municipal assets yielding interest shall be 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 shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

1.10.1.3. Other revenue:

Revenue arising from the selling of tender documents shall be 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

All other revenue is recognised at fair value as an when they occur.

1.10.2. Revenue from non-exchange transaction

1.10.2.1. Government Grants:

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Government grants are recognised as revenue when:

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

1.10.2.2. Other grants and donations received:

Other grants and donations shall be recognised as revenue when:

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

1.10.2.3. Other Revenue:

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

All other revenue is recognised at fair value as an when they occur.

1.11. __PROVISIONS__

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

1.12. __CASH AND CASH EQUIVALENTS__

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

1.13. EMPLOYEE BENEFITS

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

1.13.1. Defined contribution plans:

Obligations for contributions to defined contribution plans are recognised as an expense in the statement of financial performance as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employeesô total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

The municipality contributes towards retirement benefits of its employees and councillors to the under-mentioned pension funds:
- Joint Municipal pension Fund
- Municipal employees Pension Fund

- Municipal Gratuity Fund

Councillors are members of the Municipal Councillor‰s Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

1.13.2. Defined benefit plans:

1.13.2.1. Post employment medical care benefits:

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post ï retirement medical benefits is based on employee remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.
Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.
Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.
Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

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

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

- the amount determined above; and

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

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

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.
The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

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

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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

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

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

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

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

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

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

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

Actuarial assumptions

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

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.
Post-employment benefit obligations are measured on a basis that reflects:

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

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

1.13.3. Long service awards:

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

1.13.4. Accrued leave pay

The liability is based on the total accrued leave days at year end and it is recognised as it accrue for employees, regardless how the obligation will be settled at the future date.

1.14. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance. Borrowing costs that relate to the acquisition/purchase of Property, Plant and Equipment that meet the definition of a qualifying asset, is capitalised to the cost of the item of Property, Plant and Equipment.

1.15. EVENTS AFTER REPORTING DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provide evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note to the financial statements

1.16. LEASES:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risk and rewards of ownership to the lessee.

1.16.1. Finance leases – lessee

Assets held under finance leases are initially recognised as assets of the Municipality at their fair value at the inception of the lease or, if lower, at 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.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to surplus or deficit. Contingent rentals are recognised as expenses in the periods in which they are incurred.

1.16.2. Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

1.17. *INVENTORY:*

The municipality constructs infrastructure projects, which will subsequently be transferred to local municipalities in its area of jurisdiction at no cost when the project is completed. Projects still in progress and not yet completed is disclosed as inventory.

1.18. *VALUE ADDED TAX:*

The Municipality accounts for Value-Added-Tax on the payment basis

1.19. *UNAUTHORISED EXPENDITURE*

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state.

Unauthorised expenditure is accounted for as an expense in the statement of Financial Performance, and where recovered it is subsequently accounted for as revenue in the statement of financial performance.

1.20. *IRREGULAR EXPENDITURE*

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act no. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the public Office Bearers Act, Act No. 20 of 1988), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of the Financial Performance, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21. *FRUITLESS AND WASTEFUL EXPENDITURE*

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

1.22. *CONTINGENCIES*

1.22.1. CONTINGENT ASSETS

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets are not recognised as assets but are disclosed in note to the financial statements.

1.22.2. CONTINGENT LIABILITIES

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

Contingent liabilities are not recognised as liabilities but are disclosed in the notes to the financial statements.

1.23. COMMITMENTS

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date;
- where disclosure is required by a specific standard of GRAP.

1.24. RELATED PARTIES

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

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

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

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

1.25. BUDGET INFORMATION

The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

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

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

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

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

2 LONG-TERM LIABILITIES

	Balance at 2012/06/30 R	Received during the R	Redeemed or written off R	Balance at 2013/06/30 R	Less short term portion R	Long term portion R
Annuity loans	**45,988,883**	-	**5,575,107**	**40,413,776**	**6,380,061**	**34,033,715**
DBSA: 1996@ 6 months JIBAR plus 2%. redeemable at 30/9/2019	23,821,232	-	3,176,027	20,645,205	3,677,331	16,967,874
INCA: 2004 @ 12.28% p.a. redeemable at 30/12/2018	22,167,651	-	2,399,080	19,768,571	2,702,730	17,065,841

Refer to Appendix A for more detail on long-term liabilities.

3 LONG-TERM LEASE LIABILITIES

	Balance at 2012/06/30 R	Received during the R	Redeemed or written off R	Balance at 2013/06/30 R	Less short term portion R	Long term portion R
Lease liabilities	**485,235**	-	**400,554**	**84,681**	**81,146**	**3,535**
Gestetner finance (Gestetner MPC 300AD) redeemable at 31/08/2012	3,284	-	3,284	-	-	-
Gestetner finance (Gestetner MP 1350) redeemable at 31/08/2012	63,565	-	63,565	-	-	-
Gestetner colour digital MPC 3300 AD redeemable at 25/03/2013	39,268	-	39,268	-	-	-
Gestetner colour digital MPC2800AD redeemable at 25/03/2013	33,280	-	33,280	-	-	-
Gestetner digital MFP PRO1357EX redeemable at 25/03/2013	152,014	-	152,014	-	-	-
Gestetner mono digital MP4000CSP redeemable at 25/03/2013	34,955	-	34,955	-	-	-
Ricoh Digital copier/printer PRO1357EX redeemable at 04/0/2014	80,911	-	36,955	43,957	40,422	3,535
Gestetner MPC3501ARDF redeemable at 02/07/2014	77,957	-	37,232	40,725	40,725	0
Total external loans	**46,474,118**	-	**5,975,660**	**40,498,457**	**6,461,207**	**34,037,250**

Reconcilliation of minimum lease payments	**2013**	**2012**
Not later than one year	85,475	400,554
Later than one year but not later than five years	3,561	121,967
Later than five years		
	89,036	522,521
Future finance charges on finance leases	4,355	37,286
Present value of finance lease liabilities	84,681	485,235

The present value of finance lease liabilities may be analysed as follows:		
No later than one year	81,146	400,554
Later than one year but not later than five years	3,535	84,681
	84,681	485,235

Refer to Appendix A for more detail on long-term liabilities.

4 LONG TERM EMPLOYEE BENEFITS

	2013	2012
Post employment medical aid benefit	9,595,928	7,127,905
Total post employment medical aid benefit	**9,595,928**	**7,127,905**
The post employment medical aid benefit are provided for ex retired employees and their legitmate spouses and is paid monthly. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The provision is an estimate of the liability based on historical staff turnover and life expectancy of the relevant people and is discounted by using the inflation rate at the balance sheet date. There was substantial additional staff appointed during the year under review, which is the reason for the huge increase form 2012 to 2013	Actuarial valuation done in 2012/13	Actuarial valuation done in 2011/12

Valuation method

The method used is called the "Projected unit credit method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to the Valuation Date. Assumptions are made in respect of, inter-alia, medical scheme contribution increases, withdrawals, deaths and ill-health, early and normal retirements. These payments are discounted at the valuation rate of discount to determine the present value of the liabilities at the Valuation Date.

	Changes in assumptions	Liability R'000s	Percentage change	Service cost R'000s	Percentage	Interest cost R'000s	Percentage
Central assumption used		**9,815**	0	**1,690**	0	**778**	
Medical inflation	1% decrease	8,071	-18%	1,342	21%	640	-18%
	1% increase	12,109	23%	2,158	28%	960	23%
Withdrawal assumption	50% less	10,305	5%	1,815	7%	817	5%
Post retirment mortality	"-1year	10,100	3%	1,738	3%	801	3%

Key financial assumptions

	2013
Discount rate	7.93%
General inflation (CPI)	5.69%
Salary increase rate	6.69%
Net effective discount rate	1.16%

The movement in the post employment medical aid benefit is reconciled as follows: -

	2013	2012
Balance at beginning of year	7,127,905	6,840,859
Increase in liability due to discounting	-	-
Transfer to current post employment medical aid benefit	(229,857)	(72,125)
Balance at end of year	**9,595,928**	**7,127,905**

5 RETENTIONS

	2013	2012
Opening balance	25,370,163	23,666,699
Receipts during the year	14,728,464	18,524,064
Payments made during the year	(15,892,639)	(16,820,601)
Total retention	**24,205,988**	**25,370,163**

6 CURRENT PORTION EMPLOYEE BENEFITS

	2013	2012
Long service awards		
Balance at beginning of year	1,187,265	1,093,102
Contributions to long service awards liability	172,491	94,163
Balance at end of year	**1,359,756**	**1,187,265**

Valuation method

The liability calculated as the present value of expected future retirement benefit. The projected unit credit method was used to value the liability. For example, a 40-year-old staff member with 15 years of service and an expected retirement age of 60 has a total potential service of 35 years. In this case, assuming that the employee "earns" an equal share for each year of service, the past-service liability assumed to have accrued at the valuation date, for the 20, 25, 30 and 35 year LSB is then 15/20, 15/25, 15/30 and 15/35 of the respective total liabilities. The future service liability is the difference between the total liability and the past-service liability. The future service cost is determined as the amount assumed to accrue to the employee over the 12 months following. In this example, these amounts to 1/20, 1/25, 1/30 and 1/35 of the respective total liabilities.

	Changes in assumptions	Liability R's	Percentage change	Service cost	Percentage	Interest cost R's	Percentage
Central assumption used		**1,359,756**		**277,535**		**111,472**	
Salary inflation	1% decrease	1,252,377	-8%	249,024	-10%	96,056	-8%
	1% increase	1,480,323	9%	310,165	12%	114,132	9%
Retirement age	2 years decrease	1,225,399	-10%	250,082	-10%	93,917	-10%
	2 years increase	1,523,239	12%	303,170	9%	117,535	12%
Withdrawal assumption	50% less	1,812,270	33%	441,635	59%	104,571	34%

Key financial assumptions

	2013
Discount rate	7.93%
General inflation (CPI)	5.69%
Salary increase rate	6.69%
Net effective discount rate	1.16%

	2013	2012
Post employment medical aid benefit		
Balance at beginning of year	103,095	115,576
Transfer from non-current	229,857	-
Contributions to post employee medical aid benefit		72,125
Expenditure incurred	(112,880)	(84,606)
Balance at end of year	**220,072**	**103,095**
Total current portion of employee benefits	**1,579,828**	**1,290,360**

7 PROVISIONS

	2013	2012
Performance bonus	7,512,370	5,330,848
Total provisions	**7,512,370**	**5,330,848**

Performance bonuses are provided for in arrear for 2008/9, 2009/10, 2010/11, 2011/12 and 2012/13 and accured on the basis that conditions had been met. There is no indication that performance bonuses will not be paid. There is no certainty when and which amount in terms of performance bonuses will be paid.

The movement in current provisions are reconciled as follows: -

	2013	2012
Performance bonus		
Balance at beginning of year	5,330,848	3,547,555
Contributions to provision	2,181,523	1,835,046
Expenditure incurred		(51,754)
Balance at end of year	**7,512,370**	**5,330,848**

8 PAYABLES

Trade payables	21,863,642	22,646,513
Fleet card at ABSA Bank	73,711	73,543
Rental deposit	30,578	26,578
Leave accrual	3,772,100	2,843,601
Other payables	450	420
	25,740,482	25,590,656

9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2013	2012

All conditional grants from other spheres of government have been spent 100%
See Note 20 for reconciliation of grants from other spheres of government.

10 VAT

VAT (payable)/ receivable	22,273,504	19,021,830

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

11 PROPERTY, PLANT AND EQUIPMENT

30-Jun-13

	Land and buildings	Infrastructure	Community	Other	Leased assets	Total
Reconciliation of carrying values	R	R	R	R	R	R
Carrying values at 1 July 2012	**58,557,177**	**2,560,093**	**0**	**28,426,783**	**421,736**	**89,965,789**
Land at cost	300,000					300,000
Buildings at cost	67,113,308	3,528,874	143,330	47,064,015	2,663,275	120,512,802
Capital under construction	4,492,706					4,492,706
Transfer in/ (Transfer out) - Cost	-733,444	-194,768	-143,330	1,071,541		0
Cost values after transfer	**71,172,570**	**3,334,106**	**0**	**48,135,556**	**2,663,275**	**125,305,508**
Transfer in/ (Transfer out) - Accumulated	97,792	-240,414	22,910	119,712		-0
Accumulated depreciation before transfer	-12,713,185	-533,599	-22,910	-19,828,485	-2,241,539	-35,339,719
Accumulated depreciation after transfer	**-12,615,393**	**-774,014**	**-**	**-19,708,773**	**-2,241,539**	**-35,339,719**
Carrying values at 1 July 2012 after transfer	**58,557,177**	**2,560,093**	**0**	**28,426,783**	**421,736**	**89,965,789**
Acquistions	-			6,853,862		6,853,862
Transfer in/ (Transfer out) (Reclassification)	-4,404,174	141,766	-	4,262,409		-
Capital under construction	2,962,273					2,962,273
Depreciation	-2,218,648	-296,533	-	-5,071,464	-343,961	-7,930,606
Re-allocation to Intangibles - Computer software	-18,480					-18,480
Disposals - Cost					-2,439,283	-2,439,283
Disposals - Acc Dep					2,439,283	2,439,283
Carrying values at 30 June 2013	**54,878,147**	**2,405,325**	**0**	**34,471,591**	**77,775**	**91,832,838**
Land at cost	300,000	0	0	0	0	300,000
Assets at cost	66,513,180	3,475,872	0	59,251,828	223,992	129,464,872
Capital under construction	2,899,008	0	0	0	0	2,899,008
Accumulated depreciation	-14,834,041	-1,070,547	-	-24,780,237	-146,217	-40,831,042

The District Municipality has non-core assets that have been depreciated to a value of R1.

30-Jun-12

	Land and buildings	Infrastructure	Community	Other	Leased assets	Total
Reconciliation of carrying values	R	R	R	R	R	R
Carrying values at 1 July 2011	**61,295,533**	**3,348,162**	**64,900**	**24,428,197**	**858,144**	**90,500,385**
Land at cost	300,000					300,000
Buildings at cost	58,065,407	3,528,874	9,125,120	40,605,594	2,439,283	113,764,278
Correction of error note 29	-505,450			-154,846		-660,296
Capital under construction	4,846,263					4,846,263
Transfer in/ (Transfer out) - Cost	9,047,901		-9,047,901			-
Cost values after transfer	**71,754,121**	**3,528,874**	**77,219**	**40,450,748**	**2,439,283**	**118,250,245**
Correction of error note 29	8,348			4,315,106		4,323,454
Transfer in/ (Transfer out) - Accumulated depreciation (Reclasification of assets)	-132,844	-	132,844			-
Accumulated depreciation before transfer	-10,334,092	-180,712	-145,163	-20,337,658	-1,581,139	-32,578,764
Accumulated depreciation after transfer and correction of error	**-10,458,588**	**-180,712**	**-12,319**	**-16,022,552**	**-1,581,139**	**-28,255,310**
Carrying values at 1 July 2011 after transfer and correction of error	**61,295,533**	**3,348,162**	**64,900**	**24,428,197**	**858,144**	**89,994,936**
Acquistions			66,111	6,509,855	223,992	6,799,958
Correction of error note 29 - cost				103,412		103,412
Transfer in/ (Transfer out)	219,771					219,771
Depreciation	-2,265,452	-352,887	-10,591	-4,267,541	-660,399	-7,556,870
Correction of error note 29 - depreciation	10,855			461,607		472,462
Correction of error note 29 - Capital under construction cost	-67,878					-67,878
Carrying values at 30 June 2012	**59,192,829**	**2,995,275**	**120,420**	**27,235,529**	**421,737**	**89,965,790**
Land at cost	300,000	0	0	0	0	300,000
Buildings at cost	67,113,308	3,528,874	143,330	47,064,015	2,663,275	120,512,802
Capital under construction	4,492,706	0	0	0	0	4,492,706
Accumulated depreciation	-12,713,185	-533,599	-22,910	-19,828,485	-2,241,538	-35,339,718

The District Municipality has non-core assets that have been depreciated to a value of R1.

12 INTANGIBLES

	2013	2012
Reconciliation of carrying values	R	R
Carrying value at		
Computer software at cost	**147,975**	**154,720**
Re-allocation from PPE - Computer software at cost	243,731	234,756
Cost values after transfer	**243,731**	**234,756**
Correction of error		154,717
Accumulated amortisation	(95,756)	(234,753)
Accumulated amortisation	**(95,756)**	**(80,036)**
Carrying value at beginning of year after transfer	**147,975**	**154,720**
Acquistions	207,364	-
Re-allocation to Intangibles - Computer software (from Capital under construction)	18,480	8,975
Amortisation	(20,168)	(249)
Correction of error - Amortisation	-	(15,470)
Carrying values at the end of the financial year	**353,651**	**147,975**
Computer software at cost	469,575	243,731
Accumulated amortisation	(115,923)	(95,756)

13 INVESTMENTS

	2013 R	2012 R
Balance at the beginning of the financial year	**38,854,626**	**35,463,986**
Invested and / or accrued interest	2,459,731	3,390,640
Withdrawn	10,229,023	
Balance at the end of the financial year	**31,085,334**	**38,854,626**

Financial Instruments

	2013	2012
Long term investments (Promisary note - Investec) - at cost maturing June 2013	-	10,229,023
Long term investments (Promisary note - Investec) - at cost maturing July 2015	31,085,334	28,625,602
	31,085,334	**38,854,626**

	2013	2012	2013	2012
Promisary note - Investec				
Long term investments (Promisary note - Investec) - at cost maturing June 2013	R 0	R 10,229,023		R 11,414,148
Long term investments (Promisary note - Investec) - at cost maturing July 2015	R 31,085,334	R 28,625,602	R 37,218,084	R 37,218,084
Total	**R 31,085,334**	**R 38,854,626**	**R 37,218,084**	**R 48,632,232**

Refer to annexure G for more information

Nkangala District Municipality manages its creidt risk in its borrowing and investing activities by dealing with A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with tha approved cash and investment policy of Council

	2013	2012
Guaranteed value		
The guaranteed value of the investments amounts to at maturity date.	**R 37,218,084**	**R 48,632,232**

14 INVENTORY

	2013	2012
Projects - Work in progress	186,682,047	234,295,896
Total inventory	**186,682,047**	**234,295,896**

14.1 Work in progress

Balance at the beginning of the year	234,295,896	244,582,712
Expenditure during the year	179,930,647	238,569,762
Less completed and transferred to local municipalities as per note 25	227,544,496	248,856,578
Balance at the end of the year	**186,682,047**	**234,295,896**

15 OTHER RECEIVABLES

	Gross Balances	Allowance for debt impairment	Net Balance
As at 30 JUNE 2013	R	R	R
Other	112,414	(12,512)	99,902
Total	**112,414**	**(12,512)**	**99,902**
As at 30 June 2012	R	R	R
Other	156,863	(17,710)	139,153
Total	**156,863**	**(17,710)**	**139,153**

	2013	2012
	R	R
Other : Ageing		
Current (0 – 30 days)	66,931	37,027
31 - 60 Days	6,392	28,098
61 - 90 Days	6,392	32,371
91 - 120 Days	8,378	14,656
+ 120 Days	24,320	44,712
Allowance for debt impairment	(12,512)	(17,710)
Total	**99,902**	**139,153**

	2013	2012
	R	R
Reconciliation of the allowance for debt impairment		
Balance at beginning of the year	17,710	(0)
Contributions to allowance for debt impairment		17,710
Bad debts written off against allowance for debt impairment	(5,198)	
Balance at end of year	**12,512**	**17,710**
Total other receivables	**99,902**	**139,153**

Other receivables pledged as security

None of the other receivables were pledged as security.
None of the financial assets that are fully performing have beeen renegotiated in the last year.

Credit quality of receivables from exchange transactions

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

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 21 162 (2012: R 75 125) were past due but not impaired.

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

	2013	2012
1 month past due	6,392	28,098
2 months past due	6,392	32,371
3 months past due	8,378	14,656

Receivables from exchange transactions impaired

As of 30 June 2013,receivables from exchange transactions of R 12 512 (2012: R 17 710)

The ageing of these receivables is as follows:

	2013	2012
Over 3 months	24,320	44,712

16 GRANTS RECEIVABLE FROM OTHER SPHERES OF GOVERNMENT

None

17 CALL INVESTMENT DEPOSITS

	2013	2012
Balance at the beginning of the financial year	**437,065,084**	**453,327,229**
Invested	337,721,204	206,239,715
Accrued interest	2,360,118	1,678,102
Withdrawn	319,635,900	224,179,962
Balance at the end of the financial year	**457,510,506**	**437,065,084**
ABSA	58,011,065	60,016,448
Nedbank	42,012,877	42,017,808
FNB	69,207,519	76,602,633
Standard Bank	151,380,031	131,430,047
Sanlam	68,452,835	64,992,852
Investec	66,086,060	60,327,195
Accrued interest	2,360,118	1,678,102
Total	**457,510,506**	**437,065,084**
Average rate of return	**5.22%**	**5.80%**
Council's valuation of investments	**457,510,506**	**437,065,084**

The amounts disclosed agree to the statement of the relevant institutions

Nkangala District Municipality manages its creidt risk in its borrowing and investing activities by dealing with A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with tha approved cash and investment policy of Council

See annexure G for more detail on investments

18 BANK AND CASH BALANCES

The Municipality has the following bank accounts: -

Current account (Primary bank account)

Primary - ABSA Bank Limited: Account number 1040161836
Petty cash link to primary - ABSA Bank Limited: Account number 4079336773

	2013	2012
Cash book balance at beginning of year (including Petty cash balance of R5200.00)	10,983,124	12,825,045
Cash book balance at end of year (including petty cash balance of R5200.00)	**8,541,721**	**10,983,124**
Bank statement balance at beginning of year (including petty cash balance of R00.00)	17,514,965	18,855,558
Bank statement balance at end of period (including petty cash balance of R1966.10)	**20,125,171**	**17,514,965**
Council's valuation of bank and cash balances	**20,125,171**	**17,514,965**

19 INTEREST EARNED ON EXTERNAL INVESTMENTS

	2013	2012
Interest on investments	27,886,714	28,228,540
Interest on current account	418,509	753,531
Interest on retention investment	1,350,477	1,274,449
	29,655,700	**30,256,521**

Interest is earned on investments and current account. Money not needed for immediate operational cashflow is invested with various institutions as indicated in note 13 and 17

20 GOVERNMENT GRANTS AND SUBSIDIES

		2013	2012
Equitable share	20.1	19,030,000	19,468,000
RSC Levy replacement grant	20.2	280,681,000	272,506,000
Municipal systems improvement grant	20.3	1,000,000	1,000,000
Transport grant	20.4	-	460,832
Finance management grant	20.5	1,250,000	1,250,000
Expanded public work programme incentive grant	20.6	1,214,000	-
Total government grant and subsidies		**303,175,000**	**294,684,832**

20.1 Equitable share

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

20.2 RSC Levy replacement grant	2013	2012

In terms of the Division of Revenue Act this grant is used to subsidise the replacement of the RSC Levies that were abolished from 1 July 2006

20.3 Municipal systems improvement grant	2013	2012
Balance unspent at beginning of year	-	-
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
Conditions still to be met - transferred to liabilities (see note 6)	-	-

Department: Planning and Development

Purpose of Grant: The municipal systems improvement grant under the vote of the Department of Cooperative Government and Traditional Affairs focuses on stabilising municipal and governance systems, planning and implementation management support centres, reviewing integrated development plans and implementing the Municipal Systems Act (2000).

All conditions of the grant has been met and the grant was never withheld

20.4 Transport grant		
Balance unspent at beginning of year	-	460,832
Conditions met - transferred to revenue	-	(460,832)
Conditions still to be met - transferred to liabilities (see note 9)	-	-

Department: Planning and Development

Purpose of Grant: This grant is to counter fund the integrated transport plan for the District.

All conditions of the grant has been met and the grant was never withheld

20.5 Finance management grant		
Balance unspent at beginning of year	-	-
Current year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
Conditions still to be met - transferred to liabilities (see note 9)	-	-

Department: Finance

Purpose of Grant: To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA)

All conditions of the grant has been met and the grant was never withheld

20.6 Expanded public works programme intensive grant	2013	2012
Balance unspent at beginning of year	-	-
Current year receipts	1,214,000	-
Conditions met - transferred to revenue	(1,214,000)	-
Conditions met still to be refunded to the municipality- transferred to current assets (see note 16)	-	-

Department: Planning & Development

Purpose of Grant: The Grant is intended to:
- Assist in EPWP

All conditions of the grant has been met and the municipality still needs to be refunded.

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

20.7 Development bank of South Africa grant		
Balance unspent at beginning of year	-	226,864
Conditions met - transferred to revenue	-	(226,864)
Conditions still to be met - transferred to liabilities (see note 9)	-	-

Department: Social Services

Purpose of Grant: This grant was to draw up and Integrated Municipal Environmental Plan (IMEP).

All conditions of the grant has been met and the grant was never withheld

21 OTHER REVENUE

Revenue from non-exchange transactions		
Sundry income	1,162,920	1,681,527
Discount received	1,427,149	2,425,390
Refund from local government SETA	1,380,851	198,786
Total revenue from non-exchange transactions	**3,970,920**	**4,305,702**
Revenue from exchange transactions		
Application for tender documents	617,488	401,782
Revenue from exchange transactions	**617,488**	**401,782**
Total other income	**4,588,408**	**4,707,485**

22 EMPLOYEE RELATED COSTS

	2013	2012
Employee related costs - Salaries and wages	36,335,802	25,278,750
Employee related costs - Contributions for UIF, pensions and medical aids	10,304,774	5,180,719
Contibution to post- retirement benefit	2,697,880	359,171
Travel, motor car, other allowances	3,469,194	2,206,136
Housing benefits and allowances	81,482	70,445
Overtime payments	2,008,393	1,766,299
Contribution to provision for performance bonus	2,181,523	1,835,046
Long-service awards/ Leave encashment	2,674,378	1,628,916
Total employee related costs	**59,753,425**	**38,325,483**

The was a significant increase in staff appointments from 2012 to 2013 financial year
There were no advances to employees.

Remuneration of the Municipal Manager: TC Makola (1 July 2012 to 30 January 2013)

Annual remuneration	1,095,241	1,331,262
Car allowance	128,333	220,000
Contributions to UIF, medical and pension funds	56,764	90,019
Total	**1,280,339**	**1,641,281**

Remuneration of the Chief Finance Officer: AL Stander (1 July 2012 - 30 June 2013)

Annual remuneration	665,554	801,073
Car allowance	120,000	100,000
Contributions to UIF, medical and pension funds	162,845	142,919
Total	**948,399**	**1,043,992**

Remuneration of individual executive directors

	Manager Technical Services **AG Zimbwa** 1 July 2012 to 30 June 2013	Manager Corporate Services **Z Micneka** 1 July 2012 to 30 June 2013	Manager Social Services **EM Tshabalala** 1 July 2012 to 30 June 2013
	R	R	R
30-Jun-13			
Annual remuneration	879,563	841,819	647,423
Acting allowance	629,542		
Car allowance	108,000	108,000	180,000
Contributions to UIF, medical and pension funds	17,739	11,014	88,608
Total	**1,634,845**	**960,833**	**916,031**
30-Jun-12			
Annual remuneration	948,325	827,225	670,448
Acting allowance	189,830		
Car allowance	108,000	108,000	180,000
Contributions to UIF, medical and pension funds	13,792	10,629	86,820
Total	**1,259,947**	**945,854**	**937,268**

23 REMUNERATION OF COUNCILLORS

	2013	2012
Executive Mayor	719,091	678,846
Chief Whip	566,249	514,777
Speaker	615,631	553,460
Executive Committee Members	3,555,857	3,164,611
Councillors	4,194,192	4,170,044
Councillors' pension contribution	1,033,895	959,154
Councillors' medical contribution and other contributions	199,983	213,805
Total councillors' remuneration	**10,884,898**	**10,254,697**

In-kind benefits

The Executive Mayor, Council Whip, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

24 INTEREST PAID

	2013	2012
Long-term liabilities	5,224,007	5,853,646
Finance leases	29,465	119,734
Total interest on external borrowings	**5,253,472**	**5,973,380**

25 GRANTS AND SUBSIDIES PAID

The District Municipality funds infrastucture projects to local municipalities within it's jurisdiction, which

	2013	2012
Grants paid to local municipalities out of own revenue		
General (Cross boundry projects that can not be allocated to a specific local municipality)	30,490,184	20,134,486
DelmasVictor Khanye	13,432,534	37,771,235
Dr JS Moroka	16,417,166	46,229,604
Emalahleni	45,769,636	61,597,537
Steve Tshwete	24,897,222	30,749,556
Emakhazeni	36,839,507	17,926,104
Thembisile Hani	59,698,246	33,760,360
Total grants and subsidies out of own revenue	**227,544,496**	**248,168,882**
Grant paid to local municipalities out of implementing agents funds		
General	-	460,832
Thembisile	-	226,864
Total grants and subsidies out of implementing agent funds	-	**687,696**
	227,544,496	**248,856,578**

The cost disclosed as general is cost of projects done by the municipality on project management and related issues but which are not allocated to a specific local municipality.

26 COMMITMENTS

	2013	2012
23.1 Contracted and approved projects to be completed		
Regional	54,385,238	40,823,691
General (Cross boundry projects that can not be allocated to a specific local municipality)	2,627,300	40,662,988
Victor Khanye	16,539,065	4,009,397
Dr J S Moroka	30,693,372	13,920,254
Emalahleni	70,554,713	71,866,744
Steve Tshwete	26,853,411	31,482,995
Emakhazeni	17,192,506	25,519,082
Thembisile Hani	39,208,619	47,652,145
Other	37,724,588	
	295,778,812	**275,937,296**

The District Municipality entered into contracts with services providers to constructs projects, which will subsequently be transferred to local municipalities on construction completion.

27 GENERAL EXPENSES

	2013	2012
Advertisements	372,367	417,546
Audit fees	1,834,977	1,756,712
Bank charges	91,959	62,145
Books and magazines	40,305	47,534
Cleaning & gardening	498,750	3,768
Consultant fees	939,839	1,043,837
Deputation costs-congresses	114,769	36,427
Entertainment costs	1,697,921	1,028,867
Expenditure iro Thembisile roads function	30,559,883	10,007,937
Fuel	646,644	177,682
Sundry expenses	5,752,708	4,019,446
Insurance	229,717	210,267
Legal fees	1,677,866	433,876
Less debited elsewhere	(22,055,525)	(18,909,211)
Materials and supplies	244,557	202,470
Membership fees	1,730,344	217,950
Municipal account	1,513,130	1,847,124
Office accomodation / rental	7,960,873	7,887,499
Planning	3,622,467	5,185,334
Printing and stationery	1,652,087	1,014,252
Publicity	424,932	1,060,295
Security fees	569,999	514,664
Telecommunication	1,677,419	1,736,402
Tourism	2,593,310	7,536
Township establishment	1,171,555	137,824
Training	2,198,812	1,120,306
Travel and accomodation	4,281,166	2,130,589
	52,042,832	**23,399,077**

28 CASH GENERATED BY OPERATIONS

	2013	2012
Surplus/(deficit) for the year	(30,042,978)	(5,861,990)
Adjustment for:-		
Depreciation	7,950,773	7,100,128
Contribution to provisions/employee benefits - non-current	2,468,023	381,209
Contribution to provisions/employee benefits – current	2,470,991	1,770,811
Donated asset to municipality	(6,428)	-
Interest paid	5,253,472	5,973,380
Investment income	(29,655,700)	(30,277,398)
Operating surplus before working capital changes:	**(41,561,847)**	**(20,913,859)**
(Increase) /Decrease in inventories	47,613,848	10,286,816
(Increase)/decrease in receivables	39,252	190,692
Increase / (Decrease) in payables	(1,014,349)	(10,077,950)
(Increase) / Decrease in VAT	(3,251,674)	(5,627,532)
Cash generated by/(utilised in) operations	**1,825,230**	**(26,141,833)**

29 CORRECTION OF ERROR

Prior period errors

During the year under review, certain books were identified as being expensed at date of acquisition instead of being capitalised and depreciated over their useful lives.

Certain assets acquired during June 2012 were only capitalised in the 2013 financial year.

Computer software items qualifying for recognition as intangible assets were incorrectly capitalised as part of PPE (Other assets) and depreciated as such over a shorter useful life of 3 years.

Partially incorrect application of GRAP statement on PPE led to the assignment of non entity specific useful lives and residual values to certain significant assets which resulted in them being depreciated down to R1 although they were still in use.

Assets classified to incorrect asset groups which lead to inappropriate useful lives being assigned to them.

Capital expenditure relating to the Kwamhlanga Fire Station was originally capitalised in 2011 and then captured again in error during 2012 as part of Work-in-progress ("WIP") - Inventory

Payment for the Strategic Disaster Plan capitalised in error in 2011 to Capital under construction.

Payment for the catering capitalised in error in 2010 to Capital under construction.

Project cost for Disaster Management (Capital under construction) incorrectly decreased with telecommunication costs.

Project cost for Disaster Management (Capital under construction): SLA costs previously capitalised.

Project cost for Disaster Management (Capital under construction): GSM airtime costs previously capitalised.

The correction of these errors had the following impact:

Statement of Financial Position

PPE

Other assets	
Cost - opening balance previously reported	40,605,594
Correction of error	**(154,846)**
Capitalisation of books acquired prior to 2012 (previously expensed)	79,910
Re-classification of certain items of computer software (acquired prior to 2012) to Intangible assets	(234,756)
Cost - amended opening balance	**40,450,748**
Cost - closing balance previously reported	47,115,449
Correction of error	**(51,434)**
Capitalisation of books acquired prior to 2012 (previously expensed)	79,910
Capitalisation of books acquired during 2012 (previously expensed)	15,757
Equipment and furniture capitalised in 2013 instead of 2012	96,630
Re-classification of certain items of computer software (acquired prior to 2012) to Intangible assets	(234,756)
Re-classification of certain items of computer software (acquired during 2012) to Intangible assets	(8,975)
Cost - amended closing balance	**47,064,015**

Other assets	
Accumulated Depreciation - opening balance previously reported	(20,337,658)
Correction of error	**4,315,106**
Accumulated Depreciation in respect of:	
Capitalisation of books acquired prior to 2012 (previously expensed)	(15,472)
Partially incorrect application of GRAP statement on PPE in respect of useful lives	4,077,138
Assets classified to incorrect asset groups	18,687
Re-classification of certain items of computer software (acquired prior to 2012) to Intangible assets - Accumulated	234,753
Accumulated Depreciation - amended opening balance	**(16,022,552)**
Accumulated Depreciation - closing balance previously reported	(24,605,196)
Correction of error	**4,776,714**
Accumulated Depreciation in respect of:	
Capitalisation of books acquired prior to 2012 (previously expensed)	(15,472)
Capitalisation of books acquired during 2012 (previously expensed)	(8,806)
Partially incorrect application of GRAP statement on PPE in respect of useful lives	4,507,010
Assets classified to incorrect asset groups	60,046
Equipment and furniture capitalised in 2013 instead of 2012	(1,067)
Re-classification of certain items of computer software (acquired prior to 2012) to Intangible assets - Accumulated	235,002
Accumulated Depreciation - amended closing balance	**(19,828,482)**
Land and Buildings	
Accumulated Depreciation - opening balance previously reported	(10,334,092)
Correction of error	**8,348**
Accumulated Depreciation in respect of:	
Partially incorrect application of GRAP statement on PPE in respect of useful lives	8,348
Accumulated Depreciation - amended opening balance	**(10,325,744)**
Accumulated Depreciation - closing balance previously reported	(12,732,390)
Correction of error	**19,203**
Accumulated Depreciation in respect of:	
Partially incorrect application of GRAP statement on PPE in respect of useful lives	19,203
Accumulated Depreciation - amended closing balance	**(12,713,187)**
Intangibles	
Computer software	
Cost - opening balance previously reported	-
Correction of error	**234,756**
Re-classification of certain items of computer software (acquired prior to 2012) to Intangible assets - Accumulated	234,756
Cost - amended opening balance	**234,756**
Computer software	
Accumulated Depreciation - opening balance previously reported	-
Correction of error	**(80,036)**
Accumulated Depreciation in respect of:	
Re-classification of certain items of computer software (acquired prior to 2012) to Intangible assets - Accumulated	(234,753)
Re-classification of certain items of computer software (acquired prior to 2012) to Intangible assets - Accumulated	154,717
Accumulated Depreciation - amended opening balance	**(80,036)**

Accumulated Depreciation - closing balance previously reported	-
Correction of error	**(95,756)**
Accumulated Depreciation in respect of:	
Re-classification of certain items of computer software (acquired prior to 2012) to Intangible assets - Accumulated Depreciation	(235,002)
Re-classification of certain items of computer software (acquired prior to 2012) to Intangible assets - Accumulated	139,247
Accumulated Depreciation - amended closing balance	(95,756)

Capital under construction	
Capital under construction opening balance as previously reported	**4,846,263**
Correction of error	**(505,450)**
Payment for the Strategic Disaster Plan capitalised in error in 2011	(446,000)
Payment for the catering capitalised in error in 2010	(59,450)
Amended Capital under construction opening balance	**4,340,813**
Capital under construction closing balance as previously reported	**5,066,034**
Correction of error	**(573,328)**
Payment for the Strategic Disaster Plan capitalised in error in 2011	(446,000)
Payment for the catering capitalised in error in 2010	(59,450)
Amendment to General expenses "Telecommunications" (Project cost for Disaster Management incorrectly decreased with telecommunication costs)	48202
Amendment to General expenses "Other" (Training costs previously capitalised)	(64,000)
Amendment to General expenses "Other" (SLA costs previously capitalised)	(44,640)
Amendment to General expenses "Other" (GSM airtime costs previously capitalised)	(7,440)
Amendment to General expenses "Other" (GSM airtime costs previously capitalised)	**4,492,706**

Inventory

Inventory (Projects WIP) as previously reported	238,473,604
Amendment to General expenses "Other" (Kwamhlanga Fire Station capital expenditure captured in error during 2012 as part of WIP)	(4,177,708)
Amended Inventory (Projects WIP)	234,295,896

Long service award liability

Liability for long service award as previously reported	-
Amendment to Opening Accumulated Surplus (Liability for long service awards previously not recognised: 2011 and prior years)	1,093,102
Amendment to Employee related costs "Long service awards" (Liability for long service awards previously not recognised: 2012 cost)	94,163
Liability for long service award as previously reported	**1,187,265**

Accumulated Surplus/(Deficit)

Accumulated Surplus as previously reported	720,335,271
Amendment to depreciation charge (refer Statement of Changes in Net Assets section of note)	4,243,418
Amendment to depreciation charge (refer Statement of Financial Performance section of note)	472,213
Amendment to amortisation charge (refer Statement of Financial Performance section of note)	(15,470)
Amendment to General expenses "Other" (books previously expensed 2012)	15,757
Amendment to General expenses "Other" (2012 assets recognised in 2013)	96,630
Amendment to opening Accumulated Surplus (books previously expensed in 2011 and earlier)	79,910
Amendment to General expenses "Other" (Kwamhlanga Fire Station capital expenditure captured in error during 2012 as part of WIP)	(4,177,708)
Amendment to Opening Accumulated Surplus (Provision for Long service awards previously not recognised: 2011 and prior years)	(1,093,102)
Amendment to Employee related costs "Long service awards" (Provision for Long service awards previously not recognised: 2012 cost)	(94,163)
Payment for the Strategic Disaster Plan capitalised in error in 2011	(446,000)
Payment for the catering capitalised in error in 2010	(59,450)
Amendment to General expenses "Telecommunications" (Project cost for Disaster Management incorrectly decreased with telecommunication costs)	48,202
Amendment to General expenses "Other" (Training costs previously capitalised)	(64,000)
Amendment to General expenses "Other" (SLA costs previously capitalised)	(44,640)
Amendment to General expenses "Other" (GSM airtime costs previously capitalised)	(7,440)
Amended Accumulated Surplus	**719,289,427**

Statement of Financial Performance

Depreciation

Land and buildings

Depreciation previously	(2,265,452)
Amendment to depreciation charge in respect of:	
Partially incorrect application of GRAP statement on PPE in respect of useful lives	10,855
Amended Depreciation charge	**(2,254,597)**

Other assets

Depreciation previously reported	(4,267,541)
Amendment to depreciation charge in respect of:	
Re-classification of certain items of computer software to Intangible assets	249
Capitalisation of books (previously expensed)	(8,806)
Equipment and furniture capitalised in 2013 instead of 2012	(1,067)
Assets classified to incorrect asset groups	41,359
Partially incorrect application of GRAP statement on PPE in respect of useful lives	429,872
Amended Depreciation charge	**(3,805,934)**

Total depreciation charge previously reported (including items of PPE not impacted)	(7,556,871)
Amendment to depreciation charge in respect of:	
Re-classification of certain items of computer software to Intangible assets	249
Capitalisation of books (previously expensed)	(8,806)
Equipment and furniture capitalised in 2013 instead of 2012	(1,067)
Assets classified to incorrect asset groups	41,359
Partially incorrect application of GRAP statement on PPE in respect of useful lives	440,726
Amended depreciation charge	**(7,084,409)**

Amortisation

Amortisation previously reported	-
Amendment to amortisation charge in respect of:	
Re-classification of certain items of computer software to Intangible assets	(249.28)
Re-classification of certain items of computer software to Intangible assets Depreciation adjustment due to incorrect useful lives assigned originally when items were included in PPE (Other assets)	(15,469.97)
Amended amortisation charge	**(15,719.25)**

Employee related costs

Long service awards/ Leave encashment as previously reported	1,534,753
Amendment to Employee related costs "Long service awards" (Provision for Long service awards previously not recognised: 2012 cost)	94,163
Amended Long service awards/ Leave encashment	**1,628,916**

General expenses

General expenses as previously reported	19,265,877.63
Amendment to General expenses "Telecommunications" (Project cost for Disaster Management incorrectly decreased	(48,202)
Amendment to General expenses "Other" (Training costs previously capitalised)	64,000
Amendment to General expenses "Other" (SLA costs previously capitalised)	44,640
Amendment to General expenses "Other" (GSM airtime costs previously capitalised)	7,440
Amendment to General expenses "Other" (Kwamhlanga Fire Station capital expenditure captured in error during 2012 as	4,177,708
Amendment to General expenses "Other" (books previously expensed 2012)	(15,757)
Amendment to General expenses "Other" (2012 assets recognised in 2013)	(96,630)
Amended General expenses as previously reported	23,399,076.63
General expenditure is broken down further for better disclosure	

Statement of Changes in Net assets

Accumulated surplus at the beginning of the year as previously reported	722,426,641
Amendment to opening Accumulated Surplus (Depreciation adjustments 2011 and earlier)	4,243,418
Amendment to opening Accumulated Surplus (books previously expensed in 2011 and earlier)	79,910
Amendment to Opening Accumulated Surplus (Provision for Long service awards previously not recognised: 2011 and prior years)	(1,093,102)
Payment for the catering capitalised in error in 2010	(446,000)
Amendment to Accumulated surplus at the beginning of the year	(59,450)
Amendment to Accumulated surplus at the beginning of the year	725,151,417

Deficit for the year as previously reported	(2,091,370)
Amendment to depreciation charge (refer above)	472,213
Amendment to amortisation charge (refer above)	(15,470)
Amendment to General expenses "Other" (books previously expensed)	15,757
Amendment to General expenses "Other" (2012 assets recognised in 2013)	96,630
Amendment to General expenses "Other" (Kwamhlanga Fire Station capital expenditure captured in error during 2012 as part of WIP)	(4,177,708)
Amendment to Employee related costs "Long service awards" (Provision for Long service awards previously not recognised: 2012 cost)	(94,163)
Amendment to General expenses "Telecommunications" (Project cost for Disaster Management incorrectly decreased with telecommunication costs)	48,202
Amendment to General expenses "Other" (Training costs previously capitalised)	(64,000)
Amendment to General expenses "Other" (SLA costs previously capitalised)	(44,640)
Amendment to General expenses "Other" (GSM airtime costs previously capitalised)	(7,440)
Amended Deficit for the year	**(5,861,990)**

Cash Flow Statement

Cash Flows from Operating Activities

Cash generated by operations as previously reported	(26,186,342)
Amendment to Deficit for the year arising from restated depreciation and amortisation charges	456,992
Amendment to "Adjustment for:Depreciation and amortisation" arising from restated depreciation and amortisation	(456,992)
Amendment to Deficit for the year arising from Long service awards not previously recognised	(94,164)
Amendment to "Adjustment for:Contribution to provisions non current" arising from Long service awards not previously recognised	94,164
Amendment to General expenses "Other" (books previously expensed)	15,757
Amendment to General expenses "Other" (2012 assets recognised in 2013)	96,630
Amendment to Deficit for the year arising from restated General expenses "Other" (Kwamhlanga Fire Station capital expenditure captured in error during 2012 as part of WIP)	(4,177,708)
Amendment to Decrease in Inventory arising (Working capital change) from restated General expenses "Other" (Kwamhlanga Fire Station capital expenditure captured in error during 2012 as part of WIP)	4,177,708
Amendment to General expenses "Telecommunications" (Project cost for Disaster Management incorrectly decreased with telecommunication costs)	48,202
Amendment to General expenses "Other" (Training costs previously capitalised)	(64,000)
Amendment to General expenses "Other" (SLA costs previously capitalised)	(44,640)
Amendment to General expenses "Other" (GSM airtime costs previously capitalised)	(7,440)
Amended Cash generated by operations	**(26,141,833)**

Cash paid to suppliers and employees (Suppliers) as previously reported	(298,592,338)
Amendment to General expenses "Other" (books previously expensed)	15,757
Amendment to General expenses "Other" (2012 assets recognised in 2013)	96,630
Amendment to General expenses "Telecommunications" (Project cost for Disaster Management incorrectly decreased with telecommunication costs)	48,202
Amendment to General expenses "Other" (Training costs previously capitalised)	(64,000)
Amendment to General expenses "Other" (SLA costs previously capitalised)	(44,640)
Amendment to General expenses "Other" (GSM airtime costs previously capitalised)	(7,440)
Amended Cash paid to suppliers and employees (Suppliers)	**(298,547,829)**

Cash Flows from Investing Activities

Purchase of property, plant and equipment as previously reported	(7,019,729)
Amendment to PPE (Other) in respect of books previously expensed)	(15,757)
Amendment to General expenses "Other" (2012 assets recognised in 2013)	(96,630)
Amendment to Capital under construction "Telecommunications" (Project cost for Disaster Management incorrectly decreased with telecommunication costs)	(48,202)
Amendment to Capital under construction (Training costs previously capitalised)	64,000
Amendment to Capital under construction (SLA costs previously capitalised)	44,640
Amendment to Capital under construction (GSM airtime costs previously capitalised)	7,440
Amended Purchase of property, plant and equipment	**(7,064,238)**

30 CASH AND CASH EQUIVALENTS

	2013	2012
Cash and cash equivalents included in the cash flow statement comprise the following statement of		
Bank overdrafts	-	-
Call investment deposits	457,510,506	437,065,084
Total cash and cash equivalents	**466,052,227**	**448,048,208**

31 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2013	2012
Long-term liabilities (see Note 2)	40,413,776	45,988,883
Used to finance property, plant and equipment – at cost	40,413,776	45,988,883
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	8,060,000	6,600,000
Cash invested for repayment of long-term liabilities (see note 17)	**8,060,000**	**6,600,000**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

32 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

32.1 Unauthorised expenditure	2013	2012
Unauthorised expenditure awaiting authorization	-	-

Incident	**Disciplinary steps/criminal proceedings**
No incident	*No disciplinary hearing held*

32.2 Fruitless and wasteful expenditure

	2013	2012
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	67,590	-
Fruitless and wasteful expenditure awaiting condonement	67,590	-

Incident	**Disciplinary steps/criminal proceedings**
On 19 September 2012 a service provider called The Energy Room was paid R47,880 for the Executive Mayor to appear on SABC 3 Morning live show. The R47,880 include the cost for plane tickets and accommodation. When the manager in the Mayor office wanted to collect the plane tickets the service provider was nowhere to be found. the case was reported to the South African Police and the case umber is 560/9/2012.	*The case was reported to the South African Police and the case number is 560/9/2012.*
In January 2013 payments to third parties for salary deductions were paid one day late due to a system error and interest was charged of R1,353.74	*The matter is under investigation*
In April 2013 the payment to the Development Bank of South Africa was paid late and an amount of R18,356.62 was charged as additional interest.	*The matter is under investigation*

32.3 Irregular expenditure	2013	2012
Reconciliation of irregular expenditure		
Opening balance	12,800,904	12,673,904
Irregular expenditure current year	-	127,000
Correction	(105,000)	
Condoned or written off by Council	(12,673,904)	-
Irregular expenditure awaiting condonement	22,000	12,800,904

Incident	Disciplinary steps/criminal proceedings
No incident	*No disciplinary hearing held*

33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

33.1 Contributions to organized local government

	2013	2012
Opening balance	-	-
Council subscriptions	1,651,613	208,129
Amount paid - current year	(1,651,613)	(208,129)
Balance unpaid (included in creditors)	-	-

33.2 Audit fees

	2013	2012
Opening balance	-	-
Current year audit fee	1,834,977	1,756,712
Amount paid - current year	(1,834,977)	(1,756,712)
Balance unpaid (included in creditors)	-	-

33.3 VAT

2013 2012

VAT inputs receivables and VAT outputs receivables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.

33.4 PAYE and UIF

	2013	2012
Opening balance	-	-
Current year payroll deductions	11,277,254	8,160,655
Amount paid - current year	(11,277,254)	(8,160,655)
Balance unpaid (included in creditors)	-	-

33.5 Pension and medical aid deductions

	2013	2012
Opening balance	-	-
Current year payroll deductions and Council Contributions	13,187,113	9,372,642
Amount paid - current year	(13,187,113)	(9,372,642)
Balance unpaid (included in creditors)	-	-

33.6 Compliance with chapter 11 of the Municipal Finance Management Act

Council's Supply Chain Policy was adopted in October 2005 (DM208/09/2005) with effective date 1 January 2006. The Supply Chain Unit was establish December 2006. The policy was reviewed and adopted by Council on the 29 May 2013. Minor diviations from the supply chain regulations occurred during the reporting period and a list thereof is attached as annexure H.

34 CONTINGENT LIABILITY	R 2013	R 2012
34.1 Litigation against the municipality		
Except for the guarantees held in lieu of retention disclosed in note 5, the only other contingent liabilities	**4,524,298**	**4,954,298**
North West Development Corperation	75,248	75,248
Thecon Projects CC	900,000	900,000
Turfmaster	207,067	207,067
Bakone Power CC	734,240	734,240
Dora Zodwa Masombuka	-	500,000
SSI Engineering & Environment Consultants PTY Ltd	37,744	37,744
TC Makola	2,000,000	2,000,000
Plan & Associates	570,000	500,000
34.2 Possible renovations on the building		
The municipal building shows hairline structural cracks due to mine blasting activities in the area. An investigation indicates that an amount of R5,784,557 will be needed for the remedial work to the building.	5,784,557	-
	10,308,855	**4,954,298**

35 CONTINGENT ASSETS

Except for guaranteed value disclosed in note 13 Council don't have any contingent assets

36 RELATED PARTIES

Other than the related parties indicated in note 22 and 23 the municipality do not have any other related parties. No transactions occurred with related parties that were not at arm's length or not in the ordinary course of business.

37 EVENTS AFTER THE REPORTING DATE

The municipality doesn't have any events to report after the reporting date

38 FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2013

Financial assets

	At fair value	At amortised cost	Total
Long term investments		31,085,334	31,085,334
Other receivables from exchange transactions	-	99,902	99,902
Call investment deposits	-	457,510,506	457,510,506
Bank balances and cash	-	8,541,721	8,541,721
	-	497,237,463	497,237,463

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	25,740,481	25,740,481
Long term liabilities	40,413,776	40,413,776
Finance lease liabilities	84,681	84,681
	66,238,938	66,238,938

2012

Financial assets

	At fair value	At amortised cost	Total
Long term investments		38,854,626	38,854,626
Other receivables from exchange transactions	-	139,153	139,153
Call investment deposits	-	437,065,084	437,065,084
Bank balances and cash	-	10,983,124	10,983,124
	-	487,041,987	487,041,987

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	25,590,656	25,590,656
Long term liabilities	45,988,882	45,988,882
Finance lease liabilities	485,235	485,235
	72,064,773	72,064,773

39 RISK MANAGEMENT

The municipality's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk including cash flow interest rate risk and price risk.

The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set up limits and controls to monitor riks and adherence to limits. The risk management policy is reviewed annually and a risk assessment if performed annually and monitored regularly to reflect changes in the municipality's activities and risk profile.

Liquidity risk

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2013

	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
Payables from exchange transactions	25,740,481	-	-	-
Long term liabilities	5,787,798	6,129,882	208,979,378	7,005,895
Finance lease liabilities	81,146	3,535	-	-
	31,609,425	**6,133,417**	**208,979,378**	**7,005,895**

At 30 June 2012

	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
Payables from exchange transactions	25,590,656	-	-	-
Long term liabilities	5,484,147	5,787,798	19,589,881	14,443,834
Finance lease liabilities	400,554	84,681	-	-
	31,475,357	**5,872,479**	**19,589,881**	**14,443,834**

Credit risk

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

Receivables comprise mostly of government departments, who rents offices form the municipality, as a customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Council

Nkangala District Municipality manages its creidt risk in its borrowing and investing activities by dealing with A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with tha approved cash and investment policy of Council

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

Financial instrument	2013	2012
Receivables from exchange transactions	99,902	139,153
Call investment deposits	457,510,506	457,510,506
Bank balances and cash	8,541,721	8,541,721
Long term investments	31,085,334	38,854,626
	497,237,463	**505,046,006**

Market risk

Interest rate risk

Nkangala District Municipality is exposed to interest rate risk on one of it long term borrowing, namely the Development Bank of South Africa loan conditions set on 6 months JIBAR +2%. There is no risk on the long term borrowing with INCA as it is at a fixed rate.

Nkangala District Municipality has a long term investment in the form of a promisory note with Investec, which poses not interest rate rsik as the value is garanteed at the end of the maturity of the investment.

Nkangala District invests its surplus funds not immediately required for operating activities in short term deposits with the A+ financial institutions in terms of the approved cash and investment policy at the best interest rate at the day of the investment.

Refer to note 2, 3, 13 and 18

40 GOING CONCERN

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concerrn. The basis presumes that funds will be available to finance furture operations ant that the realisation of assets and settlement of liabilites, contigent obligations and commitments will occur in the ordinary course of business.

41 COMPARISON WITH THE BUDGET

The budget is compiled on an accrual basis for the same period as the annual financial year - 1 July 2012 to 30 June 2013

The comparison of the municipality's actual financial performance with that budgeted is set out in the statement for comparison of budget and actual amount, annexures E(1), E(2) and I (1) to I (5)

42 New standards and interpretations

42.1 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:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when a municipality receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As a 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 will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

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

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

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

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

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

A comparable basis means that the budget and financial statements:

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

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

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements, but will result in more disclosure than would have previously been provided in the financial statements.

GRAP 21: Impairment of Non-cash-generating Assets

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

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

A 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, a municipality estimates the recoverable service amount of the asset.

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

- depreciated replacement cost approach;
- restoration cost approach; or
- service units approach.

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

A municipality assesses 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, a municipality estimates the recoverable service amount of that asset.

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

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

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

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

GRAP 26: Impairment of Cash-generating Assets

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

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

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

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

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

A municipality assesses 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, a municipality estimates the recoverable amount of that asset.

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

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

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

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

GRAP 103: Heritage Assets

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

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

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

The Standard of GRAP requires judgment in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

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

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

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

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

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

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

The carrying amount of a heritage asset should be derecognised:

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

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

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

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

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

GRAP 104: Financial Instruments

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

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

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

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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

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

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;

- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

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

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

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

A municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

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

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

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

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

The municipality expects to adopt the amendment for the first time in the 2013 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements, but will result in less disclosure than would have previously been provided in the financial statements.

42.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 7 (as revised 2012): Investments in Associates

Amendments were made to definitions. A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 27 (as revised 2012): Agriculture (replaces GRAP 101)

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 31 (as revised 2012): Intangible Assets (replaces GRAP 102)

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

Changes made comprise three areas that can be summarised as follows:

- consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31;
- the deletion of guidance and examples from interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102; and
- changes to ensure consistency between the Standards of GRAP, or to clarify existing principles.

All amendments are to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has early adopted the interpretation for the first time in the 2013 annual financial statements.

The impact of the interpretation is not material

42.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

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

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

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

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

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

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition-date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality◊s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

42.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality◊s accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

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

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

No effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 annual financial statements.

The impact of this interpretation is currently being assessed.

APPENDIX A

NKANGALA DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 3O JUNE 2013

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2012/06/30	Received during the period	Redeemed written off during the period	Balance at 2013/06/30	Less short term portion	Long term portion	Carrying Value of Property, Plant & Equi	Other Costs in accordance with the MFMA
LONG-TERM LOANS			R	R	R	R			R	R
DBSA: 1996@ 6 months JIBAR plus 2%.	1	30/09/2019	23,821,232	-	3,176,027	20,645,205	3,677,331	16,967,874	-	-
INCA: 2004 @ 12.28% p.a.	2	30/12/2018	22,167,651		2,399,080	19,768,571	2,702,730	17,065,841	35,000,000	-
Total long-term loans			**45,988,883**	**-**	**5,575,107**	**40,413,776**	**6,380,061**	**34,033,715**	**35,000,000**	**-**

FINANCE LEASE LIABILITIES	Lease Number	Redeemable	Balance at 2012/06/30	Received during the period	Redeemed written off during the period	Balance at 2013/06/30	Less short term portion	Long term portion	Carrying Value of Property, Plant & Equi	Other Costs in accordance with the MFMA
LONG-TERM LOANS			R	R	R	R			R	R
Gestetner Finance (Gestetner MPC 300AD)	1	31/08/2012	3,284		3,284	-	-	-	-	-
Gestetner Finance (Gestetner MP 1350)	2	31/08/2012	63,565		63,565	-	-	-	-	
GESTETNER COLOUR DIGITAL MPC 3300	9	25/03/2013	39,268		39,268	-	-	-	-	
GESTETNER COLOUR DIGITAL MPC2800A	10	25/03/2013	33,280		33,280	-	-	-	-	
GESTETNER DIGITAL MFP PRO1357EX	11	25/03/2013	152,014		152,014	-	-	-	-	
GESTETNER MONO DIGITAL MP4000CSP	12	25/03/2013	34,955		34,955	-	-	-	-	
RICOH DIGITAL COPIER/PRINTER PRO135	13	04/08/2014	80,911		36,955	43,957	40,422	3,535	40,443	
GESTETNER MPC3501ARDF	14	02/07/2014	77,957		37,232	40,725	40,725	0	37,332	
Total long-term finance leases			**485,235**	**-**	**400,554**	**84,681**	**81,146**	**3,535**	**77,775**	**-**
TOTAL EXTERNAL LOANS			**46,474,118**	**-**	**5,975,660**	**40,498,457**	**6,461,207**	**34,037,250**	**36,984,033**	**-**

APPENDICES TO THE FINANCIAL STATEMENTS

APPENDIX B (1)

NKANGALA DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

30 JUNE 2013

	Cost						
	Opening Balance	Opening Balance Adjustments	Restated Opening Balance	Additions	Transfer in / (Transfer out)	Disposals	Closing Balance
Infrastructure assets	**3,528,874**	-	**3,528,874**	-	-53,002	-	**3,475,872**
Electricity	-	-	-	-	961,998	-	961,998
Roads	3,528,874	-	3,528,874	-	-1,015,000	-	2,513,874
Sewerage	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-
Community assets	**143,330**	-	**143,330**	-	-143,330	-	-
Buildings	-	-	-	-	-	-	-
Fire station	-	-	-	-		-	-
Recreational	143,330	-	143,330	-	-143,330	-	-
Other Assets	**49,778,724**	**-51,434**	**49,727,289**	**3,195,991**	**-1,052,322**	**-2,439,283**	**49,431,675**
- Accounting and office machines	16,257,065	-160,251	16,096,814	981,423	462,758	-	17,540,994
- Plant and equipment	8,723,122	-	8,723,122	1,581,000	634,424	-	10,938,546
- Security measures	232,300	-	232,300	-	1,643,923	-	1,876,223
- Furniture and appliances	9,716,690	108,817	9,825,507	633,568	1,654,073	-2,439,283	9,673,865
- Bins	1,227	-	1,227	-	-1,227	-	-
- Vehicles	8,130,200	-	8,130,200	-	-125,000	-	8,005,200
- Emergency equipment	6,718,120	-	6,718,120	-	-5,321,274	-	1,396,846
Land and Buildings	**72,479,341**	**-573,328**	**71,906,013**	**2,962,273**	**-5,156,098**	-	**69,712,188**
- Land	300,000	-	300,000	-	-	-	300,000
- Buildings	58,065,406	-	58,065,406	-	133,317	-	58,198,723
- Fire station	9,047,901	-	9,047,901	-	-733,444	-	8,314,457
- Capital under construction	5,066,034	-573,328	4,492,706	2,962,273	-4,555,971	-	2,899,008
Specialised vehicles	-	-	-	**3,657,871**	**6,386,273**	-	**10,044,143**
- Bakkies		-	-	1,476,300	3,032,122	-	4,508,422
- Fire-engines		-	-	2,181,571	2,814,005	-	4,995,576
- Vehicles		-	-	-	540,145	-	540,145
Intangibles	-	**243,731**	**243,731**	**207,364**	**18,480**	-	**469,575**
- Computer software		243,731	243,731	207,364	18,480	-	469,575
Total	**125,930,269**	**-381,031**	**125,549,238**	**10,023,498**	**0**	**-2,439,283**	**133,133,454**

APPENDIX B (2)

NKANGALA DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

30 JUNE 2013

Accumulated Depreciation							Carrying Value
Opening Balance	Opening Balance Adjustments	Restated Opening Balance	Additions	Transfer in / (Transfer out)	Disposals	Closing Balance	
533,599	-	**533,599**	**296,533**	**240,414**	-	**1,070,547**	**2,405,326**
-	-	-	45,146	473,713	-	518,859	443,139
533,599	-	533,599	251,387	-233,299	-	551,687	1,962,187
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
22,910	-	**22,910**	-	**-22,910**	-	**0**	**-0**
-	-	-	-	-	-	-	-
-		-				-	-
22,910	-	22,910	-	-22,910	-	0	-0
26,846,734	**-4,644,430**	**22,202,305**	**4,663,965**	**-1,181,405**	**-2,439,283**	**23,245,582**	**26,186,093**
12,815,219	-2,002,920	10,812,299	1,715,022	-2,465,689	-	10,061,632	7,479,363
3,573,282	-636,356	2,936,925	836,043	-216,248	-	3,556,720	7,381,826
152,708	-413,977	-261,269	139,427	1,007,232	-	885,390	990,833
6,285,763	-839,876	5,445,887	1,082,064	1,320,132	-2,439,283	5,408,800	4,265,066
137	-	137	-	-137	-	0	-0
3,008,884	-751,301	2,257,584	798,427	-64,583	-	2,991,428	5,013,772
1,010,742	-	1,010,742	92,982	-762,111	-	341,613	1,055,233
12,732,390	**-19,203**	**12,713,188**	**2,218,648**	**-97,792**	-	**14,834,043**	**54,878,146**
-	-	-	-	-	-	-	300,000
12,275,979	-7,020	12,268,960	1,941,499	-	-	14,210,459	43,988,265
456,411	-12,183	444,228	277,149	-97,792	-	623,584	7,690,873
0	-	0	-	-	-	0	2,899,008
-	**-132,284**	**-132,284**	**751,459**	**1,061,694**	-	**1,680,869**	**8,363,274**
	-23,739	-23,739	459,008	118,696	-	553,966	3,954,457
	-82,428	-82,428	230,720	824,284	-	972,576	4,023,000
	-26,117	-26,117	61,731	118,713	-	154,327	385,818
-	**95,756**	**95,756**	**20,168**	-	-	**115,923**	**353,651**
	95,756	95,756	20,168	-	-	115,923	353,651
40,135,634	-4,700,161	35,435,474	7,950,772	0	-2,439,283	40,946,964	92,186,490

APPENDIX C (1)

NKANGALA DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS 30 JUNE 2013

	Cost						
	Opening Balance	Opening Balance Adjustments	Restated Opening Balance	Additions	Transfers in/ (Transfers out)	Disposals	Closing Balance
Executive & Council	79,803,967	86,433	79,890,400	1,212,217		(1,590,066)	79,512,551
Finance & Admin	4,345,244	73,836	4,419,080	308,059		(716,029)	4,011,109
Planning & Development	10,506,907	16,861	10,523,769	1,728,399	(112,498)	(133,188)	12,006,481
Community & Social Services	26,208,117	15,167	26,223,284	3,812,551	4,668,469		34,704,304
Work in progress	5,066,034	(573,328)	4,492,706	2,962,273	(4,555,971)		2,899,008
TOTAL	**125,930,269**	**(381,031)**	**125,549,238**	**10,023,499**	**(0)**	**(2,439,283)**	**133,133,454**

APPENDIX C (2)

NKANGALA DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS 30 JUNE 2013

Accumulated Depreciation							Carrying Value
Opening Balance	Opening Balance Adjustments	Restated Opening Balance	Additions	Transfers in/ (Transfers out)	Disposals	Closing Balance	
28,581,386	(2,929,653)	25,651,733	3,937,715		(1,590,066)	27,999,382	51,513,169
3,193,826	(343,201)	2,850,625	430,075		(716,029)	2,564,672	1,446,437
5,118,892	(696,065)	4,422,827	894,577	(1,123,472)	(133,188)	4,060,743	7,945,738
3,241,531	(731,242)	2,510,289	2,688,406	1,123,472		6,322,167	28,382,137
-		-				-	2,899,008
40,135,634	**(4,700,161)**	**35,435,474**	**7,950,773**	**0**	**(2,439,283)**	**40,946,964**	**92,186,489**

APPENDIX D

NKANGALA DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2013

2012 Actual Income R	2012 Actual Expenditure R Restated	2012 Surplus/ (Deficit) R Restated		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
570	29,046,098	(29,045,528)	Executive & Council	-	40,247,105	(40,247,105)
328,464,464	18,708,423	309,756,042	Finance & Admin	336,556,388	30,254,878	306,301,510
1,687,696	253,301,427	(251,613,731)	Planning & Development	1,000,000	230,134,156	(229,134,156)
-	14,028,406	(14,028,406)	Community & Social Services	-	20,518,233	(20,518,233)
-	20,930,367	(20,930,367)	Primary Functions	-	46,444,994	(46,444,994)
330,152,730	**336,014,720**	**(5,861,990)**	**Total**	**337,556,388**	**367,599,366**	**(30,042,978)**

APPENDIX E(1)

NKANGALA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE PERIOD ENDED 30 JUNE 2013

REVENUE	2013 Actual YTD (R)	2013 Budget (R)	2013 Pro-rata Budget	2013 Variance (R)	2013 Variance (%)	Explanation of significant variances greater than 10% versus budget
Rental of facilities and equipment	129,828	100,000	100,000	29,828	-	
Interest earned - external investments	29,655,700	18,180,000	18,180,000	11,475,700	63.12	All revenue received is invested until needed. The slow implementation of projects result therein that funds are invested for longer periods therefore yielding a higher return than anticipated.
Interest earned - outstanding debtors	1,025	18,000	18,000	(16,975)	(94.31)	Less interest was collected as estimated due to better debt collection
Income for agency services/ donar	6,428	-	-	6,428	100.00	Public donation received that was not anticipated
Government grants and subsidies	303,175,000	303,175,000	303,175,000	-	-	
Other income	4,588,408	3,490,000	3,490,000	1,098,408	31.47	The income from selling of tender documents was more than what was estimated. Selling of tender documents depends on the number of tenderers responding to the advert.
Surplus cash			-		-	
Total Revenue	**337,556,388**	**324,963,000**	**324,963,000**	**12,593,388**	**3.88**	
			-		-	
EXPENDITURE			-		-	
Executive & Council	40,247,105	46,631,089	46,631,089	6,383,984	13.69	Under-expenditure is mainly as a result of vacancies not filled during the financial year.
Finance & Admin	30,254,878	35,955,988	35,955,988	5,701,110	15.86	Under-expenditure is mainly as a result of vcancies not filled during the financial year.
Planning & Development	230,134,156	358,676,215	358,676,215	128,542,059	35.84	Under-expenditure is mainly as a result of vcancies not filled during the financial year. Project expenditure that is not 100% completed is disclosed as Work in progress
Community & Social Services	20,518,233	26,495,730	26,495,730	5,977,497	22.56	An allocation was made in anticipation of the transfer of Municipal Health Services function and unfortunately the transfer did not take place.
Primary Functions	46,444,994	61,417,382	61,417,382	14,972,388	24.38	Underspending is as a result of the clarification of responsibilites with regard to powers and functions between Thembisile Hani LM and Nkangala DM and project expenditure that is not 100% completed is disclosed as Work in progress
Less Inter-Departmental Charges	-	-	-	-	-	
Total Expenditure	***367,599,366***	***529,176,404***	***529,176,404***	***161,577,038***	***30.53***	
NET SURPLUS/(DEFICIT) FOR THE YEAR	***(30,042,978)***	***(204,213,404)***	***(204,213,404)***	***(148,983,650)***	***73***	

APPENDIX E(2)

NKANGALA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE PERIOD ENDED 30 JUNE 2013

	2013 Actual	2013 Under Construction	2013 Total Additions	2013 Budget	2013 Variance	2013 Variance	Explanation of significant variances greater than 5% versus budget
	R	R	R	R	R	%	*(Explanations to be recorded)*
Executive & Council	1,212,217	-	1,212,217	1,742,455	530,238	30	Under-expenditure is mainly as a result of vcancies not filled during the the financial year. Capital expenditure is dependent on the vacancy rate.
Finance & Admin	308,059	-	308,059	228,810	(79,249)	(35)	Under-expenditure is mainly as a result of vcancies not filled during the financial year. Capital expenditure is dependent on the vacancy rate.
Planning & Development	1,728,399	-	1,728,399	287,225	(1,441,174)	(502)	Under-expenditure is mainly as a result of vcancies not filled during the financial year. Capital expenditure is dependent on the vacancy rate.
Community & Social Ser	3,812,551	-	3,812,551	107,586	(3,704,965)	(3,444)	Under-expenditure is mainly as a result of vcancies not filled during the financial year. Capital expenditure is dependent on the vacancy rate.
Primary Function - Work in progess	2,962,273		2,962,273	31,680,194	28,717,921	91	Underspending is as a result of the clarification of responsibilites with regard to powers and functions between Thembisile Hani LM and Nkangala DM and project expenditure that is not 100% completed is disclosed as Work in progress
TOTAL	**10,023,499**	-	**10,023,499**	**34,046,270**	**24,022,771**	**71**	

APPENDIX F1

NKANGALA DISTRICT MUNICIPALITY: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 AS AT 3O JUNE 2013

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure				
		Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
MSIG	National Gov		1,000,000				638,051	176,278	83,024	326,993	413,705
FMG	National Gov		1,250,000				445,120	226,046	156,196	321,380	546,378
EPWP INCENTIVE G	National Gov		486,000	364,000	364,000					1,214,000	
		90,000	2,736,000	364,000	364,000	-	1,083,171	402,324	239,220	1,862,373	960,083

APPENDIX F2

NKANGALA DISTRICT MUNICIPALITY: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56

Name of Grants	Name of organ of state or municipal entity	Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Jun-12	Sep-12	Dec-12	Mar-13	Jun-13		Yes / No	
MSIG	National Gov	-	-	-	-	-	NA	Yes	NA
FMG	National Gov	-	-	-	-	-	NA	Yes	NA
EPWP INCENTIVE G	National Gov						NA	Yes	NA

APPENDIX G (2)
NKANGALA DISTRICT MUNICIPALITY: SCHEDULE OF INVESTMENTS AS AT 30 JUNE 2013

Bank	Opening Balance	Investments made	Witdrawn	Total
ABSA	60.016.448	63.011.065	65.016.448	58.011.065
Nedbank	42.017.808	64.012.877	64.017.808	42.012.877
FNB	76.602.633	79.734.586	87.129.700	69.207.519
Standard Bank	131.430.047	66.017.993	46.068.008	151.380.031
Sanlam	64.992.852	3.459.984	-	68.452.835
Investec	60.327.195	61.478.214	55.719.350	66.086.060
Investec LT	38.854.626	2.459.731	10.229.023	31.085.334
Accrued interest	1.678.102	2.366.603	1.684.587	2.360.118
Total	**475.919.710**	**342.541.053**	**329.864.923**	**488.595.840**

APPENDIX G (1)
NKANGALA DISTRICT MUNICIPALITY: SCHEDULE OF INVESTMENTS AS AT 30 JUNE 2013

Bank	Call	30 Days	60 Days	90+ Days	Long Term	Total
ABSA	5.011.065	33.000.000	10.000.000	10.000.000		58.011.065
Nedbank	5.012.877	14.000.000	18.000.000	5.000.000		42.012.877
FNB	31.207.519	28.000.000	-	10.000.000		69.207.519
Standard Bank	103.380.031	18.000.000	15.000.000	15.000.000		151.380.031
Sanlam	68.452.835					68.452.835
Investec	5.086.060	36.000.000	20.000.000	5.000.000		66.086.060
Investec LT	-	-	-	-	31.085.334	31.085.334
Accrued	2.360.118					2.360.118
Total	**220.510.506**	**129.000.000**	**63.000.000**	**45.000.000**	**31.085.334**	**488.595.840**

APPENDICES TO THE FINANCIAL STATEMENTS

ANNEXURE I

DEVIATION REPORTS JULY 2012 TO JUNE 2013

NO.	DESCRIPTION OF SERVICES REQUIRED	REQUESTING	APPROVED SERVICE PROVIDER	VALUE OF PROJECT /	REASONS FOR DEVIATION	DATE OF DECISION
1	PLACEMENT OF AN ADVERT FOR 1DP/LED	DPU	PR COMMUNICATIONS	R 8,222.70	ONLY TWO QUOTATIONS WERE RECEIVED FROM THE REGISTERED	02-Jul-12
2	TESTING OF LIGHTS AND REPLACEMENT OF SWITCHES	CORPORATE SERVICES	HENCOR ELEKTRIES	R 1,128.36	URGENT REQUEST	03-Jul-12
3	REPIRING OF ALUMINIUM DOORS AND TWO BLOCKED TOILETS	CORPORATE SERVICES	SITHAKASILE TRADING	R 2,097.60	URGENT REQUEST(STRIP & QUOTE)	03-Jul-12
				R 12,312.00		
4	REPLACING OF PUMP AT WATER FEATURE	CORPORATE SERVICES	HENCOR ELEKTRIES	R 4,525.00	URGENT REQUEST	06-Jul-12
5	ACQUISITION OF STAPLE SET CARTRIDGES FOR	CORPORATE SERVICES	RICOH	R 6,270.00	ONLY SERVICE PROVIDER REGISTERED ON NDM'S DATABASE THAT CAN	06-Jul-12
6	LIVE BROADCASTING RADIO	RESEARCH &	GREATER MIDDELBURG FM	R 6,500.00	LOCAL RADIO STATION BASED IN MHLUZI AND REGISTERED ON NDM'S	27-Jul-12
7	POST ADVERTISEMENT	CORPORATE SERVICES	PR COMMUNICATIONS	R 27,329.22	ONLY TWO QUOTATIONS WERE RECEIVED FROM THE REGISTERED	31-Jul-12
8	ACCOMODATION FOR COUNCILLOR JF RADEBE	CORPORATE SERVICES	PEERMONT T/A GRACELAND	R 1,420.00	THE EVENT IS GOING TO BE HELD ON THE SAME VENUE	02-Aug-12
9	ACCOMODATION FOR COUNCILLORS TO ATTEND A	CORPORATE SERVICES	GARDEN COURT MILPARK	R 13,507.89	TWO QUOTATIONS FROM TWO SUPPLIERS	03-Aug-12
10	ACCOMODATION FOR COUCILLOR TM LETLAKA(CHIEF	CORPORATE SERVICES	EMNOTWENI SUN HOTELS	R 1,602.10	URGENT REQUEST AND ONLY EMNOTWENI HOTELS WAS	16-Aug-12
11	ACCOMODATION FOR THE EXECUTIVE MAYOR AND HIS	CORPORATE SERVICES	PROTEA HOTEL(MIDRAND)	R 4,403.25	PROTEA WAS NEARER TO THE VENUE OF THE INTERGOVERNMENTAL	16-Aug-13
12	CATERING FOR THE MEC OF HUMAN SETTLEMENT	CORPORATE SERVICES	KAMAROSSI	R 1,600.00	URGENT REQUEST	16-Aug-13
13	REPAIRS OF CYLINDERS MASKS & BACK PLATES	SOCIAL SERVICES	FIRE & EMERGENCY SERVICES	R 29,651.40	STRIP & QUOTE ARRANGEMENT	30-Aug-13
14	REPAIRS OF A NISSAN FIRE ENGINE	SOCIAL SERVICES	FIRE RAIDERS	R 29,207.86	STRIP & QUOTE ARRANGEMENT	30-Aug-13
15	INSTALLING NEW SAFE LOCKS	CORPORATE SERVICES	KRABO LOCKSMITH	R 634.99	URGENT REQUEST	18-Sep-13
16	REPAIRING PARKING ACCESS CONTROL SYSTEM	CORPORATE SERVICES	DENGARD SYSTEM	R 4,120.87	URGENT REQUEST	18-Sep-12
17	GROUP PERFORMING ARTIST AT THE NDM CENOTAPH	SOCIAL SERVICES	J.T. SOUND RECORDER BAR	R 25,000.00	ONLY TWO REGISTERED SERVICE PROVDERS ABLE TO RENDER SERVICES	28-Sep-12
18	POET SPECIALIST	SOCIAL SERVICES	AGANANG PERSONAL	R 8,000.00	ONLY ONE REGISTERED SERVICE PROVDERS ABLE TO RENDER SERVICES	28-Sep-12
19	CATERING	MAYOR'S OFFICE	DE OUDEWERF	R 300.00	URGENT REQUEST	03-Oct-12
20	HOTEL SHUTTLE	LED	PROTEA HOTEL MARINE	R 600.00	SHUTTLE FOR TRAVELLING COST FROM AIRPOT, HOTEL AND	22-Nov-12
21	SUBSCRIPTION FOR SOWETAN	FINANCE	TIMES MEDIA T/A SOWETAN	R 13,446.00	ONLY ONE REGISTERED SERVICE PROVDERS ABLE TO RENDER SERVICES	22-Feb-13
22	MUNSOFT UPGRADE FOR NDM	FINANCE	MUNSOFT	R 285,000.00	SOLE SUPPLIER	15-Apr-13
23	TRAINING ON MUNSOFT	FINANCE	MUNSOFT	R 68,875.00	SOLE SUPPLIER	03-Mar-13
24	REPAIRING LEAKING PIPE OF THE NDM'D AIRCON	CORPORATE SERVICES	MPUMALANGA BEZUIDENHOUT	R 685.73	STRIP & QUOTE WORK	09-May-13
25	FIXED ASSETS HANDHELD SCANNERS	FINANCE	MUNSOFT	R 29,640.00	SOLE SUPPLIER	29-May-13
26	CASE WARE TRAINING	FINANCE	MUNSOFT	R 27,531.00	SOLE SUPPLIER	29-May-13
27	EMERGENCY ALARM AND ACCESS CONTROL SYSTEM	CORPORATE SERVICES	DENGARD SYSTEMS	R 26,698.00	INITIAL INSTALLER OF THE ALARM AND ACCES CONTROL SYSTEM FOR	
28	ACCOMODATION FOR STRATEGIC LEKGOTLA	DPU	KIEVITSKROON	R 284,250.00	URGENT MATTER AFTER NON-RECEIPT OF ADVERTISED QUOTATIONS	19-Mar-13
29	FAW TRUCK REPAIRS	SOCIAL SERVICES	FAW MIDDELBURG	R 680.00	STRIP AND REPAIR QUOTATION	04-Jun-13
30	ADVERTISEMENT NKANGALA REGIONAL TOURISM EXPO	PUBLIC LIASION	KHULULIWE PUBLISHING	R 4,620.00	LOCAL NEWSPAPER THAT CAN COVER STEVE TSHWETE, EMAKHAZENI,	24-Jun-13
31	ADVERTISEMENT STATE OF THE DISTRICT ADDRESS 2013	PUBLIC LIASION	KHULULIWE PUBLISHING	R 8,950.00	LOCAL NEWSPAPER THAT CAN COVER STEVE TSHWETE, EMAKHAZENI,	24-Jun-13
32	RADIO ADVERTISEMENT NKANGALA REGIONAL TOURISM EXPO 2013	PUBLIC LIASION	GMFM	R 1,350.00	ONLY SERVICE PROVIDER OF LOCAL RADIO STATIONS	20-Jun-13
			IKWEKWEZI FM	R 15,350.10		
			THOBELA FM	R 16,364.70		
			EMALAHLENI FM	R 1,600.00		
36	CATERING FOR THE EXECUTIVE MAYOR	MAYOR'S OFFICE	DE OUDEWERF	R 535.00	URGENT REQUEST	18-Jun-13
37	REPAIRS	SOCIAL SERVICES	FIRE & EMERGENCY SERVICES	R 39,700.00	STRIP AND REPAIR QUOTATION	27-Jun-13
38	REPAIRS	SOCIAL SERVICES	INTERGRATED AUTO SERVICES	R 10,584.40	STRIP AND REPAIR QUOTATION	28-Jun-14
39	REPAIRS	SOCIAL SERVICES	HAMILTON HYDRAULIC SERVICES	R 7,325.07	STRIP AND REPAIR QUOTATION	02-Jul-13
40	REPAIRS	SOCIAL SERVICES	HAMILTON HYDRAULIC SERVICES	R 11,293.98	STRIP AND REPAIR QUOTATION	02-Jul-13
41	ACCOMODATION	DPU	PROTEA HOTEL EDWARD	R 8,685.38	THE CONFERENCE IS TAKING PLACE AT THE SAME VENUE AND THE CONFIRMATION WAS RECEIVED LATE FROM FLIGHT SPECIALS AND HAVARD WAS THE SERVICE PROVIDER WHO WAS OFFERING THE TRAINING	02-Jul-13
	FLIGHT		FLIGHTS SPECIALS	R 6,186.00		
	TRAINING REGISTRATION		HARVARD TRAINING INSTITUTE	R 15,957.00		
42	ADVERTISEMENT FOR THE STATE OF THE DISTRICT ON THE RADIO STATIONS	PUBLIC LIASION	GREATER MIDDELBURG FM	R 12,510.00	ONLY SERVICE PROVIDER OF LOCAL RADIO STATIONS	04-Jul-13
			EMALAHLENI FM	R 5,096.00		

APPENDICES TO THE FINANCIAL STATEMENTS

APPENDIX I(1)

Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2012/2013											2011/2012			
R thousand	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
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue - Standard															
Governance and administration	**327,204**	**(3,241)**	**323,963**	**–**		**323,963**	**336,556**		**(12,593)**	**103.89**	**102.86**				**329,153**
Executive and council	–	–	–	–		–	–		–	-	-				1
Budget and treasury office	327,204	(3,241)	323,963	–		323,963	336,556		(12,593)	103.89	102.86				329,152
Corporate services	–	–	–	–		–	–		–	-	-				–
Community and public safety	–	–	–	–		–	–		–	-	-				–
Community and social services	–	–	–	–		–	–		–	-	-				–
Sport and recreation	–	–	–	–		–	–		–	-	-				–
Public safety	–	–	–	–		–	–		–	-	-				–
Housing	–	–	–	–		–	–		–	-	-				–
Health	–	–	–	–		–	–		–	-	-				–
Economic and environmental services	**1,000**	**–**	**1,000**	**–**		**1,000**	**1,000**		**–**	**-**	**-**				**1,000**
Planning and development	1,000	–	1,000	–		1,000	1,000		–	100.00	100.00				1,000
Road transport	–	–	–	–		–	–		–	-	-				–
Environmental protection	–	–	–	–		–	–		–	-	-				–
Trading services	–	–	–	–		–	–		–	-	-				–
Electricity	–	–	–	–		–	–		–	-	-				–
Water	–	–	–	–		–	–		–	-	-				–
Waste water management	–	–	–	–		–	–		–	-	-				–
Waste management	–	–	–	–		–	–		–	-	-				–
Other	–	–	–	–		–	–		–	-	-				–
Total Revenue - Standard	**328,204**	**(3,241)**	**324,963**	**–**		**324,963**	**337,556**		**(12,593)**	**103.88**	**102.85**				**330,153**
Expenditure - Standard															
Governance and administration	**104,993**	**(11,907)**	**93,086**	**(0)**	**–**	**93,086**	**74,711**		**18,375**	**80.26**	**71.16**				**56,808**
Executive and council	51,576	5,214	56,790	(0)		56,790	43,362		13,428	76.36	84.07				31,495
Budget and treasury office	36,000	(16,326)	19,674	–		19,674	15,189		4,485	77.20	42.19				12,822
Corporate services	17,417	(795)	16,622	–		16,622	16,160		462	97.22	92.79				12,491
Community and public safety	**32,132**	**4,999**	**37,131**	**0**	**–**	**37,131**	**25,291**		**11,840**	**68.11**	**78.71**				**23,741**
Community and social services	15,613	60	15,672	–		15,672	10,584		5,089	67.53	67.79				11,306
Sport and recreation	–	–	–	–		–	–		–	-	-				–
Public safety	16,519	4,940	21,458	0		21,458	14,707		6,751	68.54	89.03				12,435
Housing	–	–	–	–		–	–		–	-	-				–
Health	–	–	–	–		–	–		–	-	-				–
Economic and environmental services	**469,122**	**(78,323)**	**390,799**	**–**	**–**	**390,799**	**266,484**		**124,315**	**68.19**	**56.80**				**255,486**
Planning and development	460,913	(89,572)	371,341	–		371,341	234,610		136,731	63.18	50.90				243,445
Road transport	2,037	15,231	17,268	–		17,268	31,287		(14,019)	181.18	1,535.70				10,804
Environmental protection	6,171	(3,982)	2,189	–		2,189	587		**1,602**	**26.81**	**9.51**				1,237
Trading services	–	–	–	–	–	–	–		–	-	-				–
Electricity	–	–	–	–		–	–		–	-	-				–
Water	–	–	–	–		–	–		–	-	-				–
Waste water management	–	–	–	–		–	–		–	-	-				–
Waste management	–	–	–	–		–	–		–	-	-				–
Other	**4,400**	**3,761**	**8,161**	**–**		**8,161**	**1,114**		**7,048**	**13.64**	**25.31**				**(20)**
Total Expenditure - Standard	**610,646**	**(81,469)**	**529,176**	**0**	**–**	**529,176**	**367,599**		**161,577**	**69.47**	**60.20**				**336,015**
Surplus/(Deficit) for the year	**(282,442)**	**78,229**	**(204,213)**	**(0.00)**		**(204,213)**	**(30,043)**		**(174,170)**	**14.71**	**10.64**				**(5,862)**

APPENDICES TO THE FINANCIAL STATEMENTS

APPENDIX I(2)

Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2012/2013											2011/2012			
R thousand	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
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue by Vote															
Vote 1 - EXECUTIVE & COUNCIL	–	–	–	–		–	–		–	-	-				1
Vote 2 - ADMINISTRATION	–	–	–	–		–	–		–	-	-				–
Vote 3 - FINANCE - BUDGET & TREASURY OFFICE	327,204	(3,241)	323,963	–		323,963	336,556		(12,593)	103.89	102.86				329,152
Vote 4 - COMMUNITY & SOCIAL SERVICES	–	–	–	–		–	–		–	-	-				–
Vote 5 - Technical Services and PMU	–	–	–	–		–	–		–	-	-				–
Vote 6 - LED AGENCY	–	–	–	–		–	–		–	-	-				–
Vote 7 - DPU AND IDP	1,000	–	1,000	–		1,000	1,000		–	100.00	100.00				1,000
Vote 8 - PLANNING & DEVELOPMENT CONTRIBUTIONS TO LOCAL MUNI'S	–	–	–	–		–	–		–	-	-				–
Total Revenue by Vote	**328,204**	**(3,241)**	**324,963**	**–**		**324,963**	**337,556**		**(12,593)**	**103.88**	**102.85**				**330,153**
Expenditure by Vote ***to be appropriated***															
Vote 1 - EXECUTIVE & COUNCIL	50,032	5,477	55,509	(0)		55,509	42,519		12,990	76.60	84.98				30,780
Vote 2 - ADMINISTRATION	16,658	(698)	15,960	88		16,048	15,626		422	97.37	93.81				11,984
Vote 3 - FINANCE - BUDGET & TREASURY OFFICE	38,303	(16,686)	21,617	(88)		21,528	16,565		4,963	76.95	43.25				14,044
Vote 4 - COMMUNITY & SOCIAL SERVICES	37,629	1,551	39,179	0		39,179	25,877		13,302	66.05	68.77				24,978
Vote 5 - Technical Services and PMU	299,345	(248,487)	50,858	(3,071)		47,787	52,503		(4,716)	109.87	17.54				23,222
Vote 6 - LED AGENCY	26,217	(2,100)	24,117	(297)		23,820	10,504		13,315	44.10	40.07				4,844
Vote 7 - DPU AND IDP	19,902	446	20,348	–		20,348	6,949		13,399	34.15	34.92				(1,872)
Vote 8 - PLANNING & DEVELOPMENT CONTRIBUTIONS TO LOCAL MUNI'S	122,560	179,028	301,588	3,368		304,956	197,054		107,902	64.62	160.78				228,034
Total Expenditure by Vote	**610,646**	**(81,469)**	**529,176**	**0**	**–**	**529,176**	**367,599**		**161,577**	**69.47**	**60.20**				**336,015**
Surplus/(Deficit) for the year	**(282,442)**	**78,229**	**(204,213)**	**(0)**		**(204,213)**	**(30,043)**		**(174,170)**	**14.71**	**10.64**				**(5,862)**

APPENDICES TO THE FINANCIAL STATEMENTS

APPENDIX I(3)

Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2012/2013 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	2011/2012 Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue By Source															
Property rates															
Property rates - penalties & collection charges															
Service charges - electricity revenue															
Service charges - water revenue															
Service charges - sanitation revenue															
Service charges - refuse revenue															
Service charges - other															
Rental of facilities and equipment	–	100	100	–		100	130		30	129.83	-				256
Interest earned - external investments	23,453	(5,273)	18,180	–		18,180	29,656		11,476	163.12	126.45				30,257
Interest earned - outstanding debtors	109	(91)	18	–		18	1		(17)	5.69	0.94				21
Dividends received	–	–	–	–		–	–		–	-	-				–
Fines	–	–	–	–		–	–		–	-	-				–
Licences and permits	–	–	–	–		–	–		–	-	-				–
Agency services	–	–	–	–		–	–		–	-	-				–
Transfers recognised - operational	303,175	–	303,175	–		303,175	303,175		–	100.00	100.00				294,912
Other revenue	1,467	2,023	3,490	–		3,490	4,588		1,098	131.47	312.77				4,707
Gains on disposal of PPE		–		–					–	-	-				
Total Revenue (excluding capital transfers and contributions)	**328,204**	**(3,241)**	**324,963**	**–**		**324,963**	**337,550**		**12,587**	**103.87**	**102.85**				**330,153**
Expenditure By Type															
Employee related costs	82,393	(13,950)	68,444	1,941		70,384	59,753		(10,631)	84.90	72.52				38,325
Remuneration of councillors	14,504	(1,776)	12,728	–		12,728	10,885		(1,843)	85.52	75.05				10,255
Debt impairment	135	(85)	50	–		50	0		(50)	0.00	0.00				18
Depreciation & asset impairment	6,511	1,364	7,875	851		8,727	7,951		(776)	91.11	122.11				7,100
Finance charges	8,601	(2,730)	5,871	(59)		5,812	5,253		(558)	90.40	61.08				5,973
Bulk purchases	–	–	–	–		–	–		–	-	-				–
Other materials	1,180	(894)	286	12		298	245		(54)	82.01	20.72				202
Contracted services	7,129	1,578	8,707	(1,783)		6,925	4,520		(2,405)	65.28	63.40				2,088
Transfers and grants	449,856	(91,533)	358,323	612		358,935	227,544		(131,391)	63.39	50.58				248,857
Other expenditure	40,337	26,554	66,891	(1,573)		65,318	51,448		(13,870)	78.77	127.54				23,197
Loss on disposal of PPE	–	–	–	–		–	–		–	–	–				–
Total Expenditure	**610,646**	**(81,469)**	**529,176**	**0**	**–**	**529,176**	**367,599**	**–**	**(161,577)**	**69.47**	**60.20**				**336,015**
Surplus/(Deficit)	**(282,442)**	**78,229**	**(204,213)**	**(0)**		**(204,213)**	**(30,049)**		**174,164**	**14.71**	**10.64**				**(5,862)**
Transfers recognised - capital															
Contributions recognised - capital	–	–	–	–		–	6		6	-	-				–
Contributed assets															
Surplus/(Deficit) after capital transfers & contributions	**(282,442)**	**78,229**	**(204,213)**	**(0)**		**(204,213)**	**(30,043)**		**174,170**	**14.71**	**10.64**				**(5,862)**
Taxation															
Surplus/(Deficit) after taxation	**(282,442)**	**78,229**	**(204,213)**	**(0)**		**(204,213)**	**(30,043)**		**174,170**	**14.71**	**10.64**				**(5,862)**
Attributable to minorities															
Surplus/(Deficit) attributable to municipality	**(282,442)**	**78,229**	**(204,213)**	**(0)**	**–**	**(204,213)**	**(30,043)**	**–**	**174,170**	**14.71**	**10.64**				**(5,862)**
Share of surplus/ (deficit) of associate															
Surplus/(Deficit) for the year	**(282,442)**	**78,229**	**(204,213)**	**(0)**	**–**	**(204,213)**	**(30,043)**	**–**	**174,170**	**14.71**	**10.64**				**(5,862)**

APPENDICES TO THE FINANCIAL STATEMENTS

APPENDIX I(4)

Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2012/2013											2011/2012			
R thousand	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
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Capital expenditure - Vote															
Multi-year expenditure															
Vote 1 - EXECUTIVE & COUNCIL	1,742	25	1,767	–	–	1,767	1,281		487	27.54	73.50				731
Vote 2 - ADMINISTRATION	126	681	807	–	–	807	215		592	73.41	170.51				223
Vote 3 - FINANCE - BUDGET & TREASURY OF	103	82	185	–	–	185	25		160	86.49	24.27				
Vote 4 - COMMUNITY & SOCIAL SERVICES	23,352	(1,831)	21,521	–	–	21,521	6,504		15,017	69.78	27.85				5,947
Vote 5 - Technical Services and PMU	40,853	(28,562)	12,292	–	–	12,292	1,581		10,711	87.14	3.87				164
Vote 6 - LED AGENCY	19	231	250	–	–	250	101		149	59.66	543.73				
Vote 7 - DPU AND IDP	170	–	170	–	–	170	318		(148)	-87.38	187.38				
Vote 8 - PLANNING & DEVELOPMENT CONTR	–	–	–	–	–	–	–		–	–	–				
Capital multi-year expenditure sub-total	**66,365**	**(29,373)**	**36,992**	**–**	**–**	**36,992**	**10,023**	**–**	**26,968**	**72.90**	**15.10**				**7,064**
Total Capital Expenditure - Vote	**66,365**	**(29,373)**	**36,992**	**–**	**–**	**36,992**	**10,023**		**26,968**	**72.90**	**15.10**				**7,064**
Capital Expenditure - Standard															
Governance and administration	**1,971**	**788**	**2,759**		**–**	**2,759**	**1,520**		**1,239**	**44.90**	**77.12**				**954**
Executive and council	1,835	102	1,937		(10)	1,927	1,281		647	33.55	69.78				731
Budget and treasury office	10	5	15		10	25	25		0	0.02	249.95				
Corporate services	126	681	807		–	807	215		592	73.41	170.51				223
Community and public safety	**23,352**	**(1,831)**	**21,521**		**–**	**21,521**	**6,504**		**15,017**	**69.78**	**27.85**				**5,947**
Community and social services	68	–	68		–	68	54		14	20.64	79.36				5,947
Sport and recreation	–	–	–		–	–	–		–	-	-				
Public safety	23,285	(1,831)	21,453		–	21,453	6,450		15,003	69.94	27.70				
Economic and environmental services	**41,041**	**(28,330)**	**12,711**		**–**	**12,711**	**2,000**		**10,712**	**84.27**	**4.87**				**164**
Planning and development	278	259	537		–	537	419		119	22.07	150.51				164
Road transport	40,763	(28,589)	12,174		–	12,174	1,581		10,593	87.01	3.88				
Total Capital Expenditure - Standard	**66,365**	**(29,373)**	**36,992**	**–**	**–**	**36,992**	**10,023**		**26,968**	**27.10**	**15.10**				**7,064**
Funded by:															
Public contributions & donations							6		-	-	-				
Borrowing															–
Internally generated funds	66,365	(29,373)	36,992			36,992	10,017		26,968	27.08	15.09				7,064
Total Capital Funding	**66,365**	**(29,373)**	**36,992**	**–**	**–**	**36,992**	**10,023**	**–**	**26,968**	**27.08**	**15.09**				**7,064**

APPENDICES TO THE FINANCIAL STATEMENTS

APPENDIX I(5)

Reconciliation of Table A7 Budgeted Cash Flows

Description	2012/2013								2011/2012
R thousand	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	1	2	3	6	7	9	10	11	12
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	1,467	2,123	3,590	3,590	30,228	(1,128)	842.01	2,060.49	27,708
Government - operating	303,175	–	303,175	303,175	303,175	–	100.00	100.00	294,224
Government - capital		–							
Interest	23,562	(5,364)	18,198	18,198	27,196	(11,459)	149.44	115.42	30,277
Dividends		–							
Payments		–							
Suppliers and employees	(145,543)	(11,163)	(156,707)	(156,707)	(104,034)	52,673	66.39	71.48	(99,218)
Finance charges	(8,601)	2,730	(5,871)	(5,871)	(5,253)	618	89.48	61.08	(5,973)
Transfers and Grants	(449,856)	91,183	(358,673)	(358,673)	(227,544)	131,129	63.44	50.58	(248,857)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**(275,797)**	**79,508**	**(196,288)**	**(196,288)**	**23,768**	**220,056**	**(12.11)**	**(8.62)**	**(1,838)**
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Decrease (increase) in non-current investments	–		–		10,229	10,229			(3,391)
Payments						–			
Capital assets	(66,365)	29,373	(36,992)	(36,992)	(10,017)	26,975	27.08	15.09	(7,064)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(66,365)**	**29,373**	**(36,992)**	**(36,992)**	**212**	**37,204**	**(0.57)**	**(0.32)**	**(10,455)**
CASH FLOWS FROM FINANCING ACTIVITIES									
Payments									
Repayment of borrowing	(5,060)	–	(5,060)	(5,060)	(5,976)	(916)	118.10	118.10	(5,811)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(5,060)	–	(5,060)	(5,060)	**(5,976)**	(916)	118.10	118.10	**(5,811)**
NET INCREASE/ (DECREASE) IN CASH HELD	(347,222)	108,882	(238,340)	(238,340)	18,004	256,344	(7.55)	(5.19)	(18,104)
Cash/cash equivalents at the year begin:	466,152	466,152	466,152	466,152	448,048	(18,104)	96.12	96.12	466,152
Cash/cash equivalents at the year end:	118,930	575,034	227,812	227,812	466,052	238,240	204.58	391.87	448,048