Ekurhuleni Metropolitan Municipality

Annual Financial Statements

for the year ended 30 June 2013

General Information

Legal form of entity	Municipality
Legislation governing the municipality's operations	Municipal Finance Management Act (Act No. 56 of 2003)
Mayoral committee	
Executive Mayor	Clr M Gungubele
	Speaker: Clr P Khumalo
Councillors	Chief Whip: Clr R Mashego
	MMC: Finance: Clr M Makwakwa
	MMC: Health and Social Development: Clr M Maluleke
	MMC: Human Settlements: Clr Q Duba
	MMC: Environmental Management: Clr V M Mabena
	MMC:City Planning and Economic Development: Clr BM Nikani
	MMC: Corporate and Shared Services: Clr P Nkunjana
	MMC: Water and Energy: Clr A Nxumalo
	MMC: Community Safety: Clr M H Siboza
	MMC: Sport, Heritage, Recreation, Arts and Crafts: Clr Z K Tshongweni
	MMC : Roads and Transport: Clr M I T Mahlangu
Grading of local authority	The municipality is a category A grade 6 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers Act, 1998.
Accounting Officer	K Ngema
	011 999 0481
Chief Financial Officer (CFO)	A Mahlalutye (Acting)
Registered office	Corner Rose and Cross Streets
	Germiston
	1400
Business address	Corner Rose and Cross Streets
	Germiston
	1400
Postal address	Private Bag X69
	Germiston
	1400
Bankers	ABSA Bank
Auditors	Auditor General

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The reports and statements set out below comprise the annual financial statements presented to the Auditor General:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
WCA	Workmen's Compensation Act
DBSA	Development Bank of South Africa
PHB	Public Housing Board
GRAP	Generally Recognised Accounting Practice
DWAF	Department of Water and Forestry
PTIS	Public Transport and Infrastructure
LED	Local Economic Development
FMG	Finance Management Grant
IPSAS	International Public Sector Accounting Standards
SDL	Skills Development Levy
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (No. 56 of 2003
MIG	Municipal Infrastructure Grant
BKB	Bontle Ke Bontle
GMRF	Germiston Municipal Retirement Fund
USDG	Urban Settlement Development Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has, or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 4 to 84, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 30 August 2013.

	A. Mahlalutye
Accounting Officer **K Ngema**	**Acting Chief Financial Officer** **A Mahlalutye**

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	12	128 801 347	145 045 948
Other Investments	9	22 771 212	21 285 000
Other receivables from exchange transactions	13	192 151 646	139 641 036
Receivables from non-exchange transactions (taxes and transfers)	14	17 666 135	29 540 450
Consumer debtors	15	3 194 739 649	2 683 966 083
Cash and cash equivalents	16	4 374 377 023	2 838 424 089
		7 930 507 012	**5 857 902 606**
Non-Current Assets			
Investment property	4	128 919 704	110 246 592
Property, plant and equipment (PPE)	5	42 883 238 440	42 497 521 927
Intangible assets	6	90 611 176	66 506 608
Heritage assets	7	78 395 185	78 395 185
Investments in controlled entities	8	306	306
Other Investments	9	804 214 431	472 185 461
Long-term receivables	11	2 386 621	2 519 835
		43 987 765 863	**43 227 375 914**
Total Assets		**51 918 272 875**	**49 085 278 520**
Liabilities			
Current Liabilities			
Long-term liabilities	18	629 420 732	182 305 105
Trade and other payables from exchange transactions	20	3 180 120 668	2 685 831 147
Deposits	21	620 477 496	532 611 189
Unspent conditional grants and receipts	17	232 406 959	99 675 581
Provisions	19	236 209 055	259 426 470
		4 898 634 910	**3 759 849 492**
Non-Current Liabilities			
Long-term liabilities	18	4 503 777 045	4 333 206 439
Retirement benefit obligation	10	1 502 270 877	1 502 270 877
Provisions	19	693 571 055	649 199 245
		6 699 618 977	**6 484 676 561**
Total Liabilities		**11 598 253 887**	**10 244 526 053**
Net Assets		**40 320 018 988**	**38 840 752 467**
Net Assets Attributable to Owners of Controlling Entity			
Accumulated surplus		40 320 018 988	38 840 752 467

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Property Rates	24	2 802 871 286	2 590 399 280
Property rates - penalties and collection charges		72 091 881	53 770 449
Service charges	25	13 500 276 496	12 640 496 148
Rental of facilities and equipment	37	49 599 515	49 227 077
Interest earned - outstanding debtors		257 704 798	199 886 549
Licences and permits		35 331 580	33 960 666
Income from agency services		228 211 226	208 920 868
Fines		173 028 668	210 363 750
Government grants & subsidies	26	4 746 558 483	4 557 540 172
Public contributions and donations		31 354 044	-
Other income	27	106 834 963	105 666 528
Interest revenue	32	239 543 250	153 736 169
Total Revenue		**22 243 406 190**	**20 803 967 656**
Expenditure			
Employee related costs	29	(4 076 351 620)	(4 109 531 899)
Remuneration of councillors	30	(87 954 568)	(79 406 240)
Depreciation and amortisation	33	(1 956 820 474)	(2 029 143 565)
Finance costs	35	(522 865 539)	(453 417 828)
Debt impairment	31	(783 597 319)	(1 570 904 704)
Collection costs		(114 274 792)	(131 932 643)
Repairs and maintenance		(1 839 955 189)	(1 737 189 295)
Bulk purchases	40	(8 852 863 936)	(7 930 516 453)
Contracted services	38	(685 955 162)	(684 662 723)
Grants and subsidies paid	39	(960 645 418)	(426 284 806)
General Expenses	28	(867 599 390)	(1 065 442 758)
Total Expenditure		**(20 748 883 407)**	**(20 218 432 914)**
Gain on disposal of capital assets		-	776 424
Loss on disposal of capital assets		(15 256 261)	(21 039 546)
Surplus for the year		**1 479 266 522**	**565 271 620**

Statement of Changes in Net Assets

Figures in Rand	Share premium	Fair value adjustment assets-available-for-sale reserve	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity	Minority interest	Total net assets
Balance at 01 July 2011 as previously reported	**-**	**-**	**38 275 480 847**	**38 275 480 847**	**-**	**38 275 480 847**
Changes in net assets						
Surplus/(Deficit) for the year	-	-	565 271 620	565 271 620	-	565 271 620
Total changes	-	-	565 271 620	565 271 620	-	565 271 620
Balance at 01 July 2012	**-**	**-**	**38 840 752 466**	**38 840 752 466**	**-**	**38 840 752 466**
Changes in net assets						
Surplus for the year	-	-	1 479 266 522	1 479 266 522	-	1 479 266 522
Total changes	-	-	1 479 266 522	1 479 266 522	-	1 479 266 522
Balance at 30 June 2013	**-**	**-**	**40 320 018 988**	**40 320 018 988**	**-**	**40 320 018 988**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Property rates		2 672 006 013	1 839 046 466
Sale of goods and services		12 368 226 470	11 843 870 845
Grants-Operational		3 711 812 353	3 221 893 885
Grants -Capital		1 167 477 509	1 301 440 972
Interest income		497 248 048	353 622 718
Other receipts		624 359 995	606 654 348
		21 041 130 388	19 166 529 234
Payments			
Employee costs		(4 055 197 226)	(3 994 959 002)
Suppliers		(10 892 062 527)	(10 131 175 841)
Finance costs		(522 865 539)	(453 417 828)
Other payments		(2 036 785 737)	(1 515 301 796)
		(17 506 911 029)	(16 094 854 467)
Net cash flows from operating activities	41	**3 534 219 359**	**3 071 674 767**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)	5	(2 310 813 306)	(1 961 164 334)
Proceeds from the sale of property, plant and equipment	5	-	811 991
Purchase of investment property	4	(19 266 843)	-
Proceeds from sale of investment property	4	-	834 200
Purchase of intangible assets	6	(40 356 849)	(39 850 108)
Proceeds from sale of financial assets		(333 515 182)	(242 575 150)
Net movement in long term receivables		133 214	(187 165)
Net cash flows from investing activities		**(2 703 818 966)**	**(2 242 130 566)**
Cash flows from financing activities			
Movement in long term liabilities		617 686 233	624 443 368
Movement in deposits		87 866 308	45 573 078
Net cash flows from financing activities		**705 552 541**	**670 016 446**
Net increase/ (decrease) in cash and cash equivalents		**1 535 952 934**	**1 499 560 647**
Cash and cash equivalents at the beginning of the year		2 838 424 089	1 338 863 442
Cash and cash equivalents at the end of the year	16	**4 374 377 023**	**2 838 424 089**

Appropriation Statement

Figures in Rand

	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
2013											
Financial Performance											
Property rates	3 019 758 804	(40 228 372)	2 979 530 432	-		2 979 530 432	2 874 963 167		(104 567 265)	96 %	95 %
Service charges	14 500 476 026	(32 073 184)	14 468 402 842	-		14 468 402 842	13 500 276 496		(968 126 346)	93 %	93 %
Investment revenue	170 100 000	-	170 100 000	-		170 100 000	239 543 250		69 443 250	141 %	141 %
Transfers recognised - operational	3 499 700 922	211 910 023	3 711 610 945	-		3 711 610 945	3 638 073 454		(73 537 491)	98 %	104 %
Other own revenue	777 445 078	1 565 840	779 010 918	-		779 010 918	850 710 750		71 699 832	109 %	109 %
Total revenue (excluding capital transfers and contributions)	**21 967 480 830**	**141 174 307**	**22 108 655 137**	**-**		**22 108 655 137**	**21 103 567 117**		**(1 005 088 020)**	**95 %**	**96 %**
Employee costs	(4 608 601 569)	127 987 092	(4 480 614 477)	-	1 986 239	(4 478 628 238)	(4 076 351 620)	-	402 276 618	91 %	88 %
Remuneration of councillors	(103 326 033)	-	(103 326 033)	-	-	(103 326 033)	(87 954 568)	-	15 371 465	85 %	85 %
Debt impairment	(1 256 869 428)	-	(1 256 869 428)			(1 256 869 428)	(783 597 319)	-	473 272 109	62 %	62 %
Depreciation and asset impairment	(2 200 737 898)	(27)	(2 200 737 925)			(2 200 737 925)	(1 956 820 474)	-	243 917 451	89 %	89 %
Finance charges	(580 157 842)	(2 444 571)	(582 602 413)	-	-	(582 602 413)	(522 865 539)	-	59 736 874	90 %	90 %
Materials and bulk purchases	(8 996 274 745)	(2 850 000)	(8 999 124 745)	-	-	(8 999 124 745)	(8 852 863 936)	-	146 260 809	98 %	98 %
Transfers and grants	(1 200 666 504)	(70 958 968)	(1 271 625 472)	-	-	(1 271 625 472)	(960 645 418)	-	310 980 054	76 %	80 %
Other expenditure	(3 977 500 865)	(72 907 833)	(4 050 408 698)	-	(1 986 239)	(4 052 394 937)	(3 523 040 794)	-	529 354 143	87 %	89 %
Total expenditure	**(22 924 134 884)**	**(21 174 307)**	**(22 945 309 191)**	**-**	**-**	**(22 945 309 191)**	**(20 764 139 668)**	**-**	**2 181 169 523**	**90 %**	**91 %**
Surplus/(Deficit)	**(956 654 054)**	**120 000 000**	**(836 654 054)**	**-**		**(836 654 054)**	**339 427 449**		**1 176 081 503**	**(41)%**	**(35)%**
Transfers recognised - capital	1 412 402 000	(218 945 526)	1 193 456 474	-		1 193 456 474	1 108 485 029		(84 971 445)	93 %	78 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	31 354 044		31 354 044	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**455 747 946**	**(98 945 526)**	**356 802 420**	**-**		**356 802 420**	**1 479 266 522**		**1 122 464 102**	**415 %**	**325 %**
Surplus/(Deficit) for the year	**455 747 946**	**(98 945 526)**	**356 802 420**	**-**		**356 802 420**	**1 479 266 522**		**1 122 464 102**	**415 %**	**325 %**

Appropriation Statement

Figures in Rand

	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
Capital expenditure and funds sources											
Total capital expenditure	2 650 707 810	(93 271 539)	2 557 436 271	-		2 557 436 271	2 378 567 621		(178 868 650)	93 %	90 %
Sources of capital funds											
Transfers recognised - capital	1 393 673 791	(218 269 771)	1 175 404 020	-		1 175 404 020	1 108 480 192		(66 923 828)	94 %	80 %
Public contributions and donations	18 750 000	(1 000 000)	17 750 000	-		17 750 000	13 644 209		(4 105 791)	77 %	73 %
Borrowing	975 823 000	111 361 264	1 087 184 264	-		1 087 184 264	963 637 869		(123 546 395)	89 %	99 %
Internally generated funds	262 461 019	14 636 968	277 097 987	-		277 097 987	257 609 809		(19 488 178)	93 %	98 %
Total sources of capital funds	**2 650 707 810**	**(93 271 539)**	**2 557 436 271**	**-**		**2 557 436 271**	**2 343 372 079**		**(214 064 192)**	**92 %**	**88 %**
Cash flows											
Net cash from (used) operating	2 917 572	176 820	3 094 392	-		3 094 392	3 534 219 359		3 531 124 967	114 214 %	121 136 %
Net cash from (used) investing	(2 874 564)	(92 969)	(2 967 533)	-		(2 967 533)	(2 703 818 966)		(2 700 851 433)	91 113 %	94 060 %
Net cash from (used) financing	653 331	-	653 331	-		653 331	705 552 541		704 899 210	107 993 %	107 993 %
Net increase/(decrease) in cash and cash equivalents	**696 339**	**83 851**	**780 190**	**-**		**780 190**	**1 535 952 934**		**1 535 172 744**	**196 869 %**	**220 575 %**
Cash and cash equivalents at the beginning of the year	2 193 076	645 348	2 838 424	-		2 838 424	2 838 424 089		2 835 585 665	100 000 %	129 427 %
Cash and cash equivalents at year end	**2 889 415**	**729 199**	**3 618 614**	**-**		**3 618 614**	**4 374 377 023**		**(4 370 758 409)**	**120 885 %**	**151 393 %**

Figures in Rand

2012 **APPROPRIATON STATEMENT**

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Financial Performance				
Property rates				2 644 169 729
Service charges				12 640 496 148
Investment revenue				153 736 169
Transfers recognised - operational				3 285 157 923
Other own revenue				808 801 862
Total revenue (excluding capital transfers and contributions)				**19 532 361 831**
Employee costs	-	-	-	(4 109 531 899)
Remuneration of councillors	-	-	-	(79 406 240)
Debt impairment	-	-	-	(1 570 904 704)
Depreciation and asset impairment	-	-	-	(2 029 143 565)
Finance charges	-	-	-	(453 417 828)
Materials and bulk purchases	-	-	-	(7 930 516 453)
Transfers and grants	-	-	-	(426 284 806)
Other expenditure	-	-	-	(3 640 266 965)
Total expenditure	**-**	**-**	**-**	**(20 239 472 460)**
Surplus/(Deficit)				**(707 110 629)**
Transfers recognised - capital				1 272 382 249
Surplus (Deficit) after capital transfers and contributions				**565 271 620**
Surplus/(Deficit) for the year				**565 271 620**
Capital expenditure and funds sources				
Total capital expenditure				2 001 014 443

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				3 071 674 767
Net cash from (used) investing				(2 242 130 566)
Net cash from (used) financing				670 016 446
Net increase/(decrease) in cash and cash equivalents				**1 499 560 647**
Cash and cash equivalents at the beginning of the year				1 338 863 442
Cash and cash equivalents at year end				**2 838 424 089**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention. These economic entity annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts 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. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant notes and policies.

1.2 Investment property

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

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

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

Cost model

Investment property is subsequently measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Depreciation is provided to write down the cost by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 - 60 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

1.3 Property, plant and equipment (PPE)

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

The cost of an item of property, plant and equipment (ppe) is recognised as an asset when:

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

Property, plant and equipment (PPE) is initially measured at cost.

1.3 Property, plant and equipment (PPE) (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and any accumulated impairment. Land is not depreciated as it is deemed to have an infinite life.

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

The economic entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The estimated useful lives are as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	20 - 80 years
Motor vehicles	
• Specialised vehicles	5 - 15 years
• Other vehicles	4 - 25 years
Infrastructure	
• Roads and stormwater	1 – 120 years
• Pedestrian malls	30 years
• Electricity	5 – 60 years
• Water	3 – 200 years
• Sewer	3 – 120 years
• Housing	50 years
• Solid Waste	5 – 60 years
• Servitudes	Indefinite
Community	
• Buildings	30 years
• Recreational facilities	20 – 30 years
• Security	11 – years
• Landfill sites	15 years
Other property, plant and equipment	
• Furniture and fittings	3 - 33 years
• Water craft	15 years
• Office equipment	3 – 33 years
• Specialised plant and equipment	10 – 26 years
• Other items of plant and equipment	2 – 26 years

The asset management policy contains the details of the components and their specific useful life estimates.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising 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, the useful life and the depreciation method of PPE are reviewed at least at every reporting date.

At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an assets carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the assets' recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

The economic entity depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised.

Accounting Policies

1.4 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the economic entity from which the economic entity expects to derive future economic benefits or service potential.

Intangible assets are identifiable when they can be separated from the economic entity, i.e. is capable of being separated or divided from the economic entity and sold, exchanged, licensed or, when they arise as a result of a contractual or other legal right, excluding those legal rights that arise from statute.

The economic entity recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and the economic entity can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost.

Where the economic entity acquires intangible assets, it recognises them as assets in the statement of financial position at cost.

Where the economic entity generates its own intangible assets through research and development or the acquisition of another entity, recognition is based on whether or not it is probable that the intangible assets will generate future economic benefits or service potential. Expenditure on research is not recognised as an asset.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the economic entity can demonstrate all of the following:
• the technical feasibility of completing the intangible asset so that it will be available for use or sale.
• its intention to complete the intangible asset and use or sell it.
• its ability to use or sell the intangible asset.
• how the intangible asset will generate probable future economic benefits or service potential. Among other things, the economic entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
• the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
• its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The economic entity does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.
The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

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

The economic entity assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The economic entity regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the entity expects the asset to generate net cash inflows or service potential for the entity. Intangible assets with indefinite useful lives are not amortised.

The economic entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the economic entity expects to use the asset.

The economic entity reviews the amortisation method, useful lives and residual values of intangible assets annually.

The estimated useful lives are as follows:

Item	Useful life
Computer software	1 - 20 years

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

1.5 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

1.5 Heritage assets (continued)

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset 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 is 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.

Accounting Policies

1.5 Heritage assets (continued)

Transitional provision

The municipality changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with its transitional provision as per Directive 3 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in note 7. The transitional provision expires on 30/06/2015.

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

1.6 Investments in controlled entities

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

Municipal controlled entities are those entities which the Municipality owns or over whose financial and operating policies it has the power to exercise beneficial control.

1.7 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.

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

1.7 Inventories (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.7 Inventories (continued)

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

Classification

The entity 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 Investments	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions (taxes and transfers)	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Other Investments (unlisted shares)	Financial asset measured at cost

The entity 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:

Class	Category
Long-term liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

1.7 Inventories (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity 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, an 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.

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

1.7 Inventories (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its 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).

1.7 Inventories (continued)

Presentation

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

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

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

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

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

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

1.8 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

Accounting Policies

1.9 Inventories

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

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

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The first-in-first-out method is the basis of allocating costs to inventories, except for water balance which is determined at cost the reporting date.

Unsold properties are valued at cost. Direct costs are accumulated for each separately identifiable development.

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

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

1.10 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The municipality considers the weighted average cost of capital as their discount rate (time value of money).

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality 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.

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.10 Impairment of cash-generating assets (continued)

Redesignation

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Accounting Policies

1.11 Employee benefits (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the most appropriate between the following approaches:

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an “optimised” 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.

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.11 Employee benefits (continued)

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.12 Employee benefits

Benefits

Retirement Funds

The economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

Defined contribution plans

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

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

Where an employee has rendered services to the economic entity during the year, the economic entity recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

The economic entity provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

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

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

1.12 Employee benefits (continued)

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

The economic entity does not apply “defined benefit accounting” to the defined benefit funds to which it is a member where these funds as classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved.

To the extent that a surplus or deficit in the place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the economic entity will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

Medical Aid: Continued Members

The economic entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the economic entity is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the economic entity for the remaining portion.

1.13 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

1.13 Provisions and contingencies (continued)

A provision is recognised when the economic entity has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The economic entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

a) Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

b) COID Provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7.0% (2012 - 6.5%) per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 10.75% (2012 - 11.00%).

c) Landfill Rehabilitation Provision
The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital (time value of money), which is currently 10.75% (2012 - 11.00%).

The economic entity has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a economic entity incurs as a consequence of having used the property during a particular period for landfill purposes. The economic entity estimates the useful lives and make assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

d) Workmen's compensation provision

The provision is for the unpaid periods, estimated in the latest return submitted to the compensation commissioner.

e) Long service awards provision

The economic entity offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

f) GMRF provision

The provision is for the economic entity's obligation to the Germiston Municipal Retirement Fund due to the economic entity failing to meet its obligation to contribute to the fund due to the required investment yield not being achieved.

g) Bonus provision

The provision is to provide for performance bonusses of the economic entity's section 57 employees and, where applicable, independant contractors.

1.14 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the economic entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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

Revenue is measured at the fair value of the consideration received or receivable.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:
• The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
• A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the economic entity were an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property size, and are levied monthly.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

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

Dividends are recognised when the economic entity’s right to receive payment is established.

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

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Measurement

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

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

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

1.15 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

Bequests

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.16 Borrowing costs

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

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.10 and 1.11. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds 3 months.

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

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

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

1.17 Comparative figures

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understandibility and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are reclassified. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.18 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, economic entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). 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.

1.19 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.

1.20 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 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Use of estimates

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

1.22 Presentation of currency

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

1.23 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2012 to 30/06/2014.

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

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

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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.

Accounting Policies

1.24 Related parties (continued)

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 person in their dealings with the municipality.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed, except for transactions with controlled entities, which are disclosed in full.

1.25 Going concern

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

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following newly effective standards.

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

Changes due to the newly effective GRAP standards' implementation

GRAP 21 - Impairment of Non-cash-generating Assets
The Accouinting Policy has changed (see accounting policy note 1.11). No substantial application changes were experienced with the implementation of the standard.

GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
The Accouinting Policy has changed (see accounting policy note 1.15). No substantial changes were experienced with the implementation of the standard.

GRAP 24 - Presentation of Budget Information in Financial Statements
The Accouinting Policy has changed (see accounting policy note 1.23). Budget versus Actual information was previously disclosed as a note the annual financial statements, but has now been presented as an additional Statement in the Annual Financial Statements and an additional note has been introduced where Budget differences are disclosed (see note 56).

GRAP 26 - Impairment of Cash-generating Assets
The Accouinting Policy has changed (see accounting policy note 1.10). No substantial changes were experienced with the implementation of the standard.

GRAP 103 - Heritage Assets
During the year, the municipality changed its accounting policy with respect to the treatment of Heritage Assets, in order to conform with the requirements of GRAP 103 – Heritage Assets. The municipality now present Heritage Assets as a separate line item in the Statement of Financial Position and not as part of Property, plant and equipment. There is also now a separate Accouinting Policy (see accounting policy note 1.5), as well as separate note for Heritage assets (see note 7). The change in accounting policy is made in accordance with the transitional provision in Directive 3, where the municipality iis granted a 3 year period to comply with the measurement requirements of the standard. See accounting policy note 1.5 and note 7 for additional details.

GRAP 104 - Financial Instruments
During the year, the municipality changed its accounting policy with respect to the treatment of Financial Instruments. In order to conform with the requirements of GRAP 104 – Financial Instruments. The municipality changed its classification of Financial Instruments from the following categories:
Held-to-maturity investments
Loans and receivables
Available-for-sale financial assets
Financial liabilities measured at amortised cost

To the following categorie:
Financial instruments at fair value
Financial instruments at amorised cost
Financial instruments at cost (Unlisted shares)

The Accouinting Policy has changed substantially (see accounting policy note 1.7), and various changes to other disclosures have been made within the annual financial statements.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2013 is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

2. Changes in accounting policy (continued)

Statement of financial position

Property, plant and equipment (PPE)		
Previously stated	42 575 917 113	-
Adjustment (Move to Heritage Assets)	(78 395 185)	-
	42 497 521 928	**-**
Heritage Assets		
Adjustment	78 395 185	-

3. New standards and interpretations

3.1 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:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP 18: Segment Reporting	01 April 2014	Expected to be not material
• GRAP 25: Employee benefits	01 April 2013	Expected to be not material
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Expected to be not material
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Expected to be not material
• GRAP 107: Mergers	01 April 2014	Expected to be not material
• GRAP 20: Related parties	01 April 2014	Expected to be not material
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	Expected to be not material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	Expected to be not material
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	Expected to be not material
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	Expected to be not material
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	Expected to be not material
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Expected to be not material
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Expected to be not material
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	Expected to be not material
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Expected to be not material
• GRAP 12 (as revised 2012): Inventories	01 April 2013	Expected to be not material
• GRAP 13 (as revised 2012): Leases	01 April 2013	Expected to be not material
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	Expected to be not material
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Expected to be not material
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	Expected to be not material
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Expected to be not material
• IGRAP16: Intangible assets website costs	01 April 2013	Expected to be not material
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	Expected to be not material

4. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	130 700 899	(1 781 195)	128 919 704	111 434 056	(1 187 464)	110 246 592

4. Investment property (continued)

Reconciliation of investment property - 2013

	Opening balance	Additions	Depreciation	Total
Investment property	110 246 592	19 266 843	(593 731)	128 919 704

Reconciliation of investment property - 2012

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	126 279 203	(834 200)	(14 604 679)	(593 732)	110 246 592

5. Property, plant and equipment (PPE)

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	989 619 076	-	989 619 076	980 133 725	-	980 133 725
Infrastructure	41 600 076 737	(8 107 997 530)	33 492 079 207	41 010 435 052	(6 608 283 625)	34 402 151 427
Community	4 150 453 049	(934 757 584)	3 215 695 465	4 078 177 474	(737 809 085)	3 340 368 389
Other property, plant and equipment	3 778 909 083	(1 412 325 653)	2 366 583 430	3 476 509 057	(1 163 472 799)	2 313 036 258
Work-in-Progress	2 819 261 262	-	2 819 261 262	1 461 832 128	-	1 461 832 128
Total	**53 338 319 207**	**(10 455 080 767)**	**42 883 238 440**	**51 007 087 436**	**(8 509 565 509)**	**42 497 521 927**

Reconciliation of property, plant and equipment (ppe) - 2013

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	980 133 725	109 600	16 954 677	-	(7 578 926)	989 619 076
Infrastructure	34 402 151 427	150 539 503	440 466 227	(1 499 713 905)	(1 364 045)	33 492 079 207
Community	3 340 368 389	9 264 447	63 011 128	(196 948 499)	-	3 215 695 465
Other property, plant and equipment	2 313 036 258	300 452 231	2 720 288	(249 502 044)	(123 303)	2 366 583 430
Work-in-Progress	1 461 832 128	1 850 447 522	(493 018 388)	-	-	2 819 261 262
	42 497 521 927	**2 310 813 303**	**30 133 932**	**(1 946 164 448)**	**(9 066 274)**	**42 883 238 440**

Reconciliation of property, plant and equipment (ppe) - 2012

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	979 387 621	-	(15 213 300)	15 959 404	-	-	980 133 72
Infrastructure	34 612 270 503	290 257 347	-	1 099 411 308	-	(1 599 787 731)	34 402 151 42
Community	2 755 751 170	79 026 648	-	673 993 160	30 010 287	(198 412 876)	3 340 368 38
Other property, plant and equipment	2 235 279 893	276 473 500	(5 861 814)	32 754 112	-	(225 609 433)	2 313 036 25
Work-in-Progress	1 964 263 039	1 315 406 839	-	(1 817 837 750)	-	-	1 461 832 12
	42 546 952 226	**1 961 164 334**	**(21 075 114)**	**4 280 234**	**30 010 287**	**(2 023 810 040)**	**42 497 521 92**

Borrowing costs capitalised

	2013	2012
Intangible Assets	613 984	-
Infrastructure	21 487 968	18 217 967
Community	8 138 261	9 799 326
Other property, plant and equipment	5 323 448	2 107 883
Investment property	679 409	-
	36 243 070	**30 125 176**

Capitalisation rates used during the year were 9.155%, 10.68%, 10.56%, 10.72% respectively (2012 - 10.05%, 10.68%, 10.56% 10.72%), depending on the finance source or external loan facility.

Compensation received for losses on property, plant and equipment – included in operating profit.

	2013	2012
Office equipment	529 517	6 819
Infrastructure	3 614 843	4 871 321
	4 144 360	**4 878 140**

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

5. Property, plant and equipment (PPE) (continued)

Deemed cost

Included in the additions for the year is public contributed assets with deemed cost amounts of R31,890,703 (2012 - R13,450,224).

Deemed cost was determined using fair value or depreciated replacement cost, depending on the most appropriate measurement for the specific asset/scenario.

6. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	104 972 756	(14 361 580)	90 611 176	80 083 819	(13 577 211)	66 506 608

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software (other)	66 506 608	40 356 849	(6 189 988)	(10 062 293)	90 611 176

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software (other)	31 396 293	39 850 108	(4 739 793)	66 506 608

Work-in-progress

Reconciliation of work-in-progress of the controlling entity

Included in additions is the following amounts relating to software still in development:

	2013	2012
Work-in-progress		
Opening balance	49 699 286	10 898 875
Software development incurred during the year	38 060 799	38 800 411
Work in progress cleared during the year	(16 449 833)	-
	71 310 252	**49 699 286**

7. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16 078 825	-	16 078 825	16 078 825	-	16 078 825
Historical buildings	10 201 178	-	10 201 178	10 201 178	-	10 201 178
Other heritage assets	52 115 182	-	52 115 182	52 115 182	-	52 115 182
Total	**78 395 185**	**-**	**78 395 185**	**78 395 185**	**-**	**78 395 185**

Reconciliation of heritage assets 2013

	Opening balance	Total
Conservation areas	16 078 825	16 078 825
Historical buildings	10 201 178	10 201 178
Other heritage assets	52 115 182	52 115 182
	78 395 185	**78 395 185**

7. Heritage assets (continued)

Reconciliation of heritage assets 2012

	Opening balance	Total
Conservation areas	16 078 825	16 078 825
Historical buildings	10 201 178	10 201 178
Other heritage assets	52 115 182	52 115 182
	78 395 185	**78 395 185**

Transitional provisions

Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 3 of the GRAP Reporting Framework, as disclosed in note 2, certain heritage asset with a carrying value of R0.00 - (2012:R0.00 -) were recognised at provisional amounts. Quantity of heritage asset carried at provisional amounts are :

- 38 Heritage sites
- 852 Visual art works
- 140 Mayoral chain items
- 1548 other heritage assets at R0.00

Due to initial adoption of GRAP 103

Steps taken to establish the values of heritage asset recognised at provisional amounts due to the initial adoption of GRAP 103, is as follows:

Heritage experts will be appointed in future to value heritage recognised at provisional amounts

The date at which full compliance with GRAP 103 is expected, is 30 June 2015.

Deemed costs

No Heritage assets have been carried at deemed cost.

8. Investments in controlled entities

Name of company	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Brakpan Bus Company SOC Ltd	100,00 %	100,00 %	6	6
Ekurhuleni Development Company SOC Ltd	100,00 %	100,00 %	100	100
East Rand Water Care Company, NPC	97,00 %	97,00 %	-	-
Pharoe Park Housing Company SOC Ltd	93,46 %	93,46 %	100	100
Germiston Phase II Housing Company SOC Ltd	92,59 %	92,59 %	100	100
Lethabong Housing Institute, NPC	100,00 %	100,00 %	-	-
			306	**306**

9. OTHER INVESTMENTS

	2013	2012
At cost		
Unlisted shares	4 000 000	4 000 000
At amortised cost		
Investments	822 985 643	489 470 461
These investments have varying interest rates as well as varying maturity dates		
Total other financial assets	**826 985 643**	**493 470 461**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

9. OTHER INVESTMENTS (continued)

Non-current assets		
At cost	4 000 000	4 000 000
At amortised cost	800 214 431	468 185 461
	804 214 431	**472 185 461**
Current assets		
At amortised cost	22 771 212	21 285 000
	826 985 643	**493 470 461**

Residual interest at cost

Fair value information has not been provided for equity instruments that do not have a quoted market price and for which a fair value cannot be measured reliably.

The carrying amount of these financial instruments is as follows:

Rand Airport (Awaiting information) 20% interest in ordinary shares	4 000 000	4 000 000

The company's statements for 2013 is unaudited (2012: Audited).

The Company's Equity amounted to R 622,854,485 (2012: R536,018,180) represented by Share Capital of R5,201,000 (2012: R5,201,000), reserves of R165,755,503 (2012: R165,755,503) as well as Retained Income of R299,397,521 (2012: R365,061,677) as at 28 February 2013.

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

There were no gains or losses realised on the disposal of held to maturity financial assets in 2013 and 2012, as all the financial assets were disposed of at their redemption date.

Investments with a carrying value of R819,319,820 (2012: R464,610,451) are encumbered in respect of long term liabilities with a carrying value of R2,847,620,000 (2012: R2,847,620,000) as disclosed in the Long-term liabilities note (note 18).

Credit quality of other financial assets

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

10. EMPLOYEE BENEFIT OBLIGATIONS

1. Retirement Funds
The Municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable. The economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

The council took a resolution in terms of an ageement with SALGA that the contribution rate to pension funds will be capped at 18% of salaries for new members joining pension funds after 1 July 2012 and also that the deducted contribtion will only be transferred to Defined Contribution pension funds.

Defined Contribution Funds
Where an employee has rendered services to the economic entity during the year, the economic entity recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

Defined Benefit Plans
The Municipality does not apply “defined benefit accounting” to the defined benefit funds to which it is a member where these funds are classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. Information necessary to apply “defined benefit accounting” was requested from the various funds, but information received from these funds were insufficient and in some instances no information could be obtained from these funds. This issue will be addressed in future to ensure that these benefit plans could be accounted for as “defined benefit accounting”. As a result, IAS 19 is applied and such funds are accounted for as defined contribution funds. The following funds have been treated as definded contribution plans although they are defined benefit funds:
1. Joint Municipal Pension Fund
2. Municipal Employees Pension Fund
3. South African Local Authorities Pension Fund

Germiston Municipal Retirement Fund (GMRF) is a defined contribution fund for active contributing members but a defined benefit fund for certain pensioners under old rules taken uo in the rules of the fund. During 2005 GMRF outsources the full administration of the pesioners component which relates to old rules of a defined benefit fund.

To the extent that a surplus or deficit is in place, based on available information, this may affect the amount of future contributions once these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the economic entity will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

2. Accrued Leave Pay
Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end. Refer to Provisions note (note 19) for leave pay provision.

Retirement benefit obligation (medical aid plan)

The economic entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the economic entity is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the economic entity for the remaining portion.

An actuarial valuation for 2013 has not been obtained yet, 2012 was performed by IAC Actuarial Consulting

From information currently available to the municipality, it is evident that the net effetive discount rate has declined significantly since 2012. The municiplity took a dicision not to account for any possible changes, until the actuarial valuation is preformed.

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

	2013	2012
Present value of the defined benefit obligation-wholly unfunded	(1 605 262 580)	(1 605 262 580)
Net actuarial gains or losses not recognised	102 991 703	102 991 703
	(1 502 270 877)	**(1 502 270 877)**

Movements for the year

	2013	2012
Opening balance	(1 502 270 877)	(1 378 112 990)
Benefits paid	-	57 376 230
Net expense recognised in the statement of financial performance	-	(181 534 117)
	(1 502 270 877)	**(1 502 270 877)**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

10. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Net expense recognised in the statement of financial performance

Current service cost	-	(56 815 006)
Interest cost	-	(124 719 111)
	-	**(181 534 117)**

Key assumptions used

Assumptions used on last valuation on 30 June 2012.

Discount rates used	- %	8,10 %
Health care cost inflation rate	- %	6,90 %

Other assumptions:

Key Demographic Assumptions

Assumption	**Value**
Average retirement age	63
Continuation of membership at retirement	90%
Proportion assumed married at retirement	80%
Proportion of eligible non-member employees joining the scheme by retirement	20%
Mortality during employment	SA 85-90
Mortality post-retirement	PA90-1

	Age	**Females**	**Males**
Withdrawal from service (sample annual rates)	20	16%	16%
	30	10%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

11. Long-term receivables

Non current receiveables		
Long Term Receiveables	14 366 017	14 499 228
Bad debt provision - LT receivables	(11 979 393)	(11 979 393)
	2 386 624	**2 519 835**

12. Inventories

Electrical	86 415 786	105 657 621
Sewerage	-	44 191
Cleansing	473 240	26 272
Consumable stores	3 055 992	3 841 774
Maintenance materials	7 027 575	4 255 188
Water	9 583 293	10 043 115
Unsold Properties Held for Resale	12 128 900	12 128 900
Food and Beverage	8 607	15 048
Fleet and Transport	3 841 714	1 926 940
Fuel (Diesel, Petrol)	7 373 076	7 338 705
	129 908 183	145 277 754
Provision for obsolete Inventories	(1 106 836)	(231 806)
	128 801 347	**145 045 948**

Land inventory sold during the year and recognised as an expense in 2013 R0 (2012: R249 400)
Inventory written down due to redundancy / obsolescence values to R1 106 836 (2012:: R277 759).

Figures in Rand	2013	2012

13. Other receivables from exchange transactions

Other receivable	164 082 795	163 747 648
VAT debtor	65 844 724	24 708 001
Lease rental receipts asset	560 026	16 790 042
Provision for debt impairment	(38 335 899)	(65 604 655)
	192 151 646	**139 641 036**

Credit quality of trade and other receivables

The credit quality of trade and other receivables 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:

14. Receivables from non-exchange transactions (taxes and transfers)

Traffic fine debtors	17 345 426	6 753 349
Grant debtors	320 709	22 787 101
	17 666 135	**29 540 450**

15. Consumer debtors

Gross balances		
Rates	1 897 604 365	1 852 303 261
Electricity	2 319 089 489	2 155 250 950
Water	2 380 582 230	1 901 206 531
Waste water	731 095 579	593 428 316
Refuse	756 949 872	554 780 534
Housing rental	52 656 234	44 336 268
Other	1 554 288 675	1 283 394 162
	9 692 266 444	**8 384 700 022**
Less: Allowance for impairment		
Rates	(1 472 128 461)	(1 433 917 999)
Electricity	(562 598 428)	(575 508 410)
Water	(1 868 748 190)	(1 467 973 622)
Waste water	(556 627 379)	(443 877 705)
Refuse	(622 477 348)	(459 299 898)
Housing rental	(50 646 006)	(44 335 736)
Other	(1 364 300 983)	(1 275 820 569)
	(6 497 526 795)	**(5 700 733 939)**
Net balance		
Rates	425 475 904	418 385 262
Electricity	1 756 491 061	1 579 742 540
Water	511 834 040	433 232 909
Waste water	174 468 200	149 550 611
Refuse	134 472 524	95 480 636
Housing rental	2 010 228	532
Other	189 987 692	7 573 593
	3 194 739 649	**2 683 966 083**
Included in above is receivables from exchange transactions		
Electricity	1 756 491 061	1 579 742 540
Water	511 834 040	433 232 909
Waste water	174 468 200	149 550 611
Refuse	134 472 524	95 480 636
Housing rental	2 010 228	532
Other	189 987 692	7 573 593
	2 769 263 745	**2 265 580 821**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

15. Consumer debtors (continued)

Included in above is receivables from non-exchange transactions (taxes and tansfers)		
Rates	425 475 904	418 385 262
	3 194 739 649	**2 683 966 083**

Rates		
Current (0 -30 days)	201 589 037	241 246 949
31 - 60 days	65 564 583	67 071 047
61 - 90 days	50 293 623	48 139 977
91 - 120 days	1 580 157 112	1 495 845 288
	1 897 604 355	**1 852 303 261**

Electricity		
Current (0 -30 days)	1 314 852 820	1 308 435 984
31 - 60 days	108 522 951	100 823 100
61 - 90 days	65 103 855	56 185 570
91 - 120 days	830 609 864	689 806 296
	2 319 089 490	**2 155 250 950**

Water		
Current (0 -30 days)	287 338 710	287 384 874
31 - 60 days	99 013 360	88 195 390
61 - 90 days	100 547 775	74 894 107
91 - 120 days	1 893 682 384	1 450 732 160
	2 380 582 229	**1 901 206 531**

Waste water		
Current (0 -30 days)	89 590 940	90 115 549
31 - 60 days	32 151 715	30 558 072
61 - 90 days	55 983 790	22 825 717
91 - 120 days	553 369 134	449 928 978
	731 095 579	**593 428 316**

Refuse		
Current (0 -30 days)	54 594 521	45 421 492
31 - 60 days	30 439 703	25 777 279
61 - 90 days	27 103 429	22 895 891
91 - 120 days	644 812 218	460 685 872
	756 949 871	**554 780 534**

Housing rental		
Current (0 -30 days)	836 029	699 732
31 - 60 days	1 144 998	1 244 476
61 - 90 days	1 105 945	1 095 406
91 - 120 days	49 540 062	41 296 654
	52 627 034	**44 336 268**

Other		
Current (0 -30 days)	63 205 735	61 040 127
31 - 60 days	41 570 559	37 967 958
61 - 90 days	43 019 079	35 848 133
91 - 120 days	1 419 486 513	1 108 797 987
	1 567 281 886	**1 243 654 205**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

15. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	690 439 314	707 318 269
31 - 60 days	240 986 497	226 536 414
61 - 90 days	247 914 310	188 510 561
91 - 120 days	5 383 246 674	4 614 659 901
	6 562 586 795	5 737 025 145
Less: Allowance for impairment	(5 179 762 458)	(4 796 254 817)
	1 382 824 337	**940 770 328**
Industrial/ commercial		
Current (0 -30 days)	1 223 123 991	1 298 980 443
31 - 60 days	120 190 390	110 828 429
61 - 90 days	81 031 548	64 628 972
91 - 120 days	1 166 786 730	966 857 097
	2 591 132 659	2 441 294 941
Less: Allowance for impairment	(921 537 864)	(746 493 763)
	1 669 594 795	**1 694 801 178**
National and provincial government		
Current (0 -30 days)	43 626 737	28 045 299
31 - 60 days	12 200 205	14 272 480
61 - 90 days	10 135 649	8 745 268
91 - 120 days	119 575 875	115 576 237
	185 538 466	166 639 284
Less: Allowance for impairment	(132 143 298)	(118 245 409)
	53 395 168	**48 393 875**
Total		
Current (0 -30 days)	2 012 007 792	2 034 344 707
31 - 60 days	378 407 870	351 637 322
61 - 90 days	343 157 496	261 884 801
91 - 120 days	6 931 424 530	5 697 093 228
	9 664 997 688	8 344 960 058
Less: Allowance for impairment	(6 470 258 039)	(5 660 993 975)
	3 194 739 649	**2 683 966 083**
Less: Allowance for impairment		
Current (0 -30 days)	(195 401 211)	(172 320 908)
31 - 60 days	(181 495 327)	(161 919 277)
61 - 90 days	(193 857 995)	(159 607 681)
91 - 120 days	(5 926 772 262)	(5 206 886 073)
	(6 497 526 795)	**(5 700 733 939)**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(5 700 733 939)	(7 187 582 562)
Contributions to allowance	(783 597 318)	(1 570 904 704)
Debt impairment written off against allowance	14 073 218	3 005 983 353
Reversal of allowance	(27 268 756)	51 769 974
	(6 497 526 795)	**(5 700 733 939)**

Credit quality of consumer debtors

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

15. Consumer debtors (continued)

Consumer debtors past due but not impaired

At 30 June 2013, consumer debtors of R3 157 359 365 (2012:R2 678 564 327) were past due but not impaired.

30 Days	1 816 606 581	1 862 023 799
60 Days	196 912 543	189 718 045
90 Days	149 299 501	102 275 121
90+ Days	994 540 740	524 547 362

Consumer debtors impaired

As at 30 June 2013, consumer debtors of R6 534 907 079 (2012:R5 666 395 731) were impaired and provided for.

The ageing of these consumer debtors is as follows:

30 Days	195 401 211	172 320 908
60 Days	181 495 327	161 919 277
90 Days	193 857 995	159 607 681
90+ Days	5 964 152 546	5 172 547 865

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	534 716	523 881
Bank balances	4 373 842 307	2 837 900 208
	4 374 377 023	**2 838 424 089**

The controlling entity has provided bank guarantees to the amount of R 22,946,396 (2012:R23,166,798) with regard to special clauses in contracts concluded with various third parties.

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

16. Consumer debtors (continued)

ABSA		
ABSA - INCOME ALBERTON	1 668 891	1 705 381
ABSA - INCOME BENONI	668 992	3 084 767
ABSA - DIRECT BANKING BENONI	2 312 925	1 046 811
MASK ACCOUNT BENONI	17 729	2 195
ABSA - INCOME BOKSBURG	3 364 561	7 523 013
ABSA - DIRECT BANKING KL BOKSBURG	800	3 288
ABSA - INCOME BRAKPAN	543 001	673 890
PRE PAID SALES ACCOUNT BRAKPAN	929 770	293 200
ABSA - DIRECT BANKING BT BOKSBURG	-	-
ABSA - INCOME GERMISTON	2 980 713	6 628 801
ABSA - INCOME ACCOUNT KEMPTON PARK	798 181	1 703 571
ABSA - DIRECT BANKING KEMPTON PARK	2 918 199	1 328 462
ABSA - DIRECT BANKING LETHABONG	495 846	326 287
ABSA - INCOME LETHABONG	704 890	1 344 359
ABSA - INCOME NIGEL	695 924	302 251
ABSA - INCOME SPRINGS	245 105	-
ABSA - DIRECT BANKING_SPRINGS	1 024 765	688 700
ABSA - MARKET ACCOUNT	1 134 982	1 134 982
EGSC - RSC LEVIES	802 650	802 650
ABSA - EFF ACCOUNT (EX CLF)	803 185 841	564 798 036
ABSA - C R R ACCOUNT (EX CDF)	830 329 453	677 269 690
ABSA -PRIMARY BANK ACC(EX FROM REVENUE)	157 647 653	241 236 344
ABSA - SALARY ACCOUNT	84 071 608	53 002 667
ABSA - TREASURY ACCOUNT	1 754 725 642	537 422 215
ABSA - EXPENDITURE IMPREST ACCOUNT	135 582 603	229 617 416
ABSA - CMIP ACCOUNT	453 046 463	360 357 905
ABSA - HOUSING ACCOUNT	139 565 120	144 175 508
Short Term Deposits at various institutions with dates within 3 months	127 669	122 518
ABSA - GUARANTEE ACCOUNT	(7 846 867)	1 305 300
Petty Cash and Floats	535 066	523 881
ABSA - DEBIT ORDER ACCOUNT	2 098 848	-
	4 374 377 023	**2 838 424 088**

The economic entity had the following bank accounts

16. Consumer debtors (continued)

Account number / description	Bank statement balances 30 June 2013	Bank statement balances 30 June 2012	Bank statement balances 30 June 2011	Cash book balances 30 June 2013	Cash book balances 30 June 2012	Cash book balances 30 June 2011
ABSA BANK - Income Alberton-111-841-0641	-	-	-	1 668 891	1 705 381	2 517 470
ABSA BANK - Income Benoni - 4055327394	-	-	-	668 992	3 084 767	5 067 159
ABSA BANK - Direct Banking Benoni - 4055328015	-	-	-	2 312 925	1 046 811	1 106 234
ABSA BANK - Mask Account Benoni - 4065622380	-	-	-	17 729	2 195	-
ABSA BANK - Income Boksburg - 230000069	-	-	-	3 364 561	7 523 013	3 164 906
ABSA BANK - Direct Banking KL Boksburg - 230000220	-	-	-	800	3 288	-
ABSA BANK - Income Brakpan - 240000024	-	-	-	-	-	-
ABSA BANK - Income Brakpan - 240000024	-	-	-	543 001	673 890	3 695 677
ABSA BANK - Prepaid Sales Account Brakpan-240159392	-	-	-	929 770	293 200	-
ABSA BANK - Income Germiston - 2500002277	(10 326)	-	-	2 980 713	6 628 801	7 380 967
ABSA BANK - Direct Banking Germiston - 250000804	-	-	-	-	-	-
ABSA BANK - Direct Banking Kempton Park - 260181599	-	-	-	2 918 199	1 328 463	769 521
ABSA BANK - Income Kempton Park - 260000004	-	-	-	798 181	1 703 571	3 437 801
ABSA BANK - Income Lethabong - 4055442546	(13 337)	-	-	704 890	1 344 359	2 670 918
ABSA BANK - Direct Banking Lethabong - 4055442596	-	-	-	495 846	326 287	259 570
ABSA BANK - Income Nigel - 270000010	-	-	-	695 924	302 251	3 206 833
ABSA BANK - Income Springs - 280000051	-	-	-	1 024 765	688 700	102 736
ABSA BANK - Direct Springs - 280000094	-	-	-	245 105	-	714 667
ABSA BANK - Fresh Produce Market - 1135470160	(415 285)	1 700 216	191 534	1 134 982	1 134 982	(629 801)
ABSA BANK - RSC Levies - 1018470132	-	-	-	802 650	802 650	802 650
ABSA BANK - EFF Account (EX CLF) - 4053834321	803 185 841	564 798 036	542 045 629	803 185 841	564 798 036	542 045 629
ABSA BANK - C R R Account (EX CDF) - 4053834779	830 329 453	677 269 628	769	830 329 453	677 269 690	769
ABSA BANK - Primary Bank Acc - 4053835084	157 647 653	241 236 282	142 303 806	157 647 653	241 236 344	142 303 806
ABSA BANK - Salary Account - 4055571973	85 503 283	54 515 276	34 087 292	84 071 608	53 002 667	32 393 374
ABSA BANK - Treasury Account - 4055571931	1 754 725 642	537 422 215	389 622 245	1 754 725 642	537 422 215	389 622 245
ABSA BANK - Expenditure Imprest Acc - 4055571915	171 699 575	261 765 414	15 051 689	135 582 603	229 617 416	(8 365 408)
ABSA BANK - MIG Account - 4055571884	453 046 463	360 357 843	84 806 962	453 046 463	360 357 905	84 806 962
ABSA BANK - Housing Account - 4055571842	139 565 120	144 175 446	99 377 265	139 565 120	144 175 508	99 377 265
EMM Traffic fines 4072777706	(5 228)	-	-	-	-	-
ABSA BANK - Lease Income - 4075756252	-	-	20 551 720	-	-	20 505 576
ABSA BANK - Guarantee account -	-	-	-	(7 846 867)	1 305 300	1 305 300
FNB Mask account 62379403745	81 817	-	-	-	-	-
Petty Cash and Floats	-	-	-	535 066	523 881	483 610
Short Term Deposits at various institutions with dates within 3 months	-	-	122 518	127 669	122 518	117 006

Notes to the Annual Financial Statements

Figures in Rand					2013	2012
16. Consumer debtors (continued)						
STANDARD Bank Mask Account	2 098 212	-	-	2 098 848	-	-
(BBC) ABSA Current account - 4052643454	-	2 613 776	512 892	-	1 100 661	512 894
(BBC) ABSA Current account - 9193942873	-	2 790 319	6 824 788	-	2 790 319	6 824 786
(EDC) ABSA Current account - 4055919492	-	169 328	129 873	-	169 328	129 873
(ERWAT) ABSA Current account - 260170120	-	175 645 965	51 849 070	-	175 645 965	51 832 594
(ERWAT) ABSA Current account - 260170139	-	2 112 827	2 110 471	-	2 112 827	2 110 471
(ERWAT) INCA Bank - 50610027704	-	15 902 908	16 600 000	-	15 902 908	16 600 000
(Phase II) ABSA Current account - 4052348660	-	584 948	1 225 074	-	584 948	1 225 074
(Phase II) ABSA Call account - 2065919012	-	11 467 618	1 013 205	-	11 467 618	1 013 205
(LHI) FNB Current account - 62019238428	-	(366)	22 920	-	(365)	22 920
(LHI) Investec Call account - 1100182677580	-	264 626	252 972	-	264 626	252 972
(PP) ABSA Current account - 4050383636	-	599 028	148 341	-	599 028	148 341
(PP) ABSA Call account - 2070991540	-	-	11 069 539	-	-	11 069 539
(PP) ABSA Call account - 2070991574	-	-	306 229	-	-	306 229
(PP) ABSA Cheque account - 4078340151	-	1 365 562	-	-	1 365 562	-
(PP) ABSA Call account - 2065919054	-	-	1 013 205	-	-	1 013 205
Cash on hand - Entities	-	-	-	-	26 652	25 700
Total	**4 397 438 883**	**3 056 756 895**	**1 421 240 008**	**4 374 377 023**	**3 050 454 166**	**1 431 951 245**

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2013	2012
OPERATING GRANTS-BUNTLE KE BOTLE	53 299	-
OPERATING GRANTS-HIV/AIDS	628 216	-
ACCREDITATION CAPACITY ENHANCEMENT	1 803 963	2 459 687
OPERATING GRANTS - TOWNSHIP INITIATIVES	911 139	7 207 447
HAD URBAN RENEWAL	-	268 029
HSDG ACCREDITATION GRANT OPEX	121 518 855	41 562 118
CAPITAL GRANTS - MIG-WATER	69 508 680	25 681
CAPITAL GRANTS-PHB	3 503 210	5 253 535
CAPITAL GRANTS -DWAF	582 545	582 545
CAPITAL GRANTS PTIS	14 761 136	5 592 350
PUBLIC CONTR ROODEKOP CAPEX	1 844 676	1 844 676
EPWP (PUBLIC WORKS)	748 969	-
CAPITAL GRANT - LED	1 826 754	8 815 614
O R TAMBO NARRATIVE CENTRE	2 350 376	20 000 000
INTEREST PHB GRANTS	12 365 141	6 035 353
PUBLIC CONTR. RONDEBULT CAPEX	-	28 546
	232 406 959	**99 675 581**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	99 675 581	133 880 895
Additions during the year	4 878 997 700	4 538 677 795
Income recognition during the year	(4 746 237 776)	(4 557 540 172)
Refunded to National Treasury	-	(14 617 756)
Appropriations	(28 546)	(725 181)
	232 406 959	**99 675 581**

See note 26 for reconciliation of all grants.

18. Long-term liabilities

At amortised cost		
Bank loans	1 873 066 526	1 990 237 754
Interest rates as well as redemption periods are varying		
Development Bank of South Africa	45 131 251	110 273 790
Interest rates as well as redemption periods are varying		
Municipal bonds	3 215 000 000	2 415 000 000
Interest rates on the JSE EMM bonds vary between 9.155% and 10.72 % per annum. Final redemtion dates on these bonds vary between July 2020 and May 2028.		
	5 133 197 777	**4 515 511 544**
At amortised cost		
Bank loans	(584 289 481)	(117 171 228)
DBSA	(45 131 250)	(65 133 877)
	(629 420 731)	**(182 305 105)**
Total long-term liabilities	**4 503 777 046**	**4 333 206 439**
Non-current liabilities		
At amortised cost	4 503 777 045	4 333 206 439
Current liabilities		
At amortised cost	629 420 732	182 305 105

Investments with a carrying value of R819 319 820 (2012: R464,610,451) are encumbered in respect of long term liabilities above with a carrying value of R2 847 620 000 (2012: R2,847,620,000) as disclosed in the Other Investments note (note 9).

19. Provisions

Notes to the Annual Financial Statements

Figures in Rand

19. Provisions (continued)

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Under / (over) provision prior year	Unwinding of interest	Total
COID provision	18 466 824	4 358 584	(1 438 070)	-	-	21 387 338
Leave and bonus provision	226 178 954	28 048 176	(12 777 108)	(5 240 967)	-	236 209 055
Landfill rehabilitation provision	150 015 030	6 311 571	-	-	16 501 653	172 828 254
WCA provision	33 247 516	42 195 346	(75 442 862)	-	-	-
Long service awards	377 228 262	-	-	-	-	377 228 262
GMRF	103 489 129	18 638 072	-	-	-	122 127 201
	908 625 715	**99 551 749**	**(89 658 040)**	**(5 240 967)**	**16 501 653**	**929 780 110**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Under / (over) provision prior year	Unwinding of interest	Total
COID provision	19 771 271	2 174 840	(1 255 921)	(1 825 411)	(397 955)	-	18 466 824
Leave and bonus provision	207 601 200	100 454 345	(85 587 478)	-	3 710 887	-	226 178 954
Landfill rehabilitation provision	101 125 811	37 259 751	-	-	-	11 629 468	150 015 030
WCA provision	9 058 988	24 188 874	(346)	-	-	-	33 247 516
Long service awards	304 117 199	73 111 063	-	-	-	-	377 228 262
GMRF	94 090 202	27 517 691	-	-	(18 118 764)	-	103 489 129
	735 764 671	**264 706 564**	**(86 843 745)**	**(1 825 411)**	**(14 805 832)**	**11 629 468**	**908 625 715**

Non-current liabilities	693 571 055	649 199 245
Current liabilities	236 209 055	259 426 470
	929 780 110	**908 625 715**

From information currently available to the municipality, it is evident that the net effetive discount rate has declined significantly since 2012. The municiplity took a dicision not to account for any possible changes, until the actuarial valuation is preformed.

GMRF provision

Figures in Rand	2013	2012

19. Provisions (continued)

The provision is for the economic entity's obligation to the Germiston Municipal Retirement Fund due to the economic entity failing to meet its obligation to contribute to the fund due to the required investment yield not being achieved.

COID provision

This provision is made for future expected outflows as a result of the economic entity's obligation to contribute to the pension fund and medical expenses that was incurred due to past contractual arrangements with various employees in the old Benoni- and Germiston local municipalities. The discount rate used in determining the present value of the obligation was 10.75% (2012 - 11.00%) and the inflation assumption used for the increase in expenses/contributions is 7.00% (2012 - 6.50%).

Leave and bonus provision

The liability is based on the total accrued leave days at year end. A section 57 bonus provision is also provided for.

Landfill rehabilitation provision

In terms of GRAP 19, provisions should be evaluated at each year-end to reflect the best estimate at that date of the provision. Due to the decrease from 5.90% to 5.50% of the CPIX there was an decrease in the provision (2012 - due to the increase of the CPIX from 3.90% to 5.90%, there was a increase in the provision). The discounting rate for 2013 is 10.78% (2012 - 11%). The net result of the re-estimation had the following effect on the current year amounts:

Increase in the provision for Landfill site rehabilitation R6,311,571 (2012 - Reduction of R 30,010,287)
Increase in the cost of property, plant and equipment R6,311,571 (2012 - reduction of R30,010,287)
Amount recognised in profit and loss due to re-estimation where the adjustment exceed the carrying amount of the asset R0 (2012 - R0)

Workman's compensation provision

The prior year provision is for the period 2012 - March 2012 to June 2012 which has been estimated in the latest return submitted to the compensation commissioner. In the current year the municipality paid in advance.

Long service awards provision

An actuarial valuation for 2013 has not been obtained yet, 2012 was performed by IAC Actuarial Consulting.

20. Trade and other payables from exchange transactions

Trade payables	2 171 132 213	1 884 126 721
Receipts in advance	450 230 270	424 571 613
Lease rental payments liability	937 757	937 757
Other payables	64 486 071	34 036 343
Retentions	214 500 946	192 163 155
Licence fees	8 599 405	5 461 973
Stated benefits and group accident	20 992 676	17 782 614
Accrual for interest on external loans	108 982 735	101 337 465
Maintenance guarantees	2 714 495	2 918 837
Unclaimed salaries	3 505 787	22 494 669
Civil Contracts	134 038 313	-
	3 180 120 668	**2 685 831 147**

A new module was implemented in 2013 to split civil contracts from trade payables and is now presented seperately.

21. Deposits

Consumer deposits - Electricity and water	620 477 496	532 611 189

Guarantees in lieu of electricity and water deposits is R 73 654 622 (2012 - R71,676,517)

22. Financial instruments disclosure

Categories of financial instruments

2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

Financial assets

	At amortised cost	At cost	Total
Other receivables from exchange transactions	126 306 922	-	126 306 922
Consumer debtors	3 194 739 649	-	3 194 739 649
Cash and cash equivalents	4 374 377 023	-	4 374 377 023
Other investments (Unlisted shares)	-	4 000 000	4 000 000
Other investments	822 985 643	-	822 985 643
Long term receivables	2 386 621	-	2 386 621
	8 520 795 858	**4 000 000**	**8 524 795 858**

Financial liabilities

	At amortised cost	Total
Trade and other payables	3 167 243 196	3 167 243 196
Unspend conditional grants and receipts	232 406 959	232 406 959
Long term liabilities	5 133 197 777	5 133 197 777
Deposits	620 477 496	620 477 496
	9 153 325 428	**9 153 325 428**

2012

Financial assets

	At amortised cost	At cost	Total
Other receivables from exchange transactions	114 933 035	-	114 933 035
Consumer debtors	2 683 966 083	-	2 683 966 083
Cash and cash equivalents	2 838 424 089	-	2 838 424 089
Other investments (Unlisted shares)	-	4 000 000	4 000 000
Other Investments	489 470 461	-	489 470 461
Long Term Receivables	2 519 835	-	2 519 835
	6 129 313 503	**4 000 000**	**6 133 313 503**

Financial liabilities

	At amortised cost	Total
Trade and other payables	2 666 398 711	2 666 398 711
Unspend conditional grants and receipts	99 675 581	99 675 581
Long term liabilities	4 515 511 544	4 515 511 544
Deposits	532 611 189	532 611 189
	7 814 197 025	**7 814 197 025**

Financial instruments in Statement of financial performance

2013

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	497 248 048	497 248 048
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(503 766 629)	(503 766 629)
Impairment loss	(783 597 319)	(783 597 319)
	(790 115 900)	**(790 115 900)**

2012

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	353 622 718	353 622 718
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(453 417 828)	(453 417 828)
Impairment loss	(1 570 904 704)	(1 570 904 704)

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	(1 670 699 814)	**(1 670 699 814)**

23. Revenue

Service charges	13 500 276 496	12 640 496 148
Rental of facilities and equipment	49 599 515	49 227 077
Interest earned - outstanding debtors	257 704 798	199 886 549
Income from agency services	228 211 226	208 920 868
Licences and permits	35 331 580	33 960 666
Interest revenue	239 543 250	153 736 169
Other income	106 834 963	105 666 528
Property rates	2 802 871 286	2 590 399 280
Property rates - penalties and collection charges	72 091 881	53 770 449
Government grants & subsidies	4 746 558 483	4 557 540 172
Public contributions and donations	31 354 044	-
Fines	173 028 668	210 363 750
	22 243 406 190	**20 803 967 656**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	13 500 276 496	12 640 496 148
Rental of facilities and equipment	49 599 515	49 227 077
Interest earned - outstanding debtors	257 704 798	199 886 549
Income from agency services	228 211 226	208 920 868
Licences and permits	35 331 580	33 960 666
Interest revenue	239 543 250	153 736 169
Other income	106 834 963	105 666 528
	14 417 501 828	**13 391 894 005**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	2 802 871 286	2 590 399 280
Property rates - penalties and collection charges	72 091 881	53 770 449
Transfer revenue		
Government grants & subsidies	4 746 558 483	4 557 540 172
Public contributions and donations	31 354 044	-
Fines	173 028 668	210 363 750
	7 825 904 362	**7 412 073 651**

Figures in Rand	2013	2012

24. Property rates

Rates received

Residential	1 918 134 214	1 735 737 690
Commercial	1 368 239 186	1 242 701 255
State	16 448 894	15 181 617
Municipal	71 144 171	68 779 017
Small holdings and farms	7 074 853	8 329 971
Vacant land	177 344 509	193 841 291
Other properties	13 188 464	15 431 544
Less: Income forgone	(601 393 844)	(547 777 914)
Less: Departmental rates	(167 309 161)	(141 825 191)
	2 802 871 286	**2 590 399 280**

Valuations (R'000)

Residential	222 750 768	221 839 455
Commercial	81 468 150	81 442 105
Provincial and National Government	1 099 428	1 103 078
Municipal	5 309 049	5 292 740
Small holdings and farms	4 263 453	4 341 982
Sectional title	38 292 791	38 217 954
Vacant land	7 218 385	7 375 573
Other	11 227 411	11 302 240
	371 629 435	**370 915 127**

Valuations on land and buildings are performed every 3-5 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis , interest is levied on rates after due date.

25. Service charges

Sale of electricity	9 692 978 223	9 086 645 817
Sale of water	2 158 532 779	2 061 805 493
Solid waste	846 321 359	726 039 265
Sewerage and sanitation charges	736 556 638	707 773 671
Fresh produce market	16 840 493	13 361 285
Other service charges	49 047 004	44 870 617
	13 500 276 496	**12 640 496 148**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies

Operating grants		
Equitable share	1 825 341 000	1 644 128 000
Fuel levy	1 363 911 000	1 261 972 000
Ambulance subsidies	119 220 000	163 184 000
FMG	1 250 000	1 250 000
Accreditation Capacity Enhancement	655 724	703 362
HIV/AIDS	9 644 215	10 752 366
Township Initiatves	9 208 150	7 403 827
Seta	18 680 283	23 538 688
Public Contributions	268 029	2 831 971
BKB	171 701	500 000
EPWP	7 065 018	-
Health Subsidy	85 881 919	105 194 925
	3 441 297 039	3 221 459 139
Capital grants		
INEP	72 487 152	99 082 885
USDG	1 147 211 558	1 053 904 317
PTIS	40 831 213	34 407 768
NDPG	11 763 319	47 114 228
HSDG	1 750 324	60 436 367
Community care centres	3 906 613	25 618 363
LED	6 871 098	1 134 386
OR TAMBO Narrative centre	17 649 624	-
EPWP	6 568 013	-
	1 309 038 914	1 321 698 314
	4 750 335 953	**4 543 157 453**

Equitable share

Current-year receipts	1 825 341 000	1 644 128 000
Conditions met - transferred to revenue	(1 825 341 000)	(1 644 128 000)
	-	-

Fuel levy

Current-year receipts	1 363 911 000	1 261 972 000
Conditions met - transferred to revenue	(1 363 911 000)	(1 261 972 000)
	-	-

Ambulance Subsidy

Current-year receipts	119 220 000	163 184 000
Conditions met - transferred to revenue	(119 220 000)	(163 184 000)
	-	-

Finance Management Grant

Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	-
	-	-

Accreditation Capacity Enhancement

Balance unspent at beginning of year	2 459 687	3 163 049
Conditions met - transferred to revenue	(655 724)	(703 362)

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

	2013	2012
	1 803 963	**2 459 687**

Conditions still to be met - remain liabilities (see note 17).

Hiv/Aids

	2013	2012
Balance unspent at beginning of year	(4 067 569)	(451 218)
Current-year receipts	14 340 000	7 136 015
Conditions met - transferred to revenue	(9 644 215)	(10 752 366)
	628 216	**(4 067 569)**

Conditions still to be met - remain liabilities (see note 17).

Township Initiativs

	2013	2012
Balance unspent at beginning of year	7 207 447	7 211 274
Current-year receipts	2 775 000	7 400 000
Conditions met - transferred to revenue	(9 208 150)	(7 403 827)
	774 297	**7 207 447**

Conditions still to be met - remain liabilities (see note 17).

Seta

	2013	2012
Current-year receipts	18 680 283	23 538 688
Conditions met - transferred to revenue	(18 680 283)	(23 538 688)
	-	**-**

Public Contributions

	2013	2012
Balance unspent at beginning of year	2 141 251	5 905 717
Current-year receipts	-	13 450 224
Conditions met - transferred to revenue	(268 029)	(17 214 690)
Other	(28 546)	-
	1 844 676	**2 141 251**

Conditions still to be met - remain liabilities (see note 17).

BKB

	2013	2012
Current-year receipts	225 000	500 000
Conditions met - transferred to revenue	(171 701)	(500 000)
	53 299	**-**

Conditions still to be met - remain liabilities (see note 17).

Health Subsidy

	2013	2012
Balance unspent at beginning of year	(15 873 500)	-
Current-year receipts	101 755 419	89 321 425
Conditions met - transferred to revenue	(85 881 919)	(105 194 925)
	-	**(15 873 500)**

INEP

	2013	2012
Balance unspent at beginning of year	(512 847)	(1 429 962)
Current-year receipts	73 000 000	100 000 000
Conditions met - transferred to revenue	(72 807 862)	(99 082 885)

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

	(320 709)	**(512 847)**

Conditions still to be met - remain liabilities (see note 17).

USDG-OPEX

Balance unspent at beginning of year	25 681	-
Current-year receipts	218 547 438	50 000 000
Conditions met - transferred to revenue	(202 480 987)	(49 974 319)
	16 092 132	**25 681**

Conditions still to be met - remain liabilities (see note 17).

PTIS

Balance unspent at beginning of year	5 592 350	33 978 118
Current-year receipts	50 000 000	20 000 000
Conditions met - transferred to revenue	(40 831 213)	(34 407 768)
Surrender to National Treasury	-	(13 978 000)
	14 761 137	**5 592 350**

Conditions still to be met - remain liabilities (see note 17).

NDPG

Balance unspent at beginning of year	(158 223)	(43 995)
Current-year receipts	12 000 000	47 000 000
Conditions met - transferred to revenue	(11 763 319)	(47 114 228)
	78 458	**(158 223)**

Conditions still to be met - remain liabilities (see note 17).

HSDG

Balance unspent at beginning of year	5 253 535	-
Current-year receipts	-	65 689 902
Conditions met - transferred to revenue	(1 750 324)	(60 436 367)
	3 503 211	**5 253 535**

Conditions still to be met - remain liabilities (see note 17).

Community Care Centres

Balance unspent at beginning of year	(1 993 387)	(5 575 024)
Current-year receipts	5 900 000	29 200 000
Conditions met - transferred to revenue	(3 906 613)	(25 618 363)
	-	**(1 993 387)**

Conditions still to be met - remain liabilities (see note 17).

LED

Balance unspent at beginning of year	8 815 614	9 950 000
Conditions met - transferred to revenue	(6 871 098)	(1 134 386)
	1 944 516	**8 815 614**

Conditions still to be met - remain liabilities (see note 17).

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

O R Tambo Narrative Cebtre

Balance unspent at beginning of year	20 000 000	-
Current-year receipts	-	20 000 000
Conditions met - transferred to revenue	(17 649 624)	-
	2 350 376	**20 000 000**

Conditions still to be met - remain liabilities (see note 17).

USDG Capital

Current-year receipts	993 989 562	1 044 276 000
Conditions met - transferred to revenue	(944 730 571)	(1 044 276 000)
	49 258 991	**-**

Conditions still to be met - remain liabilities (see note 17).

EPWP Operating

Current-year receipts	7 800 000	-
Conditions met - transferred to revenue	(7 065 018)	-
	734 982	**-**

Conditions still to be met - remain liabilities (see note 17).

EPWP Capital

Current-year receipts	6 582 000	-
Conditions met - transferred to revenue	(6 568 013)	-
	13 987	**-**

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

27. Other income

Administration fees	359 276	349 224
Accident reports	693 167	450 584
Cleaning of stands	643 149	305 530
Essential services contributions	43 012 450	29 177 539
Entry fees	322 928	422 485
Printing and copying of documents	340 259	461 568
Productions	174 257	84 009
Recoveries	246 999	1 242 261
Supply of information	172 089	422 885
Training	1 223 257	297 331
Sundry income	52 654 248	63 544 692
Tender documents	1 794 764	2 392 438
Insurance claims	5 198 120	6 515 982
	106 834 963	**105 666 528**

Figures in Rand	2013	2012

28. General expenses

Advertising	8 445 168	6 786 929
Auditors remuneration	19 784 055	14 880 101
Bank charges	5 008 340	13 684 708
Awareness campaigns	5 521 799	5 498 765
Disaster management	6 227 831	10 614 659
Human resource management	28 964 867	11 669 100
Consulting and professional fees	80 287 123	112 056 350
Consumables (including materials)	43 978 331	42 965 760
Land management	22 347 572	13 119 906
Stock adjustments and write-offs	920 666	2 740 019
Entertainment	1 715 560	1 612 486
Departmental usage	2 089 196	1 887 345
Corperate Gifts	258 748	285 275
Insurance	59 533 732	59 147 247
Community development and wellbeing	38 007 078	51 223 544
IT expenses	39 762 983	38 250 094
Rentals	20 021 914	139 179 637
Fleet	138 123 472	122 081 249
Marketing	70 644 237	70 242 870
Magazines, books and periodicals	505 487	478 945
Rodent control	8 773 093	3 799 876
Fuel and oil	4 525 806	4 014 849
Productions	253 068	284 314
Land management	19 306 149	18 726 309
Printing and stationery	35 684 583	30 788 967
Software expenses	2 241 256	6 235 620
Refreshments	5 649 759	4 749 996
Subscriptions and membership fees	11 105 387	9 703 909
Telephone and fax	34 652 681	54 781 585
Training	21 959 496	26 569 170
Travel - local	5 757 278	7 402 263
Travel - overseas	16 018 486	4 895 482
Refuse	9 384 842	17 748 041
Title deed search fees	916 385	1 023 669
Uniforms	26 516 348	20 636 119
Service connections	44 162 881	81 832 858
Finance Interns	1 905 724	1 953 362
Venue expenses	12 449 686	12 407 173
Other expenses	14 188 323	39 484 207
	867 599 390	**1 065 442 758**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

29. Employee related costs

	2013	2012
Basic	3 249 344 964	3 104 497 856
Medical aid - company contributions	301 005 817	394 345 753
UIF	24 007 646	21 673 513
WCA	42 195 346	24 188 874
SDL	37 760 529	34 511 460
Other payroll levies	1 133 939	792 928
Leave pay provision charge	89 397 888	87 983 482
Standby Allowances	22 050 084	19 962 160
Post-employment benefits - Pension - Defined contribution plan	596 875 736	586 159 792
Overtime payments	393 763 727	366 825 685
Long-service awards	18 772	73 118 342
Ad Hoc Travelling	900 697	1 012 007
Allowances	10 954 944	8 613 956
Less: Employee costs included in other expenses	(667 909 632)	(584 322 965)
Less: Employee costs capitalised to PPE	(25 148 837)	(29 830 944)
	4 076 351 620	**4 109 531 899**

Senior Management Remuneration (Key Management) for the year as at 30 June 2013	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager	2 050 704	94 185	156 000	156 167	48 000	2 505 056
Chief Operating Officer	1 165 364	34 310	107 264	-	23 318	1 330 256
Chief Financial Officer	848 357	1 338	141 300	138 436	259 050	1 388 481
Head of Department: Internal Audit	824 087	15 590	95 000	63 566	15 600	1 013 843
General Manager :Electricity & Energy	1 146 644	120 585	276 340	180 046	170 220	1 893 835
General Manager: Organisational Perfomance	1 220 166	30 183	-	104 552	36 000	1 390 901
Head of Department: Health	665 368	34 012	77 264	152 878	18 000	947 522
Head of Department: Corporate & Legal	1 301 904	131 385	120 000	-	36 000	1 589 289
Head of Department: Communication	324 500	446	25 500	-	9 000	359 446
Head of Department:Human Resources	1 488 252	1 785	90 000	-	36 000	1 616 037
Head of Department: SRAC	1 181 220	1 785	108 000	-	36 000	1 327 005
Head of Department : City Development	1 291 080	75 705	240 000	-	36 000	1 642 785
Head of Department : Community Safety	1 295 552	106 873	120 000	173 554	36 000	1 731 979
Head of Department : Housing	710 537	1 487	160 000	83 102	24 000	979 126
Head of Department : Economic Development	1 340 472	1 785	180 000	-	36 000	1 558 257
Head of Department : ICT	853 688	1 338	-	68 454	-	923 480
Head of Department : Transport	1 414 008	1 785	84 000	-	36 000	1 535 793
Head of Department : Environment	1 391 004	1 785	-	-	36 000	1 428 789
Head of Department : Solid Waste	1 152 205	54 799	84 000	-	36 000	1 327 004
Head of Department : Enterprise Project Management	565 000	744	60 000	-	15 000	640 744
Chief Director : RTCW	996 537	181 596	104 184	65 955	19 200	1 367 472
Chief Director : Water Services	1 008 135	166 181	108 000	59 838	19 200	1 361 354
Chief Risk Officer	1 186 140	1 785	-	119 278	8 400	1 315 603
Chief of Police	1 373 424	1 785	-	119 629	19 200	1 514 038
Secretary of Council	938 004	1 785	132 000	29 166	36 000	1 136 955
Subtotal	27 732 352	1 065 037	2 468 852	1 514 621	1 044 188	33 825 050
	27 732 352	**1 065 037**	**2 468 852**	**1 514 621**	**1 044 188**	**33 825 050**

Senior Management Remuneration (Key Management) for the year as at 30 June 2012	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager	1 900 293	93 897	156 000	227 583	48 000	2 425 773
Chief Operating Officer	1 003 333	873	105 000	-	21 000	1 130 206
Chief Financial Officer	1 174 320	1 497	216 000	249 356	396 000	2 037 173
Chief Audit Executive	1 121 313	1 497	150 000	155 029	19 200	1 447 039
Head of Department : Energy	1 002 989	120 297	276 340	192 744	170 220	1 762 590
Head of Department : Institutional Strategy, M&E, Research and IDP	1 141 043	27 334	-	117 900	36 000	1 322 277
Head of Department : Health and Social Development	1 146 597	79 353	154 528	164 055	36 000	1 580 533

29. Employee related costs (continued)

Head of Department : Corporate Legal	994 578	250	165 000	-	1 400	1 161 228
Head of Department : Human Resource	970 816	89 434	120 000	111 745	34 800	1 326 795
Head of Department : Sport, Recreation, Arts and Culture (SRAC)	466 031	624	36 000	-	15 000	517 655
Head of Department : City Planning	473 840	6 659	20 000	-	12 000	512 499
Head of Department : Community Safety	1 051 757	98 196	120 000	210 594	36 000	1 516 547
Head of Department : Housing	956 752	1 497	240 000	108 410	36 000	1 342 659
Head of Department: Economic Development	319 566	374	30 000	-	6 000	355 940
Head of Department : ICT	1 196 752	1 497	-	110 912	-	1 309 161
Head of Department : Transport	583 333	499	-	-	-	583 832
Head of Department : Solid Waste	444 942	22 713	35 000	-	18 000	520 655
Chief Director : RTCW	910 362	183 703	104 184	104 240	19 200	1 321 689
Head of Department : Water Services	926 294	163 955	108 000	-	19 200	1 217 449
Chief Risk Officer	1 108 536	1 497	-	139 041	8 400	1 257 474
Chief of Police	1 283 568	1 497	-	143 554	19 200	1 447 819
Secretary of council	578 667	998	88 000	-	24 000	691 665
Subtotal	20 755 682	898 141	2 124 052	2 035 163	975 620	26 788 658
	20 755 682	**898 141**	**2 124 052**	**2 035 163**	**975 620**	**26 788 658**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

30. Remuneration of councillors

Executive Mayor	1 068 153	1 012 476
Mayoral Committee Members	8 211 420	7 593 600
Speaker	854 523	809 976
Councillors Pension contribution	7 448 999	7 104 111
Councillors medical contribution	2 161 486	2 095 029
Councillors housing allowance	16 163 410	12 676 705
Councillors transport allowance	9 805 276	7 700 002
Councillors allowances	42 241 301	40 414 341
	87 954 568	**79 406 240**

In-kind benefits

The Executive Mayor, 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.

The Executive Mayor has full-time bodyguards.

31. Debt impairment

Debt impairment	5 660 993 988	7 187 582 562
Contributions to debt impairment provision	783 597 319	1 570 904 704
Debts impaired	(112 726 230)	(3 097 493 278)
	6 331 865 077	**5 660 993 988**

32. Interest revenue

Interest revenue		
Bank	191 308 384	116 710 827
External investments	48 234 866	31 071 153
Interest received - other	-	5 954 189
	239 543 250	**153 736 169**

33. Depreciation and amortisation

Property, plant and equipment	1 946 758 181	2 024 403 772
Investment property	-	-
Intangible assets	10 062 293	4 739 793
	1 956 820 474	**2 029 143 565**

34. Impairments of assets

During the year no impairment was recognized.

35. Finance costs

Non-current borrowings	475 669 432	425 877 513
Trade and other payables	2 339 473	294 216
Other interest paid (unwinding)	44 856 634	27 246 099
	522 865 539	**453 417 828**

36. Auditors' remuneration

Fees	19 784 055	14 880 101

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

37. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	49 573 822	49 196 893
Rental of equipment	25 693	30 184
	49 599 515	**49 227 077**
	49 599 515	**49 227 077**

Included in the above rentals are operating lease rentals at straiht-lined amounts of R3,320,748 (2012:R3,106,920)

38. Contracted services

Information Technology Services	13 785 184	8 124 493
Security contracts	136 720 506	135 704 565
Meter management contracts	147 728 344	134 324 181
Environment contracts	235 292 040	263 667 938
Asset management	152 429 088	142 841 546
	685 955 162	**684 662 723**

39. Grants and subsidies paid to related parties

Grants and subsidies paid to external parties		
Discretionary grant: Sport and Social support	9 013 903	3 704 884
Subsidy: SPCA	2 552 288	2 430 750
Discretionary grant: General	257 772 529	73 308 936
Free basic services	677 721 491	337 884 048
Discretionary grant: Educational	6 532 909	5 518 574
Grants: Education (External)	7 052 298	3 437 614
	960 645 418	**426 284 806**
	960 645 418	**426 284 806**

40. Bulk purchases

Electricity	6 659 751 936	5 991 227 461
Water	1 755 307 842	1 543 704 239
Sewer purification	437 804 158	395 584 753
	8 852 863 936	**7 930 516 453**

41. Cash generated from operations

Surplus	1 479 266 522	565 271 620
Adjustments for:		
Depreciation and amortisation	1 956 820 474	2 029 143 565
Gain on sale of fixed assets	-	(776 424)
Loss on sale of fixed assets	15 256 261	21 039 546
Debt impairment	783 597 319	1 570 904 704
Movements in retirement benefit assets and liabilities	-	124 157 887
Movements in provisions	21 154 395	142 850 758
Other non-cash items	(6 311 571)	(1 484 543)
Changes in working capital:		
Inventories	(7 577 761)	(764 438)
Consumer debtors	(1 346 881 494)	(1 807 397 836)
Trade and other payables from exchange transactions	494 289 521	221 957 069
Other receivables	11 874 315	240 978 173
Unspent conditional grants and receipts	132 731 378	(34 205 314)
	3 534 219 359	**3 071 674 767**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

42. Commitments

Authorised capital expenditure

Already contracted and provided for		
• Community	243 038 000	74 910 000
• Infrastructure	1 617 578 355	610 235 200
• Other assets	282 477 839	300 445 000
• Specialised vehicles	-	71 800 000
	2 143 094 194	**1 057 390 200**

Not yet contracted for and authorised		
• All classes	837 838 516	1 593 317 610

This committed expenditure relates to plant and equipment for the 2013/2014 financial year (Budget) and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Commitments for not yet contracted for and authorised relate to capital projects approved by Council on the capital budget.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	9 126 548	9 126 548
- in second to fifth year inclusive	7 738 892	5 321 266
- later than five years	-	2 204 501
	16 865 440	**16 652 315**

Operating lease payments represent rentals payable by the economic entity for certain of its office buildings and photocopier machines. Leases are negotiated for periods ranging from two years to five years, for office building, and the expired photocopier machine leases are incurred on a month to month basis. The rentals escalate on average at 8.45% for office buildings.

The actual lease contract amounts range between R12,950 and R361,260 (2012 - R11,880 and R361,259) per month on the office buildings.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	3 089 425	3 389 153
- in second to fifth year inclusive	5 505 319	7 963 158
- later than five years	1 290 525	2 314 727
	9 885 269	**13 667 038**

Certain of the economic entity's property generates lease rental income. The majority of these leases are on a month to month basis. Lease periods range from month-to-month up to 99 years. Monthly lease payments range from R 0 (social benefit) up to R143,453 (2012 - R 156,937).

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

43. CONTINGENCIES

Controlling entity

Category A:Claims exceeding R 500 000.

Category B: Claims less than R 500 000.

Category C: Other legal matters.

CONTINGENT LIABILITIES		
Category A Claims:		
Engen Petroleum Ltd/Atlas road Claim as a result of rerouting of a provincial road	14 061 088	14 061 088
WLT Advertising CC - Claim for damages as a result of conduct	31 706 247	31 706 247
Strata International Pty Ltd and The Garden estate (a)	150 000 000	150 000 000
Bondev Midrand:Claim for failure to issue section 82 certificate i.r.o.various townships	2 676 187	2 676 187
Technology Corporate Management (b)	-	5 279 949
Grade15 - Possible claim submitted by employees of EMM (c)	1 211 646 629	1 211 646 629
Hometalk- Possible claim for losses in respect of developments	60 000 000	60 000 000
Siyavuka projects:Claim for alleged unlawful termination of contract A/ED (MP) 20/2008	5 401 380	5 401 380
Rose Acres Development Pty Ltd (d)	107 825 900	-
Scarlet IBIS 115 9 Pty Ltd: Claim for alleged wrongfully use of plaintiff's property	5 250 000	5 250 000
Other	3 014 679	11 172 022
	1 591 582 110	**1 497 193 502**

Category B Claims: Other Claims	1 394 998	2 527 767
Category C Claims: Other Matters	188 874	266 660
	1 583 872	**2 794 427**

CONTINGENT ASSETS		
Mofokeng & Maqubela - loss incurred by Council as a result of bad conduct	4 000 000	4 000 000
Other contingent Assets	879 013	-
Lesira-Teq - claim for supply of faulty water meters	8 224 063	-
GCI Logistics	-	12 000 000
	13 103 076	**16 000 000**

NOTES

(a) The first claim is an application by Strata International and Garden Estate for small and medium Enterprises (PTY) Ltd for the transfer of property in Selcourt ext 4. EMM is opposing the application. The second claim is a damages claim for Hundred and fifty million Rand where EMM is joined as a defendant. The claim arises out of EMM’s refusal to transfer the property. This claim is also opposed.

(b) Council Attorneys were served with notice of a summary judgement and furnished Council with instructions to invest trust moneys in terms of section 78 (2A) of the Attorneys Act

(c) Grade 15
The grading dispute in the EMM stemmed from employees who were of the opinion that the EMM should be graded at higher grade upon amalgamation. They opined that the remuneration structure should be linked to the determination of the Minister on the upper limits regarding remuneration of public office bearers. This resulted in a dispute been declared by the employees. The dispute was arbitrated & the employees were awarded a back pay implementation of a higher grade retrospective to 1 July 2003. The award was still subjected to a Labour Court review as at 30 June 2011, but subsequent to the reporting date the labour court ruled in favour of the municipality and the award was set aside. The employees indicated that they apply for leave to appeal against the labour court ruling. The amount disclosed is a management estimate and the calculation, as well as factor's are subject to estimation uncertainty. The nature of the contingent liability as well as amount disclosed could thus differ substantially from the actual outcome. A salary related increase was applied to the amount and this is the change in values disclosed. An actuary has been appointed to determine the best estimate of the contingent liability, The actuarial valuation covers salaries, back pay and long service awards and did not include the valuation of any other benefits. These benefits were included in the 2010/2011 calculations.

(d) Plaintiff issued summons against EMM for the purchase of the remainder of ptn 9 of farm Driefontein no. 87 in the amount of R63,000,000 which is illegally occupied and seeks to force the EMM to pay the purchase price. Plaintiff has further instituted a claim for occupational rent in the amount of R775,000 per month and damages over a period of 23 months in the amount of R17,825,000. The matter is being defended.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

44. RELATED PARTIES

Relationships	
Accounting Officer	K Ngema refer to accounting officer's report
Controlled entities	Brakpan Bus Company SOC Ltd Ekurhuleni Development Company SOC Ltd East Rand Water Care Company NPC Pharoe Park Housing Company SOC Ltd Germiston Phase ll Housing Company SOC Ltd Lethabong Housing Institue NPC
Close family member of key management	Declarations are retained in a register at tender office.
Members of key management	For details of Members of key management see note below,for remuneration refer to note 29

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

44. RELATED PARTIES (continued)

Key Management

City Manager
Chief Operating Officer
Chief Financial Officer
Head of Department: Internal Audit
General Manager :Electricity & Energy
General Manager: Organisational Perfomance
Head of Department: Health
Head of Department: Corporate & Legal
Head of Department: Communication
Head of Department:Human Resources
Head of Department: SRAC
Head of Department : City Development
Head of Department : Community Safety
Head of Department : Housing
Head of Department : Economic Development
Head of Department : ICT
Head of Department : Transport
Head of Department : Environment
Head of Department : Solid Waste
Head of Department : Enterprise Project Management
Chief Director : RTCW
Chief Director : Water Services
Chief Risk Officer
Chief of Police
Secretary of Council

2013

Tenders awarded to family members

No	Contract Number	Supplier Name	Relation	Employee Name	Amount
1	C-TPP 02-2013(T)	Dalindyebo & Sons Trading CC Cleaning of 45 formal taxi rank facilities until 30 June 2015	Husband	T Dalindyebo	261,458
2	C-RE 17-2013	Seletje Construction&management CC Supply,delivery and erectionof new palisade and clearview steel fencing as and when until 30 June 2015. Awarded for 1 year only North and Southern Region	Husband	P.M. Lekgwathi	8,425,476
3	C-WS 01-2013(T)	Seletje Construction&management CC Construction of a bulk water pipeline from Rand Water connection to Palm Ridge Reservoir,Katlehong 2	Husband	P.M. Lekgwathi	29,231,561

Deviations on tenders awarded to family members of staff

1	C-WMS 21-2012(T)	Rezoning of two add farm portions as part of Weltevreden Landfill site	Son	P.K. Viljoen	50,128
2	C-E31-2013(T)	Profesional services for the elec-trification of Palm Ridge	Daughter	D.A. Motsoane	0
3	C-E 32-2013(T)	Public Lighting from 1July 2013 for a six month period for Benoni and surrounding areas	Daughter	D.A. Motsoane	3,270,654
4	C-F 04-2013(T)	Payment for WEMMCs for credit control services	Daughter	D.A. Motsoane	1,052,038

Quotations awarded to famly members of staff

No	Supplier Name	Relation	Employee Name	Amount
1	Clutch and Brake services CC-Springs	R. Beukes	G.R. Beukes	65,236.50
2	Iponeng African Language Services	D.J.Mokoa	P Ndhlovu	103,220.50
3	Vision Cleaning Services	K.J. Tshabalala	M.B.Tshabalala	29,070.00

Figures in Rand	2013	2012

44. RELATED PARTIES (continued)

4	Sebabatso Caterers	E.S.Dhladhla	M.M.Dhladhla	899,455.00
5	Mankena Maselaelo Bus. Ent.(Pty)(Ltd)	A.M Sibisi	S.P.Sibisi	29,000.00
6	Empower Electrical CC	T.Sikhitha	H.E.Sikhitha	905,342;.00
7	Mokgari Trading CC	M.T.Mokgari	N.M.Mokgari	50,416.50
8	Mzozu Electrical Enterprise CC	V.J. Zungu	Z.C.Zungu	60.019.86
9	Mjikijela Trading Enterprise CC	M.M.Mthimkulu	S.R.Mthimkulu	149,325.80
10	NBR Training & Dev. Solutions CC	M.Smith	E.J.J.Smith	41,175.00
11	Bamphile Trading & Projects Co-Opt Ltd	J.P. Makeleni	L.Makeleni	90,170.00
12	Dalindyebo Sons Trading CC (EPWP)	P.B.J.Dalindyebo	M.T.Dalindyebo	1,106,009.24
13	Aveng	J.J.A.Mashaba	J.F.Mashaba	3,196.00
14	Enyati Projects	K.R.Smith	M.D.Smith	45,037.00
15	Octavo Electrical	T.L.Boonzaaier	J.A.Boonzaaier	41,770.00
16	Mangoze Projects & consulting	J.N.Makola	D. Ngozo	57,750.00
17	Batsebiye Business Enterprise	S.Mufamadi	N.E. Mufamadi	21,950.00
18	Amazima Trading	N.I. Mzima	S.M.Mzima	10,800.00
19	Manyoni Towing	G.Khoza	J.Mosikidi	14,615.00
20	Triple P Trading	M.P.Phiri	L.E.Phiri	26,251.00
21	Muthunzi Trading Enterprise	S.J.Moleshiwa	P.Moleshiwa	105,564.00
22	Mjikijela Trading Enterprise	M.M.Mthimkulu	S.R.Mthimkulu	91,480.00
23	Massel Property Services	B.R.Mashazi	M.I.Mashazi	6,270.00
24	Soul Rehab Event Man. and Projects	E.Vilakazi	T.G.Vilakazi	11,700.00
25	Jan and Poppy Catering	M.J.Mpamonyane	P.L.Vilakazi	78,685.00
26	Zumeka Trading	V.Gumbi	B.N.Yende	17,674.00
27	Kaofela Maintenance Service	B.Steyn	R.P.G.Steyn	4,104.00
28	CR Safety Solutions	C. Rajoo	S.Rajoo	15,320.00
29	Zimemo Trading & Projects	V.Z.Nkoe	N.Masondo	61,150.00
30	Rocstar Trading & Projects	J.R.Nkuna	R.L Nkuna	265,435.00
31	Imbalenhle Catering & Projects	S.I.Dlamini	L.I.Dlamini	781,960.00
32	Semaka Fix& Fix Projects	S.M.Makgoba	M.J.Makoba	20,268.00
33	Nkunyatha General Trading	J.R.Nkuna	R.L Nkuna	198,741.00
34	TTA Logistics&Consultants	C.S.Dlamini	M.S.Nirgin	151,200.00
35	Sinisible Trading Enterprise	M.A.J.Hlope	L. Hlope	204,840.00
36	Zauba Trading	Z.V.Setlhoho	P.Setlhoho	236,200.00
37	NMVL Trading & projects	V.L. Mashele	N.M.Mashele	29,789.00
38	Sesike Electrical	J.V. Botha	M.P. Botha	129,716.00
39	Menyaka Events	E.Maema	T.J.Maema	129.250.00
40	Zamokuhle Funeral Directors	J.J Mokgotla	S.M.Dladla	19,300.00
41	Monique Plumbing Unit	H.M.Mokoka	S.C. Mokoka	29,869.00
42	Selhlo Construction & Projects	H.M.Mokoka	S.C. Mokoka	41,880.00
43	Nasisipho Trading & Projects	F.W.Mogabale	M.N.Mogabale	41,145.00
44	Tragma Trading & Projects	D.G.Malatji	A.N. Mathe	27,831.00

Awards to employees in the service of the State

Supplier name	**Employee name**	**Member type**	**Department**	**Amount**
Baanbreker kleuterskool	TW Hoffmann	Director	Gauteng : Education	2 240
Ubunye Uniforms	JC Ngwane	Director	Kwazulu Natal: Works	17 479
Buhle Waste	PD Sekete	Director	Limpopo Province:	8 436 542
Ideahub	RN Mashubuku	Director	Gauteng : Health	52 294
Thasa Phakathi and Associates	TS Phakathi	Director	DWAF	9 500
Neo Industrial and Supplies	ET Mosweu	Director	SAPS	19 603
Yotako Investments	K Mvundla	Director	Gauteng : Education	221 800
Vet Childcare and Printers	VE Netshithuthuni	Director	Gauteng : Education	4 500
Eager Artists	MJ Pooe	Member	Nat. Dept. Art & Culture	180 000
Flowers and Chocs	AA Anderson	Member	Gauteng : Education	13 497
Mothaseko Project	M Maseko	Member	Gauteng : Education	423 217
Kgabothile Projects	KF Selolo	Member	Gauteng : Education	59 698
ESW Painters & Civil	ES Wyngaardt	Member	Gauteng : Education	198 246
MBK Leboho Suppl. & Projects	MB Lebogo	Member	Gauteng : Education	17 784
Lily's School of Arts	GL Mahlangu	Member	Gauteng : Education	3 750
Dihlatse Labour & Transport serv.	MJ Ralefatane	Member	Department of Home Affairs	12 826
Moiponi Monoge Enterprise Trading	MP Motala	Member	Provincial Safety & Liaison	8 689 720
Kwa-Bungane Trading and Projects	BL Mehlomakulu	Member	Gauteng : Education	6 042
Owethando Multi Supplies	S Mbatha	Member	Gauteng : Education	47 640
Makubenje Trading Enterprises	DZ Matiyela	Member	Gauteng : Education	146 638
Phutuma Medical Suppliers	IN Maseko	Member	Transport, Roads, P Works	77 836

Notes to the Annual Financial Statements

44. RELATED PARTIES (continued)

Munsu Trading Enterprise	MS Baloyi	Member	Limpopo Prov.: Education	24 570
Lebala La Basadi Auctioneers	MJ Ralefatane	Member	Department of Home Affairs	4 901
Exclusive home trading and projects	RF Mashabela	Member	South African Police Service	28 000
LFK construction and projects	NV Zulu	Member	Gauteng : Educatio	44 400
Hlabolo Trading	RJ Solomons	Member	Gauteng : Education	4 035
Masoza Trading Enterprise	ES Mngomezulu	Member	Department Labour	187 033
Nkosandra Trading	TS Sibeko	Member	Gauteng : Education	2 287
Druzza's Entertainment productions	MH Ledwaba	Member	Sport, Rec, Arts & Culture	4 000
Letsimo's events & project managers	RT Ndhlovu	Member	South African Police Service	18 000
Madevco Trading and projects	EV Malinga	Member	Gauteng : Education	29 810
M X O Crime Reduction unit	MM Kunene	Member	South African Police Service	24 400
Rixile Africa Construction & projects	TM Chauke	Member	Limpopo Province: Education	8 094
Letlaka Trading and Projects	MB Tsenasi	Member	Gauteng : Education	4 200
Iqula Electrical and Projects	KP Magazi	Member	Gauteng : Education	112 818
Isipho Sempilo Trading 4	JC Malaza	Member	Gauteng : Education	46 310
Thambatshira Trading	M Mainganye	Member	Water Affairs: Trading Acc.	144 235
Khethakanye Trading & projects 336	SM Nkambule	Member	Mpumalanga: Health	28 850
Valostar 159	NM Msweli	Member	NW: Public Works	134 339
Servigyn 48	NM Msweli	Member	NW: Public Works	101 845
Bleneiloe Trading Enterprise	LM Moloi	Member	Gauteng : Education	60 122

2012

Tenders awarded to family members of staff.

1.PMO (ED) SWL 49:Appointment of a registered civil engineering consultant for the rendering of a technical advisory servie at the rietfontein Landfill site 1 July 12- 30 June 15 for the amount of R 632 260.00

2.PS-ED (SWL) 21/2011: Appointment of a consultant for the re-zoning of portions of the property on which the Weltevreden waste disposal site is situated for the amount of R 318 000.00

3.A-ED (SWL) 01/2011: Appointment of a financial administration consultant (FAC) experienced in the field os solid waste landfill sites fort he administration of five landfill sites and one privately owned site from date of award until 30 June 2012 for the amount of R 3,132,973.00.

4. A-IS (RW) 03/2012: Upgrade and construction of roads and stormwater infrastructure -as and when- until 31 December 2012 for the amount of R 67,985,731.04

Quotations awarded to family members of staff.

1.FWMN Mogabale Construction cc : R 275,149.14

2.Ipopeng African Language Services :R 355,453.82

3.Isolomzi Bed and Breakfast Place cc: R 98,810.00

4. Madi Business Enterprise cc :R 31,464.00

5.Reshoketswe Distribution cc: R 123,829.24

6.Supreme Range General Supplier cc: R 579,203.09

7.Takalani Development Corporation cc:29,810.00

8. Vukani General Contractors and Maintenance cc: R208,215.61

9. Zimemo Trading and Projects cc: R115,689.00

Related party balances

	2013	2012
Amounts included in Trade Receivable and Consumer Debtors regarding related parties - municipal entities		
East Rand Water Care Company, NPC	8 760 689	3 757 993
Pharoe Park Housing Company SOC Ltd	1 558 583	1 466 737
Brakpan Bus Company SOC Ltd	1 823 307	693 843

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
44. RELATED PARTIES (continued)		
Lethabong Housing Institute, NPC	41 348	63 795
Germiston Phase II Housing Company SOC Ltd	2 485 974	2 218 353
Ekurhuleni Development Company SOC Ltd	-	636
Amounts included in Trade Payable regarding related parties - municipal entities		
East Rand Water Care Company, NPC	8 482 689	18 891 652
Pharoe Park Housing Company SOC Ltd	124 539	-
Germiston Phase II Housing Company SOC Ltd	221 902	-
Lethabong Housing Institute, NPC	34 393	51 382
Ekurhuleni Development company	5 776	-

Related party transactions

	2013	2012
Sales to related parties - municipal entities		
East Rand Water Care Company, NPC	50 412 765	46 898 655
Pharoe Park Housing Company SOC Ltd	2 558 105	2 379 646
Germiston Phase II Housing Company SOC Ltd	4 279 269	3 622 371
Ekurhuleni Development Company SOC Ltd	42 127	38 811
Brakpan Bus Company SOC Ltd	110 000	110 000
Lethabong Housing Institute, NPC	108 463	104 944
Purchases from related parties - municipal entities		
East Rand Water Care Company, NPC	480 565 990	423 595 568
Grants to related parties - municipal entities		
Pharoe Park Housing Company SOC Ltd	12 252 839	2 567 500
Germiston Phase II Housing Company SOC Ltd	21 247 161	3 932 500
East Rand Water Care Company, NPC	69 846 238	57 780 417
Brakpan Bus Company SOC Ltd	1 500 000	-

Refer to Employe related costs note (note 29) for remuneration paid to key management.

45. Change in estimate

Property, plant and equipment (PPE)

Useful lives review had the following impact:

Depreciation expense before remaining useful lives review	R 56, 496, 918
Depreciation expense after remaining useful lives review	R 25, 988, 255
Future reduction in depreciation due to review	R 30, 508, 663

Discount rate

The discount rate has changed from 11% to 10.75%

Figures in Rand	2013	2012

46. PRIOR PERIOD ERRORS

2012
Property, plant and equipment
Correction of assets recognised as PPE which does not meet the definition of an asset. This related to all houses and associated properties forming part of housing subsidy schemes.

Assets previously capitalised as work-in-progress which does not meet the definition of an asset and has subsequently been expensed

Correction of accumulated depreciaition that should have been raised due to work-in-progress projects not being capitalised on completion dates.

Work-in-progress adjustment due to water metres incorrectly included in property, plant and equipment, now transferred to other receivables from exchange transactions

Inventory
Correction of assets recognised as inventory which does not meet the definition of an asset. This related to all houses and associated properties forming part of housing subsidy schemes.

Service charges
Recalculation of billed services consumption after year-end in respect of reading period prior year (cut-off).

Consumption adjustment journals processed in current financial year which relates to adjustment period in previous financial year.

Pre-paid electricity
Calculated pre-paid electricity purcahsed in advance, not provided for in previous financial year.

Departmental charges
The entity changed the way it reports departmental charges and re-allocated some items within surplus and deficit for the prior year.

Current tax payable
Changes were made to tax payable after assessments have been received.

Other changes
Other minor changes were made by the controlled entities.

The correction of the errors results in adjustments as follows:

Statement of financial position		
Property, plant and equipment (PPE)	-	(3 614 394 689)
Consumer Debtors	-	666 836 722
Other receivables from exchange transactions	-	35 328 905
Inventories	-	(12 341 400)
Opening accumulated surplus	-	2 487 656 473

Statement of Financial Performance		
Service charges	-	378 067 581
Service charges - departmental	-	56 621 310
Property rates	-	14 715 257
Repairs and maintenance	-	104 520 629
Repairs and maintenance - departmental	-	521 931 489
Depreciation	-	(45 674 221)
Employee related costs - departmental	-	(563 834 932)
General expenses - departmental	-	(2 610)

Notes to the Annual Financial Statements

47. Comparative figures

Certain comparative figures have been reclassified to enhance presentation and/or where consequential amendments, due to other standards becoming effective, was required

Statement of Financial Position
1. The description "Other receivables from non-exchange transactions" have been changed to "Receivables from non-exchange transactions (taxes and transfers)" due to it being a consequential amendment with the implementation of GRAP23 - Revenue from Non-exchange Transactions (Taxes and Transfers).
2. The PPE notes and recons have been reclasified into categories according to fixed assets register, in order to add an additional class for work in progress.

Notes to the annual financial statements
1. Employee related cost disclosure has been enhanced to reflect more details pertaining to allowances.
2. The format of the Additional disclosure in terms of the MFMA note, relating to councillors arrear consumer accounts, has changed and aging in days was added.
3. The Government grants and subsidies note has been enhanced to distinguish between operating and capital grants.

48. Risk management

Capital Risk Management

The Municipality's objectives, when managing capital, are to safeguard the Municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Municipality consist of debt, which includes the borrowings disclosed in note 18 and cash and cash equivalent disclosed in note 16.

Consistent with others in the industry, the Municipality monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.

There have been no changes to what the Municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio 2013 and 2012 respectively are as follow:

Total borrowings		
Other financial liabilities	(629 420 732)	(182 305 105)
Less: Cash and cash equivalent	(4 374 377 023)	(2 838 424 089)
Net debt	(5 003 797 755)	(3 020 729 194)
Total equity	40 326 208 976	38 840 752 464
Total capital	35 **322 411 221**	**35 820 023 270**

Financial risk management

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

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

Risk management is carried out by the risk managemnt department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

48. Risk management (continued)

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.

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

The table below analyses the municipality's financial liabilities and net-settled derivative 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.

Interest rate risk

The economic entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the economic entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the economic entity to fair value interest rate risk. Economic Entity policy is to maintain approximately 100% of its borrowings in fixed rate instruments.

The economic entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the economic entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

At year end, financial instruments exposed to interest rate risk is as follows:

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years
Consumer debtors	9,00 %	3 194 739 649		
Long term recievables	9,00 %	795 540	795 540	795 540

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due after five year
Long term and other liabilities	11,00 %	629 420 732	340 513 474	2 258 697 948	1 904 565 623

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term and other liabilities	629 420 732	340 513 474	2 258 697 948	1 904 565 623
Trade and other payables	3 180 120 667	-	-	-

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term and other liabilities	182 305 105	576 086 716	520 927 304	3 236 192 418
Trade and other payables	2 685 831 150	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

48. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

If customers are independently rated, these ratings are used. 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 board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

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

The Municipality is exposed to a guarantee for the loan of Brakpan Bus Company (BBC) (municipal entlty). In terms of the agreement the beneficiary (Nedbank) requires that BBC finish them a guarantee from the municipality in repest of BBC's obligations towards to beneficiary. The original capital obligation amounted to R15 000 000.

Financial instrument	2013	2012
Other Investments	822 985 644	489 470 461
Long-term receivables	2 386 621	2 519 835
Consumer debtors	3 194 739 649	2 683 966 083
Other receivables	209 817 779	144 473 485
Cash and cash equivalents	4 374 377 023	2 838 424 089
Unlisted shares	4 000 000	4 000 000
	8 608 306 716	6 162 853 953

Price risk
The municipality is exposed to equity price risk because of investments held by the municipality classified on the statement of financial position as available -for- sale. The municipality is not exposed to commodity price risk.

The economic entity has a R4,000,000 investment in unlisted shares, which is the exposure to price risk. The price risk on this investment cannot be determined due to the fact that the shares are not listed and therefore unknown.

49. GOING CONCERN

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

49. GOING CONCERN (continued)

Controlling entity

Cash and Cash Equivalents, Investments and Liquidity Ratio's

The Metro's cash and cash equivalents held at financial year end were as follows over the last two years:
Table 31: Cash and cash equivalents as at 30 June 2013

	30 June 2013	30 June 2012
Cash and Cash Equivalents	4 374 377 023	2,838,424,089
Current Ratio/Solvency Ratio	1.62	1.55
Acid Test Ratio	1.59	1.60
Number of days total cash held (total cash and investments)	97.15	71
Number of days total cash held (operating cash)	78.66	50
Number of days total cash held (Un-encumbered cash)	79.09	30
Interest cover	7.51	6.15

Cash and cash equivalents have increased significantly as a result of the following:

- Increased borrowings to fund long term infrastructure
- Increased collections
- On-going cost reduction strategies – all heads of departments have cost savings targets included in the performance agreements

Current Ratio/Solvency Ratio = Current assets:Current liabilities
Acid Test Ratio = Current assets less Inventory:Current liabilities
Number of days total cash held (total cash and investments) = Total bank and investments / Budgeted cash operating expenditure based on 365 days per year.
Number of days total cash held (operating cash) = Total bank and investments less encumbered investments, unspent loans and grants / Budgeted cash operating expenditure based on 365 days per year.
Number of days total cash held (Un-encumbered cash) = Total bank and investments less encumbered investments, unspent loans and grants as well as Statement of Financial Posistion provisions and reserves to be cash-backed as per EMM cash management policy / Budgeted cash operating expenditure based on 365 days per year.
Interest cover = Bank balance / Budgeted interest liability for the year.

50. Events after the reporting date

None.

51. UNAUTHORISED, FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE

Irregular expenditure		
Opening balance	288 307 701	397 081 560
Add: Expenditure identified for the year	2 857 631	229 280 255
Less: Amounts ratified/approved by council/board	-	(338 054 114)
	291 165 332	**288 307 701**

Fruitless and Wasteful expenditure		
Opening balance	109 967 023	37 872 937
Add: Expenditure identified for the year	68 038 770	74 638 118
Less: Amounts ratified/approved by council/board	-	(2 544 032)
	178 005 793	**109 967 023**

51. UNAUTHORISED, FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE (continued)

2013

Controlling entity

Department	Description	Amount	Classification
SCM	Allegations of procurement irregularities at marketing Department	R 250,139.00	Irregular
SCM	Allegations of possible fruad against employee	R 123,532.00	Fruitless & Wasteful
SCM	Alleged misconduct perpetration at Brakpan Stores	R 239,525.00	Irregular
SCM	Procurement irregularities at Community Safety	R 283,012.00	Irregular
SCM	Procuremnt irregularities at Community Safety	R 59,394.00	Irregular
SCM	Kagotso laka Academy	R 20,000.00	Irregular
SCM	Review of suppliers	R 55,169.00	Irregular
SCM	Water restrictions as credit control measure	R 1,650,000.00	Irregular
SCM	Outdoor advertising	R 142,842.00	Irregular
SCM	Electrification of Winnie Mandela-standing time claim	R 959,991.00	Fruitless & Wasteful
SCM	Investigation of Service delivery in the Solid Waste Department	R28,925,257.63	Fruitless & Wasteful
SCM	Penalty interest payments - variuos	R 2,339,469.59	Fruitless & Wasteful
SCM	Cancellation of contracts	R1,449,231.69	Fruitless & Wasteful
SCM	Funeral claims duplicated	R 157,550.00	Irregular
SCM	Software never used	R 158,674.00	Fruitless & Wasteful
SCM	Inventory software not in use	R 1,110,766.00	Fruitless & Wasteful
SCM	Greening - 7860 fruit trees not found	R 1,239,515.00	Fruitless & Wasteful
SCM	Air Conditioners Edenvale CCC	R 429,020.00	Fruitless & Wasteful
SCM	Valuations of properties duplicated	R31,303,312.87	Fruitless & Wasteful

Refer to Appropriation Statement for any unauthorised expenditure

51. UNAUTHORISED, FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE (continued)

2012

Controlling entity

Department	Description	Amount	Classification
SCM	Section 33 application to appoint a service provider for a period exceeding 3 years were not concluded	R 17,312,799.00	Irregular
SCM	Claim against EMM for damages due to an advertising board falling on and injuring a bystander	R 2,309,230.00	Fruitless & wasteful
SCM	Interest on late payment to SALA Pension fund	R 212,473.00	Fruitless & wasteful
SCM	Appointment of supplier exceeding the 3 year period	R 2,219,719.00	Irregular
SCM	Irregularities pertaining to the installation and electrical reticulatio of Winnie Mandela Park	R 2,684,511.67	Fruitless & wasteful
SCM	Quotations limited to R20,000 to circumvent the tender process	R 1,650,000.00	Irregular
SCM	Business Linkage centres were not implemented/contracted through the tender system/process	R 1,800,000.00	Irregular
SCM	Procurement processes were not adhered to - procured with incorrect order numbers	R 291,042.76	Irregular
SCM	Conflict of interests in the Outdoor Advertising	R 142,842.00	Irregular
SCM	Irregularities i.r.o. transactions in building maintenance section	R 123,532.40	Irregular
SCM	Awards to eployees	R 4,002,145.00	Irregular
SCM	Duplicating of litter picking and street cleaning services	R 28,925,257.63	Fruitless & wasteful
SCM	Irregularities around the storing of paving	R 992,290.20	Irregular
SCM	Review of procurement of the water awareness programme	R 2,414,262.31	Fruitless & wasteful
SCM	Allegations on group One electrical cc SAMWU	R 6,626,799.50	Fruitless & wasteful
SCM	Awards above R10m not approved by the accounting officer in terms of section 5(2)(a) of the supply chain management policy	R 119,250,753.00	Irregular
SCM	Appointment of Lesira-tec under paragraph 32 of the supply chain policy	R 45,545,872.00 R 31,465,584.00	Irregular Fruitless & wasteful
SCM	Awards to family members of employees where no declaration of interest was received	R 784,022.00	Irregular
SCM	Awards made to persons in the service of other organs of state where no declaration of interest was received	R 6,381,168.00	Irregular
SCM	Improper application of paragraph 36 of the supply chain management policy	R 28,784,070.00	Irregular

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2013	2012
Current year subscription / fee	7 350 000	9 575 000
Amount paid - current year	(7 350 000)	(9 575 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

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

Material losses through criminal conduct and fraudulent activities

None

Audit fees

Current year fees	19 784 055	14 880 101
Amount paid - current year	(18 220 797)	(14 880 101)
	1 563 258	**-**

PAYE and UIF

Current year payroll deductions	643 171 078	609 462 329
Amount paid - current year	(643 171 078)	(609 462 329)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions	1 279 457 054	856 465 974
Amount paid - current year	(1 279 457 054)	(856 465 974)
	-	-

VAT

VAT receivable	65 844 724	29 540 450

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

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

Councillors' arrear consumer accounts

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

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
MABUZA	-	299	299
SHONGWE NG	1 463	1 831	3 294
LETSIMO ST	583	3 438	4 021
NTOMBELA SI	261	9 535	9 796
LESHABANE SM	-	30 407	30 407
	2 307	**45 510**	**47 817**

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
BALE NE	202	78	280
BODIBE S	-	21 804	21 804
DHLADHLA MG	-	4 131	4 131
KHUMALO TL	134	6 690	6 824
LESHABANE SM	-	67 679	67 679
LETSIMO ST	1 355	71 770	73 125
MABASO CN	162	12 592	12 754
MABOTE MI	-	12 428	12 428
MABUZA TH	1 459	23 214	24 673
MAHLOMA KF	395	1 892	2 287
MAKALENG PJ	156	719	875
MAKGOBOLA TU	1 182	7 752	8 934
MARAQANA SR	811	30 542	31 353
MDLULI NB	737	23 701	24 438
MOHOALADI MS	380	14 353	14 733
MWELASE SP	431	1 545	1 976
MXABANGELI VS	-	17 093	17 093
NGOBESE SS	437	6 705	7 142
NGOBESE A K	2 352	27 194	29 546
NKOSI MI	-	26 127	26 127
NOMVETE JP	933	62 958	63 891
NTOMBELA SI	493	14 644	15 137
PAPU ME	1 788	24 631	26 419
PIENAAR R	818	1 590	2 408
RADEBE TG	164	7 245	7 409
SHABALALA R R	-	6 932	6 932
SHONGWE NG	2 684	13 339	16 023
TSHONGWENI ZK	1 430	7 646	9 076
VILAKAZI G	996	420	1 416
ZIDE V G	-	21 471	21 471
ZUMA LZ	-	4 563	4 563
	19 499	**543 448**	**562 947**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2013	Highest outstanding amount	Aging (in days)
LESHABANE SM	30 407	1 410
NTOMBELA SI	9 535	780
LETSIMO ST	3 438	300
SHONGWE NG	1 831	120
MABUZA	299	450
	45 510	**3 060**

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

30 June 2012	Highest outstanding amount	Aging (in days)
LETSIMO ST	71 770	-
RADEBE TG	67 679	-
MABUZA TH	62 958	-
MAKALENG PJ	30 542	-
BODIBE S	27 194	-
TSHONGWENI ZK	26 127	-
DHLADHLA MG	24 631	-
MAKGOBOLA TU	23 701	-
KHUMALO TL	23 214	-
PAPU ME	21 804	-
ZIDE V G	21 471	-
SHONGWE NG	17 093	-
MARAQANA SR	14 644	-
MXABANGELI VS	14 353	-
BALE NE	13 339	-
NKOSI MI	12 592	-
SHABALALA R R	12 428	-
MABASO CN	7 752	-
LESHABANE SM	7 646	-
NGOBESE A K	7 245	-
VILAKAZI G	6 932	-
MDLULI NB	6 705	-
NTOMBELA SI	6 690	-
ZUMA LZ	4 563	-
PIENAAR R	4 131	-
MWELASE SP	1 892	-
MAHLOMA KF	1 590	-
MOHOALADI MS	1 545	-
NOMVETE JP	719	-
MABOTE MI	420	-
NGOBESE SS	78	-
	543 448	**-**

Due to the complexity of the billing system, it is impracticable to reflect comparitive days for the 2012 year.

53. Utilisation of Long-term liabilities reconciliation

	2013	2012
Outstanding long-term liabilities	4 515 511 723	3 891 068 355
Redemption of loans	(182 313 946)	(175 556 632)
New loans	800 000 000	800 000 000
	5 133 197 777	4 515 511 723
	(4 103 351 208)	(3 891 068 355)
Redemption of loans	182 313 946	175 556 632
Capital financed from external loans for the year	(965 257 954)	(475 499 863)
Opening balance of unspend long term liabilities brought forward	-	87 660 378
Unspend long term liabilities	**246 902 561**	**412 160 515**
Cash set aside for the repayment of long-term liabilities for the year	819 319 820	428 095 850

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Figures in Rand	2013	2012

54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

	2013	2012
The expenses incurred,as listed hereunder,have been approved/condoned		
Emergencies	15 757 212	3 961 430
Sole supplier	31 258 890	18 450 456
Appointment of consultant	20 857 088	50 856 587
Upgrade electricity infrastructure	1 550 000	14 267 141
Upgrade of roads infrastructure	-	68 100 000
Upgrade water infrastructure	-	30 000 000
Events	502 635	420 772
Operational services	81 331 975	22 914 259
Other	-	1 597 717
Training	788 800	2 187 935
Extension of contracts	28 676 578	113 732 735
Deviations less than R200 000	-	1 234 434
	180 723 178	**327 723 466**

Operational services of R81,331,975 include inter alia the following salent amounts:

R20,401,000 for Internet service provider
R10,000,000 for fuel for a period of 4 months
R20,583,333 for cut-off functions for 5 months
R12,000,000 for vehicle tracking system for 12 months
R 5,248,800 for maintenance of the valuation roll
R 2,326,007 for a service provider for strategic planning and advisory services.
R10,772,835 is the balance of various other minor services

55. UNACCOUNTED ELECTRICITY AND WATER

Electricity	2012/2013 Units	2012/2013 Value	2011/2012 Units	2011/2012 Value
Units purchased	10 750 170 514	6 596 765 317	10 874 885 184	5 934 915 571
Units sold	(9 615 241 272)	(5 900 324 098)	(9 665 581 695)	(5 274 944 088)
	1 134 929 242	**696 441 219**	**1 209 303 489**	**659 971 483**
Techincal loss %	5,90 %	5,90 %	5,90 %	5,90 %
Non-technical loss %	4,66 %	4,66 %	5,22 %	5,22 %
Total loss %	**10,56 %**	**10,56 %**	**11,12 %**	**11,12 %**

Water	2012/2013 Units	2012/2013 Value	2011/2012 Units	2011/2012 Value
Opening balance	1 203 000	5 478 787	1 246 000	5 069 381
Units purchased	346 582 721	1 755 307 842	339 056 381	1 544 154 231
Less: closing balance	(1 205 000)	(6 102 860)	(1 203 000)	(5 478 786)
Units sold	(236 470 429)	(1 197 631 541)	(236 225 854)	(1 075 416 134)
	110 110 292	**557 052 228**	**102 873 527**	**468 328 692**
		-	-	-
Techincal loss %	16,30 %	16,30 %	16,20 %	16,20 %
Non-technical loss %	15,50 %	15,50 %	14,14 %	14,14 %
	31,80 %	**31,80 %**	**30,34 %**	**30,34 %**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

56. Budget differences

Material differences between budget and actual amounts

Material differences in expenditure, relating to those where actual amounts are less than budget, mainly relates to savings on the budget. Council took an IDP decision that savings of 6% must be achieved on expenditure. These savings are within various categories which indirectly influence servicfe delivery.

For additional details on material differences, please refer to the Appropriation Statement included in the Annual Financial Statements above, as well as the Annual report.

Changes from the approved budget to the final budget

The following are motivations for the budget adjustments:

INCOME BUDGET

Government Grants and Subsidies
A specific reduction in the income from government of R12million was the reduction of health subsidy by Gauteng Province. The functions rendered at the Philip Moyo clinic was taken over by Council. However, Council continued with the clinic services from own funding. Though only a net amount of adjust is R7 035 503 is reflected cognizance must be taken of the fact that the various transfers took place between the income received for capital and operational grants, which were as follows:

Increase in Operational Grants Income	R218 945 526
Decrease in Capital Grant Income	R211 910 023

One of the main reasons for the transfer relates to projects not regarded as capital expenditure and therefore reduced and transferred from operating budget. The biggest project was the refinancing of the chemical toilets amounting to R169m. The effect of the refinancing of the chemical toilets is also affecting the transfers on the Expenditure Budget (Grants and Subsidies Paid).

The effect of the movement of Grants and Subsidies effected the for the Grants and Subsidies Paid in the Operating Expenses as well.

Property Rates and Service Charges
The Property Rates income reflected a reduction of income of R40.5m whilst the income from Service Charges is reflecting additional income of R46.5m. Both movements are merely a transfer of budgets between departmental services charges. No additional external income was budgeted.

EXPENDITURE BUDGET

Bulk Purchases
The Bulk Purchases budget was increased mainly to accommodate the additional electricity costs of R2m for the sewer pump stations.

Contracted Services
The Contractor Services Budget was increased with R45.7m and the main projects were as follows:

-	Contracts Legal Services:	R26 052 000
-	Contracts Meter Management:	R23 562 203
-	Contracts External Security:	R 7 645 050 (net increase)

Some of the line items with large saving were:

-	Contracts Valuation Roll:	R 8 227 994
-	Environmental Contracts Refuse Removal and Solid Waste:	R18 293 102

Employee Related Costs
Employee Related Costs were reduced with R94.6m during the Adjustment Budget in January 2012 to accommodate additional budget requests by department on other expenditure categories. In addition various transfers were approved during the year for funding of other expenditure. These transfers were largely based on the criteria that sufficient savings were available on the salary budget of departments to accommodate their requests.

The total reduction of employee related costs was R129 973 331.

General Expenses
General Expenses were increased with R90 323 212. The main line items affected were as follows:

-	Consultant Fees (Project Budgets of flagship projects)	R26 439 184
-	Land Invasion Management	R 5 494 058
-	Uniforms and Protective Clothing	R 8 275 442
-	Special Events	R 5 993 466
-	Travelling cost	R11 332 584
-	Vehicle Costs: Fuel and Lubricants	R11 025 027

In addition to the transfers as approved in the Adjustment Budget various virements (transfers within a department) were approved during the year, bringing the total transfer for general expenditure to R90 323 212.

Grants and subsidies Paid
The increases were mainly as a result of transfers of projects from capital to operating budget. The biggest transfer being the chemical toilets funded by the USDG grant. See also explanation of Government Grants and Subsidies on the Income Budget.

Repair and Maintenance
Various transfers between the different expenditure line items were approved during the Adjustment Budget.

For additional details, please refer to the Appropriation Statement included in the Annual Financial Statements above, as well as the Annual report.