

BLUE CRANE ROUTE MUNICIPALITY(EC102)



Annual Financial Statements for the
year ended 30 June 2013

**Blue Crane Route Municipality
Annual Financial Statements
for the year ended 30 June 2013**

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Local Government
The following is included in the scope of operation	Service Delivery
Council members	
Mayor	NM Scott
Councillors	BA Manxoweni KC Brown CFB Du Preez WH Greeff M Nontyi NG Mjikelo Z Funiselo NP Yantolo MK Mali RM Bradfield
Accounting Officer (Acting)	FG Cotani
Chief Finance Officer (CFO)	GJ Goliath
Registered office	67 Nojoli Street Somerset East 5850
Postal address	P.O. Box 21 Somerset East 5850
Auditors	Auditor General

**Blue Crane Route Municipality
Annual Financial Statements
for the year ended 30 June 2013**

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

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for the year ended 30 June 2013

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 its operations and cashflows 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.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 57, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 32 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

FG Cotani

Acting Accounting Officer

30 August 2013

BLUE CRANE ROUTE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
for the year ending 30 June 2013

	Note	<u>2013</u> R	<u>2012</u> R
ASSETS			
Current assets			
Other financial assets	8	2,664	4,442
Inventories	11	1,513,028	1,653,033
Other receivables from exchange transactions	12	646,252	1,151,596
Other receivables from non-exchange transactions	13	1,298,612	2,016,554
Trade receivables from exchange transactions	14	12,972,383	9,821,698
Cash and cash equivalents	15	26,485,106	19,847,877
		<u>42,918,045</u>	<u>34,495,200</u>
Non-current assets			
Investment property carried at fair value	4	24,017,090	20,189,682
Property, plant and equipment	5	358,555,631	350,803,779
Intangible assets	6	1	1
Investments in controlled entities	7		
Other financial assets	8	18,493	21,158
Total assets		<u>425,509,260</u>	<u>405,509,820</u>
LIABILITIES			
Current liabilities			
Employee benefit obligation	10	445,344	456,122
Other financial liabilities	16	656,527	596,475
Finance lease obligation	17	262,166	792,893
Unspent conditional grants and receipts	18	7,421,792	1,242,760
Provisions	19	18,352,298	17,389,734
Payables from exchange transactions	20	15,689,148	13,757,628
Trade and other payables from non-exchange	21	57,612	40,707
VAT payable	22	1,874,501	2,196,910
Consumer deposits	23	1,895,041	1,713,208
		<u>46,654,429</u>	<u>38,186,437</u>
Non-current liabilities			
Employee benefit obligation	10	13,931,655	14,997,358
Other financial liabilities	16	1,887,249	2,543,776
Finance lease obligation	17	-	265,852
		<u>15,818,904</u>	<u>17,806,986</u>
Total liabilities		<u>62,473,333</u>	<u>55,993,423</u>
Net assets		<u>363,035,927</u>	<u>349,516,397</u>
NET ASSETS			
Accumulated surplus / (deficit)		<u>363,035,927</u>	<u>349,516,397</u>

BLUE CRANE ROUTE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2013

	Note	<u>2013</u> R	<u>2012</u> R
Revenue			
Property rates	26	8,116,578	7,556,602
Service charges	27	77,431,229	68,634,107
Rental of facilities and equipment		85,567	158,227
Interest received (trading)		2,196,443	2,075,126
Interest received on investments	34	1,618,887	1,418,612
Income from agency services		614,458	583,878
Fines		75,577	139,928
Licences and permits		740,723	831,535
Government grants and subsidies	28	78,275,537	59,851,297
Fees earned		308,281	224,979
General		630,721	1,003,934
Private Work		338,652	671,406
Gains on disposal of assets		30,483	1,015,764
Gain on investment properties fair valuation		3,827,408	
Other income	29	935,733	1,101,407
Total revenue		175,226,277	145,266,802
Expenditure			
Employee related costs	31	48,735,588	46,973,373
Remuneration of councillors	32	2,739,347	2,451,987
Bad debts	33	8,597,729	10,188,956
Collection costs		68,452	2,484
Depreciation and amortisation expense		15,655,075	13,729,915
Impairment loss/Reversal of impairments			316,516
Repairs and maintenance		3,146,659	3,041,229
Finance costs	35	2,193,765	1,974,983
Bulk purchases	37	49,120,737	41,377,313
General expenses	30	33,626,095	24,886,200
Total expenditure		163,883,447	144,942,956
Actuarial (Loss)/gain		2,176,700	(544,458)
Surplus / (deficit) for the year		13,519,530	(220,612)

BLUE CRANE ROUTE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
for the year ending 30 June 2013

	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R
Opening balance as previously reported	355,979,856	355,979,856
Adjustments:		
Error in assets take on balances	8,873,468	8,873,468
Prior year adjustments (2011 and earlier)	(15,116,315)	(15,116,315)
Balance at 1 July 2011 as restated	349,737,009	349,737,009
Changes in net assets		-
Deficit for the year	(220,612)	(220,612)
Total changes	(220,612)	(220,612)
Opening balance as previously reported	366,202,925	366,202,925
Adjustments:		
Prior year adjustments	(16,686,528)	(16,686,528)
Balance at 1 July 2012 as restated	349,516,397	349,516,397
Changes in net assets		
Surplus for the year	13,519,530	13,519,530
Balance at 30 June 2013	363,035,927	363,035,927

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BLUE CRANE ROUTE MUNICIPALITY
CASH FLOW STATEMENT
for the year ending 30 June 2013

		<u>2013</u>	<u>2012</u>
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		167,204,123	144,088,985
	Sales of goods and services	73,810,214	77,291,587
	Grants	85,107,593	57,555,196
	Interest received	1,618,887	1,418,612
	Other receipts	6,667,429	7,823,590
Payments		(137,889,560)	(129,569,161)
	Employee costs	(51,016,725)	(47,749,822)
	Suppliers	(32,149,243)	(25,827,077)
	Interest paid	(281,105)	(2,091,588)
	Other payments	(54,442,487)	(53,900,674)
Net cash flows from operating activities	38	29,314,563	14,519,824
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(23,419,790)	(19,707,213)
Gain on disposal of assets and liabilities		30,483	1,035,206
Net movement in financial assets		4,441	808
Actuarial gain/(loss) - Non cash item		2,176,700	(544,458)
Other non cash item			
Net cash flows from investing activities		(21,208,166)	(19,215,657)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities		(596,476)	2,327,738
Finance lease payments		(872,692)	(890,237)
Net cash flows from financing activities		(1,469,168)	1,437,501
Net increase / (decrease) in net cash and cash equivalents		6,637,229	(3,258,332)
Net cash and cash equivalents at beginning of period		19,847,877	23,106,209
Net cash and cash equivalents at end of period	15	26,485,106	19,847,877

Blue Crane Route Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of 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).

These annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

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

These accounting policies are consistent with those applied in the preparation of the prior year financial statements, unless specified otherwise. Details on any changes in accounting policies are provided in note Changes in accounting policy.

1.1. Presentation of currency

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

1.2. Going concern

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3. Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

1.4. Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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.

The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 42 to the financial statements.

1.5. Offsetting

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

1.6. Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the annual financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

Impairments of non-financial assets

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes.

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Accounting Policies

Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions is included in note 19 - Provisions.

Pension and other post-employment benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of refuse landfill sites

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value using an appropriate discounting rate, representing the time value of money.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

1.7. Property, plant and equipment

Initial recognition

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

Investment property

Fair Value

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

The fair value of investment property reflects market conditions at the reporting date.

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

Blue Crane Route Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Infrastructure	30 – 120 years
Equipment	3 – 10 years
Furniture	5 – 15 years
Office Equipment	3 – 10 years
Buildings	60 years
Vehicles	5 – 20 years
Land (PPE)	Indefinite

Impairments

The entity tests 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 property, plant and equipment 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.

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

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

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.

Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

The municipality will be take advantage of the three year exemption on measurement allowed by National Treasury.

1.8. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the cost or fair value of the asset can be measured reliably.

An internally generated intangible asset is subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the entity intends to complete the intangible asset, for use or sale
- it is technically feasible to complete the intangible asset
- the entity has the resources to complete the project
- it is probable that it will generate future economic benefits or service potential.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

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

Subsequent measurement

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

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

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Accounting Policies

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
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Impairments

The 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 performed 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.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.9. Financial instruments

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.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument meets the relevant definitions.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial measurement

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.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost. All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value:

- 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.

b) Financial instruments at amortised cost:

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.

c) Financial instruments at cost:

Investments in residual interest, which do not have quoted market prices, and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Gains and losses

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

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

Impairments

All financial assets measured at cost or amortised cost are subject to an impairment review. The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Blue Crane Route Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

Financial assets measured at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The 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.

Blue Crane Route Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when the obligation 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).

Policies relating to specific financial instruments

Investments at amortised cost

Investments which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is credited to the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

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

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

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Accounting Policies

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

1.10. Leases

Finance leases - lessee

Initial recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

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.

Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined lease payments and the contractual lease payments are

Blue Crane Route Municipality

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Accounting Policies

recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

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.

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

Operating leases - lessee

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

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

1.11. Inventories

Initial recognition and measurement

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required 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.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired 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.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), 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.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

Derecognition

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

1.12. Employee benefits

Short-term employee benefits

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

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Post-employment benefits

The entity provides post employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Post retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out

Blue Crane Route Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

valuations of these obligations, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of

minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13. Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

A provision is used only for expenditure for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.14. Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

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.

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

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on ongoing leases.

Measurement

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

1.15. Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a 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.

Recognition

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Blue Crane Route Municipality

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Accounting Policies

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

1.16. Borrowing costs

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

1.17. Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18. Fruitless and wasteful expenditure

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

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

1.19. 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.

1.20. Related parties

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

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

Blue Crane Route Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

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

1.21. Taxes - Value added tax

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

1.22. Capital commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to the capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

2. Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

3. New standards and interpretations

3.1. Standards and Interpretations early adopted

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

Standard/ Interpretation:

Effective date: Years beginning on or after

- | | |
|--|---------------|
| • GRAP 25: Employee benefits | 01 April 2013 |
| • GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements | 01 April 2014 |
| • GRAP 1 (as revised 2012): Presentation of Financial Statements | 01 April 2013 |
| • GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors | 01 April 2013 |
| • GRAP 9 (as revised 2012): Revenue from Exchange | 01 April 2013 |

Transactions

Blue Crane Route Municipality

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Accounting Policies

- GRAP 12 (as revised 2012): Inventories 01 April 2013
- GRAP 13 (as revised 2012): Leases 01 April 2013
- GRAP 16 (as revised 2012): Investment Property 01 April 2013
- GRAP 17 (as revised 2012): Property, Plant and Equipment 01 April 2013
- GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101) 01 April 2013
- GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102) 01 April 2013
- GRAP16: Intangible assets website costs 01 April 2013
- GRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue 01 April 2013

3.2. 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: Years beginning on or after	Effective date:	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	No significant effect
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	No significant effect
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No significant effect
• GRAP 107: Mergers	01 April 2014	No significant effect
• GRAP 20: Related parties	01 April 2013	No significant effect

Possible impact of initial application of standards of GRAP approved but not yet effective

GRAP 18: Segment Reporting - It is expected that this will only result in additional disclosures without affecting the underlying accounting.

GRAP 105: Transfers of functions between entities under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 106: Transfers of functions between entities not under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 107: Mergers - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 20: Related parties - No significant impact is expected as the information is to a large extent already included in the financial statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4 Investment property

	<u>2013</u>			<u>2012</u>		
	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value
	R	R	R	R	R	R
Investment property	<u>24,017,090</u>		<u>24,017,090</u>	<u>20,189,682</u>		<u>20,189,682</u>

Reconciliation of investment property - 2013

	Opening balance	Additions/ Revaluations	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Investment property	<u>20,189,682</u>	<u>3,827,408</u>					<u>24,017,090</u>

Reconciliation of investment property - 2012

	Opening balance	Additions/ Revaluations	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Investment property	<u>20,189,682</u>						<u>20,189,682</u>

Pledged as security

No investment property have been pledged as security for loans

Details of valuation

The effective date of the revaluation was at 30 June 2013. Valuations were performed by an independent valuer, Mr MC Dippenaar from the Eastern Cape Department of Local Government and Traditional Affairs. The independent valuer is not related to the Municipality and has recent experience in the location and category of the investment property that have been valued.

The valuation was based on open market value for existing use.

Investment property is split between land and improvements R20,917,090 and R3,100 000 (2012: R19,757,751 and R431,931) respectively.

BLUE CRANE ROUTE MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5 Property, plant and equipment

	2013			2012		
	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value
	R	R	R	R	R	R
Land	4,552,250		4,552,250	4,552,250		4,552,250
Buildings	28,633,279	(4,331,521)	24,301,758	25,776,439	(3,926,818)	21,849,621
Plant	4,557,968	(3,058,478)	1,499,490	4,557,968	(1,967,741)	2,590,227
Furniture and fixtures	2,713,981	(1,900,545)	813,436	2,499,621	(1,642,528)	857,093
Motor vehicles	13,779,257	(7,350,516)	6,428,741	13,447,430	(5,748,578)	7,698,852
Office equipment	2,961,758	(2,404,426)	557,332	2,615,674	(2,086,908)	528,766
Other equipment	1,458,423	(704,846)	753,577	1,239,097	(542,156)	696,941
Infrastructure	543,804,973	(248,571,471)	295,233,502	539,552,891	(237,286,587)	302,266,304
WIP	15,701,310		15,701,310	516,511	-	516,511
Landfill sites	12,356,200	(3,641,965)	8,714,235	12,354,591	(3,107,377)	9,247,214
Total	630,519,399	(271,963,768)	358,555,631	607,112,472	(256,308,693)	350,803,779

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Land	R 4,552,250						4,552,250
Buildings	R 21,849,621	2,856,840			(404,703)		24,301,758
Plant	R 2,590,227				(1,090,737)		1,499,490
Furniture and fixtures	R 857,093	214,360			(258,017)		813,436
Motor vehicles	R 7,698,852	344,690		(12,863)	(1,601,938)		6,428,741
Office equipment	R 528,766	346,084			(317,518)		557,332
Other equipment	R 696,941	219,326			(162,690)		753,577
Infrastructure	R 302,266,304	4,252,082			(11,284,884)		295,233,502
WIP	R 516,511	15,184,799					15,701,310
Landfill sites	R 9,247,214	1,609			(534,588)		8,714,235
Total	R 350,803,779	23,419,790		(12,863)	(15,655,075)		358,555,631

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Land	R 4,549,150	3,100					4,552,250
Buildings	R 22,089,379	155,689			(382,147)	(13,300)	21,849,621
Plant	R 2,866,732				(275,044)	(1,461)	2,590,227
Furniture and fixtures	R 1,066,299	70,880	(11,973)		(254,928)	(13,185)	857,093
Motor vehicles	R 3,440,965	5,377,148			(1,119,261)		7,698,852
Office equipment	R 484,923	259,780	(7,000)		(208,511)	(426)	528,766
Other equipment	R 361,314	448,832	(469)		(106,957)	(5,779)	696,941
Infrastructure	R 291,461,978	12,741,729		9,122,472	(10,777,514)	(282,361)	302,266,304
WIP	R 9,049,906	589,077		(9,122,472)			516,511
Landfill sites	R 9,791,789	60,978			(605,553)		9,247,214
Total	R 345,162,435	R 19,707,213	(19,442)	-	(13,729,915)	(316,512)	350,803,779

	<u>2013</u>	<u>2012</u>
<u>Assets subject to finance lease (Net carrying amount)</u>		
Motor vehicles	204,302	612,523
Office equipment	-	353,779
	<u>204,302</u>	<u>966,302</u>

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6 Intangible assets

	<u>2013</u>			<u>2012</u>		
	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value
	R	R	R	R	R	R
Computer software	141,717	(141,716)	1	141,717	(141,716)	1

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Computer software	141,717				(141,716)		1

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Computer software	141,717				(141,716)		1

Other information

Fully amortised intangible assets still in use

Certain computer software packages (not material to the municipality's operations) with finite useful lives which have been fully depreciated are still in use by the municipality to some extent.

7 Investments in controlled entities

<u>Name of company</u>	<u>Held by</u>	<u>% holding 2013</u>	<u>% holding 2012</u>	<u>Carrying amount 2013</u>	<u>Carrying amount 2012</u>
Blue Crane Development Agency	Blue Crane Route Municipality	100%	100%	8,816,447	4,721,105

Restrictions relating to Controlled entities

The 100% investment in this Service entity (subsidiary) was acquired at no cost. Therefore no value can be reflected on the face of the Statement of Financial Position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	<u>2013</u> R	<u>2012</u> R
8 Other financial assets		
Loans and receivables		
Long term loans	21,157	25,600
This loan is for a sport club and is repayable in monthly installments over a period of twenty years. It has a fixed interest rate of 5% and will be fully redeemed in April 2020. This loan is not secured		
Non-current assets		
Loans and receivables	18,493	21,158
Current assets		
Loans and receivables	2,664	4,442
	<u>21,157</u>	<u>25,600</u>

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost 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.

Loans and receivables past due but not impaired

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013 - Rnil (2012 Rnil) were past due but not impaired.

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.

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2013
R

2012
R

9 Financial assets by category

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

<u>2013</u>	Financial assets amortised	Total
Other financial assets	21,157	21,157
Other receivables from exchange transactions	646,252	646,252
Other receivables from non-exchange transactions	1,298,612	1,298,612
Cash and cash equivalents	26,485,106	26,485,106
Trade receivables from exchange transactions	12,972,383	12,972,383
	41,423,510	41,423,510

<u>2012</u>	Financial assets amortised	Total
Other financial assets	25,600	25,600
Other receivables from exchange transactions	1,151,596	1,151,596
Other receivables from non-exchange transactions	2,016,554	1,912,539
Cash and cash equivalents	19,847,877	19,846,934
Trade receivables from exchange transactions	9,821,698	9,821,698
	32,863,325	32,758,367

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10 Employee benefit obligations

Defined benefit plan

To value the PRMA liability in respect of all eligible Blue Crane Route Municipality employees who belong to one of the following medical schemes: Bonitas, Hosmed, Key Health, LA Health, Samwumed

Data was used in respect of 65 active members and 20 pensioners entitled to a post-retirement medical scheme contribution subsidy.

Discount Rate: IAS19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.76% per annum has been used. The corresponding index-linked yield at this term is 2.09%.

This rate was deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 28 June 2013.

A health care cost inflation rate of 7.54% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.04%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.13% which de (8.76%-7.54%)/1.0754.

Post retirement medical aid plan

In-service members

The calculation is based on 65 members (2012: 66) with an average age of 46.5 (2012: 46.5) and an average of 0.3 dependants with a monthly contribution of R1,444 (2012: R1,689)

Continuation members

The calculation is based on 20 members (2012: 22) with an average age of 68 (2012: 68) and an average of 0.5 dependants with a monthly contribution of R1 856 (2012: R1 689).

The amounts recognised in the accumulated surplus are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	15,453,480	13,782,022
Service and interest cost	1,556,341	1,492,004
Benefits paid	(456,122)	(365,000)
Actuarial (gain) / loss recognised in the year	(2,176,700)	544,454
Net liability	14,376,999	15,453,480
Non-current liabilities	13,931,655	14,997,358
Current liabilities	445,344	456,122
	14,376,999	15,453,480

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10 Employee benefit obligations (continued)

The total liability has decreased by 7% (or R 1.076 million) since the last valuation

The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:

Actuarial (Gain)/Loss for the period	(2,176,700)
Contribution to Actuarial Loss:	
Basis changes: increase in net discount rate	(423,062)
Medical inflation higher than assumed	212,828
Changes to membership profile different from assumed and other unquantifiable changes	(1,966,466)

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

Opening balance	5,805,175	4,678,175
Net expense recognised in the statement of financial performance	1,100,219	1,127,000
Closing balance	6,905,394	5,805,175

Net expense recognised in the statement of financial performance

Current service cost	695,168	662,000
Interest cost	861,173	830,000
Benefits paid	(456,122)	(365,000)
Total included in employee related costs	1,100,219	1,127,000

Indicator

Indicator	Past service liability	Sensitivity to medical inflation
1%	16,298,000	13%
Base	14,376,999	
-1%	12,718,000	-12%

11 Inventories

Work in progress	734,689	680,635
Consumable stores	637,950	819,456
Water	140,389	152,942
	1,513,028	1,653,033

Stores issued amounted to R 1 261 728 and R 1 244 823 (2012).

12 Other receivables from exchange transactions

Deposits	593,758	537,579
Other receivables	52,494	600,684
Councillors overpayments		13,333
	646,252	1,151,596

Trade and other receivables pledged as security

Trade and other receivables were not pledged as security.
Other receivables is a financial asset which is classified as loans and receivables.
Fair value is estimated at cost.

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	<u>2013</u> R	<u>2012</u> R
13 Other receivables from non-exchange transactions		
Government grants and subsidies	757,955	1,410,979
Property rates	371,143	381,964
Other receivables from non-exchange revenue	169,514	223,611
	<u>1,298,612</u>	<u>2,016,554</u>
Property rates		
Property rates	6,692,347	4,461,202
Provision for bad debts: Property rates	(6,321,204)	(4,079,238)
	<u>371,143</u>	<u>381,964</u>
Property rates age analysis		
Current (0-30days)	265,050	258,031
31-60 days	42,939	51,099
61-90 days	36,121	36,654
91-120 days	30,613	32,576
> 121 days	6,317,624	4,082,842
	<u>6,692,347</u>	<u>4,461,202</u>
Provision for bad debts: Property rates		
Impairment balance prior year	(4,079,238)	(2,650,165)
Contributions to provision	(2,494,935)	(1,607,645)
Debt impairment written off against provision	252,969	178,572
	<u>(6,321,204)</u>	<u>(4,079,238)</u>
Other receivables from non-exchange transactions		
Employees overpayment on backpay	231,831	231,831
Provision for bad debts	(231,831)	(231,831)
Insurance claims	2,683	118,448
Hotel refunds		6,529
SARS refund - penalty charges	37,593	
Employee leave overpayment	30,604	
SARS UIF paid for Councillors	98,634	98,634
	<u>169,514</u>	<u>223,611</u>
Prior period adjustment		
Balance previously reported		1,912,539
2012: refund on hotel accommodation		6,529
2012: SARS UIF for councillors		19,716
Earlier than 2012: UIF for Councillors		78,918
Earlier than 2012: Billing correction on property rates levied		(1,148)
		<u>2,016,554</u>
As of 30 June 2013, other receivables from non-exchange transactions of R252 969 (2012: R178 572) were impaired and provided for.		
The amount of the provision was R 6 321 204 as at 30 June 2013 (2012: R 4 079 238).		
Other receivables from non-exchange transactions are financial assets classified as loans and receivables. No amortisation was applied.		
Credit quality of other receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		
Other receivables from non-exchange transactions past due but not impaired		
The ageing of amounts for property rates past due but not impaired is as follows:		
1 month past due	215,189	173,677
2 months past due	42,939	45,427
3 months past due	34,312	23,218
4 months past due	28,835	52,445

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	<u>2013</u> R	<u>2012</u> R
14 Trade receivables from exchange transactions		
Gross balances		
Electricity	9,428,949	7,528,857
Water	8,703,958	8,994,444
Sanitation	1,273,062	1,373,355
Sewerage	4,083,263	4,197,714
Refuse	7,010,356	6,937,538
Other	839,399	711,971
	31,338,987	29,743,879
Less: Provision for debt impairment		
Electricity	(1,968,958)	(2,119,403)
Water	(6,200,667)	(6,984,550)
Sanitation	(1,097,668)	(1,208,368)
Sewerage	(2,999,315)	(3,353,802)
Refuse	(5,357,665)	(5,685,702)
Other	(742,331)	(570,356)
	(18,366,604)	(19,922,181)
Net balance		
Electricity	7,459,991	5,409,454
Water	2,503,291	2,009,894
Sanitation	175,394	164,987
Sewerage	1,083,948	843,912
Refuse	1,652,691	1,251,836
Other	97,068	141,615
	12,972,383	9,821,698
Electricity		
Current (0 -30 days)	5,240,411	3,982,171
31 - 60 days	847,384	566,049
61 - 90 days	685,556	326,919
91 - 120 days	445,648	236,165
>121 days	2,209,950	2,417,553
	9,428,949	7,528,857
Water		
Current (0 -30 days)	1,010,091	1,067,172
31 - 60 days	257,072	400,177
61 - 90 days	274,338	422,701
91 - 120 days	220,094	304,620
>121 days	6,942,363	6,799,774
	8,703,958	8,994,444
Sanitation		
Current (0 -30 days)	33,571	50,304
31 - 60 days	14,292	14,916
61 - 90 days	13,957	14,648
91 - 120 days	13,954	14,763
>121 days	1,197,288	1,278,724
	1,273,062	1,373,355
Sewerage		
Current (0 -30 days)	423,656	439,287
31 - 60 days	133,261	172,163
61 - 90 days	114,627	159,333
91 - 120 days	106,924	144,929
>121 days	3,304,795	3,282,002
	4,083,263	4,197,714
Refuse		
Current (0 -30 days)	559,765	594,750
31 - 60 days	196,860	254,834
61 - 90 days	180,588	239,999
91 - 120 days	169,153	221,289
>121 days	5,903,990	5,626,666
	7,010,356	6,937,538
Other		
Current (0 -30 days)	53,624	40,622
31 - 60 days	32,258	14,998
61 - 90 days	33,645	13,819
91 - 120 days	31,644	32,186
>121 days	688,228	610,346
	839,399	711,971

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14 Trade receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	7,321,118	6,174,305
31 - 60 days	1,481,127	1,423,137
61 - 90 days	1,302,711	1,177,419
91 - 120 days	987,417	953,953
>121 days	20,246,614	20,015,065
	31,338,987	29,743,879
Less: Provision for debt impairment	(18,366,604)	(19,922,181)
	12,972,383	9,821,698

Reconciliation of debt impairment provision

Balance at beginning of the year	(19,922,181)	(17,278,823)
Contributions to provision	(3,251,180)	(5,053,341)
Debt impairment written off against provision	4,806,757	2,409,983
	(18,366,604)	(19,922,181)

Credit quality of trade receivables from exchange transactions

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.

Fair value of trade receivables from exchange transactions

Trade receivables from exchange transactions	12,972,383	9,821,698
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The fair value has been determined by using the face value of the outstanding capital.

Trade receivables impaired

As of 30 June 2013, consumer debtors of R4 806 757 (2012: R 2 409 983) were impaired and provided for. The amount of the provision was R18 366 604 as at 30 June 2013 (2012: R 19 922 181).

15 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,690	1,405
Bank balances	2,119,095	1,205,311
Short-term deposits	24,364,321	18,641,161
	26,485,106	19,847,877

No restrictions exist with regard to the use of cash.

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. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

15 Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank - Fixed deposit - 2053825035	7,500	7,500	7,500	7,756	7,500	7,500
ABSA Bank - Fixed deposit - 2055844786	22,856	21,679	20,612	23,371	21,679	20,612
ABSA Bank - Fixed deposit - 2064372621	-	-	289	-	-	289
ABSA Bank - Fixed deposit - 2084303510	-	-	12,497	-	-	12,497
ABSA Bank - Call account - 9067623600	4,866,768	8,135,070	6,147,075	4,883,207	8,171,816	6,147,075
ABSA Bank - Fixed deposit - 3064335048	-	-	22,599	-	-	22,599
ABSA Bank - Fixed deposit - 4064313202	-	-	13,526	-	-	13,526
ABSA Bank - Fixed deposit - 5024312404	-	-	29,891	-	-	29,891
ABSA Bank - Fixed deposit - 9064335011	-	-	13,089	-	-	13,089
ABSA Bank - Fixed deposit - 9073206933	-	-	29,513	-	-	29,513
ABSA Bank - Call account - 99216529966	-	-	269,692	-	-	269,692
Nedbank - Money market - 1263036023	6,082	6,262	6,424	6,082	6,262	6,424
Nedbank - Fixed deposit - 18312491	4,600	4,600	4,600	4,600	4,600	4,600
Nedbank - Money market - 1263034756	66,950	65,016	62,777	66,950	65,016	62,777
Nedbank - Fixed deposit - 7881100877	10,000,000	-	-	10,035,973	-	-
First National Bank - Money market - 74255023258	-	-	3,253,591	-	-	3,253,591
ABSA - Cheque account - 2200000008	1,783,473	938,177	942,357	2,069,350	1,190,493	1,005,843
ABSA - Cheque account - 4064779134	41,847	13,026	29,647	49,745	14,818	8,266
Investec - Fixed deposit - 50005649159	9,336,382	10,315,114	12,197,019	9,336,382	10,364,288	12,197,019
Total	26,136,458	19,506,444	23,062,698	26,483,416	19,846,472	23,104,803

Prior period adjustment

Opening balance as previously reported	19,846,934
Petty cash float not accounted for prior to 2012	500
2012: Billing refund - cheque written back	443
Restated	19,847,877

The municipality has guarantees at ABSA bank to the value of R6 000 relating to the personal bonds of two municipal employees.

The municipality has a credit facility of R1 507 000 at ABSA bank. Refer to note 17 for further detail regarding the outstanding finance lease obligation for assets procured by utilising this facility.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	<u>2013</u> R	<u>2012</u> R
16 Other financial liabilities		
Held at amortised cost		
Absa Bank loan	2,543,776	3,140,251
<p>Total loan of R3,5 million was taken up from ABSA Bank (R1 000 000 on 19/10/2010 and R2 500 000 on 06/06/2012). Installments are R125 114.50 (9.75%) and R321 680.34 (9.74%) respectively. Both loans are over a period of 5 years and is semi-yearly payable.</p> <p>No defaults or breaches or re-negotiations of the terms and conditions occurred during the year. The loans are not secured and there are no loan covenants.</p>		
Non-current liabilities		
At amortised cost	1,887,249	2,543,776
Current liabilities		
At amortised cost	656,527	596,475
	2,543,776	3,140,251
Prior period adjustment		
Balance previously reported		3,137,548
2012: adjustment to capital balance		2,703
Restated		3,140,251
17 Finance lease obligation		
Minimum lease payments due		
- within one year	266,435	883,026
- in second to fifth year inclusive	-	270,193
	266,435	1,153,219
less: future finance charges	(4,269)	(94,474)
Present value of minimum lease payments	262,166	1,058,745
Present value of minimum lease payments due		
- within one year	262,166	792,893
- in second to fifth year inclusive		265,852
	262,166	1,058,745
Non-current liabilities	-	265,852
Current liabilities	262,166	792,893
	262,166	1,058,745

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases. The average lease term was 3-5 years and the average effective borrowing rate was 9% . Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 5, Property, plant and equipment for the carrying value of assets subject to finance lease.

All financial leases before 1 July 2008 are treated as contingent payment. There are no subleases

No terms and conditions were re-negotiated.

Defaults and breaches

There were no default during the period of principal, interest, sinking fund or redemption terms of loans payable.

BLUE CRANE ROUTE MUNICIPALITY
Annual financial statements for the year ended at 30 June 2013

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18 Unspent conditional grants and receipts

Other grants 7,421,792 1,242,760

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. The municipality complied with all the conditions attached to the grants / allocations. These amounts are invested in a ring-fenced investment until utilised.

Grant description	Unspent balance 2012	Receipts	Adjustments / written off	Transfer operating expenditure	Transfer capital expenditure	Unspent balance 2013
Municipal Infrastructure Grant (MIG)		18,934,021		(685,973)	(12,341,555)	5,906,493
Vuna Awards	40,000			(40,000)		
MSIG Funds		800,000		(800,000)		
DWAF	86,192			(86,192)		
FMG		1,500,000		(1,500,000)		
DR WH CRAIB TRUST	13,015					13,015
Deployment of LED	42,390	87,990		(76,688)		53,692
IDP		200,000				200,000
Cacadu: Roads & stormwater	355,718					355,718
Dept of housing - RDP Houses	34,635	2,249,467		(2,284,102)		
Cacadu: Rainwater harvesting	2,144			(2,144)		
Cacadu: Fire fighters	178,047	375,000		(389,332)		163,715
Skills Development	174,768	554,173		(554,984)		173,957
EPWP	76,246	1,000,000		(1,076,246)		
EPWP (BCDA)		4,500,000		(4,500,000)		
Revenue Enhancement		500,000				500,000
Cacadu HIV Special programmes		18,290		(18,290)		
ACIP Sewer Grant		7,186,626			(7,186,626)	
ACIP Water conservation		2,283,828			(2,228,626)	55,202
Library grants		1,212,541			(1,212,541)	
DWA (Masimbambane)	239,605				(239,605)	
	1,242,760	41,401,936	0	(12,013,951)	(23,208,953)	7,421,792

Unspent conditional grants and receipts (Overspent)

Grant description	Unspent balance 2012	Receipts	Adjustments / written off	Transfer operating expenditure	Transfer capital expenditure	Unspent balance 2013
MIG	(1,410,979)	1,410,979				0

The municipality received certain grant allocations during the year from various public entities (amounts disclosed above per project / allocation) - these receipts / grant allocations had to be utilised for the following main purposes:

- National Treasury (MIG, MSIG & FMG) - Municipal systems improvement and financial management projects and Municipal Infrastructure (MIG)
- Cacadu District municipality - Environmental health, rainwater, fire fighting and Integrated dev Planning.
- Eastern Cape Department of Roads and Public Works - Labour intensive projects to promote job creation for unemployed people
- Eastern Cape Department of Human Settlements - Housing projects

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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19 Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
13th Cheque bonus provision	1,106,422	1,177,731	(1,106,422)	1,177,731
Performance bonus	195,686			195,686
Environmental rehabilitation	16,087,626	891,255		16,978,881
	17,389,734	2,068,986	-1,106,422	18,352,298

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
13th Cheque bonus provision	-	1,106,422		1,106,422
Performance bonus	245,328	195,686	(245,328)	195,686
Environmental rehabilitation	15,244,600	843,026		16,087,626
	15,489,928	2,145,134	(245,328)	17,389,734

Prior period adjustment

Balance previously reported	2,843,680
2012: Recalculation of environmental rehabilitation	683,599
Earlier than 2012: Recalculation of environmental rehabilitation	13,862,455
	17,389,734

Environmental rehabilitation provision

The estimation of the current liability to rehabilitate the landfill sites were performed by Mr J de Wet, a Professional engineer and KV3. The full report is available on request. The amount is made up out of three sites ,Somerset East, Cookhouse and Pearston.

13th Cheque bonus provision

The municipality has a constructive obligation to pay a 13th cheque bonus to employees. The municipality would be liable to pay such bonuses (or a pro-rata bonus) in the event of an employee's resignation.

Performance bonus provision

The municipality's section 57 managers are, according to their respective contracts with the municipality, entitled to a bonus, based on their performance during the year.

The bonuses are normally paid during the following financial year.

Based on previous experience, the calculation was done on the assumption that the maximum bonus to be paid would be 6% of an employee's total package (cost to the municipality).

No Provision was made for 2013 due to all section 57 managers that were acting managers for the greatest part of the year.

20 Payables from exchange transactions

Trade payables	11,026,729	8,187,374
Payments received in advanced	370,064	362,101
COID		803,608
Accrued leave pay	2,826,081	2,678,226
Deposits received	78,133	62,439
Other payables	1,388,141	1,663,880
	15,689,148	13,757,628

Prior period adjustment

Balance previously reported	11,514,899
2012: Adjustment for acting allowance payable to employees	3,427
2012: Adjustment for nightshift allowances payable to employees	36,710
2012: Internal audit cost payable	131,009
2012: Employee taskgrade re-evaluation	12,622
2012: Traffic testing fee	4,652
2012: Adjustment to Auditor General's account for Dev Agency	556,116
2012: COID adjustment after assessment	4,080
2012: Licensing of Landfill site	68,923
2012: UIF for councillors	9,858
2012: Reverse discounting	83,202
Earlier than 2012: Adjustment for acting allowance payable	13,921
Earlier than 2012: Adjustment for nightshift allowances payable to employees	14,718
Earlier than 2012: Employee taskgrade re-evaluation	18,741
Earlier than 2012: Employee rental cost payable	7,000
Earlier than 2012: Traffic testing fee	4,391
Earlier than 2012: Licensing of Landfill site	1,246,352
Earlier than 2012: UIF for Councillors	27,007
	13,757,628

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	<u>2013</u> R	<u>2012</u> R
21 Trade and other payables from non-exchange		
Dept of Roads - Licences	<u>57,612</u>	<u>40,707</u>
22 VAT payable		
VAT	<u>1,874,501</u>	<u>2,196,910</u>
VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.		
23 Consumer deposits		
Electricity & water	<u>1,895,041</u>	<u>1,713,208</u>

24 Financial liabilities by category

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

<u>2013</u>	Financial liabilities at amortised cost	Total
Trade and other payables	<u>15,689,148</u>	<u>15,689,148</u>
<u>2012</u>		
Trade and other payables	<u>13,757,628</u>	<u>13,757,628</u>

25 Revenue

Property rates	8,116,578	7,556,602
Service charges	77,431,229	68,634,107
Rental of facilities & equipment	85,567	158,227
Interest received - trading	2,196,443	2,075,126
Income from agency services	614,458	583,878
Fines	75,577	139,928
Licences and permits	740,723	831,535
Government grants & subsidies	78,275,537	59,851,297
Miscellaneous other revenue	935,733	135,111
	<u>168,471,845</u>	<u>139,965,811</u>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	77,431,229	68,634,107
Rental of facilities & equipment	85,567	158,227
Interest received - trading	2,196,443	2,075,126
Income from agency services	614,458	583,878
Licences and permits	740,723	831,535
Miscellaneous other revenue	935,733	135,111
	<u>82,004,153</u>	<u>72,417,984</u>

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	8,116,578	7,556,602
Fines	75,577	139,928
Government grants & subsidies	78,275,537	59,851,297
	<u>86,467,692</u>	<u>67,547,827</u>

Collectability of amounts

At the time of initial recognition of revenue it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods and services will not occur due to the fact that the municipality has an obligation to collect all revenue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	<u>2013</u> R	<u>2012</u> R
26 Property rates		
Rates received		
All properties	8,116,578	7,556,602
Valuations		
Agricultural	3,090,332,300	1,657,585,450
Commercial	119,986,850	85,692,250
Government	44,050,500	23,779,480
Residential	463,420,000	345,491,171
State	301,684,700	155,995,765
	<u>4,019,474,350</u>	<u>2,268,544,116</u>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. 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 an annual basis with the final date for payment being 30 June 2013 (30 June 2012). Interest at prime plus 1% per annum (2012: prime plus 1% per annum), is levied on rates outstanding one month after due date.

A general rate of 0.00042 for agricultural properties, 0.00685 for business properties, 0.00585 for residential properties, 0.01291 for government infrastructure properties and 0.01150 for government properties is applied to property valuations to determine assessment rates (2012: 0.00075 - agricultural properties, 0.00906 - business properties, 0.00803 - residential properties, 0.02007 - government properties and infrastructure). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2012: R15 000 - residential properties and 30% government infrastructure).

27 Service charges

Sale of electricity	61,633,683	52,630,377
Sale of water	7,969,263	7,893,168
Sewerage and sanitation charges	3,376,507	3,482,358
Refuse removal	4,228,593	4,421,756
Other service charges	223,183	206,448
	<u>77,431,229</u>	<u>68,634,107</u>

Electricity losses incurred during the year - 17 834 526kwh (23%) - 2012: 16 909 333 (23%)

Water losses incurred during the year (Only for Somerset East) - 558 376 kl (45%) (2012 - n/a)

28 Government grants and subsidies

Equitable share	39,254,000	34,998,000
Government grant - MIG	13,027,528	14,579,350
Government grant - FMG	1,500,000	1,450,000
Provincial and District Municipality grants	23,694,009	8,004,947
Government grant - MSIG	800,000	790,000
Government grant - NER		29,000
	<u>78,275,537</u>	<u>59,851,297</u>

29 Other income

Insurance claims	59,748	202,259
Billong festival	759,830	649,357
Housing	93,988	114,680
Public contributions		59,528
Surplusses	12,688	1,726
Sub-division/rezoning fees	9,479	73,857
	<u>935,733</u>	<u>1,101,407</u>

BLUE CRANE ROUTE MUNICIPALITY
Annual financial statements for the year ended at 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	<u>2013</u>	<u>2012</u>
	R	R
30 General expenses		
Advertising	412,292	486,368
Auditors remuneration	2,482,784	1,752,715
Bank charges	269,391	189,043
Consulting and professional fees	3,536,179	2,351,978
Consumables	208,162	408,685
Donations	7,500	17,442
Entertainment	1,219,069	1,003,862
Animal Costs	400	4,211
Insurance	607,944	651,300
Conferences and seminars	20,303	48,508
Rentals ad hoc	563,076	844,923
Refuse Bags	290,679	
Magazines, books and periodicals	17,766	22,851
Fuel and oil	3,481,388	2,643,223
Printing and stationery	720,795	656,268
Protective clothing	153,750	144,214
Security (Guarding of municipal property)	801,731	627,344
Telephone and fax	1,578,612	1,494,940
Transport and freight	24,349	28,557
Training	146,365	114,404
Title deed search fees	18,082	19,116
Tourism development	313,850	301,116
Housing	3,195,291	1,478,455
Licences	602,785	482,379
Stipends - ward committee	690,000	603,692
Agency services	3,092,111	3,452,585
Obsolete stock	17,430	14,071
Conditional grant expenditure	8,725,517	4,716,804
Cashier shortages	526	1,221
Chemicals	579,678	639,740
Valuations expenses	25,159	
Laboratory tests	67,293	
Inter departmental charges	(1,027,151)	(703,552)
Other expenses	782,989	389,737
	33,626,095	24,886,200
Other expenses		
Ward committees	6,771	4,916
Various special events	167,233	197,184
Dis/re-connection fees	2,500	2,500
Levies-SALGA	402,118	74,178
Pauper burials	1,580	3,388
Prevention of epidemics		457
Municipal Services: Rates	313	
Fruitless, wasteful, unauthorised expenditure	829	11,670
Private works	76	2,200
Prodiba	79,275	63,600
Medical expenses	1,417	3,875
Alien vegetation	697	8,544
Disaster assistance	120,180	17,225
	782,989	389,737

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	<u>2013</u> R	<u>2012</u> R
31 Employee related costs		
Basic	32,540,737	31,200,171
Bonus	1,420,899	2,540,602
Medical aid - company contributions	1,683,404	1,487,012
UIF	338,890	303,013
WCA	433,979	369,006
SDL	413,893	387,936
Leave pay provision charge	892,606	661,004
Post-employment benefits - Pension - Defined contribution plan	239,046	297,000
Travel, motor car, accommodation, subsistence and other allowances	1,255,807	1,047,319
Overtime payments	2,024,337	1,725,917
13th Cheques provision charge	1,177,731	1,106,422
Other allowances	1,555,634	1,446,990
Bargaining council	21,390	14,842
Other contributions	3,860	4,137
Pension contributions	4,720,150	4,367,745
Relocation costs	13,225	14,257
	48,735,588	46,973,373
Remuneration of municipal manager (Vacant from 1/08/2012 to 30/06/2013)		
Annual Remuneration	46,661	559,951
Car Allowance	10,000	120,000
Provision for Performance Bonuses		116,053
Contributions to UIF, Medical and Pension Funds	8,530	102,338
Leave pay out	114,778	
Annual Bonus	27,219	40,925
	207,188	939,267
Remuneration of chief finance officer (Vacant from 01/01/2013 to 30/04/2013)		
Annual Remuneration	359,436	509,281
Car Allowance	110,000	180,000
Provision for Performance Bonuses		96,716
Contributions to UIF, Medical and Pension Funds	1,314	1,546
Acting allowance (Municipal Manager)	56,843	
Leave pay out	80,829	53,141
	608,422	840,684
Remuneration of manager - corporate services (Vacant from 01/07/2012 to 31/08/2012)		
Annual Remuneration	474,167	601,565
Car Allowance	100,000	120,000
Provision for Performance Bonuses		101,236
Contributions to UIF, Medical and Pension Funds	1,523	1,547
Leave pay out		50,061
Acting allowance (Municipal Manager)	60,562	
Long service bonus		11,290
	636,252	885,699
Remuneration of manager - community services (Vacant from 01/05/2013 to 30/06/2013)		
Annual Remuneration	552,586	569,391
Car Allowance	110,000	120,000
Provision for Performance Bonuses		96,716
Leave pay out	19,511	
Contributions to UIF, Medical and Pension Funds	1,629	1,546
	683,726	787,653
Remuneration of manager - infrastructure (Vacant from 01/10/2012 to 30/06/2013)		
Annual Remuneration	180,422	246,533
Car Allowance	30,000	60,000
Provision for Performance Bonuses		45,880
Leave pay out	18,599	
Contributions to UIF, Medical and Pension Funds	392	773
	229,413	353,186
32 Remuneration of councillors		
Councillors	2,739,347	2,451,987
	2,739,347	2,451,987
In-kind benefits		
The mayor nor the councillors received any in-kind benefits.		
33 Debt impairment		
Contributions to debt impairment provision	5,746,116	6,892,817
Debts impaired	2,851,613	3,296,139
	8,597,729	10,188,956

BLUE CRANE ROUTE MUNICIPALITY
Annual financial statements for the year ended at 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	<u>2013</u> R	<u>2012</u> R
34 Investment revenue		
Interest revenue		
Interest	1,127	1,250
Bank	1,617,760	1,417,362
	<u>1,618,887</u>	<u>1,418,612</u>
<p>The amount included in Investment revenue arising from exchange transactions. The amount included in Investment revenue arising from non-exchange transactions. Total interest income, calculated using the effective interest rate.</p>		
35 Finance costs		
Trade and other payables	281,104	97,429
Finance leases	88,976	196,583
Interest cost - Landfill sites liability	962,512	850,971
Interest cost - PRMA liability	861,173	830,000
	<u>2,193,765</u>	<u>1,974,983</u>
<p>Interest expense is calculated using the effective interest rate.</p>		
36 Auditors' remuneration		
Fees	<u>2,482,784</u>	<u>1,752,715</u>
37 Bulk purchases		
Electricity	47,905,451	40,668,498
Water	1,215,286	708,815
	<u>49,120,737</u>	<u>41,377,313</u>
38 Cash generated from operations		
Surplus/(deficit)	13,519,530	(220,612)
Adjustments for:		
Depreciation and amortisation	15,655,075	13,729,915
Gain / Loss on sale of assets and liabilities	(30,483)	(1,015,764)
Gain on investment properties fair valuation	(3,827,408)	
Finance costs (finance leases)	88,976	196,583
Impairment deficit		316,516
Debt impairment	8,597,729	10,188,956
Movements in retirement benefit assets and liabilities	(1,076,481)	1,671,458
Movements in provisions	962,564	1,899,806
Actuarial valuation	(2,176,700)	544,458
Changes in working capital:		
Inventories	140,005	(711,281)
Other receivables from exchange transactions	505,344	(716,287)
Other receivables from non-exchange transactions	(1,818,375)	295,773
Consumer debtors	(9,212,097)	(9,339,478)
Payables from exchange transactions	1,931,520	(631,781)
VAT	(322,406)	554,897
Taxes and transfers payable (non exchange)	16,905	(76,652)
Unspent conditional grants and receipts	6,179,032	(2,296,101)
Consumer deposits	181,833	129,418
	<u>29,314,563</u>	<u>14,519,824</u>
39 Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
Housing projects	1,976,952	5,709,010
Infrastructure	19,330,963	2,664,297
	<u>21,307,915</u>	<u>8,373,307</u>
<p>This committed expenditure relates to Housing and Infrastructure projects and will be financed by Government Grants only.</p>		
Operating leases - as lessee (expense)		
<p>Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated a month to month basis. No straightlining is possible due to the fact that the contracts are expired and the rent is on a month to month basis.</p>		
Operating leases - as lessor (income)		
<p>Certain of the municipality's property is held to generate rental income. No lease agreements are in place and tenants rent the respective properties on a month to month basis. There are no contingent rents receivable.</p>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2013
R

2012
R

40 Contingencies

Matter: Blue Crane Route Municipality vs NJ Jack

An amount of R225 000 was claimed from the Road accident fund from NJ Jack. If not succeeded, she will be entitled to claim against the Municipality.

The merits of the case is not in dispute and should she persue her claim against the Municipality then a settlement offer can be made which can limit the legal cost, which can be about R80 000.

Matter: Blue Crane Route Municipality vs Standard Bank

The Municipality purchased computers, however according to Standard Bank the transaction was declared null and void as the purchase was not authorised by the Municipality. The computers were subsequently sold by Standard Bank for R350 646, including interest. The Municipality's lawyers are of the opinion that Standard Bank does not have a valid claim against the Municipality as the transaction was void from the beginning. Waiting for a trial date.

Matter: Blue Crane Route Municipality vs Autumn star

Matter is on going. Should go to trial this year. Possible liability is R 1 300 000, plus Legal cost and interest of R2 300 000.

Matter: Blue Crane Route Municipality vs Pinolta & Claasen

This matter has been set down for trial in March 2014: Possible legal cost - R350 000

Matter: Blue Crane Route Municipality vs Albertus Swanepoel

Judgement was taken against the Municipality for an amount of R20 000.

Council considering appeal against the ruling. Waiting for Magistrate reasons.

Matter: Blue Crane Route Municipality vs Hans Hendricks

Claim for annual salary increases and performance bonus (see provisions): R160 000

Legal cost estimate: R100 000

Matter: Blue Crane Route Municipality vs Dr Eddie Rankwana

Claim against a fixed term contract not appointed as Municipal Manager: R5 000 000

Legal cost estimate: R1 000 000

41 Related parties

Relationships

Controlled entities - Blue Crane Development Agency (refer to note 7)

Related party transactions

Audit fees

Blue Crane Development Agency	392,111	728,154
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Grant paid

Blue Crane Development Agency	2,700,000	2,168,315
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Contracts awarded to close family members

Inkoleko Trading (Owner is husband of Councillor NP Yantolo)	706,800
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AJ Van Niekerk (Owner is husband of KL Van Niekerk - Secretary)	168,249
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MSNH Maintenance (Owner is parent of V Van Rayner - Finance Intern)	236,309
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2013
R

2012
R

42 Prior period adjustments

During the preparation of the municipality's annual financial statements, a number of prior period errors (periods before 2012), affecting various balances were noted. These errors were corrected retrospectively.

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

Other receivables from non-exchange transactions

Correction of rates billing prior to 2012	(1,148)
SARS UIF for councillors prior to 2012	78,918
	<u>77,770</u>

Cash and cash equivalents

Petty cash float not accounted for prior to 2012	500
	<u>500</u>

Provisions

Re-calculation of environmental rehabilitation prior to 2012	(13,862,455)
	<u>(13,862,455)</u>

Payables from exchange transactions

Acting allowance payable prior to 2012	(13,921)
Nightshift allowances payable prior to 2012	(14,718)
Salary adjustment - new taskgrade prior to 2012	(18,741)
Employee initial rental cost prior to 2012	(7,000)
SABS fee for traffic testing stations prior to 2012	(4,391)
Liability - Licensing of Pearston Landfill site prior to 2012	(1,246,352)
UIF adjusted for Councillors prior to 2012	(27,007)
	<u>(1,332,130)</u>

Accumulated surplus adjustments

Other receivables from non-exchange transactions	(77,770)
Cash and cash equivalents	(500)
Provisions	13,862,455
Payables from exchange transactions	1,332,130
	<u>15,116,315</u>

Prior period adjustments

Subsistence and travel cost refund	(6,529)
Employee backpay - Acting allowance	3,427
Employee backpay - Nightshift allowance	36,710
Prof Fees: Internal Audit cost	131,009
Salary adjustment - new taskgrade evaluation	12,622
Refund cheque written back - billing cr balance	(443)
SABS fee for traffic testing stations	4,652
Adjust audit fee for Dev Agency	556,116
Adjust COID after assessment	4,080
Adjust ABSA external loan between interest and redemption portion	2,703
UIF adjusted for Councillors	(9,858)
Liability - Licensing of Pearston Landfill site	68,923
Re-calculation of environmental rehabilitation provision	683,599
Reverse discounting	83,202
Adjustment: Opening accumulated surplus 2012 (See above detail)	15,116,315
	<u>16,686,528</u>

43 Comparative figures

Certain comparative figures have been reclassified.

44 Risk management

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.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2013
R

2012
R

44 Risk management (continued)

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

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2013 and 2012, the municipality's borrowings at variable rate were denominated in the Rand.

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 three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10%	12,972,383	-	-	-	-
Other receivables from non exchange transactions	10%	1,298,612	-	-	-	-
Long term receivables	10%	18,493	-	-	-	-
Cash in current banking institutions	5%	24,364,321	-	-	-	-
Trade and other payables - extended credit terms	7%	(12,958,846)	-	-	-	-

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..

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

Financial instrument	2013	2012
Trade receivables from exchange transactions	12,972,383	9,821,698
Other receivables from non-exchange transactions	1,298,612	2,016,554
Other receivables from exchange transactions	646,252	1,151,596
Short term deposits	24,364,321	18,641,161

The municipality holds deposits of R1 895 041 (2012 R1 713 208) from consumer debtors. No guarantees or collateral was provided to third parties.

45 Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated surpluses of R 363 035 927 and that the municipality's total assets exceed its liabilities by R 363 035 927

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

46 Events after the reporting date

There are no events after reporting date to report on.

47 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	829	11,670
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No criminal or disciplinary steps have been taken as a consequence of above expenditure.

48 Irregular expenditure

Opening balance	-	1,116,248
Add: Irregular Expenditure - current year	3,319,302	1,116,248
Less: Amounts recoverable/condoned or written off by Council	-	-
Less: Amounts not recoverable (condoned)	-	-
	4,435,550	1,116,248

Details of irregular expenditure - current year

Disciplinary steps taken/criminal proceedings	- None
Supply Chain Management regulations not adhered to	4,435,550

BLUE CRANE ROUTE MUNICIPALITY
Annual financial statements for the year ended at 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	<u>2013</u> R	<u>2012</u> R
49 Reconciliation between budget and statement of financial performance		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net surplus/(deficit) per the statement of financial performance	13,519,530	(220,612)
Adjusted for:		
Depreciation differences	(3,375,445)	10,798,137
Sale of land to Shoprite budgeted as income, not realised		3,284,236
Bulk purchases - budget exceeded	1,910,737	1,339,313
Debt impairment - provision more than budgeted	2,300,358	5,244,970
Underspending on external audit fees	(167,216)	(763,597)
Legal Fees - Budget overspent	703,534	521,934
Nett underspending Housing project	(153,233)	(688,545)
Over/(under)-spending finance charges	1,861,765	1,214,200
More income with electricity sales	(2,237,044)	(1,508,639)
Savings on repairs and maintenance	(1,025,291)	(1,905,261)
Actuarial gain not budgeted	(2,176,700)	
Savings on vacant posts/salaries	(3,878,445)	
Capital grants not utilised (underspent)	10,427,682	
Gain on Investment properties re-valuation	(3,827,408)	
Other savings on expenditure/additional revenue	(332,834)	(1,187,530)
Net surplus per approved budget	<u>13,549,990</u>	<u>16,128,606</u>

50 Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

SARS deductions	5,439,713	5,034,008
Amount paid over	(5,047,498)	(4,622,521)
	<u>392,215</u>	<u>411,487</u>

The full outstanding amount of R 392 215 was paid in July 2013.

Pension and Medical Aid Deductions

Current year deductions	9,303,509	8,484,013
Amount paid - current year	(9,300,259)	(8,484,013)
	<u>3,250</u>	<u>-</u>

The full outstanding amount of R 3 250 was paid in July 2013.

Councillors' arrear consumer accounts

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

30 June 2013

	Outstanding less than 90 days R	Outstanding more than 90 days R	TOTAL R
NG Mjikelo	758		758
	<u>758</u>		<u>758</u>

30 June 2012

	Outstanding less than 90 days R	Outstanding more than 90 days R	TOTAL R
CFB Du Preez	465		465
NM Nontyi	10		10
TJ & NM Yantola	16		16
NM Scott	133		133
	<u>624</u>		<u>624</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

51 Actual versus Budget: Explanation of significant variances greater than 10% versus budget
(See Notes 52 to 57 for full details)

	Final Budget 2013 R	Actual 2013 R	Variance R	Variance %	Explanation
Revenue					
Interest earned - external investments	1,200,000	1,617,760	417,760	35%	Interest received on MIG funds not spent as budgeted
Traffic fines	100,000	75,577	(24,423)	-24%	Traffic fines not realised as suspected
Other revenue	2,037,170	8,152,266	6,115,096	300%	Council did not budget for the actuarial gain on the PRMA and the revaluation of investment properties
Transfers recognise - capital	33,780,470	23,352,788	(10,427,682)	-31%	Vacancies for several months in section 57 positions delayed the progress on capital projects
Expenditure					
Debt impairment	6,297,620	8,597,728	2,300,108	37%	Council could not budget for the full expected debt impairment - savings of other items were used to finance this shortfall
Finance charges	332,000	1,332,593	1,000,593	301%	The interest cost on the rehabilitation of the landfill site was not available during budget process
Depreciation & Assets impairment	19,030,480	15,655,075	(3,375,405)	-18%	A re-calculation of all infrastructure assets resulted in a lessor depreciation as previously

BLUE CRANE ROUTE MUNICIPALITY
Annual financial statements for the year ended at 30 June 2013

NOTE 52 (National Treasury Circular 67 requirement)

Reconciliation of Table A1 Budget Summary

Description	2012/2013								2011/12			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	800.00%	9	10	11	12
Financial Performance												
Property rates	8,016	130	8,146	8,117		(29)	99.6%	101.26%				7,557
Service charges	85,390	2,393	87,783	90,268		2,485	102.8%	105.71%				79,091
Investment revenue	1,200	–	1,200	1,618		418	134.8%	134.81%				1,417
Transfers recognised - operational	44,531	13,030	57,561	54,923		(2,638)	95.4%	123.34%				44,709
Other own revenue	9,108	(3,134)	5,973	12,188		6,215	204.0%	133.82%				7,472
Total Revenue (excluding capital transfers and contributions)	148,245	12,418	160,663	167,113		6,450	104.0%	112.73%				140,246
Employee costs	51,756	(411)	51,345	47,467	–	(3,878)	92.4%	91.71%	–	–	–	45,917
Remuneration of councillors	2,565	215	2,780	2,739	–	(41)	98.5%	106.79%	–	–	–	2,447
Debt impairment	5,656	641	6,298	8,598	–	2,300	136.5%	152.00%	–	–	–	10,189
Depreciation & asset impairment	2,845	16,185	19,030	15,655	–	(3,375)	82.3%	550.27%	–	–	–	13,730
Finance charges	278	54	332	1,333	–	1,001	401.4%	479.35%	–	–	–	1,145
Materials and bulk purchases	50,357	(3,147)	47,210	49,121	–	1,911	104.0%	97.55%	–	–	–	41,377
Transfers and grants	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure	34,788	19,111	53,899	52,034	–	(1,864)	96.5%	149.58%	–	–	–	40,804
Total Expenditure	148,245	32,649	180,894	176,946	–	(3,947)	97.8%	119.36%	–	–	–	155,609
Surplus/(Deficit)	(0)	(20,230)	(20,231)	(9,833)		10,397	48.6%	3933302.80%				(15,363)
Transfers recognised - capital	28,776	5,005	33,780	23,353		(10,428)	69.1%	81.15%				15,143
Contributions recognised - capital & contributed assets	–	–	–	–		–	–	–				–
Surplus/(Deficit) after capital transfers & contributions	28,776	(15,226)	13,550	13,520		(30)	99.8%	46.98%				(221)
Share of surplus/ (deficit) of associate	–	–	–	–		–	–	–				–
Surplus/(Deficit) for the year	28,776	(15,226)	13,550	13,520		(30)	99.8%	46.98%				(221)
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	28,776	5,005	33,780	20,681		(13,100)	61.2%	71.87%				13,285
Public contributions & donations	–	–	–	–		–	–	–				–
Borrowing	–	–	–	–		–	–	–				2,500
Internally generated funds	3,157	395	3,552	2,739		(813)	77.1%	86.77%				3,922
Total sources of capital funds	31,932	5,400	37,332	23,420		(13,912)	62.7%	73.34%				19,707
Cash flows												
Net cash from (used) operating	30,442	36,937	67,379	29,314		(38,065)	43.5%	96.30%				14,520
Net cash from (used) investing	270	(37,332)	(37,062)	(21,208)		15,854	57.2%	-7854.88%				(19,216)
Net cash from (used) financing	(750)	–	(750)	(1,469)		(719)	195.9%	195.89%				1,438
Cash/cash equivalents at the year end	29,962	–	29,967	26,485		(3,082)	89.6%	88.39%				19,848

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NOTE 52 (National Treasury Circular 67 requirement)

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

Description	2012/2013								2011/2012			
	Original Budget	Budget Adjustments (I.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	20,895	5,639	26,534	28,896		2,362	108.9%	138.3%				20,869
Executive and council	2,502	8,960	11,462	11,548		85	100.7%	461.5%				1,955
Budget and treasury office	18,363	(3,824)	14,539	16,742		2,203	115.2%	91.2%				18,152
Corporate services	30	502	532	606		74	113.8%	2020.1%				762
Community and public safety	6,447	5,818	12,265	13,650		1,386	111.3%	211.8%				5,758
Community and social services	1,040	3,199	4,239	3,657		(581)	86.3%	351.8%				690
Sport and recreation												
Public safety	3,550	(1,612)	1,939	1,922		(17)	99.1%	54.1%				1,833
Housing	1,073	4,200	5,273	7,256		1,983	137.6%	676.2%				2,271
Health	784	31	815	815		1	100.1%	104.0%				964
Economic and environmental services	22,330	(499)	21,831	14,203		(7,628)	65.1%	63.6%				16,018
Planning and development												
Road transport	22,330	(499)	21,831	14,203		(7,628)	65.1%	63.6%				16,018
Environmental protection												
Trading services	127,349	6,465	133,814	133,717		(97)	99.9%	105.0%				112,744
Electricity	74,770	510	75,280	77,504		2,224	103.0%	103.7%				67,485
Water	20,440	803	21,243	21,199		(44)	99.8%	103.7%				19,423
Waste water management	17,877	4,776	22,653	20,337		(2,316)	89.8%	113.8%				12,297
Waste management	14,263	376	14,639	14,677		38	100.3%	102.9%				13,540
Other												
Total Revenue - Standard	177,021	17,423	194,444	190,466		(3,978)	98.0%	107.6%				155,389
Expenditure - Standard												
Governance and administration	37,288	10,014	47,282	45,516	(1,766)	(1,766)	96.3%	122.1%				38,180
Executive and council	12,401	7,294	19,694	18,329	(1,365)	(1,365)	93.1%	147.8%				13,616
Budget and treasury office	19,000	2,325	21,325	20,530	(795)	(795)	96.3%	108.1%				18,756
Corporate services	5,867	395	6,263	6,657	394	394	106.3%	113.5%				5,808
Community and public safety	15,581	5,850	21,431	17,533	(3,898)	(3,898)	81.8%	112.5%				13,344
Community and social services	5,826	70	5,895	5,395	(501)	(501)	91.5%	92.6%				4,633
Sport and recreation												
Public safety	3,785	170	3,954	3,149	(805)	(805)	79.6%	83.2%				2,308
Housing	5,212	5,514	10,727	8,248	(2,479)	(2,479)	76.9%	158.2%				5,594
Health	758	96	854	741	(113)	(113)	86.7%	97.7%				809
Economic and environmental services	8,893	8,021	16,914	14,557	(2,357)	(2,357)	86.1%	163.7%				12,162
Planning and development												
Road transport	8,893	8,021	16,914	14,557	(2,357)	(2,357)	86.1%	163.7%				12,162
Environmental protection												
Trading services	86,504	8,763	95,267	99,341	4,074	4,074	104.3%	114.8%				91,923
Electricity	56,408	4,302	60,711	62,548	1,838	1,838	103.0%	110.9%				55,682
Water	11,230	2,586	13,816	14,171	354	354	102.6%	126.2%				14,554
Waste water management	5,762	1,454	7,216	7,222	6	6	100.1%	125.3%				6,999
Waste management	13,104	421	13,524	15,400	1,876	1,876	113.9%	117.5%				14,689
Other												
Total Expenditure - Standard	148,245	52,072	180,894	176,946	(3,947)	(3,947)	97.8%	119.4%				155,609
Surplus/(Deficit) for the year	28,776	(34,649)	13,550	13,520	(30)	(30)	99.8%	47.0%				(221)

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NOTE 52 (National Treasury Circular 67 requirement)

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

Vote Description R thousand	2012/2013								2011/2012			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	0	0	0	0	0	0	700%	800%	0	0	0	0
Revenue by Vote												
Mayoral Executive			-			-	-	-				
Municipal Council	1,753	4,419	6,171	6,211		40	101%	354%				795
Accounting Officer	750	4,541	5,291	5,337		46	101%	712%				1,159
Budget & Treasury	18,363	(3,824)	14,539	16,742		2,203	115%	91%				18,152
Technical Services	136,490	9,790	146,280	140,499		(5,780)	96%	103%				117,494
Community, Safety & Social Services	19,636	1,994	21,630	21,071		(559)	97%	107%				17,026
Corporate Services	30	502	532	606		74	114%	2020%				762
Example 8 - Vote8			-			-	-	-				
Example 9 - Vote9			-			-	-	-				
Example 10 - Vote10			-			-	-	-				
Example 11 - Vote11			-			-	-	-				
Example 12 - Vote12			-			-	-	-				
Example 13 - Vote13			-			-	-	-				
Example 14 - Vote14			-			-	-	-				
Example 15 - Vote15			-			-	-	-				
Total Revenue by Vote	177,021	17,423	194,444	190,466		(3,978)	98%	108%				155,389
Expenditure by Vote to be appropriated												
Mayoral Executive	263	23	286	258		(28)	90%	98%			-	242
Municipal Council	3,957	624	4,581	4,489		(91)	98%	113%			-	3,796
Accounting Officer	8,180	6,647	14,828	13,582		(1,245)	92%	166%			-	9,577
Budget & Treasury	19,000	2,325	21,325	20,530		(795)	96%	108%			-	18,756
Technical Services	87,505	21,878	109,384	106,746		(2,638)	98%	122%			-	94,990
Community, Safety & Social Services	23,472	756	24,228	24,685		457	102%	105%			-	22,439
Corporate Services	5,867	395	6,263	6,657		394	106%	113%			-	5,808
Example 8 - Vote8			-			-	-	-			-	
Example 9 - Vote9			-			-	-	-			-	
Example 10 - Vote10			-			-	-	-			-	
Example 11 - Vote11			-			-	-	-			-	
Example 12 - Vote12			-			-	-	-			-	
Example 13 - Vote13			-			-	-	-			-	
Example 14 - Vote14			-			-	-	-			-	
Example 15 - Vote15			-			-	-	-			-	
Total Expenditure by Vote	148,245	32,649	180,894	176,946		(3,947)	98%	119%			-	155,609
Surplus/(Deficit) for the year	28,776	(15,226)	13,550	13,520		(30)	100%	47%				(221)

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NOTE 52 (National Treasury Circular 67 requirement)

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

Description	Note	2012/2013							2011/2012				
		Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
		0	0	0	0	0	0	700%	800%	0	0	0	0
Revenue By Source													
Property rates		8,016	130	8,146	8,117	(29)	100%	101%					7,557
Property rates - penalties & collection charges													
Service charges - electricity revenue		61,950	2,393	64,343	66,580	2,237	103%	107%					56,741
Service charges - water revenue		10,600		10,600	10,821	221	102%	102%					10,236
Service charges - sanitation revenue		5,470		5,470	5,468	(2)	100%	100%					5,158
Service charges - refuse revenue		7,370		7,370	7,398	28	100%	100%					6,957
Service charges - other													
Rental of facilities and equipment		282	155	436	408	(28)	94%	145%					494
Interest earned - external investments	0	1,200		1,200	1,618	418	135%	135%					1,417
Interest earned - outstanding debtors		2,000		2,000	2,196	196	110%	110%					2,075
Dividends received													
Fines	0	200	(100)	100	76	(24)	76%	38%					140
Licences and permits		710	90	800	741	(59)	93%	104%					832
Agency services		600		600	614	14	102%	102%					584
Transfers recognised - operational		44,531	13,030	57,561	54,923	(2,638)	95%	123%					44,709
Other revenue	0	5,316	(3,279)	2,037	8,152	6,115	400%	153%					3,347
Gains on disposal of PPE													
Total Revenue (excluding capital transfers and contributions)		148,245	12,418	160,663	167,113	6,450	104%	113%					140,246
Expenditure By Type													
Employee related costs		51,756	(411)	51,345	47,467	(3,878)	92%	92%					45,917
Remuneration of councillors		2,565	215	2,780	2,739	(41)	99%	107%					2,447
Debt impairment	0	5,656	641	6,298	8,598	2,300	137%	152%					10,189
Depreciation & asset impairment		2,845	16,185	19,030	15,655	(3,375)	82%	550%					13,730
Finance charges	0	278	54	332	1,333	1,001	401%	479%					1,145
Bulk purchases		46,100	1,110	47,210	49,121	1,911	104%	107%					41,377
Other materials		4,257	(4,257)										
Contracted services		677	145	822	802	(20)	98%	118%					627
Transfers and grants													
Other expenditure		34,111	18,966	53,077	51,233	(1,844)	97%	150%					40,177
Loss on disposal of PPE													
Total Expenditure		148,245	32,649	180,894	176,946	(3,947)	98%	119%					155,609
Surplus/(Deficit)		(0)	(20,230)	(20,231)	(9,833)	10,397	49%	393303%					(15,363)
Transfers recognised - capital	0	28,776	5,005	33,780	23,353	(10,428)	69%	81%					15,143
Contributions recognised - capital													
Contributed assets													
Surplus/(Deficit) after capital transfers & contributions		28,776	(15,226)	13,550	13,520	(30)	100%	47%					(221)
Taxation													
Surplus/(Deficit) after taxation		28,776	(15,226)	13,550	13,520	(30)	100%	47%					(221)
Attributable to minorities													
Surplus/(Deficit) attributable to municipality		28,776	(15,226)	13,550	13,520	(30)	100%	47%					(221)
Share of surplus/ (deficit) of associate													
Surplus/(Deficit) for the year		28,776	(15,226)	13,550	13,520	(30)	100%	47%					(221)

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NOTE 52 (National Treasury Circular 67 requirement)

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

Vote Description	2012/2013								2011/2012			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand												
Capital Expenditure - Standard												
<i>Governance and administration</i>	524	10	534	431	-	(102)	81%	82%	-	-	-	693
Executive and council	400	(60)	340	247		(93)	73%	62%				72
Budget and treasury office	50	70	120	118		(2)	98%	236%				315
Corporate services	74		74	66		(7)	90%	90%				307
<i>Community and public safety</i>	1,035	5,132	6,167	3,254	-	(2,913)	53%	314%	-	-	-	481
Community and social services	913	2,237	3,150	2,705		(445)	86%	296%				67
Sport and recreation		2,900	2,900	439		(2,461)	15%					
Public safety	122	(5)	117	110		(7)	94%	90%				414
Housing												
Health												
<i>Economic and environmental services</i>	21,098	(16,345)	4,753	2,961	-	(1,792)	62%	14%	-	-	-	6,869
Planning and development	1,700	(1,560)	140	112		(28)	80%	7%				150
Road transport	19,378	(14,795)	4,583	2,826		(1,756)	62%	15%				6,524
Environmental protection	20	10	30	23		(7)	76%	114%				195
<i>Trading services</i>	9,276	16,603	25,879	16,774	-	(9,105)	65%	181%	-	-	-	11,664
Electricity	1,032		1,032	568		(464)	55%	55%				1,792
Water	2,423	6,471	8,894	7,148		(1,746)	80%	295%				9,420
Waste water management	5,455	10,052	15,507	8,694		(6,813)	56%	159%				390
Waste management	366	80	446	364		(82)	82%	99%				61
<i>Other</i>												
Total Capital Expenditure - Standard	31,932	5,400	37,332	23,420	-	(13,912)	63%	73%	-	-	-	19,707
Funded by:												
National Government	26,628	(7,300)	19,328	10,843		(8,484)	56%	41%				12,250
Provincial Government		12,367	12,367	8,625		(3,742)	70%					664
District Municipality	2,148	(62)	2,086	1,213		(873)	58%	56%				372
Other transfers and grants												
Transfers recognised - capital	28,776	5,005	33,780	20,681		(13,100)	61%	72%				13,285
Public contributions & donations												
Borrowing												2,500
Internally generated funds	3,157	395	3,552	2,739		(813)	77%	87%				3,922
Total Capital Funding	31,932	5,400	37,332	23,420	-	(13,912)	63%	73%	-	-	-	19,707

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NOTE 52 (National Treasury Circular 67 requirement)

Reconciliation of Table A7 Budgeted Cash Flows

Description	2012/2013							2011/2012
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	95,679		95,679	80,478	(15,201)	84.1%	84.1%	85,115
Government - operating	44,531	13,030	57,561	58,760	1,198	102.1%	132.0%	44,270
Government - capital	28,776	5,005	33,781	26,348	(7,433)	78.0%	91.6%	13,285
Interest	1,200		1,200	1,619	419	134.9%	134.9%	1,419
Dividends								
Payments								
Suppliers and employees	(139,466)	18,902	(120,564)	(137,608)	(17,045)	114.1%	98.7%	(127,478)
Finance charges	(278)		(278)	(281)	(3)	101.1%	101.1%	(2,092)
Transfers and Grants								
NET CASH FROM/(USED) OPERATING ACTIVITIES	30,442	36,937	67,379	29,314	(38,065)	43.5%	96.3%	14,520
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	250		250	30	(220)	12.2%	12.2%	1,035
Actuarial gain/(loss)				2,177				(544)
Decrease (Increase) in non-current debtors	20		20	4	(16)	22.2%	22.2%	1
Decrease (increase) other non-current receivables								
Decrease (increase) in non-current investments								
Payments								
Capital assets		(37,332)	(37,332)	(23,420)	13,912	62.7%		(19,707)
NET CASH FROM/(USED) INVESTING ACTIVITIES	270	(37,332)	(37,062)	(21,208)	15,854	57.2%	-785.9%	(19,216)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans								
Borrowing long term/refinancing								2,500
Increase (decrease) in consumer deposits								
Payments								
Repayment of borrowing	(750)		(750)	(1,469)	(719)	195.9%	195.9%	(1,062)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(750)	-	(750)	(1,469)	(719)	195.9%	195.9%	1,438
NET INCREASE/ (DECREASE) IN CASH HELD	29,962	(395)	29,567	6,637				(3,258)
Cash/cash equivalents at the year begin:	19,848		19,848	19,848				23,106
Cash/cash equivalents at the year end:	49,810		49,415	26,485	(22,930)	53.6%	53.2%	19,848