Kou-Kamma 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	The main business of the municipality is to engage in local governance activities which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following: Housing services - supplying housing to community and includes; Rental of units owned by the municipality to members of the public and staff, Waste management services; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality and Water Services - Supplying water to the public.
Municipal demarcation code	EC 109
Mayoral committee	
Executive Mayor and speaker	Vuso MS
Councillors	Goni P Jacobs S Jantjies B Krige R Mntambo N Smith D Nelson L Pottie N Rheeders C Strydom F
Grading of local authority	Grade 1
Capacity of local authority	Medium
Accounting Officer	Nkhulu S
Chief Finance Officer (CFO)	Venter N
Chief whip	Jacobs S
Registered office	5 Keet Street Kareedouw 3170
Postal address	Private Bag x11 Kareedouw 3170
Bankers	ABSA Bank Ltd
Auditors	Auditor General Eastern Cape
Attorneys	Goldberg and de Villiers Attorneys Smith Tabata Attorneys HP Mncwango Attorneys Cokile Attorneys Le Roux Attorneys Maseko Tilana Attorneys

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

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 cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

The annual financial statements set out on pages 4 to 75, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed by:

Nkuhlu S
Municipal Manager

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	Restated 2012
Assets			
Current Assets			
Cash and cash equivalents	3	5,570,902	5,265,109
Receivables from non-exchange transactions	4	11,761,745	15,263,581
Inventories	5	846,972	1,055,221
VAT receivable	6	257,019	1,809,355
Receivables from exchange transactions	7	3,544,845	11,358,077
		21,981,483	**34,751,343**
Non-Current Assets			
Investment property	8	25,411,459	25,439,441
Property, plant and equipment	9	290,350,204	298,991,846
Intangible assets	10	668,852	647,409
		316,430,515	**325,078,696**
Total Assets		**338,411,998**	**359,830,039**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	16,780,822	15,420,003
Consumer deposits	12	104,700	104,700
Defined benefit plan obligation	13	260,444	193,763
Unspent conditional grants and receipts	14	5,498,812	(464,412)
		22,644,778	**15,254,054**
Non-Current Liabilities			
Defined benefit plan obligation	13	1,747,619	1,993,111
Non-current provisions	15	1,117,227	1,072,445
		2,864,846	**3,065,556**
Total Liabilities		**25,509,624**	**18,319,610**
Net Assets		**312,902,374**	**341,510,429**
Accumulated surplus		312,902,374	341,510,429

Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
Revenue			
Service charges	19	17,684,104	15,956,819
Rental of facilities and equipment	31	130,775	85,238
Licences and permits		1,361,505	1,427,623
Other income	21	3,367,912	1,729,138
Interest earned - external investments	26	597,258	954,571
Fines		485,531	194,137
Property rates	18	13,443,080	10,718,295
Government grants & subsidies	20	73,478,061	74,637,494
Total revenue		**110,548,226**	**105,703,315**
Expenditure			
Employee related costs	23	(30,692,406)	(27,275,706)
Remuneration of councillors	24	(2,538,907)	(2,289,189)
Depreciation and amortisation expense	27	(19,853,506)	(17,879,667)
Reversal of debt impairment		(13,032,002)	64,030,382
Finance costs	28	(466,314)	(769,921)
Bad debts	25	(5,969,453)	(56,046,231)
Repairs and maintenance		(1,349,934)	(3,282,007)
Bulk purchases	33	(2,579,140)	(2,128,188)
Contracted services	31	(2,890,558)	(1,864,073)
Grants and subsidies paid	32	(39,492,262)	(38,278,274)
General expenses	22	(19,827,657)	(12,521,362)
Total expenditure		**(138,692,139)**	**(98,304,236)**
Operating (deficit) surplus		**(28,143,913)**	**7,399,079**
(Loss) gain on disposal of assets and liabilities		(464,136)	245,444
(Deficit) surplus for the year		**(28,608,049)**	**7,644,523**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	264,205,922	264,205,922
Adjustments:		
Correction of errors (note 38)	87,940,604	87,940,604
Balance at 01 July 2011 as restated	**333,865,906**	**333,865,906**
Surplus for the year	7,644,523	7,644,523
Opening balance as previously reported	329,655,508	329,655,508
Adjustments		
Correction of errors (note 38)	11,854,915	11,854,915
Balance at 01 July 2012 as restated	**341,510,423**	**341,510,423**
Surplus/(deficit) for the year	(28,608,049)	(28,608,049)
Balance at 30 June 2013	**312,902,374**	**312,902,374**

Cash Flow Statement

Figures in Rand	Note(s)	2013	Restated 2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		20,259,106	24,728,237
Grants		79,441,284	71,384,685
Interest income		597,258	954,571
Other receipts		8,809,113	3,436,135
		109,106,761	100,503,628
Payments			
Employee costs		(33,231,313)	(29,564,895)
Suppliers		(60,669,226)	(60,825,107)
Finance costs		(466,314)	(769,921)
Other payments		(2,890,558)	(1,864,073)
		(97,257,411)	(93,023,996)
Net cash flows from operating activities	34	**11,849,350**	**7,479,632**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(11,663,116)	(19,212,031)
Proceeds from sale of property, plant and equipment	9	285,864	365,562
Purchase of intangible assets	10	(166,305)	(291,862)
Net cash flows from investing activities		**(11,543,557)**	**(19,138,331)**
Cash flows from financing activities			
Movement in long service award liability		-	943,781
Net increase / (decrease) in cash and cash equivalents		**305,793**	**(10,714,918)**
Cash and cash equivalents at the beginning of the year		5,265,109	15,980,027
Cash and cash equivalents at the end of the year	3	**5,570,902**	**5,265,109**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	19,688,440	-	**19,688,440**	17,684,104	**(2,004,336)**	Note 48.1
Rental of facilities and equipment	101,930	-	**101,930**	130,775	**28,845**	
Income from agency services	3,735,138	(1,541,992)	**2,193,146**	1,361,505	**(831,641)**	Note 48.2
Other income - (rollup)	5,332,942	332,318	**5,665,260**	3,367,912	**(2,297,348)**	Note 48.3
Interest received - investment	1,188,154	1,700,000	**2,888,154**	597,258	**(2,290,896)**	Note 48.4
Total revenue from exchange transactions	**30,046,604**	**490,326**	**30,536,930**	**23,141,554**	**(7,395,376)**	
Revenue from non-exchange transactions						
Taxation revenue						
Direct taxes (Income tax, estate duty)	2,752,012	(2,372,000)	**380,012**	485,531	**105,519**	
Property rates	11,278,612	2,302,066	**13,580,678**	13,443,080	**(137,598)**	
Government grants & subsidies	51,862,823	87,494,802	**139,357,625**	73,478,061	**(65,879,564)**	Note 48.5
Total revenue from non-exchange transactions	**65,893,447**	**87,424,868**	**153,318,315**	**87,406,672**	**(65,911,643)**	
Total revenue	**95,940,051**	**87,915,194**	**183,855,245**	**110,548,226**	**(73,307,019)**	
Expenditure						
Personnel	(33,459,119)	1,792,796	**(31,666,323)**	(30,692,406)	**973,917**	
Remuneration of councillors	(2,496,990)	(77,882)	**(2,574,872)**	(2,538,907)	**35,965**	
Depreciation and amortisation	(3,739,680)	-	**(3,739,680)**	(19,853,506)	**(16,113,826)**	Note 48.6
Impairment loss / Reversal of impairments	-	-	-	(13,032,002)	**(13,032,002)**	
Finance costs	(160,484)	-	**(160,484)**	(466,314)	**(305,830)**	Note 48.7
Debt impairment	(2,434,360)	-	**(2,434,360)**	(5,969,453)	**(3,535,093)**	Note 48.8
Repairs and maintenance	(2,338,014)	(366,658)	**(2,704,672)**	(1,349,934)	**1,354,738**	
Bulk purchases	(3,362,214)	(83,146)	**(3,445,360)**	(2,579,140)	**866,220**	
Contracted services	(2,997,718)	(339,900)	**(3,337,618)**	(2,890,558)	**447,060**	
Grants and subsidies paid	(13,348,286)	(85,083,111)	**(98,431,397)**	(39,492,262)	**58,939,135**	Note 48.5
General expenses	(17,381,634)	(910,698)	**(18,292,332)**	(19,827,657)	**(1,535,325)**	
Total expenditure	**(81,718,499)**	**(85,068,599)**	**(166,787,098)**	**(138,692,139)**	**28,094,959**	
Operating deficit/profit	**14,221,552**	**2,846,595**	**17,068,147**	**(28,143,913)**	**138,643,185**	
Loss on disposal of assets and liabilities	-	-	-	(464,136)	**(464,136)**	
Surplus	**14,221,552**	**2,846,595**	**17,068,147**	**(28,608,049)**	**(45,676,196)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**14,221,552**	**2,846,595**	**17,068,147**	**(28,608,049)**	**(45,676,196)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial Performance											
Property rates	11,278,612	2,302,066	13,580,678	-		13,580,678	13,443,080		(137,598)	99 %	119 %
Service charges	19,688,440	-	19,688,440	-		19,688,440	17,684,104		(2,004,336)	90 %	90 %
Investment revenue	1,188,154	1,700,000	2,888,154	-		2,888,154	597,258		(2,290,896)	21 %	50 %
Transfers recognised - operational	51,862,823	87,494,802	139,357,625	-		139,357,625	73,478,061		(65,879,564)	53 %	142 %
Other own revenue	11,922,022	(3,581,674)	8,340,348	-		8,340,348	5,345,723		(2,994,625)	64 %	45 %
Total revenue (excluding capital transfers and contributions)	**95,940,051**	**87,915,194**	**183,855,245**	**-**		**183,855,245**	**110,548,226**		**(73,307,019)**	**60 %**	**115 %**
Employee costs	(33,459,119)	1,792,796	(31,666,323)	-	-	(31,666,323)	(30,692,406)	-	973,917	97 %	92 %
Remuneration of councillors	(2,496,990)	(77,882)	(2,574,872)	-	-	(2,574,872)	(2,538,907)	-	35,965	99 %	102 %
Debt impairment	(2,434,360)	-	(2,434,360)			(2,434,360)	(5,969,453)	-	(3,535,093)	245 %	245 %
Depreciation and asset impairment	(3,739,680)	-	(3,739,680)			(3,739,680)	(32,885,508)	-	(29,145,828)	879 %	879 %
Finance charges	(160,484)	-	(160,484)	-	-	(160,484)	(466,314)	-	(305,830)	291 %	291 %
Materials and bulk purchases	(3,362,214)	(83,146)	(3,445,360)	-	-	(3,445,360)	(2,579,140)	-	866,220	75 %	77 %
Transfers and grants	(13,348,286)	(85,083,111)	(98,431,397)	-	-	(98,431,397)	(39,492,262)	-	58,939,135	40 %	296 %
Other expenditure	(22,717,366)	(1,617,256)	(24,334,622)	-	-	(24,334,622)	(24,532,285)	-	(197,663)	101 %	108 %
Total expenditure	**(81,718,499)**	**(85,068,599)**	**(166,787,098)**	**-**	**-**	**(166,787,098)**	**(139,156,275)**	**-**	**27,630,823**	**83 %**	**170 %**
Surplus / (Deficit)	**14,221,552**	**2,846,595**	**17,068,147**	**-**		**17,068,147**	**(28,608,049)**		**(45,676,196)**	**(168)%**	**(201)%**
Surplus / (Deficit) for the year	**14,221,552**	**2,846,595**	**17,068,147**	**-**		**17,068,147**	**(28,608,049)**		**(45,676,196)**	**(168)%**	**(201)%**

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) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2-1 standards and interpretations effective and adopted in the current year.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

Impairment testing

The recoverable amounts or recoverable service amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

Provisions

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

Useful lives of property, plant and equipment and other assets

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

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13 - Employee benefit obligations

Effective interest rate

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

Allowance for debt impairment

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

1.2 Investment property

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

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

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

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

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

1.2 Investment property (continued)

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property - land	indefinite
Property - buildings	30-60 years

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

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

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

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current 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 or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

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

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

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

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

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

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

1.3 Property, plant and equipment (continued)

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

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

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	**Average useful life**
Land	Indefinate
Buildings	30-60 years
Infrastructure	
• Roads and pavings	10-100 years
• Electricity	45-50 years
• Water	15-100 years
Community	
• Recreational facilities	15-60 years
• Security	5 years
Other property, plant and equipment	
• Specialist vehicles	5-30 years
• Other vehicles	5-15 years
• Office equipment	2-17 years

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

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

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

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Site restoration and dismantling cost

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

1.4 Site restoration and dismantling cost (continued)

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

1.5 Intangible assets

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

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

Intangible assets are initially recognised at cost.

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

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

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

Item	**Useful life**
Computer software	5-10 years

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

1.5 Intangible assets (continued)

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

1.6 Financial instruments

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

Classification

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

Class	Category
Receivables from non-exchange	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality measures all other financial assets and financial liabilities initially at its fair value.

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

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

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

1.6 Financial Instruments (continued)

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

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.7 Leases

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

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

1.7 Leases (continued)

Finance leases - lessee

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

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

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

Operating leases - lessor

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

Operating leases - lessee

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

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

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

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.

Accounting Policies

1.9 Impairment of cash-generating assets

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

Identification

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

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.
The recoverable amount of a cash generating asset or a cash generating unit is the highest of its fair value less cost to sell and its value in use.

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

1.10 Impairment of non-cash-generating assets

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

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

Identification

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

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.
The recoverable service amount of a non-cash-generating asset is the higher of its fair value less costs to sell and its value in use.

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.11 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

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 include items such as:

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Other post retirement obligations

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

The entitlement to post-retirement health care 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 valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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.

1.12 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating expenditure.

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.13 Revenue from exchange transactions

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

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

1.14 Revenue from non-exchange transactions

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

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

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

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

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Recognition

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

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

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

Measurement

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

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

Transfers

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

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

Fines

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

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

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the municipality.

Property rates

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.14 Revenue from non-exchange transactions (continued)

Conditional grants and receipts

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

Government grants that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which it becomes receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it in the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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

1.15 Interest

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

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

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

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

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

Irregular expenditure 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 municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular 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.

1.21 Offsetting

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

1.22 Budget information

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

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

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.23 Related parties

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

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

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

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

Accounting Policies

1.24 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

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

1.25 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.26 Events after the reporting date

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 are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events after the reporting date have been accounted for in the annual financial statements and non-adjusting event after the reporting date have been disclosed in the notes to the annual financial statements. Refer to note 41.

1.27 Value Added Tax

The Municipality accounts for value added tax on the payments basis.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

A comparable basis means that the budget and annual financial statements:
- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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

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

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 103: Heritage Assets

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

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgement in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

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

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

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

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

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

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The municipality should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The municipality treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal; or

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

The municipality has adopted the standard for the first time in the 2013 annual financial statements.
The standard has no impact on the financial statements.

GRAP 21: Impairment of Non-cash-generating Assets

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

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

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

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

- Depreciated replacement cost approach

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

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

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

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

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

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 26: Impairment of Cash-generating Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 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:

GRAP 25: Employee Benefits

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

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

The standard states the recognition, measurement and disclosure requirements of:

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

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

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

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

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

GRAP 20: Related Parties

The objective of this standard is to ensure that the reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Only transactions with related parties where the transactions are not concluded within normal normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

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

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

2.3 Standards and interpretations approved and not yet effective

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

GRAP 18: Segment Reporting

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

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

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

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

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

GRAP 1 (as revised 2010): Presentation of Financial Statements

The revision resulted in various terminology and definition changes.

Additional commentary has been added, describing the purpose of financial statements in the public sector.

Commentary has been added to explain that where legislation requires a departure from a particular Standard of GRAP and that departure is material, entities cannot claim compliance with the Standards of GRAP.

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy.

All amendments to be applied retrospectively.

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

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

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes.

Paragraphs added to Changes in accounting policies

- A change from one basis of accounting to another basis of accounting is a change in accounting policy.
- A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies

- The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC.
- Commentary on the selection of benchmark and alternative accounting policies has been deleted.

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

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

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes.

Dividends or similar distributions declared from pre-acquisition surpluses:
Paragraph .36 has been amended to encompass not only securities, but any contributed capital.

Various amendments, deletions and additions to examples included in the appendix.

2. New standards and interpretations (continued)

All amendments to be applied retrospectively

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

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

GRAP 12 (as revised 2010): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:
Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:
Where reference has been made to 'net realisable value', 'current replacement cost' has been added.

Fair value measurement:
The appendix on how to determine fair value has been deleted.

All amendments to be applied retrospectively

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

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

GRAP 13 (as revised 2010): Leases

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Non-current Assets Held for Sale and Discontinued Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard.

Guidance on accounting for finance leases by lessors:
The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:
The guidance included in the original text on substance over legal form has been deleted.

Classification of leases on land and buildings elements:
The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

All amendments to be applied retrospectively

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

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

GRAP 16 (as revised 2010): Investment Property

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The revision resulted in various terminology and definition changes.

Recognition of investment property:

- Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property.
- This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.
- The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably.
- Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

Disclosure:
Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount.

Amendments to be applied as follow:

- Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

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

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

GRAP 17 (as revised 2010): Property, Plant and Equipment

The revision resulted in various terminology and definition changes.

Scope:

- The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions.
- Investment properties under construction have been removed from the scope.

Measurement at initial recognition:
Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value.

Depreciable amount and depreciation period:
An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Derecognition:

- The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed.
- Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories.

Disclosures:

- The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- The requirement to disclose the cost basis for revaluated assets was removed.

Amendments to be applied as follow:

- Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

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

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

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

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

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

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

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

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

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

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

Figures in Rand	2013	2012

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Cash on hand	310	310
Bank balances	5,072,555	4,109,999
Call deposits	498,037	1,154,800
	5,570,902	**5,265,109**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2013	Bank statement balances 30 June 2012	Bank statement balances 30 June 2011	Cash book balances 30 June 2013	Cash book balances 30 June 2012	Cash book balances 30 June 2011
ABSA Bank Ltd -Current Account (Primary account) - 405 280 5864	347,578	2,790,684	1,172,920	394,294	2,813,528	1,435,307
ABSA Bank Ltd - Current Account - 19 4015 8695	81	19,304	1,007,609	81	19,304	1,007,609
ABSA Bank Ltd - Current Account - 40 5774 2120	734	269,445	223,028	734	269,445	223,028
ABSA Bank Ltd - Current Account - 90 7906 4583	76,423	319,918	465,791	90,050	319,918	465,791
ABSA Bank Ltd - Current Account - 19 4015 8687	4,576,514	656,217	6,073,763	4,576,514	656,217	6,073,763
ABSA Bank Ltd - Current Account - 91 0220 9606	10,882	31,588	42,307	10,882	31,588	42,307
ABSA Bank Ltd - Current Account - 90 9125 7522	-	-	2,620	-	-	2,620
ABSA Bank Ltd - Current Account - 91 2257 3572	-	-	1,343	-	-	1,343
ABSA Bank Ltd - Current Account - 91 0756 0295	-	-	5,965	-	-	5,965
ABSA Bank Ltd - Current Account - 90 5224 5645	-	-	91,517	-	-	91,517
ABSA Bank Ltd - Savings/Call Account - 91 9914 8641	498,037	760,363	3,178,942	498,037	760,363	3,178,942
ABSA Bank Ltd - Savings/Call Account - 20 7141 6424	-	394,437	3,323,968	-	394,437	3,323,968
ABSA Bank Ltd - Savings/Call Account - 90 6986 2084	-	-	42,595	-	-	42,595
ABSA Bank Ltd - Savings/Call Account - 90 4641 4773	-	-	34,689	-	-	34,689
ABSA Bank Ltd - Savings/Call Account - 90 9627 1797	-	-	50,273	-	-	50,273
Total	**5,510,249**	**5,241,956**	**15,717,330**	**5,570,592**	**5,264,800**	**15,979,717**

4. Receivables from non-exchange transactions

	2013	2012
Other receivables from non-exchange revenue	4,391,063	2,561,481
Property rates	7,370,682	12,702,100
	11,761,745	**15,263,581**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

4. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions

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

Current (0-30 days)	528,281	505,570
31-60 Days	349,431	497,951
61-90 Days	281,876	556,516
91-120 Days	273,676	2,440,492
+120 Days	14,033,129	11,522,289
Allowance for debt impairment	(8,095,710)	(2,820,718)
Total	7,370,683	12,702,100

Breakdown of receivables from non-exchange		
Housing project	4,525,908	1,659,085
Other receivables	(134,845)	902,396
Assessment rates	15,466,393	15,522,818
Allowance for debt impairment	(8,095,710)	(2,820,718)
	11,761,746	**15,263,581**

5. Inventories

Water	27,572	36,522
Stores	819,400	1,018,699
	846,972	**1,055,221**

6. VAT receivable

VAT	257,019	1,809,355

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from receivables.

7. Receivables from exchange transactions

Gross balances		
Electricity	202,967	250,624
Water	9,621,791	10,241,983
Sewerage	8,894,843	8,317,674
Refuse	4,333,216	4,058,515
Housing rental	98,000	(536,651)
Loan installments	18,574	347,651
	23,169,391	**22,679,796**

Less: Allowance for impairment		
Electricity	(190,553)	(128,446)
Water	(7,999,684)	(5,069,324)
Sewerage	(7,701,819)	(4,063,301)
Refuse	(3,652,846)	(1,948,844)
Housing rental	(68,871)	(108,430)
Loan installments	(10,773)	(3,374)
	(19,624,546)	**(11,321,719)**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

7. Receivables from exchange transactions (continued)

Net balance		
Electricity	12,414	122,178
Water	1,622,107	5,172,659
Sewerage	1,193,024	4,254,373
Refuse	680,370	2,109,671
Housing rental	29,129	(645,081)
Other	7,801	344,277
	3,544,845	**11,358,077**
Electricity		
Current (0 -30 days)	7,578	-
31 - 60 days	3,833	8,090
61 - 90 days	3,646	5,857
91 - 120 days	4,067	5,015
+120 days	183,843	231,662
Allowance for debt impairment	(190,553)	(128,446)
	12,414	**122,178**
Water		
Current (0 -30 days)	637,720	476,754
31 - 60 days	368,950	471,538
61 - 90 days	342,413	449,120
91 - 120 days	320,898	3,175
+120 days	7,951,810	9,211,326
Allowance for debt impairment	(7,999,684)	(5,439,254)
	1,622,107	**5,172,659**
Sewerage		
Current (0 -30 days)	602,133	397,911
31 - 60 days	341,554	365,776
61 - 90 days	286,090	364,354
91 - 120 days	286,540	8,505
+120 days	7,378,526	7,305,744
Allowance for debt impairment	(7,701,819)	(4,187,917)
	1,193,024	**4,254,373**
Refuse		
Current (0 -30 days)	291,589	186,169
31 - 60 days	162,042	182,272
61 - 90 days	140,884	178,573
91 - 120 days	140,555	1,100
+120 days	3,598,145	3,561,621
Allowance for debt impairment	(3,652,845)	(2,000,064)
	680,370	**2,109,671**
Housing rental		
Current (0 -30 days)	926	732
31 - 60 days	378	690
61 - 90 days	378	656
91 - 120 days	378	-
+120 days	95,939	106,352
Allowance for debt impairment	(68,870)	(753,511)
	29,129	**(645,081)**

Figures in Rand	2013	2012

7. Receivables from exchange transactions (continued)

	2013	2012
Loan installments		
+120 days	18,574	416,464
Allowance for debt impairment	(10,773)	(72,187)
	7,801	**344,277**

Summary of receivables by customer classification

	2013	2012
Households		
Current (0 -30 days)	1,276,034	793,244
31 - 60 days	973,610	783,662
61 - 90 days	858,200	761,224
91 - 120 days	853,900	754
+120 days	24,106,027	15,413,834
	28,067,771	**17,752,718**
Business		
Current (0 -30 days)	(24,847)	60,990
31 - 60 days	191,829	44,507
61 - 90 days	173,941	40,036
91 - 120 days	153,576	8,826
+120 days	3,928,973	847,864
	4,423,472	**1,002,223**
School		
Current (0 - 30 days)	9,256	4,612
31 - 60 days	15,434	4,581
61 - 90 days	5,528	4,536
91 - 120 days	4,274	-
+120 days	84,604	74,955
	119,096	**88,684**
Church		
Current (0 - 30 days)	4,169	5,857
31 - 60 days	5,258	5,180
61 - 90 days	5,317	4,059
91 - 120 days	2,674	275
+120 days	61,997	83,325
	79,415	**98,696**
Governmental		
Current (0 - 30 days)	(663,213)	185,056
31 - 60 days	40,751	179,579
61 - 90 days	12,995	179,846
91 - 120 days	15,354	1,925
+120 days	6,540,143	4,532,330
	5,946,030	**5,078,736**
Total		
Current (0 -30 days)	601,398	1,577,089
31 - 60 days	1,226,882	1,515,460
61 - 90 days	1,055,982	1,546,217
91 - 120 days	1,029,778	2,095,056

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
7. Receivables from exchange transactions (continued)		
+120 days	34,721,744	31,468,792
	38,635,784	38,202,614
Less: Allowance for impairment	(27,720,256)	(14,142,437)
	3,544,845	**11,358,077**
Less: Allowance for impairment		
Allowance for debt impairment	(27,720,256)	(14,142,437)
	(19,624,546)	**(11,321,719)**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(11,321,719)	(52,452,453)
Reversal of allowance	(8,302,827)	41,130,734
	(19,624,546)	**(11,321,719)**

Debtors per customer classification includes rates and taxes.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 3,307,591 (2012: R 2,039,345) were past due but not impaired.

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

	2013	2012
1 month past due	1,226,188	1,027,989
2 months past due	1,055,288	999,576
3 months past due	1,026,115	11,780

No debtors were pledged as security.

8. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	25,971,037	(559,578)	25,411,459	25,971,037	(531,596)	25,439,441

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	25,439,441	(27,982)	25,411,459

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Investment property	25,467,500	(28,059)	25,439,441

Details of property

No investment property has been given as security.

Figures in Rand	2013	2012

8. Investment property (continued)

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.

Fair value of investment property carried at cost:

The effective date of the revaluations was 01 July 2009. Revaluations were performed by an independent valuer, Associated Valuation Consortium (AVC). AVC is not connected to the municipality and has recent experience in location and category of the investment property being valued.

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

9. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4,903,499	(53,430)	4,850,069	4,903,499	(42,564)	4,860,935
Buildings	6,152,145	(1,835,566)	4,316,579	6,843,599	(1,698,192)	5,145,407
Other property, plant and equipment	15,341,498	(8,331,530)	7,009,968	13,158,303	(6,531,564)	6,626,739
Infrastructure	351,408,856	(88,134,928)	263,273,928	341,987,481	(71,128,455)	270,859,026
Community	18,614,377	(7,714,717)	10,899,660	18,614,377	(7,114,638)	11,499,739
Total	**396,420,375**	**(106,070,171)**	**290,350,204**	**385,507,259**	**(86,515,413)**	**298,991,846**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	WIP	Disposals	Depreciation	Total
Land	4,860,935	-	-	-	(10,866)	4,850,069
Buildings	5,145,407	58,546	-	(750,000)	(137,374)	4,316,579
Other property, plant and equipment	6,626,739	1,470,456	712,738	-	(1,799,965)	7,009,968
Infrastructure	270,859,026	6,929,740	2,491,636	-	(17,006,474)	263,273,928
Community	11,499,739	-	-	-	(600,079)	10,899,660
	298,991,846	**8,458,742**	**3,204,374**	**(750,000)**	**(19,554,758)**	**290,350,204**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	WIP	Disposals	Depreciation	Total
Land	4,871,591	-	-	-	(10,656)	4,860,935
Buildings	5,408,462	-	-	-	(263,055)	5,145,407
Other property, plant and equipment	7,627,329	986,135	-	(120,118)	(1,866,607)	6,626,739
Infrastructure	267,660,601	4,465,178	13,760,718	-	(15,027,471)	270,859,026
Community	12,101,461	-	-	-	(601,722)	11,499,739
	297,669,444	**5,451,313**	**13,760,718**	**(120,118)**	**(17,769,511)**	**298,991,846**

9. Property, plant and equipment (continued)

Details of valuation

The effective date of the revaluations was 01 July 2008. Revaluations were performed by independent valuers, Price Water House Coopers (PWC). PWC is not connected to the municipality and has recent experience in location and category of the property being held.

No assets are held under finance leases.

None of the above assets are held for security.

Details of properties

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.

10. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,237,990	(569,138)	668,852	1,071,685	(424,276)	647,409

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	647,409	166,305	(144,862)	668,852

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	493,009	291,862	(137,462)	647,409

Pledged as security

None of the intangible assets are pledged as security.

11. Payables from exchange transactions

	2013	2012
Trade payables	8,209,823	5,562,733
Staff leave accrual	1,963,173	1,924,971
Accrued bonus	662,384	488,392
Other payables	5,600,474	7,275,124
Accrual for performance bonuses	344,968	168,783
	16,780,822	**15,420,003**

12. Consumer deposits

	2013	2012
Electricity and water	104,700	104,700

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

13. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(1,771,523)	(1,679,473)
Benefits Vested (Actualy paid)	228,132	43,067
Net actuarial gains or losses not recognised	(166,254)	(341,827)
Current Service Cost	(186,564)	(103,010)
Interest	(111,854)	(105,631)
	(2,008,063)	**(2,186,874)**
Non-current liabilities	(1,747,619)	(1,993,111)
Current liabilities	(260,444)	(193,763)
	(2,008,063)	**(2,186,874)**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

13. Employee benefit obligations (continued)

Key assumptions used

The assumptions used are based on statistics and market data as at 31 May 2013. The following assumptions, in line with IAS19, have been used. Assumptions used at the reporting date:

Discount rates used	7.71 %	7.48 %
General inflation	6.19 %	4.78 %
Medical inflation	7.69 %	6.53 %
Real rate (GAP)	0.02 %	0.88 %

Discount rate assumption:

The discount rate required by IAS19 should be set with reference to a high quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have used the yield at 31 May 2013 on the R186 government bond. The yield on this bond was 7.71% (the R186 government bond is a fixed interest government bond with a maturity date between 2025 and 2027).

Future inflation assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future health care subsidies will increase.

An estimation of the market's pricing of inflation by comparing the yields on index linked government bonds and long term government bonds, adjusting for inflation risk premium of 0,6% per annum. The implied inflation assumption is therefore 6,19% per annum for future inflation.

Future subsidies can be expected to increase in line with medical inflation. An assumption that medical inflation will exceed general inflation by 1.5% per annum. A gap of between 1.5% and 2.0% is considered to be acceptable. Given the current market indicators we believe that a larger differential would eventually force some members to select a less expensive option and have set the gap at 1.5% p.a.

Net discount rate:

Even though the actual values used for the discount rate and the expected increase in medical subsidies are important, the "gap" between the two assumptions are more important. This "gap" is referred to as the net discount rate. The net discount rate has reduced from 0.88% p.a. to 0.02% p.a. (Derived from a discount rate of 7.71% and the expected medical inflation rate of 7.69%)

Post-retirement assumptions

Post-retirement mortality:

The post-retirement mortality assumptions are based on the PA(90) mortality tables rated down by 1 year. This assumption is in line with the previous assumptions used.

Family profile:

Actual marital status was used for retired members as well as actual dates of birth for the age difference between spouses.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Local Government: Cacadu District Municipality (IDP Grant)	-	26,864
Provincial: IDP	120,760	182,731
Provincial: LED	-	55,829
Cacadu: Flood relief	261,713	-
National: Department of Water Affairs Grant	-	250,000
DPLG Library	31,278	-
MIG grant	5,085,061	(979,836)
	5,498,812	**(464,412)**

Figures in Rand	2013	2012

15. Non-current provisions

Reconciliation of non-current provisions - 2013

	Opening Balance	Increase in provision due to discounting	Total
Environmental rehabilitation	1,072,445	44,782	1,117,227

Reconciliation of non-current provisions - 2012

	Opening Balance	Increase in provision due to discounting	Total
Environmental rehabilitation	1,029,825	42,620	1,072,445

The municipality operates an unfunded defined benefit plan for all it's employees. Under the plan a long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long-service benefits are payable to employees.

Actuarial valuations are performed annually. The most recent valuations of the present value of the defined benefit obligation was carried out at 30 June 2013 by K Sukdev of Independent Actuaries and Consultants, a member of the Actuarial Society of South Africa.

The defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Assumptions for landfill site provision

The most critical assumptions for estimating the life expectancy and rehabilitation costs of a landfill are:

- *Available permitted airspace* (typically expressed in cubic metres (m3). The sites will ultimately be used from one side of the fence to the other along the sites' perimeter. However, the final land use has not been determined for all these sites which would indicate the height that is useful for the sites hence the report assumes that, for the sake of calculations, the height of the sites will be between 3 and 5 meters from the lowest level reached by the waste

- *Airspace utilization factor* commonly referred to as the in-place waste density (typically expressed as tons of waste placed per cubic meter of airspace consumed (tons/m3). The average density of the waste is between 0, 75 T/m3 to 1, 20 T/m3, depending on waste type and compaction efficiency, as prescribed by DWAF Minimum Requirements for Waste Disposal by Landfill (Second Edition, 1998). In this report it has been assumed that it is 0.75T/m.

- *Waste acceptance rate* (typically expressed in tons per year (tpy). Daily deposition of waste is about 10 Tons/per day (estimates given by municipal staff and there were no proper records kept).

- The sites have been in existence for the periods reflected under section E of the valuation report.

- The methodology prescribed by DWAF assumes that landfilling is done instead of waste dumping.

16. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	11,761,745	11,761,745
Receivables from non-exchange transactions	3,544,845	3,544,845
Cash and cash equivalents	5,570,901	5,570,901
	20,877,491	**20,877,491**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	16,980,358	16,980,358
Customer deposits	104,700	104,700
	17,085,058	**17,085,058**

2012

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	15,263,581	15,263,581
Receivables from non-exchange transactions	11,358,077	11,358,077
Cash and cash equivalents	5,265,109	5,265,109
	31,886,767	**31,886,767**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	15,552,902	15,552,902
Consumer deposits	104,700	104,700
	15,657,602	**15,657,602**

17. Revenue

	2013	2012
Service charges	17,684,104	15,956,819
Rental of facilities and equipment	130,775	85,238
Licences and permits	1,361,505	1,427,623
Other income	3,367,912	1,729,138
Interest earned - external investments	597,258	954,571
Fines	485,531	194,137
Property rates	13,443,080	10,718,295
Government grants & subsidies	73,478,061	74,637,494
	110,548,226	**105,703,315**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	17,684,104	15,956,819
Rental of facilities and equipment	130,775	85,238
Licences and permits	1,361,505	1,427,623
Other income	3,367,912	1,729,138
Interest earned - external investments	597,258	954,571
	23,141,554	**20,153,389**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Fines	485,531	194,137
Property rates	13,443,080	10,718,295
Transfer revenue		
Government grants & subsidies	73,478,061	74,637,494
	87,406,672	**85,549,926**

18. Property rates

Rates received

Residential	7,505,000	7,442,307
Municipal	3,091,707	2,917,287
Agricultural	2,844,666	2,017,339
Medical	8,401	7,925
Schools	56,409	53,213
Less: Income forgone	(63,103)	(1,719,776)
	13,443,080	**10,718,295**

Valuations

Residential	994,308,515	994,308,515
Commercial	219,059,000	219,059,000
State	540,808,600	540,808,600
Agriculture	1,735,125,900	1,735,125,900
Exempted properties	294,037,400	294,037,400
	3,783,339,415	**3,783,339,415**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 5.66/R (2012: R 5.66/R) is applied to property valuations to determine assessment rates. Rebates of 20% (2012: 20%) are granted to state property owners.

Rates are levied on an annual basis with the final date for payment being on the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by the 30 September 2013.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

19. Service charges

Sale of electricity	1,676,520	1,507,380
Sale of water	6,871,955	6,226,835
Sewerage and sanitation charges	6,183,233	5,537,332
Refuse removal	2,952,396	2,685,272
	17,684,104	**15,956,819**

20. Government grants and subsidies

Equitable share	28,111,000	23,246,000
Financial Management Grant (FMG)	1,500,000	1,695,269
Provincial: Public works	2,400,000	-
Grant: District municipality	145,000	-
District Municipality Cacadu	1,448,360	-
MIG Grant	13,530,468	19,100,104
Local Government: Cacadu District Municipality	76,864	23,136
Provincial: IDP	61,971	42,725
Municipal Systems Improvement Grant (MSIG)	800,000	1,404,504
Provincial: Department of Housing Grant	24,960,579	29,061,398
Province Public Works	50,000	-
Provincial: LED	143,819	64,358
National: DWAF	250,000	-
	73,478,061	**74,637,494**

Equitable Share

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

All registered indigents receive a monthly subsidy based on monthly billing, towards the consumer account, which is determined annually by council. All residential households receive 6kl water and some poor areas 50kWh electricity free every month.

Financial Management Grant (FMG)

Current year receipts	1,500,000	1,695,269
Conditions met - transferred to revenue	(1,500,000)	(1,695,269)
	-	-

Conditions met : 100% of the conditions have been met.

Grant purpose: To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). To train interns and s57 managers to obtain the prescribed minimum competency levels per Government Gazette 29967 June 2007.

Local Government: Cacadu District Municipality

Balance unspent at beginning of year	26,864	-
Current year receipts	50,000	50,000
Conditions met - transferred to revenue	(76,864)	(23,136)
	-	**26,864**

Figures in Rand	2013	2012

20. Government grants and subsidies (continued)

Conditions met : 100% of the conditions have been met.

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

Municipal System Improvement Grant (MSIG)

	2013	2012
Balance unspent at beginning of year	-	711,004
Current year receipts	800,000	733,000
Conditions met - transferred to revenue	(800,000)	(1,404,504)
Conditions met - 5% admin fee included in other income	-	(39,500)
	-	-

Conditions met : 100% of the conditions has been met.

Grant purpose: To assist municipalities to perform their administrative functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation.

Provincial: IDP

	2013	2012
Balance unspent at beginning of year	182,731	225,456
Conditions met - transferred to revenue	(61,971)	(42,725)
	120,760	**182,731**

Conditions met : 100% of the conditions have been met. The balance of the funding has been fully commited as at 30 June 2013.

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

Provincial: LED

	2013	2012
Balance unspent at beginning of year	55,829	53,000
Current year receipts	87,990	67,187
Conditions met - transferred to revenue	(143,819)	(64,358)
	-	**55,829**

Conditions met : 100% of the conditions have been met.

Grant purpose: To provide funding for the employment of a LED assistant to assist with LED programmes within the municipality.

Flood relief Cacadu

	2013	2012
Current year receipts	1,522,587	-
Conditions met - transferred to revenue	(1,260,874)	-
	261,713	-

Conditions met : 100% of the conditions has been met. Contractors claims is submitted to CDM and on the receipt of the money claimed the contractor is paid. The credit balance amounting to R261 713 in council's records relate to an insurance claim received with regards to non-performance of a service provider,this task has not yet been completed hence funding reflects as a creditor in council's records.

Grant purpose: To provide funding for the repairs of roads damaged due to floods as well as the refurbishment of streetlights.

Figures in Rand	2013	2012

20. Government grants and subsidies (continued)

CACADU Local economic development (LED)

Current-year receipts	145,000	-
Conditions met - transferred to revenue	(145,000)	-
	-	-

Conditions met : 100% of the conditions has been met.

Grant purpose: The purpose of the grant is to provide support to the Local tourism organisations within the Koukamma area with regards to website and brochure development.

National - Department of Water Affairs Grant

Balance unspent at beginning of year	250,000	-
Current year receipts	-	250,000
Conditions met - transferred to revenue	(250,000)	-
	-	**250,000**

Conditions met : 100% of the conditions have been met.

Grant purpose: To provide funding for the review the water service development plan.

District municipality Cacadu

Current year receipts	1,479,637	-
Conditions met - transferred to revenue	(1,448,359)	-
	31,278	-

Conditions met : 97% of the conditions have been met. The procurement of library books were finalised after year end.

Grant purpose: The grant is utilised for maintenance and renovations to the libraries as well as payment of salaries of officials working in the libraries.

MIG Grant

Balance unspent at beginning of year	(979,836)	(713,362)
Current year receipts	17,763,000	18,833,630
Conditions met - transferred to revenue	(11,698,103)	(19,100,104)
	5,085,061	**(979,836)**

Conditions met : 70% of the conditions have been met. Balance already committed, projects will continue in the next the financial year.

Grant purpose: The purpose of the MIG grant is to provide capital funding for the upgrading, maintenance of the municipal infrastructure in order to provide basic services to the community.

Housing rectification

Balance unspent at beginning of year	(1,659,085)	-
Current-year receipts	22,093,756	27,402,313
Conditions met - transferred to revenue	(24,960,579)	(29,061,398)
	4,525,908	**(1,659,085)**

Figures in Rand	2013	2012

20. Government grants and subsidies (continued)

Conditions met : 100% of the conditions has been met for the current financial year. Invoices to the value of R4.5m has been received after financial year end and accured as a creditor. Funding has been received prior to the commitment being paid.

Grant purpose: To provide funding for the creation of sustainable RDP houses.

21. Other income

	2013	2012
Connection fees	62,641	18,653
Valuation certificates	5,830	8,270
Building plan fees	73,683	100,570
Land use application fees	3,481	7,920
Information fees	59,935	34,713
Cemetry fees	70,378	68,149
Recovery	-	114,784
Donations received	164,023	161,931
Sundry other fees	2,922,411	1,208,517
Refuse site	5,530	5,631
	3,367,912	**1,729,138**

22. General expenses

	2013	2012
Advertising	352,141	272,201
Auditors remuneration	2,331,027	2,264,352
Bank charges	197,028	149,448
Cleaning	918	-
Conferences and delegations	163,552	9,091
Consumables	2,500,000	1,441,901
Debt collection	1,563,490	-
Refreshments	2,755	-
Fuel and oil	2,273,090	1,496,929
Insurance	377,607	6,062
Legal expenses	1,213,949	626,040
Levies paid	256,697	311,767
Licence fees - vehicles	112,693	79,742
Other expenses	3,866,264	2,877,567
Other rentals	163,480	150,986
Postage	2,902	59,376
Printing and stationery	622,138	421,670
Rental of office equipment	575,328	341,279
Subscription and publications	12,673	6,073
Telephone cost	1,515,275	1,122,764
Training	245,229	3,700
Travel and subsistence	1,321,677	820,043
Uniforms and overalls	157,744	60,371
	19,827,657	**12,521,362**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

23. Employee related costs

Employee related costs - Contributions for UIF, pensions and medical aids	4,081,899	3,279,698
Employee related costs - Salaries and wages	17,007,943	14,700,805
Housing benefits and allowances	713,596	491,316
Long-service awards	39,034	117,319
Other employee related costs	(109,774)	761,282
Overtime payments	1,517,702	950,359
Performance and other bonuses	1,685,578	1,066,898
Travel, motor car, accommodation, subsistence and other allowances	1,322,434	1,620,925
	26,258,412	**22,988,602**

Remuneration of the Municipal Manager (Nkhulu S)

Annual remuneration	634,020	571,301
Travel, motor car, accommodation, subsistence and other allowances	201,600	201,600
Performance bonuses	-	78,767
Contributions to UIF, medical and pension funds	98,169	106,407
	933,789	**958,075**

The municipal manager was appointed on 01/10/2010, the contract was a 2 year contract and was extended to another 5 years.

Remuneration of the Chief Finance Officer (Venter N)

Annual remuneration	611,545	424,584
Travel, motor car, accommodation, subsistence and other allowances	120,000	88,237
Performance bonuses	-	64,205
Contributions to UIF, medical and pension funds	16,113	23,291
	747,658	**600,317**

The chief financial officer was appointed on 01/09/2011 and has a 5 year contract.

Corporate and human resources (corporate services) (Zenzile M)

Annual remuneration	625,945	480,193
Travel, motor car, accommodation, subsistence and other allowances	120,000	134,255
Performance bonuses	-	21,013
Contributions to UIF, medical and pension funds	1,713	7,151
	747,658	**642,612**

The corporate services manager was appointed on 01/01/2012 and has a 5 year contract.

Technical Services (Fenn L)

Annual remuneration	418,793	552,268
Travel, motor car, accommodation, subsistence and other allowances	87,656	155,725
Performance bonuses	-	42,025
Contributions to UIF, medical and pension funds	1,414	8,185
	507,863	**758,203**

The technical services manager was appointed on 18/02/2013, this contract is for 4 years and 3 months.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

23. Employee related costs (continued)

Strategic Services (Mpumlwana M)

Annual remuneration	745,945	538,137
Travel, motor car, accommodation, subsistence and other allowances	-	1,078
Performance bonuses	-	26,266
Contributions to UIF, medical and pension funds	1,713	6,505
	747,658	**571,986**

The strategic services manager was appointed on 26/09/2011 and has a 5 year contract.

Community Services (Sompani T)

Annual remuneration	512,285	467,634
Travel, motor car, accommodation, subsistence and other allowances	123,600	123,600
Performance bonuses	-	49,029
Contributions to UIF, medical and pension funds	113,483	115,648
	749,368	**755,911**

The community services manager was employed on 01/10/2010, the contract was a 2 year contract and was extended to another 5 years.

Employee costs

Employee related costs	26,258,412	22,988,602
Directors	4,433,994	4,287,104
	30,692,406	**27,275,706**

24. Remuneration of councillors

Executive Mayor	586,077	574,050
Councillors	1,813,380	1,100,746
Councillors' allowances	139,450	614,393
	2,538,907	**2,289,189**

Councillors' remuneration

Goni P	181,338	110,075
Jacobs S	181,338	110,075
Jantjies B	181,338	110,075
Krige R	181,338	110,075
Mntambo N	181,338	110,075
Mohr T	151,115	110,075
Nelson L	181,338	110,075
Pottie N	181,338	110,075
Rheeders C	181,338	110,075
Strydom F	181,338	110,075
Smit K	181,338	110,075
	30,223	-
	1,813,380	**1,100,750**

In-kind benefits

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

25. Debt impairment

Debt impairment	5,969,453	56,046,231

26. Investment revenue

Interest revenue		
Bank	269,680	266,886
Short-term deposits	327,578	687,685
	597,258	**954,571**

27. Depreciation and amortisation

Property, plant and equipment	19,680,661	17,720,303
Investment property	27,983	28,059
Intangible assets	144,862	131,305
	19,853,506	**17,879,667**

28. Finance costs

Other interest paid	466,314	769,921

29. Auditors' remuneration

Fees	2,331,027	2,264,352

30. Rental of facilities and equipment

Premises	41,849	-
Halls	75,117	69,274
Houses	8,780	9,293
	125,746	**78,567**
Facilities and equipment		
Rental of facilities	-	636
Rental other	5,029	6,035
	5,029	**6,671**
	130,775	**85,238**

31. Contracted services

Security services	1,751,727	798,230
Professional fees	95,783	188,038
General contract expenses	1,043,048	877,805
	2,890,558	**1,864,073**

32. Grants and subsidies paid

Other subsidies		
Low income subsidy/ Free basic services	9,411,209	2,665,163
Community projects	30,081,053	35,613,111
	39,492,262	**38,278,274**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

32. Grants and subsidies paid (continued)

Community projects are in respect of conditional and other grants utilised for the upliftment of housing and basic service needs of the community.

The low income subsidy/ free basic services is in respect of providing basic service levels.

The Mayor makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

33. Bulk purchases

Electricity	2,556,676	2,098,874
Water	22,464	29,314
	2,579,140	**2,128,188**

34. Cash generated from operations

(Deficit) surplus	(28,608,049)	7,644,523
Adjustments for:		
Depreciation and amortisation	19,853,506	17,879,667
Gain (loss) on sale of assets and liabilities	464,136	(245,444)
Impairment loss (reversal)	13,032,002	(64,030,382)
Debt impairment	5,969,453	56,046,231
Movements in retirement benefit assets and liabilities	(178,811)	922,752
Movements in provisions	44,782	42,621
Changes in working capital:		
Inventories	208,249	235,350
Receivables from exchange transactions	(13,032,002)	(8,020,816)
Other receivables from non-exchange transactions	3,501,836	(14,416,597)
Consumer receivables	1,717,879	10,965,057
Payables from exchange transactions	1,360,809	5,558,117
VAT	1,552,336	(3,485,670)
Unspent conditional grants and receipts	5,963,224	(1,615,777)
	11,849,350	**7,479,632**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	102,841,198	21,577,630
• Consultants	3,390,630	-
• Other committments	5,994,130	-
	112,225,958	**21,577,630**

This committed expenditure will be financed by government grants.

Operating leases - Municipality as lessee (expense)

Minimum lease payments due		
- within one year	124,800	124,800
- in second to fifth year inclusive	104,000	228,800
	228,800	**353,600**

The following payments have been recognised as an expense in the statement of financial performance:	575,328	341,279

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of 5 years with the option to extend for a further period. The municipality does not have an option to purchase the leased asset at the expiry of the leased period.

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:
(i) The equipment shall remain the property of the lessor;
(ii) The lessee shall not sell, sublet, cede, assign or delegate any of it's rights or obligations on the office equipment; and
(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

Operating leases - Municipality as lessor (Income)

Minimum lease payments due		
- within one year	38,700	24,000
- in second to fifth year inclusive	186,085	173,102
- later than five years	248,511	300,193
	473,296	**497,295**

Operating leases relate to property being leased out to Cacadu District Municipality to operate as clinics for the community. Land leased out to members of the public for agricultural purposes and Land being leased to cellphone operators on which they have erected cellphone towers.

The municipality has entered into a lease agreement with Cell C (Pty) Ltd who is a licensed operator of an electronic communications network. Cell C (Pty) Ltd is leasing a site for the installation of certain infrastructure assets required for the operation of its network. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.

Figures in Rand	2013	2012

36. Related parties

Relationships	
Members of key management	
Municipal Manager	S Nkhulu
Chief Financial Officer	N Venter
Manager: Community Services	TM Sompani
Manager: Corporate Services	M Zenzile
Manager: Strategic Services	M Mpumlwana
Manager: Technical Services	D Dliwayo
Mayor	Vuso MS
Councillor	Jantjies BT
Office of the Minister in the Department of Mineral Resources	Aberdian I

Individuals as well as their close family members, and/or entities are related parties if one party has the ability , directly or indirectly, to control or jointly control the other party to exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other Managers reporting directly to the Municipal Manager. Refer to note 26 regarding the remuneration paid to key management.

Related party transactions

	2013	2012
MS Vuso - Mayor (Appointed 23/05/2011) - Sinaw Amandla Construction		
- Refuse Removal award (October 2010)	-	10,319
- Implementation of the neighbourhood revitalisation programme at Storms River West Village (May 2011)	-	100,000
Payments made to date	-	(110,319)
BT Jantjies - Councillor (Appointed 23/05/2011) - Sukkot Trading CC		
Tiling of municipal building (April 2011)	-	45,945
Payments made to date	-	(45,945)
I Aberdian - Office of the Minister in the Department of Mineral Resources - Bigen Africa Services (Pty) Ltd		
Flood relief consultants (February 2009 - December 2010)	-	366,153
Payments made to date	-	(366,153)
Debtor - included in Trade and other receivables for overpayment of remuneration:		
M Ndokweni (Former Municipal Manager)	-	293,996
NJ O'Connell (Former Mayor)	-	117,654
DM Jacobs (Former Councillor)	-	23,043
S Jacobs (Former Councillor)	-	22,789
J Kettledas (Former Councillor)	-	31,804
NE Mntambo (Councillor)	-	27,179
SD Ncethezo (Former Councillor)	-	26,219
MW Wogane (Former Councillor)	-	38,542
FJ Yake (Former Councillor)	-	20,712
C Rheeders (Councillor)	-	30,644
F Strydom (Councillor)	-	23,049
Amount written off with Council Approval	-	(655,631)
Total	-	-
Debtors - Amounts included in Trade and Other Receivables due to irregular payment of performance bonuses		
R Herselman (Former Manager - Corporate Services)	-	31,670
C Jonker (Former Manager - Technical Services)	-	23,750
J Ruiters (Former Manager - Community Services)	-	25,198
N Oudtshoorn (Acting CFO)	-	3,167
Amount written off with Council Approval	-	(83,785)

Figures in Rand	2013	2012

36. Related parties (continued)

Total	-	-

Debtors - Amounts included in Trade and Other Receivables due to overpayment of travel allowances and maternity leave		
Bavu B	-	34,378
Bebeza L	-	10,903
Kambi S	-	18,118
Kosi S	-	18,118
Amount written off with Council Approval	-	(81,517)
Total	-	-

Compensation to accounting officer and other key management		
Short-term employee benefits	344,968	281,305

Figures in Rand	2013	2012

37. Prior period errors

The correction of the errors / change in accounting policies resulted in adjustments as follows:

Provision for landfill sites
According to the valuation for the landfill sites, the original value was re-estimated as well as the increase each year and the depreciation for each year.

	2013	2012
Adjustment against opening retained earnings 30 June 2011	-	81,441
Adjustments affecting the statement of financial position		
Increase in the non-current provisions	-	(176,104)
Adjustments affecting the statement of financial performance		
Interest paid	-	42,620
Depreciation	-	52,043
	-	-

Inventory
Consumables were brought into account, as well as the adjustment for the 2012 year

	2013	2012
Adjustment against opening retained earnings 30 June 2011	-	(1,290,571)
Adjustments affecting the statement of financial position		
Increase in inventory	-	1,018,699
Adjustments affecting the statement of financial performance		
Consumables	-	271,872
	-	

Retirement benefits
Correction of prior year balance of post retirment benefits as well as the increase in interest cost

	2013	2012
Adjustment against opening retained earnings 30 June 2011	-	392,766
Adjustments affecting the statement of financial position		
Current portion of post retirement benefits	-	(415,351)
Adjustments affecting the statement of financial performance		
Interest cost	-	22,585
	-	-

Intangible assets
Intangible asset capitalised as well as depreciation brought into account, hardware portion brought into account

	2013	2012
Adjustment against opening retained earnings 30 June 2011	-	(354,788)
Adjustments affecting the statement of financial position		
Intangible asset	-	291,862
Intangible asset - accumulated depreciation	-	(35,343)
Hardware	-	71,600
Hardware - accumulated depreciation	-	(14,451)
Adjustments affecting the statement of financial performance		
Depreciation - Intangible asset	-	29,186
Depreciation - Hardware	-	11,934
	-	-

Performance bonuses
Performance bonuses paid for the 2012 year and the PAYE

	2013	2012
Adjustments affecting the statement of financial position		
Provision for bonuses	-	(168,783)
Sundry payables	-	(112,522)
Adjustments affecting the statement of financial performance		

Figures in Rand	2013	2012

37. Prior period errors (continued)

Bonus s57 managers	-	281,305
	-	-

PAYE

Pre 2009, SARS deducted money for PAYE, the amount could not be reconciled		
Adjustment against opening retained earnings 30 June 2011	-	968,378
Adjustments affecting the statement of financial position		
Sundry payables	-	(968,378)
	-	-

Legal fees

This amount is the final settlement amount paid to an attorney		
Adjustments affecting the statement of financial position		
Sundry creditors	-	(317,745)
Adjustments affecting the statement of financial performance		
Legal fees	-	317,745
	-	-

Rates

These rates relate to the 2011/2012 financial year that were reversed		
Adjustments affecting the statement of financial position		
Receivable - assessment rates	-	(75,470)
Adjustments affecting the statement of financial performance		
Assessment rates	-	75,470
	-	-

VAT refund

Received money back in 2013 relating to the 2012 financial year, SARS withheld the payment due to lack of supporting documentation, no receivable was created		
Adjustments affecting the statement of financial position		
VAT recovery	-	114,784
Adjustments affecting the statement of financial performance		
VAT 201	-	(114,784)
	-	-

Bulk purchases

These were duplications of bulk purchases		
Adjustments affecting the statement of financial position		
Sundry receivable	-	53,095
Adjustments affecting the statement of financial performance		
Bulk purchases	-	(53,095)
	-	-

Rates

Phase in of rates and rates rebates		
Adjustment against opening retained earnings 30 June 2011	-	889,532
Adjustments affecting the statement of financial position		
Receivable - rates rebates	-	(1,251,522)
Adjustments affecting the statement of financial performance		
Rebate - assessment rates	-	361,990
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
37. Prior period errors (continued)		
Cemetery expenses		
Expenses for the cemetery		
Adjustment against opening retained earnings 30 June 2011	-	25,650
Adjustments affecting the statement of financial position		
Sundry payables	-	(25,650)
	-	-
Water reading		
The incorrect water reading was written off in January 2010		
Adjustment against opening retained earnings 30 June 2011	-	49,885
Adjustments affecting the statement of financial position		
Water	-	(49,885)
	-	-
Sundry debtor		
Money was collected but not reflected on accounts		
Adjustment against opening retained earnings 30 June 2011	-	9,000
Adjustments affecting the statement of financial position		
Sundry receivable	-	(9,000)
	-	-
Infrastructure assets		
The old balances of the infrastructure assets were removed to clear the balances to be able to bring in the new balances		
Adjustment against opening retained earnings 30 June 2011	-	182,674,045
Adjustments affecting the statement of financial position		
Infrastructure assets	-	(223,373,578)
WIP	-	(1,137,269)
Accumulated depreciation	-	34,684,292
Adjustments affecting the statement of financial performance		
Capital expense	-	15,566,716
Depreciation	-	(8,414,206)
	-	-
Infrastructure assets		
Unbundled infrastructure assets brought into account		
Adjustment against opening retained earnings 30 June 2011	-	(271,525,679)
Adjustments affecting the statement of financial position		
Infrastructure assets	-	323,890,803
WIP	-	17,107,403
Accumulated depreciation	-	(71,029,765)
Adjustments affecting the statement of financial performance		
Capital expense	-	(13,371,574)
Depreciation	-	14,928,812
	-	-
Bulk purchases		
Bulk purchases not raised		
Adjustments affecting the statement of financial position		
Sundry payables	-	(159,619)
Adjustments affecting the statement of financial performance		
Bulk purchases	-	159,619
	-	-

Figures in Rand	2013	2012

37. Prior period errors (continued)

Impairment

Reversal of prior year impairments incorrecly recorded

Adjustments affecting the statement of financial position		
Rates	-	(140,206)
Electricity	-	(13,150)
Housing	-	(645,080)
Refuse	-	(51,219)
Sewerage	-	(124,616)
Water	-	(369,930)
Loans	-	(13,668)
Service charges	-	(110)
Sundry services	-	(99,131)
Adjustments affecting the statement of financial performance		
Impairments	-	1,457,110
	-	-

38. Risk management

Financial risk management

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

Liquidity risk

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

The municipality intends to pay creditors within 30 days.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing.

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

Financial instrument	2013	2012
Trade and other receivables from exchange transactions	10,915,528	24,060,179
Other receivables from non-exchange transactions	4,391,063	2,561,481
Cash and cash equivalents	5,570,901	5,265,109
VAT receivable	257,018	1,809,355

Market risk

Interest rate risk

At 30 June 2013, if interest rates on that date had been 100 basis points lower with all other variables held constant, surplus for the year would have been R 59,726 (2012: R 52,651) lower, mainly as a result of lower interest received on investments and bank balances. If interest rates had been 100 basis points higher, with all variables held constant, surplus would have been R 59,726 (2012: R 52,651) higher mainly as a result of higher interest received on investments and bank balances.

39. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated deficits of R 312,902,374 and that the municipality's total liabilities exceed its assets by R 312,902,374.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

40. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

41. Unauthorised expenditure

Opening balance	-	29,834,014
Expenditure relating to audit committee	-	14,293
Employee costs	-	1,460,602
Depreciation	16,113,826	7,083,973
Remuneration of councillors	-	207,488
Allowance for debt impairment	18,524,252	553,316
General expenditure	645,498	-
Finance costs	305,830	-
Approved by Council or condoned	(35,589,406)	(39,153,686)
	-	-

42. Fruitless and wasteful expenditure

Opening balance -	517,863	732,988
Fruitless and wasteful expenditure current year	-	811,297
Condoned or written off by Council	(517,863)	(1,026,422)
	-	**517,863**

43. Irregular expenditure

Opening balance	11,470,985	10,872,822
Add: Irregular Expenditure - prior year	-	598,163
Less: Amounts condoned	(11,470,985)	-
	-	**11,470,985**

44. Additional disclosure in terms of Municipal Finance Management Act

Material losses

Distribution losses on electricity	880,156	484,970
Distribution losses on water	2,656,754	2,750,110
	3,536,910	**3,235,080**

Accounting for unaccounted for water losses:
Total water usage as per standard norm (CSRI)

Households	586 482
Non households	48 107
Total accounted for water	634 589 litres per annum

Total volume produced by all Kou-Kamma municipal water plants is 1 023 542 kl/annum

Total unaccounted for water is:

Produced	1 023 542 kl
Accounted for	(634 589) kl
Water loss	388 983 kl

Cost to produce water for the 2013 year is R6.83/kl (2012: R7.07)

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

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

Audit fees

	2013	2012
Opening balance	3,541,553	884,754
Current year audit fee	2,449,241	2,549,093
Interest paid	288,711	180,983
Amount paid - previous years	(3,492,857)	(73,277)
	2,786,648	**3,541,553**

The balance unpaid represents the audit fees that could not be paid due to financial constraints endured by the municipality. An agreement was reach with the Auditor General that the outstanding balance will be paid in monthly installments of R200 000.

PAYE and UIF

	2013	2012
Current year payroll deductions	4,258,192	3,484,858
Amount paid - current year	(3,925,513)	(3,484,858)
	332,679	-

Pension and medical aid deductions

	2013	2012
Current year payroll deductions and Council contributions	6,227,095	5,183,887
Amount paid - current year	(5,730,872)	(5,183,887)
	496,223	-

The balance represents pension and medical aid contributions deducted from employees in the June 2013 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2013.

VAT

	2013	2012
VAT receivable	257,019	1,809,355

VAT output payables and VAT input receivables are shown in note 6 and 12.

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

Figures in Rand	2013	2012

45. Contingencies

The municipaility had the following outstanding litigation and claims:

	2013	2012
Mr Cherry		
Cherry was dismissed by the municipality for fraudulent misrepresentation, the cost at the Bargaining council and is now subjecting to the Labour law court for review.		
Probable loss	200,000	-
	200,000	**-**
Gerber (Uitkyk tip site)		
The applicant instituted an application against Kou-Kamma for the closure of the Uitkyk waste disposal site. The site is currently illegal and permit is being solicited.		
Probable loss	300,000	-
	300,000	**-**
Boqwana Ntlabezo Inc		
Instuted action via summons against Kou-Kamma for services rendered	231,038	-
	231,038	**-**
Dernand Eiendomme - veld fire		
Third party caused fire which damaged a farm and the municipality is being included in the proceedings for failure to properly extinguish fire.		
Probable loss	3,200,000	-
	3,200,000	**-**
Jora		
Damage of motor vehicle due to pothole.		
Probable loss	58,000	-
	58,000	**-**
T Mohr and Oudshoorn		
These employees were employed by the municipality and are not claiming benefits which according to them were not given/paid out to them.		
Probable loss	1,400,000	-
	1,400,000	**-**
MTO - veld fire		
Reckless issuing of a fire purmit by the municipality, which caused fire damage.		
Probable loss	5,817,290	-
	5,817,290	**-**
Spellman		
SALGBC rules against Kou-Kamma municipality and ordered reimstatement with pay back.		
Probable loss	900,000	-
	900,000	**-**

Gobo Gcora Construction and Projects CC

Figures in Rand	2013	2012

45. (continued)

Cancellation/repudiation of the agreement, claim for damages suffered by the applicant.		
Probable loss	5,000,000	-
	5,000,000	**-**

46. Budget differences

Material differences between budget and actual amounts

The budget is prepared on the accrual basis. The budget is for the period 01 July 2012 to 30 June 2013.

Reasons for difference between budget and actual amounts:
48.1 - Loss of electricity income due to theft and line losses
48.2 - Drivers licence under collected by 24% and motor vehicle licence by **34%**
48.3 - Provided from prior years an amount of R4.8 milion.
48.4 - Provided for R1.7 milllion to be received for CDM held by them on Kou-Kamma municipality's behalf. This amount was not received.
48.5 - Provided R84 million for housing, only received R24,960 due to slow delivery.
48.6 - Difference in depreciation is due to the unbundling of assets
48.7 - Finance costs are due to the recognition of a third memeber that should receive pension benefit, adjusted accordingly.
48.8 - Debt impairment is due to the collection of revenue that did not go as projected hence the adjustment of this amount.

Appendix B
June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4,903,499	-	-	-	-	-	4,903,499	(42,564)	-	-	(10,866)	-	(53,430)	4,850,069
Landfill Sites (Separate for AFS pursoses)	989,244	-	-	-	-	-	989,244	(98,690)	-	-	(58,546)	-	(157,236)	832,008
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	6,843,599	58,546	(750,000)	-	-	-	6,152,145	(1,698,192)	125,057	-	(262,430)	-	(1,835,565)	4,316,580
	12,736,342	58,546	(750,000)	-	-	-	12,044,888	(1,839,446)	125,057	-	(331,842)	-	(2,046,231)	9,998,657
Infrastructure														
Roads, Pavements & Bridges	218,661,839	-	-	-	-	2,294,383	220,956,222	(41,939,155)	-	-	(8,387,831)	(451,920)	(50,778,906)	170,177,316
Sanitation	39,709,490	3,673,141	-	-	-	70,819	43,453,450	(9,447,736)	-	-	(2,304,603)	(508,765)	(12,261,104)	31,192,346
Electricity	11,063,449	-	-	-	-	-	11,063,449	(2,822,819)	-	-	(564,564)	(8,129)	(3,395,512)	7,667,937
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste disposal	12,256	-	-	-	-	-	12,256	(3,715)	-	-	(743)	-	(4,458)	7,798
Water	57,790,454	17,017,347	-	-	-	126,434	74,934,235	(16,816,339)	-	-	(4,128,624)	(592,749)	(21,537,712)	53,396,523
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	327,237,488	20,690,488	-	-	-	2,491,636	350,419,612	(71,029,764)	-	-	(15,386,365)	(1,561,563)	(87,977,692)	262,441,920
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Outdoor sports facilities	179,806	-	-	-	-	-	179,806	(140,327)	-	-	(8,984)	-	(149,311)	30,495
Stadiums	67,543	-	-	-	-	-	67,543	(27,025)	-	-	(2,250)	-	(29,275)	38,268
Floodligting	322,240	-	-	-	-	-	322,240	(193,473)	-	-	(21,471)	-	(214,944)	107,296
Care Centres	1,070,898	-	-	-	-	-	1,070,898	(549,272)	-	-	(35,674)	-	(584,946)	485,952
Cemeteries	421,175	-	-	-	-	-	421,175	(56,594)	-	-	(14,030)	-	(70,624)	350,551
Clinics and Hospitals	2,612,732	-	-	-	-	-	2,612,732	(1,314,984)	-	-	(65,470)	-	(1,380,454)	1,232,278
Community Centres	10,369,600	-	-	-	-	-	10,369,600	(4,107,933)	-	-	(333,263)	-	(4,441,196)	5,928,404
Mortuaries	34,876	-	-	-	-	-	34,876	(32,543)	-	-	(1,162)	-	(33,705)	1,171
Schools	2,347,000	-	-	-	-	-	2,347,000	(272,321)	-	-	(78,183)	-	(350,504)	1,996,496
Vehicle Testing Centres	713,508	-	-	-	-	-	713,508	(356,787)	-	-	(23,768)	-	(380,555)	332,953
Religion	475,000	-	-	-	-	-	475,000	(63,380)	-	-	(15,823)	-	(79,203)	395,797
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	18,614,378	-	-	-	-	-	18,614,378	(7,114,639)	-	-	(600,078)	-	(7,714,717)	10,899,661

Appendix B
June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General vehicles														
Plant & equipment	2,239,164	20,460					2,259,624	(1,153,797)			(335,128)		(1,488,925)	770,699
Computer Equipment	1,807,209	485,378					2,292,587	(812,561)			(380,885)		(1,193,446)	1,099,141
Computer Software (part of computer equipment)														
Furniture & Fittings	1,717,784	133,851					1,851,635	(917,514)			(223,212)		(1,140,726)	710,909
Office Equipment	327,220	12,883					340,103	(180,914)			(44,732)		(225,646)	114,457
Office Equipment - Leased														
Abattoirs														
Emergency equipment	184,043						184,043	(24,135)			(25,908)		(50,043)	134,000
Airports														
Security measures														
Civic land and buildings														
Other buildings														
Other land														
Bins and Containers														
Work in progress						712,739	712,739							712,739
Motor vehicles	6,882,882	817,884					7,700,766	(3,442,643)			(790,101)		(4,232,744)	3,468,022
Other Assets - Leased														
Surplus Assets - (Investment or Inventory)														
Housing development														
Other														
	13,158,302	1,470,456	-	-	-	712,739	15,341,497	(6,531,564)	-	-	(1,799,966)	-	(8,331,530)	7,009,967

Appendix B
June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	12,736,342	58,546	(750,000)	-	-	-	12,044,888	(1,839,446)	125,057	-	(331,842)	-	(2,046,231)	9,998,657
Infrastructure	327,237,488	20,690,488	-	-	-	2,491,636	350,419,612	(71,029,764)	-	-	(15,386,365)	(1,561,563)	(87,977,692)	262,441,920
Community Assets	18,614,378	-	-	-	-	-	18,614,378	(7,114,639)	-	-	(600,078)	-	(7,714,717)	10,899,661
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	13,158,302	1,470,456	-	-	-	712,739	15,341,497	(6,531,564)	-	-	(1,799,966)	-	(8,331,530)	7,009,967
	371,746,510	22,219,490	(750,000)	-	-	3,204,375	396,420,375	(86,515,413)	125,057	-	(18,118,251)	(1,561,563)	(106,070,170)	290,350,205
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	1,071,685	166,305	-	-	-	-	1,237,990	(424,276)	-	-	(144,861)	-	(569,137)	668,853
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,071,685	166,305	-	-	-	-	1,237,990	(424,276)	-	-	(144,861)	-	(569,137)	668,853
Investment properties														
Investment property	25,971,037	-	-	-	-	-	25,971,037	(559,578)	-	-	-	-	(559,578)	25,411,459
	25,971,037	-	-	-	-	-	25,971,037	(559,578)	-	-	-	-	(559,578)	25,411,459
Total														
Land and buildings	12,736,342	58,546	(750,000)	-	-	-	12,044,888	(1,839,446)	125,057	-	(331,842)	-	(2,046,231)	9,998,657
Infrastructure	327,237,488	20,690,488	-	-	-	2,491,636	350,419,612	(71,029,764)	-	-	(15,386,365)	(1,561,563)	(87,977,692)	262,441,920
Community Assets	18,614,378	-	-	-	-	-	18,614,378	(7,114,639)	-	-	(600,078)	-	(7,714,717)	10,899,661
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	13,158,302	1,470,456	-	-	-	712,739	15,341,497	(6,531,564)	-	-	(1,799,966)	-	(8,331,530)	7,009,967
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	1,071,685	166,305	-	-	-	-	1,237,990	(424,276)	-	-	(144,861)	-	(569,137)	668,853
Investment properties	25,971,037	-	-	-	-	-	25,971,037	(559,578)	-	-	-	-	(559,578)	25,411,459
	398,789,232	22,385,795	(750,000)	-	-	3,204,375	423,629,402	(87,499,267)	125,057	-	(18,263,112)	(1,561,563)	(107,198,885)	316,430,517

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4,903,499	-	-	-	-	-	4,903,499	(31,909)	-	-	(10,656)	-	(42,565)	4,860,934
Landfill Sites (Separate for AFS pursoses)	989,243	-	-	-	-	-	989,243	(46,647)	-	-	(52,043)	-	(98,690)	890,553
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	6,843,599	-	-	-	-	-	6,843,599	(1,435,137)	-	-	(263,055)	-	(1,698,192)	5,145,407
	12,736,341	-	-	-	-	-	12,736,341	(1,513,693)	-	-	(325,754)	-	(1,839,447)	10,896,894
Infrastructure														
Roads, Pavements & Bridges	218,661,839	-	-	-	-	-	218,661,839	(33,551,324)	-	-	(8,387,831)	-	(41,939,155)	176,722,684
Sanitation	39,709,490	-	-	-	-	-	39,709,490	(7,170,278)	-	-	(2,277,458)	-	(9,447,736)	30,261,754
Electricity	11,063,449	-	-	-	-	-	11,063,449	(2,258,255)	-	-	(564,564)	-	(2,822,819)	8,240,630
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste disposal	12,256	-	-	-	-	-	12,256	(2,972)	-	-	(743)	-	(3,715)	8,541
Water	53,325,276	4,465,178	-	-	-	-	57,790,454	(13,118,123)	-	-	(3,698,216)	-	(16,816,339)	40,974,115
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	(56,100,952)	-	-	-	-	(56,100,952)	(56,100,952)
	322,772,310	4,465,178	-	-	-	-	327,237,488	(112,201,904)	-	-	(14,928,812)	-	(127,130,716)	200,106,772
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Outdoor sports facilities	179,806	-	-	-	-	-	179,806	(131,319)	-	-	(9,009)	-	(140,328)	39,478
Stadiums	67,543	-	-	-	-	-	67,543	(24,768)	-	-	(2,256)	-	(27,024)	40,519
Floodligting	322,240	-	-	-	-	-	322,240	(171,944)	-	-	(21,530)	-	(193,474)	128,766
Care Centres	1,070,898	-	-	-	-	-	1,070,898	(513,500)	-	-	(35,772)	-	(549,272)	521,626
Cemeteries	421,175	-	-	-	-	-	421,175	(42,526)	-	-	(14,069)	-	(56,595)	364,580
Clinics and Hospitals	2,612,732	-	-	-	-	-	2,612,732	(1,232,941)	-	-	(82,038)	-	(1,314,979)	1,297,753
Community Centres	10,369,600	-	-	-	-	-	10,369,600	(3,773,757)	-	-	(334,176)	-	(4,107,933)	6,261,667
Mortuaries	34,876	-	-	-	-	-	34,876	(31,378)	-	-	(1,165)	-	(32,543)	2,333
Religion	475,000	-	-	-	-	-	475,000	(47,513)	-	-	(15,867)	-	(63,380)	411,620
Schools	2,347,000	-	-	-	-	-	2,347,000	(193,924)	-	-	(78,398)	-	(272,322)	2,074,678
Vehicle Testing Centres	713,508	-	-	-	-	-	713,508	(332,953)	-	-	(23,834)	-	(356,787)	356,721
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	18,614,378	-	-	-	-	-	18,614,378	(6,496,523)	-	-	(618,114)	-	(7,114,637)	11,499,741

Appendix B
June 2013

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	2,277,354	41,100	(79,290)	-	-	-	2,239,164	(863,605)	60,755	-	(356,497)	-	(1,159,347)	1,079,817
Computer Equipment	1,686,012	403,565	(353,967)	-	-	-	1,735,610	(797,690)	317,065	-	(331,935)	-	(812,560)	923,050
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1,670,514	135,827	(88,556)	-	-	-	1,717,785	(780,520)	81,652	-	(218,646)	-	(917,514)	800,271
Office Equipment	327,637	40,591	(41,009)	-	-	-	327,219	(162,402)	31,452	-	(49,964)	-	(180,914)	146,305
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency equipment	39,213	144,830	-	-	-	-	184,043	(7,618)	-	-	(16,517)	-	(24,135)	159,908
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	7,983,177	148,621	(1,248,916)	-	-	-	6,882,882	(3,759,194)	1,200,695	-	(878,595)	-	(3,437,094)	3,445,788
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	13,983,907	914,534	(1,811,738)	-	-	-	13,086,703	(6,371,029)	1,691,619	-	(1,852,154)	-	(6,531,564)	6,555,139

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	12,736,341	-	-	-	-	-	**12,736,341**	(1,513,693)	-	-	(325,754)	-	**(1,839,447)**	10,896,894
Infrastructure	322,772,310	4,465,178	-	-	-	-	**327,237,488**	(112,201,904)	-	-	(14,928,812)	-	**(127,130,716)**	200,106,772
Community Assets	18,614,378	-	-	-	-	-	**18,614,378**	(6,496,523)	-	-	(618,114)	-	**(7,114,637)**	11,499,741
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	13,983,907	914,534	(1,811,738)	-	-	-	13,086,703	(6,371,029)	1,691,619	-	(1,852,154)	-	(6,531,564)	6,555,139
	368,106,936	5,379,712	(1,811,738)	-	-	-	371,674,910	(126,583,149)	1,691,619	-	(17,724,834)	-	(142,616,364)	229,058,546
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	1,071,685	-	-	-	-	-	1,071,685	(292,971)	-	-	(131,305)	-	(424,276)	647,409
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,071,685	-	-	-	-	-	1,071,685	(292,971)	-	-	(131,305)	-	(424,276)	647,409
Investment properties														
Investment property	25,971,037	-	-	-	-	-	25,971,037	(503,537)	-	-	(28,059)	-	(531,596)	25,439,441
	25,971,037	-	-	-	-	-	25,971,037	(503,537)	-	-	(28,059)	-	(531,596)	25,439,441
Total														
Land and buildings	12,736,341	-	-	-	-	-	**12,736,341**	(1,513,693)	-	-	(325,754)	-	**(1,839,447)**	10,896,894
Infrastructure	322,772,310	4,465,178	-	-	-	-	**327,237,488**	(112,201,904)	-	-	(14,928,812)	-	**(127,130,716)**	200,106,772
Community Assets	18,614,378	-	-	-	-	-	**18,614,378**	(6,496,523)	-	-	(618,114)	-	**(7,114,637)**	11,499,741
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	13,983,907	914,534	(1,811,738)	-	-	-	13,086,703	(6,371,029)	1,691,619	-	(1,852,154)	-	**(6,531,564)**	6,555,139
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	1,071,685	-	-	-	-	-	1,071,685	(292,971)	-	-	(131,305)	-	(424,276)	647,409
Investment properties	25,971,037	-	-	-	-	-	25,971,037	(503,537)	-	-	(28,059)	-	(531,596)	25,439,441
	395,149,658	5,379,712	(1,811,738)	-	-	-	398,717,632	(127,379,657)	1,691,619	-	(17,884,198)	-	(143,572,236)	255,145,396

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

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin/Finance	29,201,258	173,862	(88,922)	-	-	-	29,286,198	(9,880,344)	73,014	-	(1,294,467)	-	**(11,101,797)**	18,184,401
Planning and Development/Economic Development/Plan	2,481,662	-	(141,196)	-	-	-	2,340,466	(1,398,798)	86,414	-	(206,552)	-	**(1,518,936)**	821,530
Health/Clinics	324,481	-	-	-	-	-	324,481	(5,524)	-	-	(11,311)	-	**(16,835)**	307,646
Comm. & Social/Libraries and archives	420,050	585,960	(250)	-	-	-	1,005,760	(229,688)	219	-	(114,270)	-	**(343,739)**	662,021
Housing	2,176,080	579,303	(750,000)	-	-	-	2,005,383	(251,393)	125,057	-	(73,660)	-	**(199,996)**	1,805,387
Public Safety/Police	2,314,498	113,376	(864)	-	-	-	2,427,010	(1,243,536)	855	-	(206,914)	-	**(1,449,595)**	977,415
Sport and Recreation	456,888	339,041	(14,488)	-	-	-	781,441	(28,299)	3,705	-	(22,048)	-	**(46,642)**	734,799
Waste Management	56,897	-	(4,209)	-	-	-	52,688	(61,911)	4,197	-	(4,107)	-	**(61,821)**	(9,133)
Waste Water Management/Sewerage	45,933,801	189,545	(135,975)	-	-	-	45,987,371	(11,226,152)	81,175	-	(3,166,966)	-	**(14,311,943)**	31,675,428
Road Transport/Roads	203,915,341	-	(1,683,549)	-	-	-	202,231,792	(39,697,922)	37,640	-	(8,831,300)	-	**(48,491,582)**	153,740,210
Water/Water Distribution	103,318,116	-	(7,231,986)	-	-	-	96,086,130	(18,890,136)	87,463	-	(4,911,463)	-	**(23,714,136)**	72,371,994
Electricity /Electricity Distribution	13,703,870	416,312	(227,946)	-	-	-	13,892,236	(4,016,064)	-	-	(797,085)	-	**(4,813,149)**	9,079,087
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	404,302,942	2,397,399	(10,279,385)	-	-	-	396,420,956	(86,929,767)	499,739	-	(19,640,143)	-	(106,070,171)	290,350,785
Total														
Municipality	404,302,942	2,397,399	(10,279,385)	-	-	-	**396,420,956**	(86,929,767)	499,739	-	(19,640,143)	-	**(106,070,171)**	290,350,785
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	404,302,942	2,397,399	(10,279,385)	-	-	-	396,420,956	(86,929,767)	499,739	-	(19,640,143)	-	(106,070,171)	290,350,785

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld			
					Jun				Jun				
Municipal infrastructure grant	Kou-Kamma municipality	9,303,000	4,675,000	3,785,000	-	1,165,075	5,527,953	1,728,756	3,276,318	-	-	-	-
Finance Management Grant (FMG)	Kou-Kamma municipality	1,500,000	-	-	-	265,292	228,508	443,862	562,338	-	-	-	-
Municipal System Improvement Grant (MSIG)	Kou-Kamma municipality	800,000	-	-	-	198,204	172,957	300,735	128,102	-	-	-	-
DPLG Integrated Development Plan (IDP)	Kou-Kamma municipality	-	-	-	-	2,268	12,195	20,872	26,636	-	-	-	-
DPLG LED(Local Economic Development)	Kou-Kamma municipality	-	-	87,990	-	14,980	15,272	10,234	103,333	-	-	-	-
Housing rectification (SCCCA)	Kou-Kamma municipality	4,448,359	3,944,235	6,809,305	6,891,858	2,527,555	4,081,652	5,664,874	12,686,498	-	-	-	-
Flood relief (CACADU)	Kou-Kamma municipality	1,002,418	-	258,456	261,713	921,495	-	258,456	80,923	-	-	-	-
Department of Water Affairs (DWAF)	Kou-Kamma municipality	-	-	-	-	-	-	106,852	106,852	-	-	-	-
DPLG Library	Kou-Kamma municipality	-	-	932,000	-	-	-	300,224	600,499	-	-	-	-
CACADU Library	Kou-Kamma municipality	-	-	547,637	-	-	-	300,224	-	-	-	-	-
CACADU LED (Local Economic Development)	Kou-Kamma municipality	145,000	-	-	-	-	-	-	145,000	-	-	-	-

Disater relief National)	Kou-Kamma municipality	-	-	50,000	-	-	-	-	50,000	-	-	-	-
CACADU IDP(Integrated Development Plan)	Kou-Kamma municipality	-	-	-	50,000	-	-	3,300	73,564	-	-	-	-
		17,198,777	8,619,235	12,470,388	7,203,571	5,094,869	10,038,537	9,138,389	17,840,063	-	-	-	-

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