Amahlathi Local Municipality
Financial statements
for the year ended 30 June 2013

General Information

Accounting Officer	B K Socikwa
Registered office	12 Maclean Street Stutterheim 4930
Postal address	Private Bag X 4002 Stutterheim 4930
Bankers	First National Bank Stutterheim
Auditors	Auditor General South Africa

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

Abbreviations

IFRIC	International Financial Reporting Interpretations Committee
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments 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 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 accounting officer is primarily responsible for the financial affairs of the municipality.

The accounting officer certifies that that the salaries, allowances and benefits of the councillors as disclosed in the notes to the financial statements are within the upper limits of the framework envisaged by section 219 of the Constitution read in conjunction with the Remuneration of Public Office Bearers Act and Minister of Provincial and Local Governments determination in accordance with this Act.

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

The financial statements set out on pages 4 to 69, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

Accounting Officer
BK Socikwa - Municipal Manager

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	11	1,036,361	1,049,731
Investments	7	113,660,104	124,079,274
Receivables from exchange transactions	12	4,666,619	4,922,286
Receivables from non-exchange transactions	13	1,934,003	881,656
VAT receivable	14	7,243,716	2,882,511
Short term portion of long term receivables	10	197,330	207,528
Cash and cash equivalents	15	6,679,356	13,347,611
		135,417,489	**147,370,597**
Non-Current Assets			
Investment property	4	3,155,311	3,155,311
Property,plant and equipment	5	353,055,327	285,064,530
Intangible assets	6	174,630	101,796
Long term receivables	10	222,306	438,127
		356,607,574	**288,759,764**
Total Assets		**492,025,063**	**436,130,361**
Liabilities			
Current Liabilities			
Other financial liabilities	16	19,986	17,171
Finance lease obligation	17	195,954	321,941
Payables from exchange transactions	20	28,340,718	17,615,851
Consumer deposits	21	438,440	408,514
Retirement benefit obligation	9	438,000	401,000
Unspent conditional grants and receipts	18	5,276,006	3,461,642
Provisions	19	2,395,452	2,706,160
		37,104,556	**24,932,279**
Non-Current Liabilities			
Other financial liabilities	16	641,810	662,276
Finance lease obligation	17	222,929	399,287
Retirement benefit obligation	9	17,362,718	13,444,718
		18,227,457	**14,506,281**
Total Liabilities		**55,332,013**	**39,438,560**
Net Assets		**436,693,050**	**396,691,801**
Net Assets			
Accumulated surplus		436,693,050	396,691,801

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Revenue from exchange transactions			
Service charges	25	34,883,589	29,507,196
Rental of facilities and equipment		151,650	210,487
Interest received - debtors		2,097,165	1,498,353
Miscellaneous other revenue		1,510,009	2,299,810
Interest received - investment	32	3,871,540	6,779,285
Total revenue from exchange transactions		**42,513,953**	**40,295,131**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	8,630,427	7,783,225
Transfer revenue			
Government grants & subsidies	26	119,096,869	108,363,071
Fines		118,791	180,268
Motor vehicle registrations		2,491,292	1,161,920
Total revenue from non-exchange transactions		**130,337,379**	**117,488,484**
Total revenue	23	**172,851,332**	**157,783,615**
Expenditure			
Personnel	28	(43,029,027)	(34,771,480)
Remuneration of councillors	29	(10,783,492)	(9,875,805)
Vending management fee	30	(458,505)	(443,909)
Depreciation and amortisation	34	(18,551,095)	(18,070,664)
Finance costs	35	(152,092)	(140,962)
Debt impairment	31	(4,368,705)	(5,844,782)
Leave pay provision		(239,103)	(504,465)
Repairs and maintenance		(4,820,719)	(5,849,727)
Bulk purchases	37	(17,371,263)	(16,023,683)
General expenses	27	(33,076,082)	(28,780,412)
Total expenditure		**(132,850,083)**	**(120,305,889)**
Operating surplus		**40,001,249**	**37,477,726**
Fair value adjustments	33	-	(7,214)
Surplus for the year		**40,001,249**	**37,470,512**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	346,322,478	346,322,478
Adjustments		
Change in accounting policy (refer to note 2)	(340,793)	(340,793)
Prior year adjustments (refer to note 42)	13,239,604	13,239,604
Balance at 01 July 2011 as restated	**359,221,289**	**359,221,289**
Changes in net assets		
Surplus for the year	37,470,512	37,470,512
Total changes	37,470,512	37,470,512
Balance at 01 July 2012	**396,691,801**	**396,691,801**
Changes in net assets		
Surplus for the year	40,001,249	40,001,249
Total changes	40,001,249	40,001,249
Balance at 30 June 2013	**436,693,050**	**436,693,050**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		40,318,577	35,245,789
Grants		119,800,263	107,109,078
Interest income		3,871,540	6,779,285
		163,990,380	149,134,152
Payments			
Employee costs		(53,812,519)	(44,647,285)
Suppliers		(40,404,492)	(49,495,546)
Finance costs		(108,351)	(116,984)
		(94,325,362)	(94,259,815)
Net cash flows from operating activities	38	**69,665,018**	**54,874,337**
Cash flows from investing activities			
Purchase of moveable and immovable assets	5	(86,572,235)	(28,510,798)
Proceeds from sale of property,plant and equipment	5	61,188	-
Purchase of other intangible assets	6	(103,678)	(28,884)
Purchase of financial assets		-	(20,520,390)
Proceeds from sale of financial assets		10,419,170	(7,214)
Proceeds from sale of long term receivables		226,019	228,340
Net cash flows from investing activities		**(75,969,536)**	**(48,838,946)**
Cash flows from financing activities			
Increase / (decrease) in other financial liabilities		-	454,931
Repayment of other financial liabilities		(17,651)	(388,989)
Finance lease payments		(346,086)	560,155
Net cash flows from financing activities		**(363,737)**	**626,097**
Net increase/(decrease) in cash and cash equivalents		**(6,668,255)**	**6,661,488**
Cash and cash equivalents at the beginning of the year		13,347,611	6,686,123
Cash and cash equivalents at the end of the year	15	**6,679,356**	**13,347,611**

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	32,381,553	-	**32,381,553**	34,883,589	**2,502,036**	
Rental of facilities and equipment	106,720	-	**106,720**	151,650	**44,930**	
Interest received (trading)	1,300,000	-	**1,300,000**	2,097,165	**797,165**	
Miscellaneous other revenue	283,900	-	**283,900**	1,510,009	**1,226,109**	
Interest received - investment	2,000,000	-	**2,000,000**	3,871,540	**1,871,540**	
Total revenue from exchange transactions	**36,072,173**	**-**	**36,072,173**	**42,513,953**	**6,441,780**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7,864,540	-	**7,864,540**	8,630,427	**765,887**	
Government grants & subsidies	96,545,950	-	**96,545,950**	119,096,869	**22,550,919**	
Transfer revenue						
Fines	529,950	-	**529,950**	118,791	**(411,159)**	
Motor vehicle registrations	892,500	-	**892,500**	2,491,292	**1,598,792**	
Total revenue from non-exchange transactions	**105,832,940**	**-**	**105,832,940**	**130,337,379**	**24,504,439**	
Total revenue	**141,905,113**	**-**	**141,905,113**	**172,851,332**	**30,946,219**	
Expenditure						
Personnel	(45,196,886)	-	**(45,196,886)**	(43,029,027)	**2,167,859**	
Remuneration of councillors	(11,151,623)	-	**(11,151,623)**	(10,783,492)	**368,131**	
Vending management fee	(529,530)	-	**(529,530)**	(458,505)	**71,025**	
Depreciation and amortisation	(11,682,222)	-	**(11,682,222)**	(18,551,095)	**(6,868,873)**	
Finance costs	(110,909)	-	**(110,909)**	(152,092)	**(41,183)**	
Debt impairment	(7,019,255)	-	**(7,019,255)**	(4,368,705)	**2,650,550**	
Leave pay provision	(304,360)	-	**(304,360)**	(239,103)	**65,257**	
Repairs and maintenance	(6,972,220)	-	**(6,972,220)**	(4,820,719)	**2,151,501**	
Bulk purchases	(20,953,649)	-	**(20,953,649)**	(17,371,263)	**3,582,386**	
General Expenses	(46,721,399)	-	**(46,721,399)**	(33,076,082)	**13,645,317**	
Total expenditure	**(150,642,053)**	**-**	**(150,642,053)**	**(132,850,083)**	**17,791,970**	
Surplus or deficit	**(8,736,940)**	**-**	**(8,736,940)**	**40,001,249**	**48,738,189**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(8,736,940)**	**-**	**(8,736,940)**	**40,001,249**	**48,738,189**	

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
Reconcilation						
Difference						
Revenue from exchange transactions				(6,441,780)		
Revenue non-exchange transactions				(24,504,439)		
Expenditure				(17,791,970)		
Budget Amount in the Statement of Financial Performance				**(8,736,940)**		

Accounting Policies

1. Presentation of Financial Statements

The 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 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.Additional text

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in Accounting Policy.

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

Standards Issued and Effective
- GRAP 1 - Presentation of Financial Statements (as revised in 2010)
- GRAP 2 - Cash Flow Statements (as revised in 2010)
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
- GRAP 5 - Borrowing Costs
- GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)
- GRAP 11 - Construction Contracts (as revised in 2010)
- GRAP 12 - Inventories (as revised in 2010)
- GRAP 13 - Leases (as revised in 2010)
- GRAP 14 - Events After the Reporting Date (as revised in 2010)
- GRAP 16 - Investment Property (as revised in 2010)
- GRAP 17 - Property Plant and Equipment (as revised in 2010)
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 21 - Impairment of non-cash-generating assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 26 - Impairment of cash-generating assets
- GRAP 100 - Non-current Assets held for Sale and Discontinued Operations (as revised in 2010)
- GRAP 102 - Intangible Assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments

Standards Issued, Future Effective Date - can base accounting policy on, or early adopt
- GRAP 20 - Related Party Disclosures
- GRAP 25 - Employee Benefits
- GRAP 31 - Intangible Assets (replace GRAP 102)
- Improvements to Standards of GRAP

Standards Issued, no Effective Date - cannot use
- GRAP 18 - Segmental Reporting

Interpretations
- IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue
- IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities
- IGRAP 3 - Determining Whether an Arrangement Contains a Lease
- IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 10 - Assets Received from Customers
- IGRAP 13 - Operating Leases - Incentives
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 16 - Intangible Assets - Website Costs (effective 1 April 2013)

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables and other 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 surplus makes judgment as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

On receivables an impairment loss is recognised in the surplus or 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 the estimated future cash flows discounted at the effective interest rate computed at the initial recognition.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 entity specific variables and economic factors .

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included the disclosure note 19 - Provisions.

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. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Retirement Benefit Obligation note, to the financial statements.

Effective interest rate method

The Municipality makes use of government bond rate to discount future cash flows in the event of it being material.

Accounting Policies

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 for;
- administrative purposes; or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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 through a non-exchange transaction (at no cost or for a nominal value), 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

The cost of self-constructed investment property is the cost at the date of completion.

The following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
- All properties held to earn market related rentals or for capital appreciation, or for both and are not used for admistrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for currently undetermined future use. If the Municipality has not determined that it will use the land as owner-occupied property, or for a short term sale in the ordinary course of business, the land is regarded as being held for capital appreciation;
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the housing board on a commercial basis on behalf of the Municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall into the ambit of investment property, and shall be classified as Property, Plant and Equipment or Non-current Assets Held for Sale (where appropriate):
- Property held for sale in the ordinary course of operations;
- Properly being constructed or developed on behalf of third parties;
- Owner-occupied property;
- Property that is being constructed or developed for future use as Investment Property;
- Property that is leased out under a finance lease;
- Property that is held to provide a social service and which also generates cash flows; and
- Property held for strategic purposes and or service delivery.

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.

Property interest held under operating leases are classified and accounted for as investment property if property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property, provided that the property would otherwise meet the definition of investment property and the lessee uses the fair value model.

When classification is difficult, the criteria used to distinguish investment properties from owner-occupied and from property held for sale is established by using criteria that it can utilise to exercise judgment consistently in accordance with the definition of investment property and with the related guidance.

Investment property is unrecognised 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.

1.2 Investment property (continued)

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

Subsequent to initial recognition, Investment property is carried at cost less accumulated depreciation and impairment. No depreciation is recognised where the residual value of the property exceeds the historical cost of the Investment property.

1.3 Property, plant and equipment

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

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

Property, plant and equipment are initially recognised at cost on the acquisition date, or in the case of assets acquired by grant or donation, deemed cost being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. Non-exchange transaction), the cost is deemed to be equal to the fair value of the asset on the date acquired.

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 unrecognised.

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

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

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

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

1.3 Property, plant and equipment (continued)

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

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the Municipality. Components of assets that are significant in relation to the whole asset or the and that have different useful lives, are depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or service potential associated with the expenditure will flow to the entity and the cost can measured reliably. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset that is being replaced and capitalises the new component.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the surplus or deficit when the compensation becomes receivable.
The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Infrastructure	
• Roads and paving	10-50 years
• Cemeteries	15-30 years
• Airports	20-25 years
• Housing	Not depreciated
Other	
• Buildings	10-30 years
• Plant and machinery	4-15 years
• Office and IT equipment	5 years
• Furniture and fittings	7 years
Community	
• Assets under construction	Not depreciated
• Electricity	10-50 years

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

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

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

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

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

Accounting Policies

1.3 Property, plant and equipment (continued)

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

Incomplete construction work

Incomplete construction work is stated at historical cost, depreciation only commences when the asset is available for use.

Finance leases

Assets capitalised under a finance leases are depreciated over the expected useful lives on the same basis as property, plant and equipment controlled by the entity, or where shorter the term of the relevant lease if there is no reasonable surety that the Municipality will obtain ownership by the end of the lease term.

Heritage assets

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

Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

Derecognition of property, plant and equipment assets

The carrying amount of an item of property, plant equipment is derecognised on disposal, or when no future economic benefits or service potential are expected to flow from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue. These are included in other income.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds. This is included in the statement of financial performance as a gain or loss on disposal of property, plant and equipment.

1.4 Intangible assets

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

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

Intangible assets are initially recognised at cost.

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

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

Accounting Policies

1.4 Intangible assets (continued)

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

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

If the expectations from previous estimates change, the change is treated as a change in accounting estimate.

Where an intangible asset is acquired in exchange for a non-monetary asset, or a combination of monetary and non-monetary assets, the asset is initially measured at fair value (cost). If the fair value cannot be determined, its deemed cost is the carrying amount of the asset given up.

Intangible assets are assessed annually for impairment, with any reduction in the carrying amount reflected through the surplus or deficit in the period incurred.

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:
Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the Muniticipality give the Municipality access to land for specific purposes for an unlimited period however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount which is calculated at the lower of the value in use and the fair value less cost to sell.

The estimated useful life and amortisation methods are reviewed annually at the end of each financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the statement of financial performance for the year.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	**Useful life**
Computer software	5 years

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

The gain or loss is the difference between the proceeds and the carrying amount of the intangible asset . The gain or loss is recognised in the period in which it is incurred through the surplus or deficit for the period.

1.5 Financial instruments

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

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

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

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

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

A financial asset is:

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Municipality.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the Municipality designates at fair value at initial recognition; or
- are held for trading.

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

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

Accounting Policies

1.5 Financial instruments (continued)

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
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Bank and cash	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
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Other financial liabilities	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.

Initial measurement

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

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Reclassification

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

Gains and losses

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. 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.

1.5 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

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.

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

Presentation

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

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

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

1.6 Leases

The Municipality as a Lessee

Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the Municipality. Property, plant and equipment or intangible assets subject ot finance lease agreements are capitalised at amounts equal to the fair value of the asset or if lower the present value of the minimum lease payments determined at the inception of the lease. Corresponding liabilities are included as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and measured at the sum of the minimum lease payments discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payment and unguaranteed residual values to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the capital and finance costs portions using the effective interest rate method. Lease finance costs are expensed when incurred

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between finance costs and capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to the derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the useful life of the asset or the lease term.

Accounting Policies

1.6 Leases (continued)

The Municipality as a lessor

Operating lease rental income is recognised on a straight line over the term of the relevant lease.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease if it is practicable to determine. If not the rate for the government bond with a maturity similar to the lease is used.

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 reduction 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.

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

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

1.7 Inventories

Inventories comprise current assets held for sale or for consumption during the ordinary course of business Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, 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 comprise current assets held for sale or for consumption during the ordinary course of business and 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.

Accounting Policies

1.7 Inventories (continued)

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.

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.

Subsequent to intial measurement

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general the basis of determing cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost or current replacement cost.

Redundant and slow moving inventory items are identified and written down from cost to net realisable value with regards to their estimated economic or realisable values and sold at public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognsied as a reduction in the amount of inventories recognsised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period in which the is sold, utilised or written off unless it qualifies for capitalisation to the cost of an asset.

Current replacement cost is the cost to replace the item at the current reporting date.

The cost of inventories comprises all costs of purchase, conversion and other costs necessary to bring the item to their present location and condition. Where inventory is manufactured, constructed or produced the cost includes the cost of labour, material and overheads used during the manufacturing process.

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

1.8 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by progress certified from the service provider.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

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.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

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

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

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

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and value added taxes.

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

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

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

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

Identification of a potential impairment

The recoverable amount of an asset is the higher of it fair value less cost to sell and its value in use. When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the Municipality also 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 is tested for impairment before the end of the current reporting period.

Value in use

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

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

Recognition and measurement (individual assets)

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.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP 26 - Impairment of cash-generating assets.

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)

Recognition and measurement (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.

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

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

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

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

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

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

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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.

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

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

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and value added taxes.

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

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

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

Useful life is either:

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

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

Identification of a potential impairment

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

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

Irrespective of whether there is any indication of impairment, the entity also 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 is tested for impairment before the end of the current reporting period.

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 of non-cash generating units

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.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP 21 - Impairment of non-cash generating assets.

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.

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. This is recognised as an accrual.

The expected cost of bonus payments is recognised when there is a legal or constructive obligation to make such payments as a result of past performance and a reliable estimate can be made.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions to a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to service in the current or prior periods.

The Municipality's contribution to the fund are established in terms of the rules governing those plans. Contributions are recognised in the statement of financial performance in the period in which the service is rendered. The Municipality has no further payment obligations once the contributions have been paid.

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.

1.12 Provisions and contingencies (continued)

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense (finance cost) in the period in the year in which the increase occurred.

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

Provisions are not recognised for future operating deficits.

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

Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of an asset are taken into account in measuring a provision.

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.
- 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.

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.

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

Measurement

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made are made in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. The tariffs are determined per category if property usage and levied monthly based on the number of refuse containers on each property, regardless of whether or not the containers are emptied during the month.

Finance Income

Interest earned on investments is recognised in the statement of financial performance on the time apportionment basis taking into account the effective yield on the investment.

Tariff Charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant authorising tariff. This includes the issue of licenses and permits.

Income from Agency Services

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

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one financial year a straight-line basis is used.

1.14 Revenue from non-exchange transactions

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

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Rates, including collection charges, penalties and interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time apportionment basis with reference to the principle amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from the revenue.

1.14 Revenue from non-exchange transactions (continued)

Transfers

Apart from services in kind, which are not recognised, 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 constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Gifts and donations, including goods in-kind

Donations are recognised on a cash receipts basis or where the donation is in the form of property, plant and equipment , when such items are available for use.

Public Contributions

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment are brought into use.

Where contributions have been received, but the conditions have not yet been met, a liability is recognised.

Government Grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investments is treated in accordance with the grant conditions. If it is payable to the founder it is recorded as part of the creditor, and if it is the municipality's interest, it is recognised as interest earned in the statement of financial performance in the period in which it is received.

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Other grants and donations

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

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

Services in-kind

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

1.15 Investment income

Investment income 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.

Extended periods is periods that exceeds 12 months.

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

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

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

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification are disclosed in the comparative figure note to the financial statements.

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.
- expenditure not in terms of the conditions of the allocation from another sphere of Government, Municipality or Organ of State and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

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.

Unauthorised expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is no certified as irrecoverable by the council it is treated as an asset until it is recovered or written off as irrecoverable.

Accounting Policies

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful 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.

If the expenditure is not subsequently certified as irrecoverable by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), and the Public Office Bearers Act (Act 20 of 1998), or is in contravention of the municipality's supply chain management policies.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not certified as irrecoverable by Council it is treated as an asset until it is recovered or written off.

1.21 Revenue from recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

1.22 Presentation of currency

These financial statements are presented in South African Rand (Rounded to the nearest Rand) which is the Municipality's functional currency.

1.23 Offsetting

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

1.24 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.

1.25 Budget information

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

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

The financial statements and budget are not on the same basis of accounting and therefore a reconciliation between the statement of financial performance and the budget have been included in the financial statements, statement of comparison of budget and actual amounts.

Accounting Policies

1.26 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 provincial sphere of government are considered to be related parties.

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

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

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

1.27 Change in accounting policy, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 - Accounting policies, changes in accounting estimate and errors, requirements except to the extent that it is impracticable to determine the period-specific effects or the accumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimate are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior period errors are disclosed in the notes to the financial statements where applicable.

Accounting Policies

1.28 Commitments

Items are classified as a commitment when the Municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial period the Municipality determines commitments is respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitments note to the financial statements.

1.30 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets, but discloses them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefits is probable.

1.31 Events after reporting date

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

1.32 Going concern

The Annual Financial Statements have been prepared on a going concern basis.

1.33 Value Added Tax (VAT)

Output VAT is levied on taxable supplies in terms of the Value Added Tax Act.

Input VAT is claimed on those supplies allowed in terms of the Value Added Tax Act.

Where input VAT exceeds output VAT the Municipality recognises a receivable for VAT.

Where output VAT exceeds input VAT the Municipality would a recognise a payable for VAT.

The Municipality accounts for VAT on a payments basis.

Notes to the Financial Statements

Figures in Rand	2013	2012

2. Changes in accounting policy

The financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 21 - Impairment of non cash generating assets
- GRAP 23 - Revenue from non exchange transactions
- GRAP 24 - Presentation of budget information
- GRAP 26 - Impairment of cash generating assets
- GRAP 103 - Heritage assets
- GRAP 104 - Financial Instruments

GRAP 104 - Financial Intsruments

During the year, the municipality changed its accounting policy with respect to the treatment of financial instruments. In order to conform with the benchmark treatment in of GRAP104 – Financial Instruments. The municipality no longer discounts its financial assets and financial liabilties except for financial liabilities with extended negotiated credit terms.The requirements have been applied retrospectively, therefore the prior year figures have been restated as listed below.

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 30 June 2012 is as follows:

Trade receivables from exchange transactions	**2012**	**Prior years**
Previously stated	4,923,919	-
Fair value adjustment on receivables	(1,633)	-
	4,922,286	**-**
	-	-
Trade and other payables from exchange transactions		
Previously stated	16,860,039	-
Fair value adjustment on discounting of payables	755,812	-
	17,615,851	**-**
Fair value adjustment		
Previously stated	1,248,081	-
Fair value adjustments	(1,240,867)	-
	7,214	**-**
Interest expense		
Previously stated	979,603	-
Fair value adjustment on payables	(838,641)	-
	140,962	**-**
Accumulated Surplus		
Previously stated	-	346,322,479
Change in accounting policy (Per above)	-	(340,794)
Prior period error (refer to note 42)	-	13,239,604
	-	**359,221,289**

Notes to the Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	No material impact
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Refer to statement of comparison of budget and actual amounts
• GRAP 103: Heritage Assets	01 April 2012	No material impact
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	No material impact
• GRAP 26: Impairment of cash-generating assets	01 April 2012	No material impact
• GRAP 104: Financial Instruments	01 April 2012	Refer to note 2

3.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	No material impact
• GRAP 25: Employee benefits	01 April 2013	No material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	No material impact
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No material impact
• GRAP 107: Mergers	01 April 2014	No material impact
• GRAP 20: Related parties	01 April 2013	No material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	No material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	No material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	No material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	No material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	No material impact
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	No material impact
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	No material impact
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	No material impact
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	No material impact
• GRAP 12 (as revised 2012): Inventories	01 April 2013	No material impact
• GRAP 13 (as revised 2012): Leases	01 April 2013	No material impact
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	No material impact
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	No material impact
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	No material impact
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	No material impact
• IGRAP16: Intangible assets website costs	01 April 2013	No material impact
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	No material impact

Notes to the Financial Statements

Figures in Rand	2013	2012

4. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	3,155,311	-	3,155,311	3,155,311	-	3,155,311

Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	3,155,311	3,155,311

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	3,155,311	3,155,311

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. The municipality has developed a comprehensive asset register encompassing movable assets, land, buildings and infrastructure assets.	-	-

Reconciliation of Investment Property	**Investment Property Recognised**	**Investment Property not recognised**	**Total**
Investment Property	3,155,311	6,685,700	9,841,011

Investment property note recognised

Investment Property of R3,155,311 has been recognised for both the 2011/2012 and 2012/2013 Financial Year. In the prior year financial statements this was shown at R9,841,011 but has been restated in the current year to exclude items previously recognised that do not meet the definition of Investment Property. Refer to the table above as well as note 42 to the financial statements for further details.

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

Notes to the Financial Statements

Figures in Rand	2013	2012

5. 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	6,369,263	-	6,369,263	6,369,263	-	6,369,263
Buildings	57,169,123	(7,108,795)	50,060,328	42,404,741	(4,802,342)	37,602,399
Machinery and equipment	3,596,548	(714,908)	2,881,640	1,550,824	(534,415)	1,016,409
Furniture and office equipment	2,225,397	(1,415,113)	810,284	2,088,620	(1,126,524)	962,096
Transport assets	29,312,733	(7,380,052)	21,932,681	14,690,214	(4,725,724)	9,964,490
Computer equipment	1,980,594	(783,194)	1,197,400	1,120,215	(685,423)	434,792
Infrastructure	258,403,246	(39,862,835)	218,540,411	202,788,522	(29,822,959)	172,965,563
Electricity	37,893,686	(8,629,320)	29,264,366	39,273,880	(8,246,582)	31,027,298
Other property, plant and equipment	15,174,692	-	15,174,692	18,190,758	-	18,190,758
Office Equipment - Leased Asset	1,063,316	(689,244)	374,072	1,063,316	(407,121)	656,195
Cemeteries	1,256,961	(269,933)	987,028	1,256,961	(215,640)	1,041,321
Airports	1,127,000	(180,320)	946,680	1,127,000	(135,240)	991,760
Heritage assets	563,500	-	563,500	563,500	-	563,500
Landfill sites	4,910,091	(957,109)	3,952,982	3,965,614	(686,928)	3,278,686
Total	**421,046,150**	**(67,990,823)**	**353,055,327**	**336,453,428**	**(51,388,898)**	**285,064,530**

Reconciliation of property,plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	6,369,263	-	-	-	-	6,369,263
Buildings	37,602,399	14,764,382	-	-	(2,306,453)	50,060,328
Machinery and equipment	1,016,409	2,103,881	(25,525)	-	(213,125)	2,881,640
Furniture and office equipment	962,096	175,622	(22,931)	-	(304,503)	810,284
Transport assets	9,964,490	14,622,519	-	-	(2,654,328)	21,932,681
Computer equipment	434,792	919,555	(12,730)	-	(144,217)	1,197,400
Infrastructure	172,965,563	38,311,707	-	17,303,018	(10,039,877)	218,540,411
Electricity	31,027,298	443,140	-	-	(2,206,072)	29,264,366
Work in progress	18,190,758	14,286,952	-	(17,303,018)	-	15,174,692
Office Equipment - Leased Asset	656,195	-	-	-	(282,123)	374,072
Cemeteries	1,041,321	-	-	-	(54,293)	987,028
Airports	991,760	-	-	-	(45,080)	946,680
Heritage assets	563,500	-	-	-	-	563,500
Landfill sites	3,278,686	944,477	-	-	(270,181)	3,952,982
	285,064,530	**86,572,235**	**(61,186)**	**-**	**(18,520,252)**	**353,055,327**

5. Property,plant and equipment (continued)

Reconciliation of property,plant and equipment - 2012

	Opening balance	Additions	Transfers	Depreciation	Total
Land	6,361,571	7,692	-	-	6,369,263
Buildings	39,043,527	83,798	130,677	(1,655,603)	37,602,399
Machinery and equipment	959,336	214,103	-	(157,030)	1,016,409
Furniture and office equipment	1,171,637	44,592	-	(254,133)	962,096
Transport assets	6,198,267	5,113,977	-	(1,347,754)	9,964,490
Computer Equipment	492,176	118,400	-	(175,784)	434,792
Infrastructure	177,458,479	1,580,051	6,248,189	(12,321,156)	172,965,563
Electricity	30,399,384	2,309,292	-	(1,681,378)	31,027,298
Work in progress	6,060,153	18,509,471	(6,378,866)	-	18,190,758
Office Equipment - Leased Asset	251,605	529,422	-	(124,832)	656,195
Cemetaries	1,095,614	-	-	(54,293)	1,041,321
Airports	1,036,840	-	-	(45,080)	991,760
Heritage assets	563,500	-	-	-	563,500
Landfill sites	3,505,856	-	-	(227,170)	3,278,686
	274,597,945	**28,510,798**	**-**	**(18,044,213)**	**285,064,530**

Pledged as security

	2013	2012
Office Equipment - Leased	374,072	656,195

Leased assets are pledged as security over the finance lease obligation.

Other information

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.

Property , plant and eqipment has been restated due to a prior period error , refer to note 42 for details.

Land of R6,369,262 has been recognised for both the 2011/2012 and 2012/2013 Financial Year. In the prior year financial statements this was shown at R6,645,595 but has been restated in the current year to exclude items previously recognised that do not meet the definition of asset. Refer to the table above as well as note 42 to the financial statements for further details.

Buildings of R57,169,123 (2012: R37,602,399) has been recognised . In the prior year financial statements this was shown at R44,134,766 (2011: R45,575,893) but has been restated in the current year to exclude items previously recognised that do not meet the definition of asset. Refer to the table above as well as note 42 to the financial statements for further details.

6. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	257,454	(82,824)	174,630	153,776	(51,980)	101,796

Notes to the Financial Statements

Figures in Rand	2013	2012

6. Intangible assets (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	101,796	103,678	(30,844)	174,630

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	99,360	28,884	(26,448)	101,796

7. Investments

	2013	2012
At amortised cost		
Investec investments	70,452,146	81,743,468
First National Bank- 62063171351	18,350	211,342
First National Bank- 61381739619	215,243	316,101
First National Bank- 74200629770	1,112,231	1,058,620
First National Bank- 74188016669	2,947,640	2,817,018
First National Bank- 74193195797	383,089	377,762
First National Bank- 74263885682	15,733,586	15,856,044
First National Bank -74273914207	22,797,819	21,698,919
	113,660,104	**124,079,274**
Current assets		
At amortised cost	113,660,104	124,079,274

Terms and conditions

Funds invested relate to call and fixed deposit accounts which earn a return of between 5% and 6%. Investments in fixed deposits do not exceed a term of three months and are either reinvested or utlised at the end of the three month term.

Funds are invested according to Circular No C46/1994 issued by the Provincial Admistration Community Services Branch with Aprroved Banking Institutions.

8. Financial assets by category

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

Notes to the Financial Statements

Figures in Rand	2013	2012

8. Financial assets by category (continued)

2013

	Amortised cost	Total
Investments	113,660,104	113,660,104
Receivables from exchange transactions	7,014,754	7,014,754
Receivables from non-exchange transactions	1,934,003	1,934,003
Cash and cash equivalents	6,679,356	6,679,356
Long term receivables	222,306	222,306
Short term portion of long term receivables	197,330	197,330
	129,707,853	**129,707,853**

2012

	Amortised cost	Total
Investments	124,079,274	124,079,274
Receivables from exchange transactions	4,922,286	4,922,286
Receivables from non-exchange transactions	881,656	881,656
Cash and cash equivalents	13,347,611	13,347,611
Long term receivables	438,127	438,127
Short term portion of long term receivable	207,258	207,258
	143,876,212	**143,876,212**

9. Retirement benefits

Post retirement medical aid

The Municipality operates five accredited medical aid schemes, namely Bonitas, Hosmed, Key health, La Health , and Samwu. Pensioners continue on the option they belonged to on the day of their retirement. The Independent valuers , PriceWaterhouseCoopers Actuarial services carried out a statutory valuation on 30 June 2013 (2012 PriceWaterhouseCoopers) Actuarial valuation services

Carrying value

	2013	2012
Present value of the defined benefit obligation-wholly unfunded	(13,845,718)	(13,427,718)
Service costs	(737,000)	(752,000)
Interest cost	(1,264,000)	(810,000)
Net actuarial gains or losses	(2,358,000)	774,000
Benefits paid	404,000	370,000
	(17,800,718)	**(13,845,718)**

	2013	2012
Non-current liabilities	(17,362,718)	(13,444,718)
Current liabilities	(438,000)	(401,000)
	(17,800,718)	**(13,845,718)**

The fair value of plan assets includes:

Movement for the year

	2013	2012
Opening balance	13,845,718	13,427,718
Net expense recognised in the statement of financial performance	3,955,000	418,000
	17,800,718	**13,845,718**

Notes to the Financial Statements

Figures in Rand	2013	2012

9. Retirement benefits (continued)

Net expense recognised in the statement of financial performance

Current service cost	737,000	752,000
Interest cost	1,264,000	810,000
Actuarial (gains) losses	2,358,000	(774,000)
Curtailment or settlement	(404,000)	(370,000)
	3,955,000	**418,000**

Key assumptions used

Assumptions used at the reporting date:

Expected rate of return on reimbursement rights	0.74 %	1.40 %

The net discount rate used for 2013 is 9% (2012 9%) and medical inflation for 2013 is 7.5% (2012 7.5%)

Other assumptions

	2013	2012
Pre retirement mortality	SA 85-90 L	SA 85-90L
Post retirement mortality	PA (90)-1	PA (90)-1
Normal retirement age	63 years	63 years
Spouse age differences (male older than female)	3 years	3 Years
Aids	Not allowed for	Not allowed for

10. Long term receivables

Cost of HT Lines	416,000	642,019
Long term housing debtors	397,086	397,086
Other long term receivables	3,636	3,636
Less Provision for bad debts for long term housing debtors	(397,086)	(397,086)
Less Short term portion of HT Lines	(197,330)	(207,528)
	222,306	**438,127**

The cost of HT lines comprise trade debtors and interest is charged at 6% per annum.

The long term housing debtors have been fully impaired as recoverability is less than probable.

11. Inventories

Water	5,937	5,937
Electricity	972,872	1,006,652
Rates and general	57,552	37,142
	1,036,361	**1,049,731**

Notes to the Financial Statements

Figures in Rand	2013	2012

12. Receivables from exchange transactions

	2013	2012
Trade debtors	38,870,137	35,421,308
Trade debtors impairment	(36,358,131)	(32,960,855)
Leave Gratuity - Debtor	7,253	17,635
Other debtors	2,147,360	2,444,198
	4,666,619	**4,922,286**

Credit quality of trade and other receivables

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

Trade receivables

Counterparties with external credit rating	2013	2012
A (Government)	781,610	340,364
B(Business)	673,071	510,546
C(Domestic and other)	1,057,325	1,609,543
	2,512,006	**2,460,453**

Exchange transactions	**Gross Balances**	**Impairment**	**Total**
Electricity	5,173,296	(4,996,081)	177,215
Refuse	20,100,128	(15,968,548)	4,131,580
Other	13,596,713	(15,393,502)	(1,796,789)
	38,870,137	**(36,358,131)**	**2,512,006**

A – The debtors are of good quality no default in payment is expected.

B – These debtors are usually good payers, but there is a possibility that the debtor might not be able to pay on time.

C – These debtors usually pay but have previously paid late and therefore there is a possibility that these debtors will not be recoverable.

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R2,512,006 (2012: R2,460,453) were past due but not impaired.

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

Trade and other receivables past due but not impaired	2013	2012
1 month past due	1,712,959	2,054,064
2 months past due	351,443	159,186
3 months past due	447,604	247,203
	2,512,006	**2,460,453**

Reconciliation of provision for impairment of trade and other receivables

	2013	2012
Opening balance	32,960,855	27,432,466
Provision for impairment	3,397,276	5,528,389
	36,358,131	**32,960,855**

Notes to the Financial Statements

Figures in Rand	2013	2012

13. Receivables from non-exchange transactions

Assessment rates	14,708,482	12,684,707
Debt Impairment	(12,774,479)	(11,803,051)
	1,934,003	**881,656**

None of the financial assets that are fully performing have been renegotiated in the last year.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired were past due but not impaired.

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

Assessment rates net of impairment	1,934,003	881,656
Assessment rates past due but not impaired		
1 month past due	1,613,496	735,546
2 months past due	125,042	57,003
3 months past due	195,465	89,107
	1,934,003	**881,656**

Receivables from non-exchange transactions impaired

Trade and other receivables are impaired where there is objective evidence that the municipality will not be able to collect all the amounts due according to the original terms of the receivables.

The amount of the provision was R12,774,478 as of 30 June 2013 (2012: R11,803,051

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

Opening balance	11,803,051	11,147,256
Provision for impairment	971,428	749,654
Amounts written off as uncollectible	-	(93,859)
	12,774,479	**11,803,051**

14. VAT receivable

VAT	7,243,716	2,882,511

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,166	5,016
Bank balances	6,674,190	13,342,595
	6,679,356	**13,347,611**

Notes to the Financial Statements

Figures in Rand	2013	2012

15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
First National Bank Cheque Account (Primary Bank Account) : 53813535227	6,130,552	9,272,736	2,140,841	2,775,224	8,516,917	1,900,967
First National Bank Current Account: 62116156987	1,859,334	5,333,182	2,384,102	1,859,334	2,786,046	1,750,800
First National Bank Call Account: 62135193770	2,039,632	2,039,632	3,029,340	2,039,632	2,039,632	3,029,340
Total	**10,029,518**	**16,645,550**	**7,554,283**	**6,674,190**	**13,342,595**	**6,681,107**

16. Other financial liabilities

	2013	2012
Designated at amortised cost		
Bank loan	661,796	679,447
Loans held by the Development Bank of South Africa bear interest between 10.25% and 16.033% per annum and are repayable over periods between five and thirty years. All loans will be paid by 2025		
Non-current liabilities		
Designated at amortised cost	641,810	662,276
Current liabilities		
Designated at amortised cost	19,986	17,171

Notes to the Financial Statements

Figures in Rand	2013	2012

17. Finance lease obligation

Minimum lease payments due		
- within one year	239,648	346,086
- in second to fifth year inclusive	210,918	450,567
	450,566	796,653
Less: future finance charges	(31,683)	(75,425)
Present value of minimum lease payments	**418,883**	**721,228**
Present value of minimum lease payments due		
- within one year	195,954	321,941
- in second to fifth year inclusive	222,929	399,287
	418,883	**721,228**

The Finance lease obligation is made up of numerous rental agreements for office equipment the details are as follows: .

Bond - R 206
Rate: 7.5%
Issue date: 15 August 2005
Redemption date - 15 January 2014

The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not it is the lessee incremental borrowing rate. Any initial direct costs of leases are added to the amount recognised as an asset.

Due to the nature of the information provided the implicit rate could not be determined, as the cost of the copiers is not provided in the agreement. Only the terms and the payment amount are provided.

The R 206 bond rate was used as the issue date and redemption date approximately matches the terms of the leases.

In addition, prime less 1.5% is considered reasonable in the market place for asset finance.

Notes to the Financial Statements

Figures in Rand	2013	2012

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal systems improvement	24	395,619
Recycling centre	648,268	1,474,898
Vuna awards - Audit	30,000	30,000
Capacity of Municipality	611,668	814,058
MIG Funding	3,898,966	(154,175)
Staff training	-	116,077
LED Intern	77,154	10,794
Finance management programme	9,926	774,371
	5,276,006	**3,461,642**

Movement during the year

Balance at the beginning of the year	3,461,642	4,715,635
Additions during the year	31,289,263	26,533,085
Income recognition during the year	(27,702,899)	(27,787,078)
Remitted back to funder	(1,772,000)	-
	5,276,006	**3,461,642**

See note 26 for reconciliation. These amounts are invested in a ring-fenced investment until utilised.

19. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Provision for landfill sites	605,400	-	(55,036)	550,364
Bonuses	2,100,760	1,845,088	(2,100,760)	1,845,088
	2,706,160	**1,845,088**	**(2,155,796)**	**2,395,452**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Reversed during the year	Total
Provision for landfill sites	550,364	55,036	-	605,400
Bonuses	1,545,522	555,238	-	2,100,760
Audit Fees	299,500	-	(299,500)	-
	2,395,386	**610,274**	**(299,500)**	**2,706,160**

Provision for Landfill Site rehabilitation:

The Municipality has an obligation to restore two landfill sites situated in Stutterheim, ERF 80. The site is currently licensed and used for general waste disposal (Non-hazardous) purposes .

Provision for Service Bonuses:

A Bonus provision is raised for the amount which the Municipality is obligated to pay employees.

Notes to the Financial Statements

Figures in Rand	2013	2012

20. Payables from exchange transactions

Trade payables	7,438,735	4,316,216
Other payables	18,319,556	10,702,003
Deposits received	115,605	61,467
Accrual for leave gratuity	2,466,822	2,536,165
	28,340,718	**17,615,851**

21. Consumer deposits

Electricity	438,440	408,514

22. Financial liabilities by category

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

2013

	Financial liabilities at amortised cost	Total
Finance lease obligations	418,883	418,883
Other financial liabilities	661,796	661,796
Trade and other payables	28,340,719	28,340,719
Unspent conditional grants	5,276,006	5,276,006
Consumer deposits	438,440	438,440
	35,135,844	**35,135,844**

2012

	Financial liabilities at amortised cost	Total
Finance lease obligation	721,228	721,228
Other financial liabilities	679,447	679,447
Trade and other payables	17,615,851	17,615,851
Unspent conditional grants	3,461,642	3,461,642
Consumer deposits	408,514	408,514
	22,886,682	**22,886,682**

23. Revenue

Service charges	34,883,589	29,507,196
Rental of facilities and equipment	151,650	210,487
Interest received- debtors	2,097,165	1,498,353
Miscellaneous other revenue	1,510,009	2,299,810
Interest received - investment	3,871,540	6,779,285
Property rates	8,630,427	7,783,225
Government grants & subsidies	119,096,869	108,363,071
Fines	118,791	180,268
Motor vehicle registrations	2,491,292	1,161,920
	172,851,332	**157,783,615**

Figures in Rand	2013	2012

23. Revenue (continued)

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

Service charges	34,883,589	29,507,196
Rental of facilities and equipment	151,650	210,487
Interest received- debtors	2,097,165	1,498,353
Miscellaneous other revenue	1,510,009	2,299,810
Interest received - investment	3,871,540	6,779,285
	42,513,953	**40,295,131**

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

Taxation revenue		
Property rates	8,630,427	7,783,225
Transfer revenue		
Government grants and subsidies	119,096,869	108,363,071
Fines	118,791	180,268
Motor vehicle registrations	2,491,292	1,161,920
	130,337,379	**117,488,484**

24. Property rates

Rates received

Property rates	9,677,608	8,995,217
Less: Rebates	(1,047,181)	(1,211,992)
	8,630,427	**7,783,225**

Valuations

Residential	641,009,155	641,009,155
Commercial	282,863,140	282,863,140
State	262,699,385	262,699,385
Municipal	38,287,300	38,287,300
Small holdings and farms	657,165,966	657,165,966
Public benefit organisations	18,942,500	18,942,500
Churches	17,289,500	17,289,500
Vacant land	61,171,335	61,171,335
Monuments	8,000	8,000
	1,979,436,281	**1,979,436,281**

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.

There were no interim valuations or changes to the valuation role for the year ended 30 June 2013

A general rate of 0.0074 (2012: 0.0068 is applied to property valuations to determine assessment rates. Rebate of R1,047,181 (2012 : R 1,211,992) are granted to residential and state property owners.

Rates are levied on a monthly basis. Interest is charged at prime plus 1% per annum

Notes to the Financial Statements

Figures in Rand	2013	2012

25. Service charges

Sale of electricity	28,003,974	23,360,924
Refuse removal	6,805,001	6,142,834
Other service charges	74,614	3,438
	34,883,589	**29,507,196**

Notes to the Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies

Equitable share	90,283,000	79,616,000
Utilised operating grants	2,997,040	4,179,337
Library grant	1,105,000	791,500
Utilised Capital grants	23,711,829	23,019,234
Expanded Public works	1,000,000	757,000
	119,096,869	**108,363,071**

Equitable Share

Equitable share is received as the Municipalities allocation from the Division of Revenue Act (DoRA).

Notes to the Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

Municipal systems improvement

Balance unspent at beginning of year	395,619	531,806
Current-year receipts	800,000	790,000
Current - year expenditure	(623,595)	(926,187)
Amount repaid	(572,000)	-
	24	**395,619**

Conditions still to be met - remain liabilities (see note 18).

The grant was obtained from Cooperative Governance and Traditional affairs (Vote 3). The purpose of this grant is to assist the Municipality to build in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Systems Act No.32 of 2003.

LED Promotions

Balance unspent at beginning of year	-	826,622
Current - year expenditure	-	(826,622)
	-	**-**

Recycling centre

Balance unspent at beginning of year	1,474,898	1,500,000
Current - year expenditure	(826,630)	(25,102)
	648,268	**1,474,898**

Conditions still to be met - remain liabilities (see note 18).

Vuna awards - audit

Balance unspent at beginning of year	30,000	30,000
Current-year receipts	-	-
Current - year expenditure	-	-
	30,000	**30,000**

Conditions still to be met - remain liabilities (see note 18).

The grant was obtained from the Department of Local Government and Housing.

Capacity of Municipality

Balance unspent at beginning of year	814,058	1,000,000
Current-year expenditure	(202,390)	(185,942)
	611,668	**814,058**

Conditions still to be met - remain liabilities (see note 18).

The grant was obtained from the Department of Local Government and Housing.

MIG Funding

Balance unspent at beginning of year	(154,175)	(587,450)
Current - year expenditure	(23,705,859)	(22,842,417)
Current year receipts	27,759,000	23,275,692

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

	3,898,966	**(154,175)**

Conditions still to be met - remain liabilities (see note 18).

This Grant was received from the Department of Cooperative Governance and Traditional Affairs (Vote 3). The purpose of this grant is to provide specific finance for basic Municipal Infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Staff training

Balance unspent at beginning of year	116,077	120,183
Current - year expenditure	(279,980)	(147,313)
Current year - receipts	163,903	143,207
	-	**116,077**

Conditions still to be met - remain liabilities (see note 18).

The grant was obtained from the Sectoral Education Training Authority (SETA) for training of staff. In terms of the Skills Development Act regarding monies by SETA's published in Government Notice 990 in Government Gazzette No. 35940, LG SETA is required to disburse in quarterly intervals.

LED Intern

Balance unspent at beginning of year	10,794	12,746
Current-year receipts	66,360	67,187
Current - year expenditure	-	(69,139)
	77,154	**10,794**

Conditions still to be met - remain liabilities (see note 18).

The grant was received from the Department of Economic Development, Environmental Affairs and Tourism.

Extended Public Works Programme

Current-year receipts	1,000,000	757,000
Current - year expenditure	(1,000,000)	(757,000)
	-	**-**

This Grant is provided to to expand the Public Works programme and Job creation efforts. The Municipality is incentivised to use labour intensive delivery methods in the following areas:
- Road maintenance and the maintenance of buildings;
- Parks beautification;
- Waste management;
- Low traffic volume roads and rural roads.

Finance management programme

Balance unspent at beginning of year	774,371	1,281,728
Current-year receipts	1,500,000	1,500,000
Current - year expenditure	(1,064,445)	(2,007,357)
Amount repaid	(1,200,000)	-
	9,926	**774,371**

Conditions still to be met - remain liabilities (see note 18).

Notes to the Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

The grant is recieved to ensure sound and sustainable management of the fiscal and financial affairs of the Municipality. To promote and support reforms in financial management by building capacity in Municipalities to implement the Municipal Finance Management Act.

27. General expenses

Advertising	232,606	225,257
Audit Fees	2,264,037	2,116,723
Bank charges	211,052	218,566
Computer expenses	56,602	42,299
Consulting and professional fees	3,769,010	2,564,641
Consumables	203,190	222,283
Entertainment	161,812	225,013
Insurance	2,562,238	2,017,947
Community development and training	2,181,053	1,443,593
Service Charges	-	329,691
Medical expenses	-	1,228
Motor vehicle expenses	403,689	338,334
IDP process plan	159,961	360,961
Fuel and oil	2,626,888	2,324,140
Postage and courier	149,432	123,699
Printing and stationary	627,728	671,811
Promotions of LED	347,907	1,041,372
Project maintenance costs	1,008,477	703,372
Vehicle license fees	142,951	98,027
Security (Guarding of municipal property)	239,958	133,371
Staff welfare	30,290	29,973
Subscriptions and membership fees	467,604	405,526
Telephone and fax	1,049,874	881,461
Training	1,299,558	1,948,980
Refuse	80,179	40,399
Electricity consumption (Street Lights)	917,247	567,906
Electricity	1,123,874	657,306
Uniforms	135,309	196,810
Remissions	3,059,354	2,682,042
Free basic electricity	5,687,834	5,403,181
Plant hire	343,276	263,285
Skills development levy	318,859	253,429
Other expenses	1,214,233	247,786
	33,076,082	**28,780,412**

Notes to the Financial Statements

Figures in Rand	2013	2012

28. Employee related costs

Basic	28,655,354	24,227,178
Bonus	1,505,325	2,178,589
Medical aid - company contributions	1,836,726	1,608,035
UIF	240,274	189,876
Post-employment benefits - defined contribution plan	-	418,000
Travel, motor car, accommodation, subsistence and other allowances	307,386	173,430
Overtime payments	1,113,140	815,363
Acting allowances	70,185	290,237
Travel allowances	798,415	973,584
Housing benefits and allowances	30,807	25,361
Industrial Council Levy	16,372	9,524
Pension Fund Contributions by Council	8,455,043	3,862,303
	43,029,027	**34,771,480**

Refer to note on Retirement Benefits for analysis of the post employment medical benefit expense for the year.

The amounts disclosed below are included in the total employee costs above.

Remuneration of Municipal Manager

Annual Remuneration	971,880	605,881
Contributions to UIF, Medical and Pension Funds	1,713	-
Cellphone Allowance	-	8,000
Other	6,725	-
	980,318	**613,881**

Remuneration of Chief Finance Officer

Annual Remuneration	519,276	597,989
Car Allowance	114,739	125,438
Contributions to UIF, Medical and Pension Funds	106,087	136,609
Cellphone Allowance	7,000	8,400
Acting Allowance	9,625	4,125
Other Allowances	7,040	19,138
	763,767	**891,699**

There were two CFO for the 2012/2013 financial year

Remuneration of Administration Manager

Annual Remuneration	151,517	47,106
Car Allowance	-	9,856
Contributions to UIF, Medical and Pension Funds	4,742	10,829
Cellphone Allowance	1,400	700
Other Allowances	21,021	63,313
	178,680	**131,804**

Remuneration of Engineering Services Manager

Annual Remuneration	527,219	555,045
Car Allowance	95,567	127,423
Contributions to UIF, Medical and Pension Funds	126,471	139,693
Cellphone Allowance	7,000	8,400
Other Allowances	-	18,294
Acting allowance	14,964	-

Notes to the Financial Statements

Figures in Rand	2013	2012

28. Employee related costs (continued)

	771,221	**848,855**

Notes to the Financial Statements

Figures in Rand	2013	2012

28. Employee related costs (continued)

Remuneration of Strategic Manager

Annual Remuneration	598,648	526,279
Car Allowance	110,735	110,735
Contributions to UIF, Medical and Pension Funds	-	144,978
Cellphone allowance	-	8,400
Long Service Bonus	-	10,836
Other Allowance	-	17,398
	709,383	**818,626**

Remuneration of the Community Services Manager

Annual Remuneration	152,691	-
Contributions to UIF, Medical and Pension Funds	24,590	-
Cell phone allowance	1,400	-
	178,681	**-**

There was no community services manager in the prior year.

29. Remuneration of Councillors

Mayor	645,549	639,289
Speaker	516,438	508,910
Councillors' Salaries	6,554,769	5,443,731
Contributions to Medical, Pension Funds and UIF	894,380	809,776
Councillors' allowances	2,172,356	2,474,099
	10,783,492	**9,875,805**

The salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

In Kind Benefits

The Mayor receives the use of a vehicle for official purposes.

30. Vendor Management Fee

Management fees - third party	458,505	443,909

31. Debt impairment

Debt impairment	4,368,705	5,844,782

32. Investment revenue

Interest Income		
Bank	3,871,540	6,779,285

33. Fair value adjustments

Other financial assets and liabilities		
• Fair Value Adjustments	-	(7,214)

Notes to the Financial Statements

Figures in Rand	2013	2012

34. Depreciation and amortisation

Property,plant and equipment	18,238,128	17,919,384
Intangible assets	30,844	26,448
Finance lease asset	282,123	124,832
	18,551,095	**18,070,664**

35. Finance costs

Finance leases	43,741	23,978
Current borrowings	108,351	111,169
Late submission of VAT returns	-	5,815
	152,092	**140,962**

36. Auditors' remuneration

Auditors Remuneration	2,264,037	2,116,723

37. Bulk purchases

Electricity	17,371,263	16,023,683

38. Cash generated from operations

Surplus	40,001,249	37,470,512
Adjustments for:		
Depreciation and amortisation	18,551,095	18,070,664
Finance costs	-	7,214
Finance costs	43,741	23,978
Debt impairment	4,368,705	5,844,782
Movements in retirement benefit assets and liabilities	3,955,000	418,000
Movements in provisions	(310,708)	504,465
Changes in working capital:		
Inventories	13,370	(963,663)
Receivables from exchange transactions	288,162	(993,980)
Other receivables from non exchange transactions	(1,084,842)	(496,867)
Debt Impairment	(4,368,705)	(5,844,782)
Payables from exchange transactions	10,724,866	5,317,664
VAT	(4,361,205)	(3,246,761)
Unspent conditional grants and receipts	1,814,364	(1,253,993)
Consumer debtors	29,926	17,104
	69,665,018	**54,874,337**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	23,760,532	33,180,955

The committed expenditure relates to capital expenditure for infrastructure projects that will be financed through a combination of MIG and own funding.

Notes to the Financial Statements

Figures in Rand	2013	2012

40. Contingencies

A group of employees have instituted a claim against the municipality for the payment of their performance bonus, the estimated exposure would be equal to their performance bonus R331,254.

A Former employee is claiming that due to the fact that they have more than 10 years pensionable service, the municipality must calculate their pension as if normal retirement had been taken.

An employee is instituting a claim against the Municipality for unfair dismissal , the estimated exposure is R1,500,000.

A claim of R 1 189 has been levied against the municipality for damage sustained to a vehicle due to a pothole.

A claim has been instituted by the SALGBC relating to the unfair dismissal of an employee.

Notes to the Financial Statements

Figures in Rand	2013	2012

41. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Close family member of key management	GP Hill
Joint venture of key management	Domeny Bros
Members of key management	BK Socikwa - Municipal Manager GP Hill - Chief Financial Officer (Former) AR Ahlsclanger - Engineering Services Manager (Former) B Ondala - Strategic Manager M Quma - Corporate Services Manager JN Ntshinga - Chief Financial Officer O Kwababana - Engineering Services Manager S Vara - Community Services Manager

Refer to note 28 for the disclosure of the remuneration of Key Management (s56 Managers)

The Councillors of the Municipality are as follows:
NP Mlahleki
KA Mhambi (Portfolio Head-Finance)
P Qaba (Portfolio Head-Development and Planning)
N Nkunkuma
P Liwani (Portfolio Head-Service Delivery and Infrastructure)
Z Falo (Portfolio Head-Admistration and Human Resources)
NA Kato-Manyika
M Peter (Mayor and Chair of Executive Committee)
NR Magwaxaza
NE Tom
B Siko
MH Funani
M Mjikelo
B Jama
ZE Mfulana
A Mzamo
M Mani
ME Hejane
X Roji
A Hobo (Portfolio Head-Social Services)
NAD Ndlangalavu
N Busika (Portfolio Community Empowerment)
T Pakade
MN Ngcofe
BA Lande
M Jack
RT Desi
TP Mpendu
N Ndodana
AE Hlalapi
CT Poni
S Malawu
NN Kumbaca
T Wellem
N Mkosona
N Nombamba
T Balindlela
PG Kyriacos
NJ Gxalaba
HE Govender

Councilor remuneration is disclosed in note 29.

Notes to the Financial Statements

Figures in Rand	2013	2012

41. Related parties (continued)

During the financial year ended 30 June 2013 , the total transactions relating to Domney Brother was R77,108 (2012: R6,646).

42. Prior period errors

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

Accumulated surplus	**2012**	**Prior years**
Previously reported	-	346,322,478
Change in accounting policy (refer note 2)	-	(340,793)
Prior period error (per above)	-	13,239,604
	-	**359,221,289**

1. Investment Property	-	-
Investment property - previously stated	-	9,841,011
Investment property derecognised - does not meet the defintion of an asset	-	(6,685,700)
Investment property at 30 June 2012 (Restated)	-	3,155,311
2. Property, plant and equipment		
Carrying amount of property, plant and equipment - previously stated	-	265,139,227
Adjustment to cost of land	-	(284,024)
Adjustment to the cost of Electricty assets	-	(16,572,766)
Adjustment to the accumulated depreciation of Electricity	-	(1,823,334)
Adjustment to the cost of roads	-	29,012,413
Adjustment to accumulated depreciation of roads	-	14,881,088
Adjustment to cost of buldings	-	(7,424,799)
Adjustment to accumulated depreciation of buildings	-	892,431
Adjustment to cost of computer equipment	-	160,228
Adjustment to accumulated depreciation	-	(91,559)
Adjustment to Furniture & Office Equipment cost	-	284,204
Adjustment to Furniture & Office Equipment Accumulated depreciation	-	(162,402)
Adjustment to Machinery & Equipment cost	-	21,321
Adjustment to Machinery & Equipment accumulated depreciation	-	(29,360)
Adjustment to Transport Assets cost	-	817,381
Adjustment to Transport Assets accumulated depreciation	-	(403,179)
Adjustment to capital work in progress	-	647,661
Restated balance at 30 June 2013	-	285,064,530

Irregular expenditure

Previously reported	7,445,360	-
Adjustment	2,055,014	-
	9,500,374	**-**

Notes to the Financial Statements

Figures in Rand	2013	2012

43. Comparative figures

Certain comparative figures have been reclassified due to the adoption of new accounting standards, refer to note 2 for details.

Certain comparative figures have been reclassified due to prior period errors, refer to note 42 for details.

Certain prior period figures were reclassified , the reason and effect of the reclassification are as follows:

Fire brigade fees and land use application fees was disclosed under general expenditure in 2011/12 this was reallocated to miscellaneous other revenue:		
General expenses	-	(59,841)
Miscellaneous other revenue	-	59,841
Other income reclassified as miscelleneous other revenue	-	-
Other income	-	12,724
Miscelleneous other revenue	-	(12,724)
	-	**-**

Notes to the Financial Statements

Figures in Rand	2013	2012

44. Risk management

Financial risk management

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

The Municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality’s financial performance. Risk management is carried out by the finance department with the assistance of operating divisions. Risk management is carried out under policies approved by the accounting officer.

Market risk: currency risk

The Municipality is not exposed to currency is as no transactions are negotiated in foreign currency.

Interest rate risk

The Muncipality's interest bearing assets are included under cash and cash equivalents. The Municipality income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of the interest bearing assets.

At year end financial liabilties exposed to interest rate risk were for the DBSA loan of R661,796 (2012: R679,447). Refer to note 16.

Balances with banks, deposits, call accounts and current accounts attract interest at rates that vary with the South African Prime rate. The Municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the statement of financial performance.

Trade debtors in arrears are linked to the South African Prime rate plus one percent.

Surplus funds are invested with banks for fixed interest rates not exceeding a term of one year. For details refer to note 7.

Interest rate sensitivity analysis

The sensitivity anlsysis below was determined based on financial instrument exposures to interest rates at reporting date. For floating rate instruments analysis is prepaered assuming the amount of the instrument outstanding at reporting date was outstanding for the whole year.

The basis points adjustment represent managements assessment of the reasonable possible change in interest rate

There were no changes in the methods or assumptions from one period to the next.

A 100 point increase in rates would result in a decrease of R9,961 (2012: R10,227) in the net suplus for the period.

Figures in Rand	2013	2012

44. Risk management (continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Municipality. Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Municipality only deposits cash with major banks that have high quality credit standing and limits exposure to any particular counterparty. Trade receivable comprise wide spread consumer base. Credit exposure is controlled by the application of the Municipality's credit control and debt collection policies.

The carrying amount of the financial assets represent the entities maximum exposure to credit risk in relation to these assets. The Municipality's cash and cash equivalents and short term deposits are with high credit quality financial institutions.

Financial instrument		
Trade and other receivables from exchange transactions	7,014,754	4,922,286
Receivable from non exchange transactions	1,934,003	881,656
Cash and cash equivalents	6,679,358	13,347,611
Long term receivables	222,306	438,127
Short term portion of long term receivables	197,330	207,528
Investments	113,660,104	124,079,274

Liquidity risk

The Municipality's risk relates to funds available for future committments. The Municipality manages liquidity risk through ongoing review of future commitments, projected grant receipts and cash forecasting. Cash flow forecasts are prepared and borrowing facilties monitored.

45. Events after the reporting date

The Sherriff of the Court has during the week ending 23 August 2013 attatched some of the moveable assets of the Municipality as a result of a court case against the Municipality. All cases have been diclosed in note 40.

The "ring-fencing" of the assets in the asset register is in progress in order to establish the carrying value of the attached assets.

Notes to the Financial Statements

Figures in Rand	2013	2012

46. Unauthorised expenditure

Unauthorised expenditure	6,910,056	-

47. Fruitless and wasteful expenditure

Opening balance	5,815	-
South African Loval Government Bargaining council - penalty for non-compliance with collective agreement	5,000	-
Interest paid on late submission and payment of VAT	-	5,815
Fleet Dynamics - increased cost delay in purchase	40,812	-
Duke Attonrneys - mora interest	7,530	-
Dispatch media - tender erratum	4,054	-
	63,211	**5,815**

These matters will be investiagated after which they will proceed to council.

48. Irregular expenditure

Opening balance	9,500,374	2,399,852
Add: Irregular Expenditure - current year	10,848,554	7,100,522
	20,348,928	**9,500,374**

Analysis of expenditure awaiting to be certifed as irrecoverable per age classification

Current year	10,848,554	-
Prior years	7,100,522	2,399,522
	17,949,076	**2,399,522**

Details of irregular expenditure – current year

Irregular Expenditure on Contracts	SCM processes not followed	10,848,554

Details of irregular expenditure - prior year

Irregular expenditure on Contracts	SCM processes not followed	7,100,522

Notes to the Financial Statements

Figures in Rand	2013	2012

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Current year subscription / fee	419,360	381,236
Amount paid - current year	(419,360)	(381,236)
	-	-

Material losses

Opening balance	1,813,287	785,616
Current year subscription / fee	1,231,924	1,027,671
	3,045,211	**1,813,287**

Electricity distribution losses in 2012 relate to 3 544 920 kwh.

Electrcity distribution losses in 2013 relate to 4 261 472 kwh.

Audit fees

Current year fee	2,264,037	2,116,723

PAYE and UIF

Current year expenditure	2,971,380	3,438,273
Amount paid - current year	(2,971,380)	(3,438,273)
	-	-

Pension and Medical Aid Deductions

Current year expenditure	4,959,843	5,470,338
Amount paid - current year	(4,959,843)	(5,470,338)
	-	-

VAT

VAT receivable	7,243,716	2,882,511

VAT output payables and VAT input receivables are shown in note 14 .

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

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

Councillors' arrear consumer accounts

No Councilors had arrear accounts outstanding for more than 90 days at 30 June 2013.

During the 2011/2012 year the following Councilors' had arrear accounts outstanding for more than 90 days:

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr B Jama	-	296	296
Cllr Wellem	-	2,752	2,752
	-	**3,048**	**3,048**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations the accounting officer may dispense of the official procurement process requirements in certain circumstances (e.g. emergency or single source procurement) and the accounting officer may ratify minor breaches of the procurement process if the breach is purely of a technical nature. However all such departures need to be approved by the Municipal Manager and noted by Council.

All departures in terms of section 36 have been approved by the Municipal Manager and noted by Council unless noted in note 48