TSOLWANA
MUNICIPALITY

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2013

TSOLWANA LOCAL MUNICIPALITY

Index

TSOLWANA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

TSOLWANA Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The TSOLWANA Municipality includes the following areas:

Tarkastad
Hofmeyr
Ntabathemba

MUNICIPAL MANAGER

Mr SJ Dayi

CHIEF FINANCIAL OFFICER

Me. S du Toit

REGISTERED OFFICE

12 Murray street, Tarkastad

AUDITORS

Office of the Auditor General (EC)

PRINCIPLE BANKERS

First National Bank, Tarkastad

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

TSOLWANA LOCAL MUNICIPALITY

MEMBERS OF THE TSOLWANA LOCAL MUNICIPALITY

COUNCILLORS

Proportional (Mayor)	K Nqiqhi
Proportional	G Hlomendlini
Proportional	M Bennett
Proportional	V Dyasi
Proportional	C Boast
Ward 1	M Mangcotywa
Ward 2	T Baleng
Ward 3	N Ngcefe
Ward 4	N Nqabisa
Ward 5	I van heerden

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2013, which are set out on pages 1 to 86 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2014 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr SJ Dayi
Municipal Manager

31-08-2013
Date

TSOLWANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R (Actual)	2012 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		**91 536 594**	**89 404 549**
Accumulated Surplus/(Deficit)		91 536 594	89 404 549
Non-Current Liabilities		**4 551 627**	**4 707 502**
Long-term Liabilities	2	11 325	61 646
Employee benefits	3	3 894 493	3 523 055
Non-Current Provisions	4	645 810	1 122 801
Current Liabilities		**16 244 124**	**13 535 338**
Consumer Deposits	5	100 759	97 736
Current Employee benefits	6	848 974	618 041
Provisions	7	535 648	-
Payables from exchange transactions	8	3 486 768	4 754 190
Unspent Conditional Government Grants and Receipts	9	9 631 177	6 394 831
Taxes	10.1	1 590 477	1 603 908
Cash and Cash Equivalents	18	-	-
Current Portion of Long-term Liabilities	2	50 321	66 632
Total Net Assets and Liabilities		**112 332 346**	**107 647 389**
ASSETS			
Non-Current Assets		**94 444 599**	**90 039 787**
Property, Plant and Equipment	11	67 245 125	62 505 065
Investment Property	12	27 145 375	27 434 164
Intangible Assets	13	54 099	100 558
Current Assets		**17 887 746**	**17 607 602**
Inventory	14	571 182	614 913
Assets held for sale		264 000	264 000
Receivables from exchange transactions	15	2 826 651	5 196 005
Receivables from non-exchange transactions	16	1 271 257	549 964
Unpaid Conditional Government Grants and Receipts	9	917 651	1 717 830
Operating Lease Asset	18.1	-	1 172
Taxes	10	1 349 478	818 747
Cash and Cash Equivalents	18	10 687 527	8 444 971
Total Assets		**112 332 345**	**107 647 389**

TSOLWANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R	Correction of error R	2012 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		44 594 449	38 519 746	(284 366)	38 804 112
Taxation Revenue		1 509 757	1 359 506	-	1 359 506
Property taxes	19	1 509 757	1 359 506	-	1 359 506
Transfer Revenue		43 081 692	37 154 987	(284 366)	37 439 353
Government Grants and Subsidies - Capital	20	12 632 130	10 590 384	(284 366)	10 874 750
Government Grants and Subsidies - Operating	20	30 449 562	26 544 604	-	26 544 604
Public Contributions and Donations		-	20 000	-	20 000
Other Revenue		3 000	5 253	-	5 253
Fines		3 000	5 253	-	5 253
Revenue from Exchange Transactions		16 422 637	14 317 417	(103 724)	14 421 143
Service Charges	21	7 014 835	5 330 821	(101 724)	5 432 545
Water Service Authority Contribution	22	6 489 172	6 424 354		6 424 354
Rental of Facilities and Equipment		57 701	56 171	(2 173)	58 344
Interest Earned - external investments		287 090	377 734	172	377 562
Interest Earned - outstanding debtors		1 367 316	1 223 802	-	1 223 802
Agency Services		918 833	710 315	-	710 315
Other Income	23	287 352	175 185	-	175 186
Gain on disposal of Property, Plant and Equipment		338	19 035	-	19 035
Total Revenue		61 017 085	52 837 164	(388 090)	53 225 255
EXPENDITURE					
Employee related costs	24	19 976 946	17 434 397	-	17 434 396
Remuneration of Councillors	25	2 319 466	2 191 645	-	2 191 615
Debt Impairment	26	3 602 237	7 521 300	-	7 521 300
Depreciation and Amortisation	27	5 903 235	5 838 132	134 251	5 703 881
Repairs and Maintenance	31	2 013 085	3 097 652	-	3 097 652
Actuarial losses	3	2 287	303 559	-	303 559
Finance Charges	28	54 427	95 008	(402 086)	497 094
Bulk Purchases	29	7 796 083	6 389 211	-	6 389 211
Grants and Subsidies	30	-	880	-	880
Operating Grant Expenditure	32	7 301 014	5 775 180	1 506 956	4 268 224
General Expenses	33	9 916 261	11 042 056	94 799	10 947 257
Total Expenditure		58 885 040	59 689 020	1 333 921	58 355 069
NET SURPLUS/(DEFICIT) FOR THE YEAR		2 132 045	(6 851 857)	(1 722 011)	(5 129 814)

TSOLWANA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 1 JULY 2011	**96 442 171**	**96 442 171**
Change in accounting policy	-	-
Correction of error	(185 753)	(185 753)
Rounding	(11)	
Restated Balance at 1 JULY 2011	**96 256 406**	**96 256 417**
Net Deficit for the year	(6 851 857)	(6 851 857)
Balance at 30 JUNE 2012	**89 404 549**	**89 404 561**
Net Surplus for the year	2 132 045	2 132 045
Balance at 30 JUNE 2013	**91 536 594**	**91 536 606**

TSOLWANA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	30 JUNE 2013 R	30 JUNE 2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		11 463 529	8 999 683
Government		48 112 908	37 585 963
Interest		1 654 406	1 601 536
Dividends		-	-
Payments			
Suppliers and employees		(49 427 259)	(41 677 869)
Finance charges	28	(54 427)	(95 008)
Transfers and Grants		-	(880)
Cash generated by operations	36	11 749 157	6 413 424
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(10 036 304)	(8 357 544)
Purchase of Investment property		-	-
Proceeds on Disposal of Fixed Assets		338	19 035
Purchase of Intangible Assets		(8 240)	(5 700)
Net Cash from Investing Activities		**(10 044 206)**	**(8 344 209)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(66 632)	-
New loans raised		-	-
Increase in Consumer Deposits		3 023	97 736
Net Cash from Financing Activities		**(63 608)**	**97 736**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1 641 342**	**(1 833 049)**
Cash and Cash Equivalents at the beginning of the year		8 444 971	10 278 020
Cash and Cash Equivalents at the end of the year	37	10 086 313	8 444 971
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1 641 342**	**(1 833 049)**

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Buget)	2013 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	10 687 527	7 543 882	3 143 645	The cash on hand is more than initially budgeted for due to the high level of unspent grants.
Call investment deposits	-	-	-	
Consumer debtors	4 097 908	2 037 109	2 060 799	Consumer is higher due to a lower payment percentage as wel as and amount of R1.2m due from CHDM which was not budgeted for.
Other Receivables	2 267 129	-	2 267 129	We did not budget for other receivables such as unpaid grants and material amounts for Taxes to be due at year end.
Current portion of long-term receivables	-	-	-	
Inventory	835 182	378 913	456 269	We did not use all the inventory as budgeted also resulted in a lower percentage spending on maintenance for the year.
Total current assets	17 887 746	9 959 904	7 927 842	
Non current assets				
Long-term receivables	-	-	-	
Investment property	27 145 375	29 013 184	(1 867 809)	No material
Property, plant and equipment	67 245 125	79 944 702	(12 699 577)	We did not budget to have unspent grants resulting in projects not being done, therefore the actual asset value is lower.
Intangible Assets	54 099	148 190	(94 091)	The material difference is due to amortisation for the year not taken into account during the budget.
Total non current assets	94 444 599	109 106 076	(14 661 477)	
TOTAL ASSETS	112 332 345	119 065 980	(6 733 635)	
LIABILITIES				
Current liabilities				
Borrowing	50 321	-	50 321	The borrowing part was budgeted only under non current whereas the finance lease will have an effect on the next 12 months, not taken i
Consumer deposits	100 759	97 736	3 023	Not material
Trade and other payables	14 708 422	5 472 256	9 236 165	
Provisions and Employee Benefits	848 974	1 425 092	(576 118)	The actual figure is lower due to the fact that we anticipated a higher contribution and expenditure for the year.
Total current liabilities	15 708 476	6 995 084	8 713 392	
Non current liabilities				
Borrowing	11 325	128 278	(116 953)	Refer to comment under Current liabilities.
Provisions and Employee Benefits	4 540 302	3 773 631	766 672	The provision for the 2012/13 year is quite high and we did not anticipate to have had such a huge contribution.
Total non current liabilities	4 551 627	3 901 908	649 719	
TOTAL LIABILITIES	20 260 103	10 896 992	9 363 110	
NET ASSETS	92 072 242	108 168 988	(16 096 745)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	91 536 594	107 178 988	(15 642 393)	
Reserves	-	990 000	(990 000)	
TOTAL COMMUNITY WEALTH/EQUITY	91 536 594	108 168 988	(16 632 393)	

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Buget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	7 543 882	-	7 543 882	n/a
Consumer debtors	2 037 109	-	2 037 109	n/a
Other Receivables	-	-	-	n/a
Inventory	378 913	-	378 913	n/a
Total current assets	9 959 904	-	9 959 904	
Non current assets				
Long-term receivables	-	-	-	n/a
Investments	-	-	-	n/a
Investment property	29 013 184	-	29 013 184	n/a
Property, plant and equipment	79 944 702	-	79 944 702	n/a
Biological Assets	-	-	-	n/a
Intangible Assets	148 190	-	148 190	n/a
Heritage Assets	-	-	-	n/a
Total non current assets	109 106 076	-	109 106 076	
TOTAL ASSETS	119 065 980	-	119 065 980	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	n/a
Borrowing	-	-	-	n/a
Consumer deposits	97 736	-	97 736	n/a
Trade and other payables	5 472 256	-	5 472 256	n/a
Provisions and Employee Benefits	1 425 092	-	1 425 092	n/a
Total current liabilities	6 995 084	-	6 995 084	
Non current liabilities				
Borrowing	128 278	-	128 278	n/a
Provisions and Employee Benefits	3 773 631	-	3 773 631	n/a
Total non current liabilities	3 901 908	-	3 901 908	
TOTAL LIABILITIES	10 896 992	-	10 896 992	
NET ASSETS	108 168 988	-	108 168 988	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	107 178 988	-	107 178 988	n/a
Reserves	990 000	-	990 000	n/a
TOTAL COMMUNITY WEALTH/EQUITY	108 168 988	-	108 168 988	

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Buget)	2013 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	1 509 757	1 800 000	(290 243)	
Property rates - penalties & collection charges	-	-	-	
Service charges	9 783 109	9 871 651	(88 542)	Not material
Rental of facilities and equipment	57 701	54 000	3 701	Not material
Interest earned - external investments	287 090	224 900	62 190	We managed to generate more interest than initially anticipated. Our cash available are decreasing and therefore a lower interest income was expected.
Interest earned - outstanding debtors	1 367 316	1 277 686	89 630	Not material
Dividends received	-	-	-	
Fines	3 000	7 000	(4 000)	Not material amount - Our Traffic department is not ready for operations and therefore we only reflect what department of Justice is paying over to us.
Licences and permits	-	-	-	
Agency services	7 408 005	11 193 379	(3 785 374)	Chris Hani decreased the monies available for expenditure during the year.
Government Grants and Subsidies - Operating	30 449 562	31 810 935	(1 361 373)	Not material
Other revenue	287 352	51 600	235 752	The variance is due to unidentified revenue in previous periods which could not be identfied as at year end.
Gains on disposal of PPE	338	-	338	
Total Operating Revenue	51 153 230	56 291 151	(5 137 921)	
EXPENDITURE BY TYPE				
Employee related costs	19 976 946	19 813 018	163 928	Not material
Remuneration of councillors	2 319 466	2 320 816	(1 350)	Not material
Debt impairment	3 602 237	300 000	3 302 237	Due to the fact that we have made a material contribution in the previous year, and also due to plans to have implemented a proper credit control system, we anticipated that the contribution would have been minimal. Due
Depreciation & asset impairment	5 903 235	5 954 670	(51 436)	Not material
Finance charges	54 427	-	54 427	
Bulk purchases	7 796 083	8 297 000	(500 917)	Not material
Other materials	-	-	-	
Contracted services	-	-	-	
Grants and subsidies paid	2 768 274	3 175 000	(406 726)	We have paid slightly less than budgeted, this will however improof during the coming financial year due to proper implementation of indigent subisidy registratio process.
Other expenditure	19 232 647	21 123 530	(1 890 882)	Not material
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	61 653 315	60 984 034	669 280	
Operating Deficit for the year	(10 500 085)	(4 692 883)	(5 807 202)	
Government Grants and Subsidies - Capital	12 632 130	16 419 700	(3 787 570)	A Portion remain unspent at year end due to late implementation of projects resulted in all conditions not being met as at year
Net Surplus for the year	2 132 045	11 726 817	(9 594 772)	

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Buget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	1 800 000	-	1 800 000	n/a
Property rates - penalties & collection charges	-	-	-	n/a
Service charges	9 871 651	-	9 871 651	n/a
Rental of facilities and equipment	54 000	-	54 000	n/a
Interest earned - external investments	224 900	-	224 900	n/a
Interest earned - outstanding debtors	1 277 686	-	1 277 686	n/a
Dividends received	-	-	-	n/a
Fines	7 000	-	7 000	n/a
Licences and permits	-	-	-	n/a
Agency services	11 193 379	-	11 193 379	n/a
Government Grants and Subsidies - Operating	31 810 935	-	31 810 935	n/a
Other revenue	51 600	-	51 600	n/a
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	56 291 151	-	56 291 151	
EXPENDITURE BY TYPE				
Employee related costs	19 813 018	-	19 813 018	n/a
Remuneration of councillors	2 320 816	-	2 320 816	n/a
Debt impairment	300 000	-	300 000	n/a
Depreciation & asset impairment	5 954 670	-	5 954 670	n/a
Finance charges	-	-	-	n/a
Bulk purchases	8 297 000	-	8 297 000	n/a
Other materials	-	-	-	n/a
Contracted services	-	-	-	n/a
Grants and subsidies paid	3 175 000	-	3 175 000	n/a
Other expenditure	21 123 530	-	21 123 530	n/a
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	60 984 034	-	60 984 034	
Operating Surplus/(Deficit) for the year	(4 692 883)	-	(4 692 883)	
Government Grants and Subsidies - Capital	16 419 700	-	16 419 700	n/a
Net Surplus/(Deficit) for the year	11 726 817	-	11 726 817	

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Buget)	2013 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	11 463 529	50 559 392	(39 095 863)	
Government - operating	48 112 908	29 285 789	18 827 118	
Government - capital	-	18 014 700	(18 014 700)	
Interest	1 654 406	238 708	1 415 698	We experienced some major challenges during the budget process to made the figures within the budget realistic as far as the cashflow statement. The cash flow was however done on expectation to hig for the municipaltiy at this stage, though it will not make us to continue striving towards such positive cashflow statement
Dividends	-	-	-	
Payments				
Suppliers and Employees	(49 427 259)	(51 554 364)	2 127 105	
Finance charges	(54 427)	-	(54 427)	
Transfers and Grants	-	5 000	(5 000)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	11 749 157	46 549 225	(34 800 069)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	338	-	338	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(10 044 544)	(17 149 000)	7 104 456	
NET CASH FROM/(USED) INVESTING ACTIVITIES	-10 044 206	(17 149 000)	7 104 794	The difference is due to us not being able to implement and complete all our projects on time.
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing				
Increase/(decrease) in consumer deposits	(66 632)	7 294 180	(7 360 812)	We did not enter into any finance agreement during the year under review.
Payments				
Repayment of borrowing	3 023	5 000	(1 977)	Not material
	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-63 608	7 299 180	-7 362 788	
NET INCREASE/(DECREASE) IN CASH HELD	1 641 342	36 699 405	-35 058 063	
Cash and Cash Equivalents at the beginning of the year	8 444 971	8 444 971	-	
Cash and Cash Equivalents at the end of the year	10 086 313	45 144 376	(35 058 063)	

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	50 559 392	-	50 559 392	n/a
Government - operating	29 285 789	-	29 285 789	n/a
Government - capital	18 014 700	-	18 014 700	n/a
Interest	238 708	-	238 708	n/a
Dividends	-	-	-	n/a
Payments				n/a
Suppliers and Employees	(51 554 364)	-	(51 554 364)	n/a
Finance charges	-	-	-	n/a
Transfers and Grants	5 000	-	5 000	n/a
NET CASH FROM/(USED) OPERATING ACTIVITIES	46 549 225	-	46 549 225	
CASH FLOWS FROM INVESTING ACTIVITIES				n/a
				n/a
Receipts				n/a
Proceeds on disposal of Assets	-	-	-	n/a
Decrease/(increase) in non-current receivables	-	-	-	n/a
Decrease/(increase) in non-current investments	-	-	-	n/a
Payments		-		n/a
Capital assets	(17 149 000)	-	(17 149 000)	n/a
NET CASH FROM/(USED) INVESTING ACTIVITIES	(17 149 000)	-	(17 149 000)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	7 294 180	-	7 294 180	n/a
Increase/(decrease) in consumer deposits	5 000	-	5 000	n/a
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	7 299 180	-	7 299 180	n/a
NET INCREASE/(DECREASE) IN CASH HELD	36 699 405	-	36 699 405	
Cash and Cash Equivalents at the beginning of the year	8 444 971	-	8 444 971	n/a
Cash and Cash Equivalents at the end of the year	45 144 376	-	45 144 376	n/a

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.6 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.7 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.8 PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 **(Revised – Nov 2010**	**Consolidated and Separate Financial Statements** The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	**Unknown**
GRAP 7 **(Revised – Mar 2012)**	**Investments in Associate** This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Municipality does have any interest in associates.	**1 April 2013**

GRAP 8 **(Revised – Nov 2010)**	**Interest in Joint Ventures** The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Municipality is not involved in any joint ventures.	**Unknown**
GRAP 18 **(Original – Feb 2011)**	**Segment Reporting** The objective of this Standard is to establish principles for reporting financial information by segments. No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.	**Unknown**
GRAP 20 **(Original – June 2011)**	**Related Party Disclosure** The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	**Unknown**
GRAP 105 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 106 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Not Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact expected as no such transactions or events are expected in the	**Unknown**

	foreseeable future.	
GRAP 107 **(Original – Nov 2010)**	**Mergers** The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**Unknown**
IGRAP 11	**Consolidation - Special Purpose Entities (SPE)** The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE. No significant impact is expected as the Municipality does not have any SPE's at this stage.	**Unknown**
IGRAP 12	**Jointly Controlled Entities non-monetary contributions** The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	**Unknown**

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.10 RESERVES

1.10.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR based on Management descression. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.11 LEASES

1.11.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.11.2 *Municipality as Lessor*

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.14. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.15. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.16. EMPLOYEE BENEFITS

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

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.16.1 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

1.16.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

1.16.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.16.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.16.5 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.16.6 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.16.7 Other Short-term Employee Benefits

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

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

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.17 PROPERTY, PLANT AND EQUIPMENT

1.17.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if 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. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that 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 assets acquired is initially measured at fair value (the cost). It the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.17.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		*Years*
Infrastructure		**Other**	
Roads and Paving	70-30	Buildings	30-100
Pedestrian Malls	30	Specialist vehicles	10-20
Electricity	20-30	Other vehicles	5-15
Water	15-20	Office equipment	3-20
Sewerage	15-20	Furniture and fittings	7-20
Community		Specialised plant and Equipment	3-15
Buildings	30 – 100	Other plant and Equipment	2-5
Recreational Facilities	20-100	Landfill sites	15
Security	5	Quarries	25
Halls	20-100	Emergency equipment	10
Libraries	20-100	Computer equipment	3 - 6
Parks and gardens	15-20		
Other assets	15-20		
Finance lease assets			
Office equipment	3 – 5		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.17.4 De-recognition

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

1.17.5 *Land and buildings and Other Assets – application of deemed cost (Directive 7)*

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.18 INTANGIBLE ASSETS

1.18.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or

- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

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

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset 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 is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.18.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	5
Computer Software Licenses	5

1.18.4 De-recognition

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

1.18.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

1.19. INVESTMENT PROPERTY

1.19.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.19.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.19.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment Property	**Years**
Buildings	100

1.19.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008

1.20. NON-CURRENT ASSETS HELD FOR SALE

1.20.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.20.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in the Statement of Financial Performance.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2 Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information
- Evidence is available of physical damage of an asset.

- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an 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.

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

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

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.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

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

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

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

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.23.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 <u>*Payables and Annuity Loans*</u>

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 <u>*Cash and Cash Equivalents*</u>

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.23.2.4 <u>*Non-Current Investments*</u>

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

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

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

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

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

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

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

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

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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

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

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

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or
(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

(a) all members of the governing body of the Municipality;
(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
(d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

(a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.

(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the

Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.30.1 Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.30.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

1.30.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.30.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.30.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.30.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.30.7 Revenue Recognition

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.30.9 Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

1.30.10 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.30.11 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.30.12 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31. TAXES – VALUE ADDED TAX

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

1.32. CAPITAL COMMITMENTS

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

1.33. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

2 **LONG-TERM LIABILITIES**

	2013 R	2012 R
Capitalised Lease Liability - At amortised cost	61 646	128 278
	61 646	**128 278**
Current Portion transferred to Current Liabilities	**50 321**	**66 632**
Capitalised Lease Liability - At amortised cost	50 321	66 632
	11 325	**61 646**
Unamortised charges on loans	-	-
Balance 1 July	-	-
Adjustment for the period	-	-
Total Long-term Liabilities - At amortised cost using the effective interest rate method	**11 325**	**61 646**

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	54 865	81 145
Payable within two to five years	12 360	67 225
Payable after five years	-	-
	67 225	148 370
Less: Future finance obligations	(5 579)	(20 092)
Present value of lease obligations	**61 646**	**128 278**

Leases are secured by property, plant and equipment - Note 11

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Interest	Lease Term	Maturity Date
Fintech	Photo copy machine - 001-844535-1-15	Prime	5yrs	31/12/2014
Fintech	Photo copy machine - 001795340-1-15	Prime	5yrs	31/01/2014
Fintech	Photo copy machine - 001795340-2-15	Prime	5yrs	31/01/2014

3 **EMPLOYEE BENEFITS**

	2013 R	2012 R
Post Retirement Benefits - Refer to Note 4.1	3 587 309	3 245 700
Long Service Awards - Refer to Note 4.2	307 184	277 355
Total Non-current Employee Benefit Liabilities	**3 894 493**	**3 523 056**

	2013 R	2012 R
Post Retirement Benefits		
Balance 1 July	3 340 644	2 698 186
Contribution for the year	228 507	429 907
Interest Cost	263 749	-
Expenditure for the year	(94 944)	(87 502)
Actuarial Loss/(Gain)	(39 299)	300 053
Total post retirement benefits 30 June	**3 698 657**	**3 340 644**
Less: Transfer of Current Portion - Note 6	(111 348)	(94 944)
Balance 30 June	**3 587 309**	**3 246 700**
Long Service Awards		
Balance 1 July	291 881	243 263
Contribution for the year	49 079	70 272
Interest Cost	17 544	-
Expenditure for the year	(5 872)	(25 160)
Actuarial Loss/(Gain)	41 586	3 506
Total long service 30 June	**394 219**	**291 881**
Less: Transfer of Current Portion - Note 6	(87 035)	(14 526)
Balance 30 June	**307 184**	**277 355**
TOTAL NON-CURRENT EMPOLYEE BENEFITS		
Balance 1 July	3 632 525	2 941 449
Contribution for the year	277 586	500 179
Interest cost	281 293	-
Expenditure for the year	(100 816)	(112 662)
Actuarial Loss/(Gain)	2 287	303 559
Total employee benefits 30 June	**4 092 876**	**3 632 525**
Less: Transfer of Current Portion - Note 6	(198 383)	(109 470)
Balance 30 June	**3 894 493**	**3 523 055**

3 EMPLOYEE BENEFITS (CONTINUE)

3.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2013	2012
In-service (employee) members	29	24
In-service (employee) non-members	79	63
Continuation members (e.g. Retirees, widows, orphans)	4	3
Total Members	**112**	**90**

The liability in respect of past service has been estimated to be as follows:

	2013	2012
In-service members	2 416 098	2 212 797
Continuation members	1 282 559	1 127 849
Total Liability	**3 698 657**	**3 340 646**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011 R	2010 R	2009 R
Total Liability	2 698 186	2 229 443	1 011 116

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health; and
Samwumed

Key actuarial assumptions used

	2013 %	2012 %
i) Rate of interest		
Discount rate	9.04%	8.01%
Health Care Cost Inflation Rate	7.96%	7.07%
Net Effective Discount Rate	1.00%	0.88%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:	2013 R	2012 R
Present value of fund obligations	3 587 309	3 245 700
Total Liability	**3 587 309**	**3 245 700**

The fund is wholly unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	3 340 644	2 698 186
Total expenses	397 312	342 405
Current service cost	228 507	429 907
Interest Cost	263 749	-
Benefits Paid	(94 944)	(87 502)
Actuarial (gains)	(39 299)	300 053
Present value of fund obligation at the end of the year	3 698 657	3 340 644
Less: Transfer of Current Portion - Note 6	(111 348)	(94 944)
Balance 30 June	**3 587 309**	**3 245 700**

Sensitivity Analysis on the Accrued Liability

Assumption	**In-service members liability (Rm)**	**Continuation members liability (Rm)**	**Total liability (Rm)**
Central Assumptions	2.416	1.283	3.699

The effect of movements in the assumptions are as follows:

Assumption	**Change**	**In-service members liability (Rm)**	**Continuation members liability (Rm)**	**Total liability (Rm)**	**% change**
Health care inflation	1%	2.941	1.391	4.332	17%
Health care inflation	-1%	2.005	1.186	3.191	-14%
Post-retirement mortality	-1 year	2.498	1.341	3.839	4%
Average retirement age	-1 year	2.610	1.283	3.893	5%
Withdrawal Rate	-50%	2.736	1.283	4.019	9%

Assumption	**Change**	**Current-service Cost (R)**	**Interest Cost (R)**	**Total (R)**	**% change**
Central Assumption		228 500	263 700	492 200	
Health care inflation	1%	288 700	308 800	597 500	21%
Health care inflation	-1%	182 600	227 500	410 100	-17%
Post-retirement mortality	-1 year	236 300	273 900	510 200	4%
Average retirement age	-1 year	224 900	277 400	502 300	2%
Withdrawal Rate	-50%	275 300	282 900	558 200	13%

		2013	2012
3.2	**Long Service Bonuses**		

The Long Service Bonus plans are defined benefit plans.

	2013	2012
As at year end, the following number of employees were eligible for Long Service Bonuses.	107	87

Key actuarial assumptions used:	2013 %	2012 %
i) **Rate of interest**		
Discount rate	6.84%	6.16%
General Salary Inflation (long-term)	6.62%	5.97%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.21%	0.18%

The amounts recognised in the Statement of Financial Position are as follows:	2013 R	2012 R
Present value of fund obligations	307 184	277 355
Net liability	**307 184**	**277 355**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011 R	2010 R	2009 R
Total Liability	**243 263**	**201 273**	**167 138**

Reconciliation of present value of fund obligation:

	2013 R	2012 R
Present value of fund obligation at the beginning of the year	291 681	243 263
Total expenses	60 751	45 112
Current service cost	49 079	70 272
Interest Cost	17 544	-
Benefits Paid	(5 872)	(25 160)
Actuarial (gains)/losses	41 586	3 506
Present value of fund obligation at the end of the year	394 219	291 881
Less: Transfer of Current Portion - Note 6	(87 035)	(14 526)
Balance 30 June	**307 184**	**277 355**

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	**Change**	**Liability (Rm)**	**% change**
Central assumptions		0.394	
General salary inflation	1%	0.414	5%
General salary inflation	-1%	0.376	-5%
Average retirement age	-2 yrs	0.378	-4%
Average retirement age	2 yrs	0.421	7%
Withdrawal rates	-50%	0.456	16%

Assumption	**Change**	**Current-service Cost (R)**	**Interest Cost (R)**	**Total (R)**	**% change**
Central assumptions		49 100	17 500	66 600	
General salary inflation	1%	52 200	18 500	70 700	6%
General salary inflation	-1%	46 300	16 600	62 900	-6%
Average retirement age	-1 year	46 400	16 500	62 900	-6%
Average retirement age	-1 year	51 900	18 800	70 700	6%
Withdrawal rates	-50%	62 700	21 000	83 700	26%

3.3 **Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner date the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 108.0% (30 June 2011 - 116.9%).

	2013 R	2012 R
Contributions paid recognised in the Statement of Financial Performance	956 545	599 826

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in an sound financial position with a funding level of 99.40% (30 June 2011 - 98.10%).

Contributions paid recognised in the Statement of Financial Performance	154 945	150 914

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund	1 406 190	1 326 848
	1 757 577	1 285 229

4	NON-CURRENT PROVISIONS	2013 R	2012 R
	Provision for Rehabilitation of Landfill-sites	645 810	1 122 801
	Total Non-current Employee Benefit Liabilities	**645 810**	**1 122 801**
	Landfill Sites		
	Balance 1 July	1 122 801	1 023 006
	Correction on Opening balance of Landfill Site Provision - Note 37.07	-	-
	Restated Balance 1 July	1 122 801	1 023 006
	Additions	58 657	99 795
	Balance previously reported	-	402 086
	Correction on 2011/2012 additions on Landfill Site Provision - Note 37.07	-	(302 291)
	Total provision 30 June	**1 181 458**	**1 122 801**
	Less: Transfer of Current Portion to Current Provisions - Note 8	(535 648)	-
	Balance previously reported	-	-
	Correction on Current portion of Landfill sites transferred to Current Provision - Note 37.07	-	-
	Balance 30 June	**645 810**	**1 122 801**

It is expected that outflows of economic benefits in respect of the provision for rehabilitation of landfill sites will not occur beyond the 3-Year Medium Term Revenue and Expenditure Framework period.

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

Landfill Sites

	Tarkastad	Hofmeyr
Area (m^2)	11 662	5 131
Cost of Storm water Cut off drain (R60/m)	60	60
P&G (15%)	51 902	38 217
Closure report and closure design (indirect)	228 000	228 000
Stormwater: form Diversion Berns	81 533	23 475
Stormwater: Concrete pipe culverts and headwalls	57 000	57 000
Install Monitoring Borehole	114 000	114 000
Re-vegetation	11 400	11 400
Scarify Roads	41 040	24 453
Construct whaleback structures on cells	41 040	24 453
Contingencies	19 895	14 650

5 **CONSUMER DEPOSITS**

Water and Electricity	100 759	97 736
Total Consumer Deposits	**100 759**	**97 736**
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

6 **CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits - Note 3	111 348	94 944
Current Portion of Long-Service Provisions - Note 3	87 035	14 526
Staff Bonuses accrued	650 591	508 571
Total Current Employee Benefits	**848 974**	**618 041**

The movement in current employee benefits are reconciled as follows:

Staff Bonuses accrued

Balance at beginning of year	508 571	563 397
Contribution to current portion	887 196	851 957
Expenditure incurred	(745 176)	(906 783)
Balance at end of year	**650 590**	**508 571**

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement. A 5% was included for section 57 Managers on their annual packages for possible performance contracts.

7 **PROVISIONS**

Current Portion of Rehabilitation of Landfill-sites - Note 3	535 648	-
Total Provisions	**535 648**	-

8 **PAYABLES FROM EXCHANGE TRANSACTIONS**

	2013 R	2012 R
Trade Payables	1 550 375	2 994 634
Sundry Creditors	20 850	20 850
Water Service Authority payable	-	587 909
Retentions and Sureties	431 084	84 719
Payments received in advance	121 086	106 061
Leave payable	1 256 329	730 578
Unknown Receipts	41 703	229 418
E-Natis Creditors	65 341	-
Total Trade Payables	**3 486 768**	**4 754 190**

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	9 631 177	6 394 831
National Government Grants	5 688 804	4 214 651
Provincial Government Grants	1 078 086	1 433 995
District Municipality	2 217 685	187 685
Other Grant Providers	646 602	558 500
Less: Unpaid Grants	917 651	1 717 830
National Government Grants	-	-
Provincial Government Grants	917 651.33	1 717 830
District Municipality	-	-
Other Grant Providers	-	-
Total Conditional Grants and Receipts	**8 713 526**	**4 677 001**

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. An amount of R1.780 m was deducted from Equitable share that relates to the unspent portion of 2010/2011.

Unspent grants can be attributed to projects that are work in progress on the relevant financial year-ends.

10 TAXES

10.1 VAT PAYABLE

VAT Payable	-	-
VAT output in suspense	1 590 477	1 603 908
Total Vat payable	1 590 477	1 603 908

10.2 VAT RECEIVABLE

VAT Receivable	1 171 646	568 273
VAT input in suspense	177 832	250 474
Total VAT receivable	1 349 478	818 747

10.3 NET VAT RECEIVABLE/(PAYABLE)

NET VAT RECEIVABLE/(PAYABLE)	(241 000)	(785 161)

VAT is receivable/payable on the cash basis.

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value		
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	**4 836 598**	-	-	**4 836 598**	**995**	-	-	**995**	**4 835 604**	-	**4 835 604**
Land	4 787 600			4 787 600	-		-	-	4 787 600	-	4 787 600
Buildings	48 998			48 998	995		-	995	48 004	-	48 004
Infrastructure	**52 337 883**	**2 644 736**	-	**54 982 619**	**22 043 987**	**4 763 831**	-	**26 807 818**	**30 293 896**	**(2 119 095)**	**28 174 801**
Electricity	18 468 097	1 728 079		20 196 176	1 607 667	412 084	-	2 019 751	16 860 430	1 315 995	18 176 425
Roads, Pavements, Bridges & Storm Water	33 869 786	916 657		34 786 443	20 436 320	4 351 747	-	24 788 067	13 433 466	(3 435 090)	9 998 376
Lease Assets	**244 204**	-	-	**244 204**	**156 640**	-	-	**156 640**	**87 564**	-	**87 564**
Office Equipment	244 204			244 204	156 640		-	156 640	87 564	-	87 564
Community Assets	**26 357 194**	**7 155 727**	-	**33 512 920**	1 037 586	**314 960**	-	**1 352 546**	**25 319 608**	**6 840 767**	**32 160 375**
Cemeteries	-			-	-		-	-	-	-	-
Civic Building	13 225 612	1 994 051		15 219 663	765 410	176 072	-	941 482	12 460 202	1 817 979	14 278 181
Community Halls	5 114 099	3 609 561		8 723 660	143 409	38 345	-	181 754	4 970 690	3 571 216	8 541 906
Markets	-			-	-		-	-	-	-	-
Parks & Gardens	-	20 368		20 368	-	20 368	-	20 368	-	-	-
Public Conveniences & Bathhouses	-			-	-		-	-	-	-	-
Recreational Grounds	8 017 483	1 531 747		9 549 230	128 767	80 175	-	208 942	7 888 716	1 451 572	9 340 288
Town Library	-			-	-		-	-	-	-	-
Transport Facilities	-			-	-		-	-	-	-	-
Other Assets	**3 826 059**	**235 842**	-	**4 061 901**	**1 887 159**	**480 956**	-	**1 991 117**	**1 938 900**	**(245 114)**	**2 070 784**
Landfill sites	565 238			565 238	314 193	62 804		-	251 045	(62 804)	565 238
Furniture & Fittings	56 645			56 645	31 606	6 635	-	38 240	25 039	(6 635)	18 405
Motor Vehicles	832 595	23 702		856 298	197 353	71 637	-	268 990	635 242	(47 935)	587 307
Office Equipment	495 043	63 490		558 533	255 603	56 370		311 973	239 440	7 120	246 560
Computer Equipment	560 936	82 433		643 369	206 045	93 225	-	299 270	354 891	(10 792)	344 099
Plant and Machinery	1 315 601	66 217		1 381 818	882 359	190 285	-	1 072 644	433 242	(124 068)	309 174
	87 601 939	**10 036 304**	-	**97 638 243**	**25 126 366**	**5 559 746**	-	**30 309 115**	**62 475 573**	**4 476 558**	**67 329 128**

30 JUNE 2012

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value		
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	**4 836 598**	-	-	**4 836 598**	**505**	**490**	-	**995**	**4 836 094**	**(490)**	**4 835 604**
Land	4 787 600			4 787 600	-	-	-	-	4 787 600	-	4 787 600
Buildings	48 998			48 998	505	490	-	995	48 494	(490)	48 004
Infrastructure	**47 182 274**	**5 155 609**	-	**52 337 883**	**17 384 461**	**4 659 526**	-	**22 043 987**	**29 797 813**	**496 083**	**30 293 896**
Electricity	15 249 354	3 218 743		18 468 097	1 248 388	359 279	-	1 607 667	14 000 966	2 859 464	16 860 430
Roads, Pavements, Bridges & Storm Water	31 932 921	1 936 865		33 869 786	16 136 073	4 300 247	-	20 436 320	15 796 848	(2 363 382)	13 433 466
Lease Assets	**244 204**	-	-	**244 204**	**107 799**	**48 841**	-	**156 640**	**136 405**	**(48 841)**	**87 564**
Office Equipment	244 204			244 204	107 799	48 841	-	156 640	136 405	(48 841)	87 564
Community Assets	**23 482 442**	**2 874 752**	-	**26 357 194**	**754 018**	**283 568**	-	**1 037 586**	**22 728 424**	**2 591 184**	**25 319 608**
Cemeteries	-			-	-	-	-	-	-	-	-
Civic Building	13 225 612			13 225 612	588 855	176 555	-	765 410	12 636 757	(176 555)	12 460 202
Community Halls	3 809 541	1 304 558		5 114 099	104 960	38 449	-	143 409	3 704 581	1 266 109	4 970 690
Markets	-			-	-	-	-	-	-	-	-
Parks & Gardens	-			-	-	-	-	-	-	-	-
Public Conveniences & Bathhouses	-			-	-	-	-	-	-	-	-
Recreational Grounds	6 447 289	1 570 194		8 017 483	60 203	68 564	-	128 767	6 387 086	1 501 630	7 888 716
Town Library	-			-	-	-	-	-	-	-	-
Transport Facilities	-			-	-	-	-	-	-	-	-
Other Assets	**3 498 876**	**327 183**	-	**3 826 059**	**1 384 364**	**502 795**	-	**1 887 159**	**2 114 512**	**(175 612)**	**1 938 900**
Landfill sites	565 238	-		565 238	251 217	62 976	-	314 193	314 021	(62 976)	251 045
Furniture & Fittings	56 645			56 645	24 337	7 269	-	31 606	32 308	(7 269)	25 039
Motor Vehicles	665 475	167 120		832 595	112 502	84 851	-	197 353	552 973	82 269	635 242
Office Equipment	420 342	74 701		495 043	180 512	75 091		255 603	239 830	(389)	239 440
Computer Equipment	475 574	85 362		560 936	121 958	84 086	-	206 045	353 615	1 276	354 891
Plant and Machinery	1 315 601			1 315 601	693 838	188 522	-	882 359	621 764	(188 522)	433 242
	79 244 395	**8 357 544**	-	**87 601 939**	**19 631 147**	**5 495 220**	-	**25 126 366**	**59 613 248**	**2 862 324**	**62 475 573**

An amount of R1 506 956 was included under Infrastructure Roads in the 2011/12 additions, it should however be noted that this was corrected by way of correction of error due to the fact that the expenditure on the roads related to provincial roads and therefore does not qualify as an asset in Tsolwana Municipalities records.
Accumulated depreciation as at 1 July 2011 was restated with an amount of R253 948 due to incorrect calculations of depreciation.

Assets with a cost of R82 206 and a Carrying value of R12 886 has been identified to be written off. Council approved of it on the 29th of August 2013. These assets are included in the balances above.

The leased property, plant and equipment and the buildings are secured as set out in note 2.

Tsolwanay Municipality did an assessment of useful lifes and depreciation method as at 30 June 2013 since the previous review was done on 30 June 2011. No impairment was identify nor was any changes in method of depreciation identified. The material factors could be identified other than those that excisted as at 30 June 2011 when the initial review took place. The same factors were still applicable and therefore no changes.

A fixed asset register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

11 **Assets pledged as security:** 2013 2012

No assets are pledged as security.

Third party payments received for losses incurred:

Tsolwana municipality did not receive any third party payments for any losses on assets for the period under review.

Impairment of property plant and equipment for the year

We have assessed the following classes of assets for impairments, however no impairments were identified other than those items to be disposed of.

Land and Buildings
Infrastructure
Community Assets
Lease Assets
Other movable assets.

12 **INVESTMENT PROPERTY**

	2012 R	2011 R
Net Carrying amount at 1 July	**27 434 164**	**27 723 744**
Cost	28 878 900	28 878 900
Under Construction		-
Accumulated Depreciation	(1 444 736)	(1 155 156)
Accumulated Impairment	-	-
Depreciation for the year	(288 789)	(289 580)
Net Carrying amount at 30 June	**27 145 375**	**27 434 164**
Cost	28 878 900	28 878 900
Accumulated Depreciation	(1 733 525)	(1 444 736)
Accumulated Impairment	-	-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property	4 502	7 500
Operating expenditure incurred on properties generating revenue	-	-
Operating expenditure incurred on properties not generating revenue	-	-

13 **INTANGIBLE ASSETS**

Computer Software

	2013 R	2012 R
Net Carrying amount at 1 July	**100 558**	**148 190**
Cost	218 445	212 745
Accumulated Amortisation	(117 887)	(64 555)
Additions	8 240	5 700
Amortisation	(54 699)	(53 332)
Net Carrying amount at 30 June	**54 099**	**100 558**
Cost	226 685	218 445
Accumulated Amortisation	(172 586)	(117 887)

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

		2013 R	2012 R
14	**INVENTORY**		
	Stationery - At cost	-	32 253
	Electrical stock	236 083	236 083
	Other Water department inventory	335 099	346 577
	Total Inventory	**571 182**	**614 913**
	Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
	Consumable stores materials surplusses identified during the annual stores counts.	-	-
	Inventory recognised as an expense during the year	**286 280**	**157 135**

No inventory assets were pledged as security for liabilities.

		2013 R	2012 R
15	**RECEIVABLES FROM EXCHANGE TRANSACTIONS**		
	Electricity	4 461 780	3 386 646
	Water	2 747 403	2 089 560
	Refuse	3 412 280	2 838 779
	Sewerage	5 183 520	4 423 686
	Other	93 971	960 578
	CHDM Service Authority	1 230 336	3 907 749
	Total Receivables from Exchange Transactions	**17 129 291**	**17 606 998**
	Less: Allowance for Doubtful Debts	(14 302 639)	(12 410 993)
	Total Net Receivables from Exchange Transactions	**2 826 651**	**5 196 005**

Consumer debtors are are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

	2013 R	2012 R
Current (0 - 30 days)	370 692	297 595
31 - 60 Days	211 354	150 470
61 - 90 Days	163 908	137 957
+ 90 Days	3 715 825	2 800 624
Total	**4 461 780**	**3 386 646**

(Water): Ageing

Current (0 - 30 days)	85 115	75 579
31 - 60 Days	83 847	55 448
61 - 90 Days	78 804	54 676
+ 90 Days	2 499 637	1 903 857
Total	**2 747 403**	**2 089 560**

(Refuse): Ageing

Current (0 - 30 days)	72 806	59 404
31 - 60 Days	58 103	49 315
61 - 90 Days	54 071	46 837
+ 90 Days	3 227 300	2 682 929
Total	**3 412 280**	**2 838 485**

(Sewerage): Ageing

Current (0 - 30 days)	110 858	93 144
31 - 60 Days	89 428	78 291
61 - 90 Days	82 402	75 382
+ 90 Days	4 900 832	4 177 163
Total	**5 183 520**	**4 423 980**

(Other): Ageing

Current (0 - 30 days)	2 741	2 741
31 - 60 Days	2 730	2 730
61 - 90 Days	2 730	2 730
+ 90 Days	85 770	952 377
Total	**93 971**	**960 578**

(Total): Ageing

Current (0 - 30 days)	642 212	528 463
31 - 60 Days	445 462	336 254
61 - 90 Days	381 916	317 581
+ 90 Days	14 429 365	12 516 950
Total	**15 898 955**	**13 699 248**

Reconciliation of Provision for Bad Debts

Balance at beginning of year	12 410 993	5 688 051
Contribution to provision	2 776 532	6 722 942
Bad Debts Written Off	(884 886)	-
Balance at end of year	**14 302 639**	**12 410 993**

The Provision for impairment could be allocated between the different classes of receivables as follows:

Electricity	3 882 732	2 965 474
Water	2 464 371	1 865 716
Refuse	3 313 890	2 814 360
Sewerage	4 626 024	3 865 296
Other	15 622	900 146
	14 302 639	**12 410 993**

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2013 R	2012 R
Rates	4 594 314	3 655 957
Other Receivables	980 404	371 765
Employee related debtors	222 614	58 074
Under investigation	478 201	-
Fuel Deposits	5 000	5 000
Contractor penalties	187 532	187 532
Fruitless and Wastefull expenditure recoverable	62 875	72 729
Payments made in advance	-	28 984
Other	24 181	19 445
Total Receivables from Non-Exchange Transactions	**5 574 718**	**4 027 721**
Less: Allowance for Doubtful Debts	(4 303 461)	(3 477 757)
Total Net Receivables from Non-Exchange Transactions	**1 271 257**	**549 964**

Rates debtors are are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

A fraudelent activity has been identified during the year under review. It is still under investigation by the South African Police as well as internally. A cheque to the amount of R478 201 was deposited into an unknown companies bank account and it was not captured on the system. The money however has been frozen and the money will be paid back into our bank account.

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

	2013	2012
Current (0 - 30 days)	44 678	29 965
31 - 60 Days	70 180	78 867
61 - 90 Days	72 718	118 129
+ 90 Days	4 406 738	3 428 997
Total	**4 594 314**	**3 655 957**

Reconciliation of Provision for Bad Debts

	2013	2012
Balance at beginning of year	3 477 757	2 679 399
Contribution to provision	825 704	798 358
Bad Debts Written Off	-	-
Balance at end of year	**4 303 461**	**3 477 757**

The entire provision for bad debts relates to the outstanding rates balance.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17 OPERATING LEASE ARRANGEMENTS

18.1 The Municipality as Lessor (Asset)

	2013	2012
Balance on 1 July	1 172	1 172
Movement during the year	(1 172)	-
Balance on 30 June	-	**1 172**

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

	2013	2012
Up to 1 Year	14 467	7 500
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	**14 467**	**7 500**

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for pervious ranging until 2014.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year.

18 **CASH AND CASH EQUIVALENTS**

Assets

Call Investment Deposits	9 060 155	5 631 219
Housing bank account	1 026 068	1 374 004
Capital Bank Account	280 471	973 063
Primary Bank Accounts	320 743	466 594
Cash Floats	90	90
Total Cash and Cash Equivalents - Assets	**10 687 527**	**8 444 971**

Liabilities

Primary Bank Account	-	-
Total Cash and Cash Equivalents - Liabilities	-	-

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts

First National Bank - Acc no 53850009219	- Housing Bank account	1 026 068	1 374 004
First National Bank - Acc no 62023697157	- Capital Bank account	280 471	973 063
First National Bank - Acc no 53852257262	- Primary Bank account	320 743	466 594
		1 627 282	**2 813 661**

First National Bank - Acc no 53850009219

Cash book balance at beginning of year	1 374 004	488 849
Cash book balance at end of year	1 026 068	1 374 004
Bank statement balance at beginning of year	1 323 147	488 849
Bank statement balance at end of year	1 026 088	1 323 147

First National Bank - Acc no 62023697157

Cash book balance at beginning of year	973 063	961 791
Cash book balance at end of year	280 471	973 063
Bank statement balance at beginning of year	973 899	1 496 970
Bank statement balance at end of year	1 276 161	973 899

First National Bank - Acc no 53852257262

Cash book balance at beginning of year	466 594	(155 124)
Cash book balance at end of year	320 743	466 594
Bank statement balance at beginning of year	1 050 757	886 513
Bank statement balance at end of year	1 589 651	1 050 757

Call Investment Deposits

Call investment deposits consist out of the following accounts:

- Acc no 61385739823	2 018 141	741 307
- Acc no 62067415127	137 797	135 423
- Acc no 62196097995	5 952 860	4 343 860
- Acc no 62240939100	951 357	410 629
	9 060 155	5 631 219

		2013 R	2012 R
19	**PROPERTY RATES**		
	Actual		
	Rateable Land and Buildings	2 412 896	2 380 639
	Residential, Commercial Property, State	2 412 896	2 380 639
	Less: Rebates	(903 139)	(1 021 133)
	Total Assessment Rates	**1 509 757**	**1 359 506**
	Valuations - 1 JULY 2008		
	Rateable Land and Buildings		
	Residential		106 922 500
	Residential - Other		21 558 500
	RDP Houses		4 185 500
	Industrial		22 329 500
	Government Properties		20 100 500
	Public Benefit		10 122 000
	Agricultural		1 053 487 260
	Municipal owned Property		7 021 000
	Total Assessment Rates		**1 245 726 760**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008.

Rates:		
Residential	0.57c/R	0.54c/R
Commercial/Business Properties	1.14c/R	1.08c/R
Public Service Infrastructure	-	-
Public Benefit Organisations	0.14c/R	0.13c/R
Industrial Properties	1.14c/R	1.08c/R
Agricultural Properties used for Agricultual Purposes	1.14c/R	0.13c/R
Agricultural Properties used for commercial/industrial	0.29c/R	0.27c/R
Agricultural Properties used for Eco- Tourism, Conservation Trading or Hunting of Game	0.29c/R	0.27c/R
Agricultural Properties not used for any purpose/purpose unknown to Municipality	0.57c/R	0.54c/R
State Owned Property	0.14c/R	0.13c/R
Municipal Owned Property	-	-
Vacant Properties	1.14c/R	1.08c/R

Rates are levied annually and monthly. Monthly rates are payable by the end of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

		2013 R	2012 R
20	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Unconditional Grants	**24 741 419**	**21 877 998**
	Equitable Share	24 741 419	21 877 998
	Conditional Grants	**18 340 244**	**15 256 989**
	Grants and donations	18 340 244	15 256 989
	Total Government Grants and Subsidies	**43 081 663**	**37 134 987**
	Government Grants and Subsidies - Capital	12 632 129	10 590 384
	Government Grants and Subsidies - Operating	30 449 534	26 544 604
		43 081 663	**37 134 987**

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share		
Executive & Council	5 259 542	4 232 132
Budget & Treasury	3 149 874	2 789 034
Corporate Services	4 175 768	3 677 945
Community & Social Services	7 217 082	6 986 118
Technical Services	4 939 481	4 192 769
	24 741 447	**21 877 998**

The municipality does not expect any significant changes to the level of grants.

20.1	**Equitable share**		
	Opening balance	-	-
	Grants received	24 741 419	21 877 998
	Conditions met - Operating	(24 741 419)	(21 877 998)
	Conditions met - Capital	-	-

Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

20.2 Department of Public Works and Roads

Opening balance	(1 717 830)	-
Grants received	3 502 051	-
Conditions met - Operating	(198 388)	-
Conditions met - Capital	(2 503 484)	(1 717 830)
Conditions still to be met	(917 651)	(1 717 830)

Monies transferred through SLA for the design and construction of internal roads.

20.3 Local Government Financial Management Grant (FMG)

Opening balance	-	-
Grants received	1 500 000	1 250 000
Conditions met - Operating	(1 500 000)	(1 250 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

20.4 Municipal Systems Improvement Grant

Opening balance	-	8 382
Grants received	800 000	790 000
Conditions met - Operating	(800 000)	(798 382)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

20.5 Municipal Infrastructure Grant (MIG)

Opening balance	4 080 647	1 780 419
Grants received	11 683 000	9 831 000
Conditions met - Operating	(584 150)	(324 215)
Conditions met - Capital	(8 174 876)	(7 006 557)
Monies returned to National Treasury	(1 496 053)	
Grant expenditure to be recovered	5 508 568	4 080 647

The grant was used to upgrade infrastructure in previously disadvantaged areas.

20.6 Housing Grants

Opening balance	1 433 995	1 606 037
Grants received	-	605 032
Conditions met - Operating	(355 909)	(777 074)
Conditions met - Capital	-	-
Grant expenditure to be recovered	1 078 086	1 433 995

Housing grants was utilised for the development of erven and the erection of top structures.

20.7 Integrated National Electrification Grant

Opening balance	134 004	2 626 979
Grants received	2 000 000	2 000 000
Conditions met - Operating	-	-
Conditions met - Capital	(1 953 768)	(1 865 997)
Monies returned to National Treasury	-	(2 626 978)
Conditions still to be met	180 236	134 004

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

20.8 Other Grants

Opening balance	746 185	831 187
Grants received	3 886 438	1 431 932
Conditions met - Operating	(1 768 336)	(1 516 935)
Conditions met - Capital	-	-
Conditions still to be met	2 864 287	746 185

Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)

20.9 Total Grants

Opening balance	4 677 001	6 853 003
Grants received	48 112 908	37 585 963
Conditions met - Operating	(29 948 202)	(26 544 603)
Conditions met - Capital	(12 632 129)	(10 590 384)
Monies returned to National Treasury	(1 496 053)	(2 626 978)
Conditions still to be met/(Grant expenditure to be recovered)	**8 713 525**	**4 677 001**

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	9 631 177	6 394 831
Unpaid Conditional Government Grants and Receipts	(917 651)	(1 717 830)
	8 713 526	**4 677 001**

21 **SERVICE CHARGES**

Electricity	5 532 521	4 567 873
Water	800 391	237 463
Refuse removal	1 568 672	1 341 651
Sewerage and Sanitation Charges	1 881 525	1 786 683
	9 783 109	7 933 671
Less: Rebates	(2 768 274)	(2 602 849)
Total Service Charges	**7 014 835**	**6 330 821**

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

22 **WATER SERVICE AUTHORITY CONTRIBUTION**

Chris Hani District Municipality - Water and Sewerage functions	6 489 172	6 424 354
Total finance charges	**6 489 172**	**6 424 354**

23 **OTHER INCOME**

	2013 R	2012 R
Pound Fees	6 450	4 042
Cemetery Fees	6 148	9 485
Building Plan & Inspection	482	-
Work for consumers	3 561	4 619
Sundry income	270 711	157 040
Total Other Income	**287 352**	**175 185**

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) and fees for items not included under service charges (camping, fire brigade and impounding fees)

24 **EMPLOYEE RELATED COSTS**

Bonus	887 196	851 957
Bargaining Council Levy	7 699	4 727
Contribution to Current Employee Benefits - Staff Leave	559 237	265 052
Contribution to Employee Benefits - Long Service Awards	66 623	60 852
Housing subsidy	21 696	8 520
Medical Aid Contributions	401 603	297 336
Overtime	538 763	418 091
Pension Fund Contributions	2 263 879	1 843 205
Post Employment Health Contribution	397 312	342 405
Salaries and Wages	14 080 920	12 767 672
Standby allowance	16 145	-
Travel, motor car, telephone, assistance and other allowances	620 901	484 268
UIF Contributions	114 951	90 311
	19 976 946	17 434 397
Less: Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	**19 976 946**	**17 434 397**

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - Mr S.J Dayi

Annual Remuneration	631 674	518 510
Performance Bonuses	-	93 367
Car Allowance	156 184	158 203
Telephone allowance	15 600	15 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	137 271	120 897
Total	**940 729**	**906 577**

Remuneration of the Director Technical Services - Mr MJ Mjamba

Annual Remuneration	-	107 460
Performance Bonuses	-	-
Traveling Allowance	-	12 000
Telephone allowance	-	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	19 024
Total	**-**	**138 484**

The position was vacant with Director of Community Services responsible for Technical department for the 2011/2012 financial year. The previous manager was suspended and his contract expired 30 September 2012. The position was filled as from 1 July 2012.

Remuneration of the Director Technical Services - Ms NY Mqoqi - 01 July 2012

Annual Remuneration	569 634	-
Performance Bonuses	-	-
Travelling Allowance	52 800	-
Telephone allowance	10 560	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	118 309	-
Total	**751 303**	-

Remuneration of the Director Corporate Services - Mr M Siqaza		
Annual Remuneration	597 884	504 162
Performance Bonuses	-	64 237
Travelling Allowance	48 000	48 000
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	93 766	85 283
Total	**749 250**	**711 282**

Remuneration of the Director Financial Services - Mr G de Jager		
Annual Remuneration	-	470 641
Performance Bonuses	-	65 259
Car Allowance	-	35 000
Telephone allowance	-	8 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	62 849
Total	-	**641 749**

Remuneration of the Director Financial Services - Ms S du Toit - 01 August 2012		
Annual Remuneration	659 378	-
Performance Bonuses	-	-
Car Allowance	33 000	-
Telephone allowance	8 800	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 784	-
Total	**702 962**	-

The contract of the CFO expired on 30 April 2012. An Acting Manager was appointed for the remaining period of the 2011/2012 financial year. The position was filled on the 1 August 2012.

Remuneration of the Director Community Services - Mr Z Nxano		
Annual Remuneration	597 884	504 169
Performance Bonuses	-	63 216
Travelling Allowance	48 000	48 000
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	93 765	85 276
Total	**749 249**	**710 261**

25 REMUNERATION OF COUNCILLORS

Councillors allowance	1 485 667	1 384 864
Travel and other allowances	678 834	642 355
Pension Fund Contributions	154 945	150 914
Other	-	13 512
Total Councillors' Remuneration	**2 319 466**	**2 191 645**

In-kind Benefits

The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.

Mayor - K Nqiqhi

Councillor allowance	401 829	369 503
Travel allowance	143 524	135 751
Telephone allowance	38 963	36 858
Contributions to UIF, Medical and Pension Funds	41 007	46 021
Total	**625 323**	**588 132**

M Bennett

Councillor allowance	133 088	124 766
Travel allowance	43 024	40 722
Telephone allowance	12 126	11 472
Contributions to UIF, Medical and Pension Funds	-	1 425
Total	**188 238**	**178 385**

M Mangcotywa

Councillor allowance	114 099	106 886
Travel allowance	43 024	40 722
Telephone allowance	12 126	11 472
Contributions to UIF, Medical and Pension Funds	18 990	19 226
Total	**188 238**	**178 306**

TM Baleng

Councillor allowance	114 099	106 886
Travel allowance	43 024	40 722
Telephone allowance	12 126	11 472
Contributions to UIF, Medical and Pension Funds	18 990	19 226
Total	**188 238**	**178 306**

CM Boast

Councillor allowance	133 088	124 766
Travel allowance	43 024	40 722
Telephone allowance	12 126	11 472
Contributions to UIF, Medical and Pension Funds	-	1 425
Total	**188 238**	**178 385**

N Nqabisa

Councillor allowance	114 099	106 886
Travel allowance	43 024	40 722
Telephone allowance	12 126	11 472
Contributions to UIF, Medical and Pension Funds	18 990	17 665
Total	**188 238**	**176 745**

VG Dyasi

Councillor allowance	133 088	123 276
Travel allowance	43 024	40 722
Telephone allowance	12 126	11 472

Contributions to UIF, Medical and Pension Funds	-	2 909
Total	**188 238**	**178 380**

N Ngcefe

Councillor allowance	114 099	117 316
Travel allowance	43 024	40 722
Telephone allowance	12 126	11 472
Contributions to UIF, Medical and Pension Funds	18 990	8 825
Total	**188 238**	**178 335**

GN Hlomendlini

Councillor allowance	114 098.8	117 316
Travel allowance	43 023.7	40 722
Telephone allowance	12 126.0	11 472
Contributions to UIF, Medical and Pension Funds	18 989.6	8 825
Total	**188 238**	**178 335**

IP van Heerden

Councillor allowance	114 099	117 316
Travel allowance	43 024	40 722
Telephone allowance	12 126	11 472
Contributions to UIF, Medical and Pension Funds	18 990	8 825
Total	**188 238**	**178 335**

26 **DEBT IMPAIRMENT**

Trade Receivables from exchange transactions - Note 15	2 776 532	6 722 942
Trade Receivables from non-exchange transactions - Note 16	825 704	798 358
Debt impairment recognised in statement of financial performance	**3 602 237**	**7 521 300**

27 **DEPRECIATION AND AMORTISATION**

Property Plant and Equipment	5 559 746	5 495 220
Investment Property	288 789	289 580
Intangible Assets	54 699	53 332
	5 903 235	**5 838 132**

28 **FINANCE CHARGES**

Finance leases	54 427	95 008
Total finance charges	**54 427**	**95 008**

29 **BULK PURCHASES**

Electricity	7 689 494	6 272 949
Water	106 590	116 262
Total Bulk Purchases	**7 796 083**	**6 389 211**

30 **GRANTS AND SUBSIDIES**

Pauper funerals	-	880
Total Grants and Subsidies	**-**	**880**

31 **REPAIRS AND MAINTENANCE**

Infrastructure	1 076 910	2 040 515
Land and Buildings	267 463	352 176
Other Assets	668 713	704 961
Total Grants and Subsidies	**2 013 086**	**3 097 652**

32 **OPERATING GRANT EXPENDITURE**

Operating grant expenditure per vote

Budget & Treasury	1 401 702	1 167 332
Executive & Council	794 773	389 382
Corporate Services	931 837	871 572
Community & Social Services	1 945 525	1 839 938
Technical Services	2 227 177	1 506 956
Total Operating grant expenditure	**7 301 014**	**5 776 180**

33 **GENERAL EXPENSES**

	2013 R	2012 R
Advertisement	178 704	256 649
Assets on behalf of Chris Hani District Municipality	454 806	214 287
Audit Fees	2 697 013	3 460 975
Bank Charges	202 234	190 777
Books, Magazines and Publications	20 404	34 426
Cleaning materials	24 673	31 046
Customer Care	116 389	128 285
Entertainment	77 622	324 547
Fuel Cost	1 154 919	1 202 892
Insurance	357 720	475 221
Interest on DBSA loan on behalf of Chris Hani District Municipality	20 439	60 551
Landfill Sites	58 657	99 795
Legal Cost	271 701	379 961
Mayor's fund and Imbizo	237 868	299 531
Membership fees	412 406	226 326
Other	457 786	425 228
Postage	26 537	29 280
Printing and stationery	289 095	157 135
Professional Fees	638 568	612 586
Rentals	49 911	108 341
Safety clothes	8 615	94 192
Skills development levy	183 924	134 187
SMME Seminar	145 585	-
Telephone	517 382	280 297
Town Planning	30 702	180 130
Training	360 977	740 906
Travel and subsistence	742 873	762 690
Vehicle and Equipment hire	139 866	117 745
Water purification and chemicals	28 884	14 071
General Expenses	**9 916 261**	**11 042 066**

34 CORRECTION OF ERROR IN TERMS OF GRAP 3

34.1 Property, Plant and Equipment

Balance previously reported	79 246 972
Identify errors in casting between General ledger and Fixed asset Register - Infrastructure Roads - Refer to note 11	(2 577)
The error detected was only a immaterial amount on the Roads infrastructure	
	79 244 395

34.2 Accumulated depreciation - Property, Plant and Equipment

Balance previously reported	19 377 198
Depreciation was incorrectly calculated resulted in understatement of Accumulated depreciation - Refer to note 11	253 948
Depreciation was incorrectly calculated as raised during the previous financial year audit outcome. We have embarked on a recalculation exercise and this is to clear the issues raised in the previous financial year.	
	19 631 146

34.3 Accumulated depreciation - Investment Property

Balance previously reported	1 165 716
Depreciation was incorrectly calculated resulted in understatement of Accumulated depreciation - Refer to note 12	(10 560)
Depreciation was incorrectly calculated as raised during the previous financial year audit outcome. We have embarked on a recalculation exercise and this is to clear the issues raised in the previous financial year.	
	1 155 156

34.4 Receivables from exchange transactions

Balance previously reported - Electricity	2 780 910
Immaterial difference identified between sub ledger and general ledger on Electricity debtors resulting in the ledger being understated with this immaterial amount - Refer to note 15	139
Immaterial difference identified on opening balances between ledger and sub-ledger	
	2 781 050
Balance previously reported - Water	2 089 559
Immaterial difference identified between sub ledger and general ledger on Water debtors resulting in the ledger being understated with this immaterial amount - Refer to note 15	154
Immaterial difference identified on opening balances between ledger and sub-ledger	
	2 089 714
Balance previously reported - Other	904 699
An Financial instrument creditor was created during the 2009/2010 audit during the audit. Subsequent to that year ASB approved a GRAP standard on Financial instruments and this figure is therefore not applicalbe.	36 123
Council approved for the amount to be written of.	
	940 822

34.5 Receivables from non-exchange transactions

Balance previously reported - Rates	2 885 785
A difference has been detected between the ledger and the sub-ledger for Rates due to changes made between the capital portion and current - Refer to not 16	23 796
Immaterial difference identified on opening balances between ledger and sub-ledger	
	2 909 581

34.6 Accumulated Surplus

Balance previously reported - Rates	96 442 171
Identify errors in casting between General ledger and Fixed asset Register - Infrastructure Roads - Refer to note 11	(2 577)
Depreciation was incorrectly calculated resulted in understatement of Accumulated depreciation - Refer to note 11	(253 948)
Depreciation was incorrectly calculated resulted in understatement of Accumulated depreciation - Refer to note 12	10 560
Immaterial difference identified between sub ledger and general ledger on Electricity debtors resulting in the ledger being understated with this immaterial amount - Refer to note 15	139
Immaterial difference identified between sub ledger and general ledger on Water debtors resulting in the ledger being understated with this immaterial amount - Refer to note 15	154
An Financial instrument creditor was created during the 2009/2010 audit during the audit. Subsequent to that year ASB approved a GRAP standard on Financial instruments and this figure is therefore not applicalbe.	36 123
A difference has been detected between the ledger and the sub-ledger for Rates due to changes made between the capital portion and current - Refer to not 16	23 796

96 256 417

35 STATEMENT OF FINANCIAL PERFORMANCE

Balance previously reported	
Operating grant expenditure on national roads was capitalised during 2011/2012 - Refer to note 32	(5 129 814)
Landfill site expenditure previously overstated and incorrectly classified as finance charges	(1 506 958)
	302 291
Restatement from Finance charges to General expenditure	-
Correction on overstatement of Landfill site expenditure	302 291
Stale cheques written back for 2011/2012 agains general expenditure - other	4 995
Grant revenue incorrectly recorded based on the approved roll over from National Treasury	(284 138)
Interest on investments were incorrectly recorded and some were not, this is to correct the interest received in 2011/2012	2 173
Monies received for electricity third parties were incorrectly allocated to revenue instead of against the debtor	172
Correction on Depreciation and amortisation due to incorrect calculations in prior year	(101 724)
	(134 251)
Property Plant and Equipment	(139 279)
Intangible assets	3 179
Investment property	1 849
Total	**(6 847 252)**

36 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

	2013 R	2012 R
Surplus/(Deficit) for the year		
Adjustments for:	2 132 045	(6 851 857)
Depreciation		
Amortisation of Intangible Assets	5 848 535	5 784 800
Gain on disposal of property, plant and equipment	54 699	53 332
Loss on disposal of property, plant and equipment	(338)	(19 035)
Debt Impairment	-	-
Contribution to staff leave	3 602 237	7 521 300
Contribution from/to employee benefits	559 237	265 052
Actuarial Gains	558 879	500 179
Grants Received	2 287	303 559
Grant Expenditure	48 112 908	37 585 963
Operating lease income accrued	(42 580 331)	(37 134 987)
	1 172	-
Operating Surplus/(Deficit) before changes in working capital		
Changes in working capital	18 291 329	8 008 306
	(6 542 173)	(1 594 882)
Increase/(Decrease) in Trade and Other Payables	(1 267 422)	4 101 954
Increase/(Decrease) in Taxes	(544 161)	765 161
(Increase)/Decrease in Inventory	43 731	(614 913)
(Increase)/Decrease in Trade and other receivables	(4 774 320)	(5 867 084)
Cash generated/(absorbed) by operations	**11 749 157**	**6 413 424**

37 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 18	9 060 155	5 631 219
Cash Floats - Note 18	90	90
Bank - Note 18	1 026 068	1 374 004
Bank overdraft - Note 18	-	-
Total cash and cash equivalents	**10 086 313**	**7 005 313**

38 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 37	10 086 313	7 005 313
Less:	10 086 313	7 005 313
	9 631 177	6 394 831
Unspent Committed Conditional Grants - Note 9	9 631 177	6 394 831
Resources available for working capital requirements	**455 136**	**610 482**
Resources available for working capital requirements	455 136	610 482

39 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	61 646	128 278
Used to finance property, plant and equipment - at cost	(61 646)	(128 278)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-
	-	-

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

40 BUDGET COMPARISONS

40.1 Operational

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
Revenue by source				
Property Rates	1 509 757	1 800 000	(290 243)	-16%
Government Grants and Subsidies - Capital	12 632 130	12 914 700	(282 570)	-2%
Government Grants and Subsidies - Operating	30 449 562	31 755 790	(1 306 228)	-4%
Public Contributions and Donations	-	-	-	0%
Fines	3 000	7 000	(4 000)	-57%
Service Charges	7 014 835	6 701 651	313 184	5%
Rental of Facilities and Equipment	57 701	54 000	3 701	7%
Interest Earned - external investments	287 090	224 900	62 190	28%
Interest Earned - outstanding debtors	1 367 316	1 277 686	89 630	7%
Agency Services	918 833	1 098 489	(179 656)	-16%
Other Income	287 352	56 600	230 752	408%
Gain on disposal of Property, Plant and Equipment	338	-	338	100%
	54 527 913	55 890 816	(1 362 903)	-2%
Expenditure by nature				
Employee Related Costs	19 976 946	19 813 018	(163 928)	1%
Remuneration of Councillors	2 319 466	2 337 287	17 821	-1%
Debt Impairment	3 602 237	300 000	(3 302 237)	1101%
Depreciation and Amortisation	5 704 000	5 954 670	250 670	-4%
Repairs and Maintenance	2 013 085	3 365 447	1 352 362	-40%
Finance Charges	54 427	170 000	115 573	-68%
Bulk Purchases	7 796 083	8 297 000	500 917	-6%
Grants and Subsidies	-	5 000	5 000	-100%
Operating Grant Expenditure	7 301 014	7 033 350	(267 664)	4%
General Expenses	9 916 261	10 924 588	1 008 327	-9%
	58 683 518	58 200 360	(483 158)	1%
Net Surplus for the year	**(4 155 605)**	**(2 309 544)**	**(1 846 061)**	80%

40.2 Expenditure by Vote

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
Executive & Council	6 266 855	6 593 722	(326 867)	-5%
Budget & Treasury	9 105 275	8 610 806	494 469	6%
Corporate Services	5 304 722	5 307 670	(2 948)	0%
Community & Social Services	11 332 577	12 443 402	(1 110 825)	-9%
Technical Services	26 875 996	28 028 434	(1 152 437)	-4%
	58 885 426	**60 984 034**	**(2 098 608)**	**-3%**

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

41.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:	2013 R	2012 R
Opening balance	7 998 323	5 873 374
Unauthorised expenditure current year - operating	494 469	7 998 323
Written off by council	-	(5 873 374)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	**8 492 792**	**7 998 323**

Unauthorised expenditure on operating vote for Budget and Treasury is due to under budgeting for Audit fees.

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	*None*

	2013 R	2012 R

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)

41.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

	2013 R	2012 R
Opening balance	349 583	602 428
Fruitless and wasteful expenditure current year	12 822	349 583
Written off by council	-	(602 428)
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	**362 406**	**349 583**

Incident	Disciplinary steps/criminal proceedings	2013 R	2012 R
Interest on late payment of creditors	*None*	11 197	
Expenditure incurred on meetings that did not took place	*None*	1 625	
		12 822	-

41.3 **Irregular expenditure**

Reconciliation of irregular expenditure:

	2013 R	2012 R
Opening balance	8 223 988	287 876
Irregular expenditure current year	#REF!	8 223 988
Condonement supported by council	-	(287 876)
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	**#REF!**	**8 223 988**
Irregular expenditure awaiting condonement from National Treasury	-	-

Incident	Disciplinary steps/criminal proceedings	2013 R	2012 R
SCM Policy was not in line with SCM Regulations therefore all expenditures between R2001 - R200 000 has been declared as irregular	*None*	#REF!	8 223 988
Expenditure incurred prior to order being issued.	*None*	#REF!	
Peferential point system not applied in tender pocess.	*None*	#REF!	-
Non-compliance with Supply Chain Management Policy - 3 Quotations not obtained	*None*	#REF!	-
		#REF!	8 223 988

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

41.4 **Material Losses**

	2013	2012
Water distribution losses		
- Kilo litres disinfected/purified/purchased	-	996 946
- Kilo litres lost during distribution	-	646 557
- Percentage lost during distribution	#DIV/0!	64.85%
Electricity distribution losses		
- Units purchased (Kwh)	9 599 886	9 924 694
- Units lost during distribution (Kwh)	4 385 451	5 220 854
- Percentage lost during distribution	45.68%	52.60%

42 **ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

42.1 **Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**

	2013 R	2012 R
Opening balance	-	-
Council subscriptions	450 000	219 500
Amount paid - current year	(450 000)	(219 500)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

42.2 Audit fees - [MFMA 125 (1)(b)]

	2013 R	2012 R
Opening balance	119 267	9 487
Current year audit fee	2 462 283	2 514 775
External Audit - Auditor-General		
	2 462 283	2 514 775
Amount paid - current year	(1 948 956)	(1 997 334)
Amount paid - prior year	(119 267)	(9 487)
Amount paid - National Treasury	(501 332)	(398 174)
Balance unpaid (included in creditors)	**11 995**	**119 267**

42.3 VAT - [MFMA 125 (1)(b)]

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

42.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

	2013 R	2012 R
Opening balance	-	-
Current year payroll deductions and Council Contributions	2 492 371	1 813 510
Amount paid - current year	(2 492 371)	(1 813 510)
Balance unpaid (included in creditors)	-	-

42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

	2013 R	2012 R
Opening balance	-	-
Current year payroll deductions and Council Contributions	4 355 290	3 517 562
Amount paid - current year	(4 355 290)	(3 517 562)
Balance unpaid (included in creditors)	-	-

42.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

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

	2013 R Outstanding more than 90 days	2012 R Outstanding more than 90 days
Councillor IP van Heerden	77 935	43 602
Total Councillor Arrear Consumer Accounts	**77 935**	**43 602**

42.7 Other non-compliance (MFMA 125(2)(e))

Section 9(b) of the MFMA requires that annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account should be submitted to the relevant provincial treasury and the Auditor-General in writing. The municipality did not adhere to this section in the current year.

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA.

The municipality did not submit all the relevant reports in time to National Treasury as required ito Section (71) of the MFMA.

All MIG projects implemented in 2012/2013 financial year were registered after August 2012 due to change of project list and three year capital plan. All projects for implementation were submitted to the Province (District Appraisal Committee) but the Province rejected the project list, reason being that project costing was not talking to scope of work and also the MIG allocation was divided into five equal shares. When the technical manager was appointed on July 2012, she suggested appropriate project identification and registration processes. During August the council was still re-prioritising project list to accommodate the IDP. It should however be mention that no project was implemented without approval letter from the Province (DLGTA).

All capital projects were not registered on CIDB (i-tender form); SCM is not familiar with the administration system from CIDB to register all of our tender notices and all stages of the tendering process.

43 CAPITAL COMMITMENTS

	2013 R	2012 R

Commitments in respect of capital expenditure:

Approved and contracted for:	5 223 994	3 242 277
Total commitments consist out of the following		
Traffic Testing Station	3 911 291	-
Zola Sport fields Facilities	704 727	-
Renovation of Hofmeyr phase 2	227 863	2 506 880
Thembalethu	380 114	735 397
	-	-
	5 223 994	**3 242 277**

This expenditure will be financed from:		
External Loans	-	-
Capital Replacement Reserve	-	-
Government Grants	-	-
Own Resources	5 223 994	3 242 277
District Council Grants	-	-
	5 223 994	**3 242 277**

		2013 R	2012 R
44	FINANCIAL RISK MANAGEMENT		

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2013 R	2012 R
1% (2012 - 0.5%) Increase in interest rates	106 258	41 583
0.5% (2012 - 0.5%) Decrease in interest rates	(53 129)	(41 583)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 15 and 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 15 and 16 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2013 %	2013 R	2012 %	2012 R
Non-Exchange Receivables				
Rates	100.00%		100.00%	148 234
Exchange Receivables				
Electricity	1.46%	208 355	1.82%	225 301
Water	1.38%	197 918	1.19%	148 265
Refuse	0.18%	25 584	0.00%	-
Sewerage	3.12%	446 639	3.75%	465 540
Other	0.53%	75 608	0.17%	21 586
	6.67%	954 104	6.93%	860 693

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 15 and 16 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2013 %	2013 R	2012 %	2012 R
Non-Exchange Receivables				
Rates	100.00%	4 594 314	100.00%	3 477 767
Exchange Receivables				
Electricity	27.15%	3 882 732	23.89%	2 965 474
Water	17.23%	2 464 371	15.03%	1 865 716
Refuse	23.17%	3 313 890	22.68%	2 814 360
Sewerage	32.34%	4 626 024	31.14%	3 865 296
Other	0.11%	15 622	7.25%	900 148
	100.00%	14 302 639	100%	12 410 993

Bad debts written off per debtor class:	2013 %	2013 R	2012 %	2012 R
Non-Exchange Receivables				
Rates	0.00%	-	0.00%	-
Exchange Receivables				
Other	100.00%	(884 886)	0.00%	-
	100.00%	(884 886)	0.00%	-

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:	2013 R	2012 R
Receivables from exchange transactions	2 826 651	5 196 005
Receivables from non-exchange transactions	980 404	371 765
Cash and Cash Equivalents	10 687 527	8 444 971
Non-Current Investments	#REF!	#REF!
Unpaid conditional grants and subsidies	917 651	1 717 830
	#REF!	#REF!

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

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

2013	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities - Finance Lease Liability	61 646	-	-	-
Capital repayments	67 225		-	-
Interest	(5 579)		-	-
Provisions - Landfill Sites	1 181 458	-	-	-
Capital repayments	1 181 458		-	-
Trade and Other Payables	1 612 928	-	-	-
Unspent conditional government grants and receipts	9 631 177	-	-	-
Cash and Cash Equivalents	-			
	12 487 209	-	-	-

2012	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities - Finance Lease Liability	128 278	-	-	-
Capital repayments	148 370	-	-	-
Interest	(20 092)	-	-	-
Provisions - Landfill Sites	1 122 801	-	-	-
Capital repayments	1 122 801	-	-	-
Trade and Other Payables	3 244 902	-	-	-
Unspent conditional government grants and receipts	6 394 831	-	-	-
Cash and Cash Equivalents	-	-	-	-
	10 890 812	-	-	-

45 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

45.1 Financial Assets

Financial Assets	Classification	2013 R	2012 R
Investments			
Fixed Deposits	Financial instruments at amortised cost	-	-
Long-term Receivables			
Officials Housing Loans	Financial instruments at amortised cost	-	-
Rates (Re-negotiated terms)	Financial instruments at amortised cost	-	-
Councillor Allowances	Financial instruments at amortised cost	-	-
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	2 826 651	5 196 005
Receivables from non-exchange transactions	Financial instruments at amortised cost	980 404	371 765
Other Receivables			
Government Subsidies and Grants	Financial instruments at amortised cost	917 651	1 717 830
Current Portion of Long-term Receivables			
Officials Housing Loans	Financial instruments at amortised cost	-	-
Sport Club Loans	Financial instruments at amortised cost	-	-
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	9 060 155	5 631 219
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	1 026 068	1 374 004
Cash Floats and Advances	Financial instruments at amortised cost	90	90
		14 811 019	**14 290 913**

SUMMARY OF FINANCIAL ASSETS

	2013 R	2012 R
Financial instruments at amortised cost	14 811 019	14 290 913
At amortised cost	**14 811 019**	**14 290 913**

FINANCIAL INSTRUMENTS (CONTINUE)

45.2 Financial Liability

Financial Liability	Classification
Long-term Liabilities	

Capitalised Lease Liability	Financial instruments at amortised cost	11 325	61 646
Payables from exchange transactions			
Trade creditors	Financial instruments at amortised cost	1 550 375	2 994 634
Arrear portion of long term liabilities	Financial instruments at amortised cost	20 850	20 850
Retentions	Financial instruments at amortised cost	431 084	84 710
Other Payables			
Government Subsidies and Grants	Financial instruments at amortised cost	9 631 177	6 394 831
Current Portion of Long-term Liabilities			
Capitalised Lease Liability	Financial instruments at amortised cost	50 321	66 632
		11 695 132	**9 623 312**

SUMMARY OF FINANCIAL LIABILITY

Financial instruments at amortised cost	**11 695 132**	**9 623 312**

46 **EVENTS AFTER THE REPORTING DATE**

Council took a resolustion on the 29th of August 2013 to pay the 14th Cheque to employees as suggested by the fasilitator appointed by SALGA. The suggestion however was not supported by SALGA and SALGA is still awaiting the finalisation of the court sitting of the 20th of August 2013. The stimated amount is R820 000.

47 **IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any in-kind donations or assistance during the year under review.

48 **PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

49 **CONTINGENT LIABILITY**

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is a general 2% increase in remuneration as from October 2009. There is an uncertainty as to the excact calcultation as at year end.

The municipality are not registered for Workmen's Compensation and therefore there is a posiblity for Tsolwana Municipality to pay to Workmens Commisionar an amount of R934 384 based on calculations made since 2000.

Riegers Plan Hire CC instituted a claim for alleged breach of contract against the Kwakhiwe Construction/BNX Trading Joint Venture arising out of their non-payment of invoices. Kwakhiwe Construction brought a defense that the amount claimed was not owed by them, buth rather by the municipality as per the signed cession agreement. It is for that reason that they decided to bring an application to join the municipality in the main claim, which was granted by the court albeit wrongly. The Municipality has been joined to the main action, and at this point the Pleas shall be served and filed accordingly. Total amount of R430 000 is the possible liability if successfull alternatively the municipality will only incurr legal cost of R50 000.

An employee has alleged damages against the municipality for defamation. No court papers has been filed to date. Possible amount R350 000

Notice has been received by the Municipality for the intention to institute legal proceedings against the Mayor and Tsolwana municipality in terms of section 3 of the legal proceedings against certain organs of state Act 40 of 2002 ("ILPCOS"). Possible amount R200 000

50 **RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

50.1 **Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note to the Annual Financial Statements.

50.2 **Compensation of key management personnel**

The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.

50.3 **Other related party transactions**

The following purchases were made during the year where Councillors or staff have an interest:

Councillors	16 875
Top Management	15 850
Middle management	12 057
Other	7 800

51 **FINANCIAL SUSTAINABILITY**

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The Municipalities cash reserves decreased tremendiously during the past few financial years.

The debtors increased with more than the annual increase in tariffs which resulting in a tremendious increase in the provision for bad debts and is an indication that cash due to us might not be collected. The water and sanitation tariffs approved by the district Municipality increase with more than 100% on average that will have a negative impact on the outstanding debtors as well as cash flow.

The municipality remain grant dependent and is exploring options to increase the revenue source of the municipality.

Other Indicators

Possible outflow of recources due the contingent liability disclosed in note 49

The new contract between the municipality and the district municipality stipulates that any losses incurred as from 1 July 2011 will be for the account of Tsolwana Municipality which might have a negative impact.

APPENDIX A - Unaudited
TSOLWANA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
MUNICIPAL VOTES CLASSIFICATION

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
2 029 996	(6 016 708)	(3 986 712)	Municipal Manager	4 286 286	(3 470 122)	816 164
2 620 888	(2 760 785)	(139 897)	General Council	2 880 969	(2 796 734)	84 235
7 110 239	(9 092 104)	(1 981 866)	Finance & Administration	8 247 160	(9 105 275)	(858 115)
4 750 238	(4 774 639)	(24 401)	Administration: Human Resourses	5 055 216	(5 304 722)	(249 506)
271 470	(211 023)	60 447	Public Safety	1 683 068	(539 428)	1 143 640
4 495 657	(5 729 655)	(1 233 998)	Planning & Development	9 090 231	(5 084 797)	4 005 434
369 207	(581 314)	(212 107)	Libraries	439 000	(622 474)	(183 474)
179 334	(87 992)	91 342	Cemetries	199 148	(43 393)	155 755
3 768 174	(653 263)	3 114 911	Sport & Recreation	2 285 723	(100 412)	2 185 311
3 724 436	(4 391 320)	(666 883)	Waste Management	3 671 676	(4 942 074)	(1 270 398)
4 521 571	(2 205 410)	2 316 160	Road Transport	3 746 256	(6 929 052)	(3 182 796)
11 538 723	(8 846 612)	2 692 111	Electricity	10 917 813	(10 669 550)	248 262
5 250 623	(7 301 046)	(2 050 423)	Water	5 076 116	(5 834 670)	(758 554)
2 594 697	(7 041 915)	(4 447 217)	Waste Water Management	3 438 424	(3 442 339)	(3 915)
53 225 253	(59 693 786)	(6 468 533)	Sub Total	61 017 085	(58 885 040)	2 132 045
-	-	-		-	-	-
53 225 253	(59 693 786)	(6 468 533)	**Total**	61 017 085	(58 885 040)	2 132 045

APPENDIX B - Unaudited
TSOLWANA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
4 650 884	(8 777 494)	(4 126 609)	Executive & Council	7 167 255	(6 266 855)	900 400
7 110 239	(9 092 104)	(1 981 866)	Budget & Treasury	8 247 160	(9 105 275)	(858 115)
4 750 238	(4 774 639)	(24 401)	Corporate Services	5 055 216	(5 304 722)	(249 506)
12 808 278	(11 654 566)	1 153 712	Community & Social Services	17 368 846	(11 332 577)	6 036 269
23 905 614	(25 394 982)	(1 489 369)	Technical Services	23 178 609	(26 875 610)	(3 697 002)
						-
53 225 253	(59 693 786)	(6 468 533)	Total	61 017 085	(58 885 040)	2 132 045

APPENDIX C - Unaudited
TSOLWANA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2012	Correction of error	Balance 1 JULY 2011	Grants Received	Monies Returned	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 1 JULY 2012
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	R	R	R	R
National Government Grants								
Equitable Share	-	-	-	21 877 998	-	21 877 998	-	-
NT - 1% Contribution Audit fees				398 174		398 174		-
Local Government Financial Management Grant	-	-	-	1 250 000	-	1 250 000	-	-
Integrated National Electrification Programme (Eskom) Grant	2 626 979	-	2 626 979	2 000 000	2 626 978	-	1 865 997	134 004
- DME Projects	2 626 979	-	2 626 979	2 000 000	2 626 978	-	1 865 997	134 004
Municipal Infrastructure Grant	1 780 419		1 780 419	9 631 000	-	324 215	7 006 557	4 080 647
Municipal Systems Improvement Grant	8 382	-	8 382	790 000	-	798 382	-	0
EPWP	-	-	-	-	-	-	-	-
Total National Government Grants	4 415 780	-	4 415 780	35 947 172	2 626 978	24 648 769	8 872 554	4 214 651
National Government Grants								
Project Library	-	-	-	369 207	-	369 207	-	-
Department of Raods - Internal roads	-	-	-		-		1 717 830	(1 717 830)
Other Housing monies	1 001 653	-	1 001 653		-	172 042		829 611
DPLG & Housing	-	-	-	605 032	-	605 032		-
1400 Thornhill Housing	63 264	-	63 264		-	-		63 264
671 Tarkastad Housing	129 446	-	129 446	-	-	-	-	129 446
1000 Tarkastad Housing	276 252	-	276 252	-	-	-	-	276 252
1000 Hofmeyer Housing	135 422	-	135 422	-	-	-	-	135 422
Total Provincial Government Grants	1 606 037	-	1 606 037	974 239		1 146 281	1 717 830	(283 835)
District Municipality Grants								
Rehabilitation of internal roads	109 274	-	109 274	-	-	-	-	109 274
Other - IDP	-	-	-	94 247		24 247		70 000
Tendergate Goat Project	8 411	-	8 411	119 600		119 600	-	8 411
Total District Municipality Grants	117 685	-	117 685	213 847	-	143 847	-	187 685
Other Grant Providers								
HIV assistance	-	-	-	-	-	-	-	-
Vuna award	-	-	-	40 000	-	-		40 000
SETA	-	-	-	100 321	-	100 321		-
HR Related projects	173 590	-	173 590		-	173 590		-
Valuations	146 987	-	146 987		-	-		146 987
Mapping project	55 145	-	55 145		-	-		55 145
Schaapkraal project	112 697	-	112 697		-	-		112 697
LED project: Vlekpoort	22 083	-	22 083		-	22 083		-
LED project: Other	53 000	-	53 000	67 175	-	-	-	120 175
Voting station	150 000	-	150 000	-	-	66 505	-	83 495
EPWP grant	-	-	-	243 209	-	243 209	-	-
Total Other Grant Providers	713 502	-	713 502	450 705	-	605 707	-	558 500
Total	6 853 004	-	6 853 004	37 585 963		26 544 604	10 590 384	4 677 001

APPENDIX D - Unaudited
TSOLWANA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2012	Correction of error	Balance 1 JULY 2012	Grants Received	Monies Returned	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2013
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R		R	R	R
National Government Grants								
Equitable Share	-	-	-	24 741 419		24 741 419	-	-
NT - 1% Contribution Audit fees	-		-	501 332		501 332		-
Local Government Financial Management Grant	-	-	-	1 500 000		1 500 000	-	-
Integrated National Electrification Programme (Eskom) Grant	134 004	-	134 004	2 000 000	-	-	1 953 768	180 236
- DME Projects	134 004	-	134 004	2 000 000	-	-	1 953 768	180 236
Municipal Infrastructure Grant	4 080 647		4 080 647	11 683 000	1 496 053	584 150	8 174 676	5 508 568
Municipal Systems Improvement Grant	0	-	0	800 000		800 000	-	0
EPWP	-	-	-	1 000 000		1 000 000	-	-
Total National Government Grants	4 214 651	-	4 214 651	42 225 751		29 128 901	10 128 645	5 688 804
Provincial Government Grants								
Project Library	-	-	-	439 000		439 000	-	-
Department of Raods - Internal roads	(1 717 830)	-	(1 717 830)	3 502 051		198 388	2 503 484	(917 651)
Other Housing monies	829 611	-	829 611					829 611
DPLG & Housing	-	-	-					-
1400 Thornhill Housing	63 264	-	63 264			4 200		59 064
671 Tarkastad Housing	129 446	-	129 446			129 446	-	(0)
1000 Tarkastad Housing	276 252	-	276 252	-		222 263	-	53 989
1000 Hofmeyer Housing	135 422	-	135 422	-		-	-	135 422
Total Provincial Government Grants	(283 835)	-	(283 835)	3 941 051		993 297	2 503 484	160 434
District Municipality Grants								
Rehabilitation of internal roads	109 274	-	109 274	-		-	-	109 274
Other - IDP	70 000	-	70 000			-		70 000
Tendergate Goat Project	8 411	-	8 411	30 000		-	-	38 411
Paving Project	-	-	-	2 000 000	-	-		2 000 000
Total District Municipality Grants	187 685	-	187 685	2 030 000	-	-	-	2 217 685
Other Grant Providers								
HIV assistance	-	-	-	-		-	-	-
Vuna award	40 000	-	40 000					40 000
IDP assistance	-	-	-	250 000		249 888		112
SETA				79 448		79 448		-
HR Related projects	-	-	-					-
Valuations	146 987	-	146 987					146 987
Mapping project	55 145	-	55 145					55 145
Schaapkraal project	112 697	-	112 697					112 697
LED project: Vlekpoort	-	-	-					-
LED project: Other	120 175	-	120 175	87 990				208 165
Voting station	83 495	-	83 495	-		-	-	83 495
EPWP grant	-	-	-	-		-	-	-
Total Other Grant Providers	558 500	-	558 500	417 438		329 336	-	646 602
Total	**4 677 001**	-	**4 677 001**	**48 614 239**		**30 449 534**	**12 632 129**	**8 713 525**