



**PORT ST JOHNS**  
• MUNICIPALITY •

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

# Port St Johns Municipality

(Registration number ###/#####/##)

Financial Statements for the year ended June 30, 2013

## GENERAL INFORMATION

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### MEMBERS OF THE COUNCIL

Councillor D Mangqo  
Councillor T Khukula  
Councillor B Nokanda  
Councillor ZH Cube  
Councillor NB Mtuku  
Councillor S Mzaza  
Councillor L Ndamase  
Councillor C Nduku/Mazuza  
Councillor L Rolobile  
Councillor GF Tobela  
Councillor NF Bokwe  
Councillor B Daniso  
Councillor NF Diko  
Councillor KM Fono  
Councillor NC Fono  
Councillor MPJ Kotana  
Councillor P Langa  
Councillor MS Mabovana  
Councillor D Madini  
Councillor S Madolo  
Councillor Z Maqina  
Councillor J S Lobi  
Councillor N Mbotshwa  
Councillor VN Mcekisa  
Councillor Z Mhlabeni

### ACTING MUNICIPAL MANAGER

F. Guleni

### ACTING CHIEF FINANCIAL OFFICER

C Mbilini

### GRADING OF LOCAL AUTHORITY

Grade 2

### AUDITORS

Auditor-General

### BANKERS

ABSA

### PHYSICAL ADDRESS

257 Main street  
Port St Johns  
5120

### POSTAL ADDRESS

P O Box 2  
Port St Johns  
5120

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## INDEX

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

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## ABBREVIATIONS

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

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

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

The municipality is wholly dependent on the XXXX Municipality for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the XXXX Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The financial statements set out on pages 4 to 40, which have been prepared on the going concern basis, were approved by the on August 30, 2013 and were signed on its behalf by:

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**Accounting Officer**  
**Municipal Manager:**

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2013

Figures in Rand	Note(s)	2013	2012
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Inventories	5	371,205	204,468
Receivables from exchange transactions	6	58,832	319,634
VAT receivable	7	3,991,891	5,675,699
Consumer debtors	8	2,534,518	2,002,703
Cash and cash equivalents	9	14,907,850	3,456,226
		<b>21,864,296</b>	<b>11,658,730</b>
<b>NON-CURRENT ASSETS</b>			
Investment property	4	13,742,543	13,882,773
Property, plant and equipment	3	343,313,460	344,318,319
		<b>357,056,003</b>	<b>358,201,092</b>
Non-Current Assets		357,056,003	358,201,092
Current Assets		21,864,296	11,658,730
Non-current assets held for sale (and) (assets of disposal groups)		-	-
<b>Total Assets</b>		<b>378,920,299</b>	<b>369,859,822</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables from exchange transactions	11	10,757,051	19,442,693
Unspent conditional grants and receipts	10	526,882	91,875
		<b>11,283,933</b>	<b>19,534,568</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	2	248,891	159,918
Non-Current Liabilities		248,891	159,918
Current Liabilities		11,283,933	19,534,568
Liabilities of disposal groups		-	-
<b>Total Liabilities</b>		<b>11,532,824</b>	<b>19,694,486</b>
Assets		378,920,299	369,859,822
Liabilities		(11,532,824)	(19,694,486)
<b>Net Assets</b>		<b>367,387,475</b>	<b>350,165,336</b>
Accumulated surplus		367,387,475	350,165,336

# Port St Johns Municipality

(Registration number ###/#####/##)

Financial Statements for the year ended June 30, 2013

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2013	2012
<b>Revenue</b>			
Service charges	14	488,545	514,281
Rental of facilities and equipment	13	109,198	324,007
Licences and permits		22,336	10,409
Other income	23	646,216	725,211
Interest received - investment		1,461,190	1,478,020
Property rates	13	6,346,046	5,791,115
Government grants & subsidies	15	98,095,318	95,637,057
Fines		32,528	83,002
<b>Total revenue</b>		<b>107,201,377</b>	<b>104,563,102</b>
<b>Expenditure</b>			
Personnel	17	30,377,889	26,332,176
Remuneration of councillors		8,808,210	8,370,667
Depreciation and amortisation	24	26,340,826	27,520,865
Finance costs	20	-	745
Debt impairment	18	11,667,870	9,753,756
Repairs and maintenance		1,621,973	1,125,523
Grants and subsidies paid	25	5,702,731	6,007,772
Loss on disposal of assets	25	77,946	-
General Expenses	16	22,904,629	17,228,157
<b>Total expenditure</b>		<b>107,502,074</b>	<b>96,339,661</b>
Total revenue		107,201,377	104,563,102
Total expenditure		(107,502,074)	(96,339,661)
<b>Operating (deficit) surplus</b>		<b>(300,697)</b>	<b>8,223,441</b>
(Deficit) surplus before taxation		(300,697)	8,223,441
Taxation		-	-
<b>(Deficit) surplus for the year</b>		<b>(300,697)</b>	<b>8,223,441</b>
<b>Attributable to:</b>			
Owners of the controlling entity		(300,697)	8,223,441

# Port St Johns Municipality

(Registration number ##/#####/##)

Financial Statements for the year ended June 30, 2013

## STATEMENT OF CHANGES IN NET ASSETS

<b>Figures in Rand</b>	<b>Accumulated surplus</b>	<b>Total net assets</b>
<b>Balance at July 01, 2011</b>	<b>341,941,895</b>	<b>341,941,895</b>
Changes in net assets		
Surplus for the year	8,223,441	8,223,441
Total changes	8,223,441	8,223,441
<b>Balance at July 01, 2012</b>	<b>367,688,172</b>	<b>367,688,172</b>
Changes in net assets		
Surplus for the year	(300,697)	(300,697)
Total changes	(300,697)	(300,697)
<b>Balance at June 30, 2013</b>	<b>367,387,475</b>	<b>367,387,475</b>

Note(s)

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## CASH FLOW STATEMENT

Figures in Rand	Note(s)	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of goods and services		13,172,772	6,414,255
Grants		98,207,001	95,637,057
Interest income		1,461,190	1,478,020
		112,840,963	103,529,332
<b>Payments</b>			
Employee costs		(39,186,099)	(47,138,513)
Suppliers		(54,452,392)	-
Finance costs		-	(745)
		(93,638,491)	(47,139,258)
Total receipts		112,840,963	103,529,332
Total payments		(93,638,491)	(47,139,258)
<b>Net cash flows from operating activities</b>	26	<b>19,202,472</b>	<b>56,390,074</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3	(25,536,909)	(54,500,922)
Proceeds from sale of property, plant and equipment	3	268,026	1,238,753
Other cash item		17,518,035	-
<b>Net cash flows from investing activities</b>		<b>(7,750,848)</b>	<b>(53,262,169)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11,451,624</b>	<b>3,127,905</b>
Cash and cash equivalents at the beginning of the year		3,456,226	328,320
<b>Cash and cash equivalents at the end of the year</b>	9	<b>14,907,850</b>	<b>3,456,225</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>REVENUE</b>						
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>						
Service charges	535,604	(85,604)	<b>450,000</b>	488,545	<b>38,545</b>	
Rental of facilities and equipment	-	62,250	<b>62,250</b>	109,198	<b>46,948</b>	
Licences and permits	15,580	12,920	<b>28,500</b>	22,336	<b>(6,164)</b>	
Other income - (rollup)	84,320	(84,320)	-	646,216	<b>646,216</b>	
Interest received - investment	-	-	-	1,461,190	<b>1,461,190</b>	



# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

<b>Total revenue from exchange transactions</b>	<b>635,504</b>	<b>(94,754)</b>	<b>540,750</b>	<b>2,727,485</b>	<b>2,186,735</b>
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## REVENUE FROM NON-EXCHANGE TRANSACTIONS

### TAXATION REVENUE

Property rates	4,571,266	61,514	<b>4,632,780</b>	6,346,046	<b>1,713,266</b>
Government grants & subsidies	94,721,000	-	<b>94,721,000</b>	98,095,318	<b>3,374,318</b>

### TRANSFER REVENUE

Fines	34,000	6,500	<b>40,500</b>	32,528	<b>(7,972)</b>
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<b>Total revenue from non-exchange transactions</b>	<b>99,326,266</b>	<b>68,014</b>	<b>99,394,280</b>	<b>104,473,892</b>	<b>5,079,612</b>
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'Total revenue from exchange transactions'	635,504	(94,754)	<b>540,750</b>	2,727,485	<b>2,186,735</b>
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'Total revenue from non-exchange transactions'	99,326,266	68,014	<b>99,394,280</b>	104,473,892	<b>5,079,612</b>
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<b>Total revenue</b>	<b>99,961,770</b>	<b>(26,740)</b>	<b>99,935,030</b>	<b>107,201,377</b>	<b>7,266,347</b>
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## EXPENDITURE

Personnel	(28,111,267)	(1,681,464)	<b>(29,792,731)</b>	(30,377,889)	<b>(585,158)</b>
Remuneration of councillors	(6,818,494)	(2,181,506)	<b>(9,000,000)</b>	(8,808,210)	<b>191,790</b>
Depreciation and amortisation	-	-	-	(26,340,826)	<b>(26,340,826)</b>
Debt impairment	-	-	-	(11,667,870)	<b>(11,667,870)</b>
Repairs and maintenance	(6,798,840)	2,795,499	<b>(4,003,341)</b>	(1,621,973)	<b>2,381,368</b>
Grants and subsidies paid	(29,921,347)	552,347	<b>(29,369,000)</b>	(5,702,731)	<b>23,666,269</b>
General Expenses	(28,311,825)	90,243	<b>(28,221,582)</b>	(22,904,629)	<b>5,316,953</b>

<b>Total expenditure</b>	<b>(99,961,773)</b>	<b>(424,881)</b>	<b>(100,386,654)</b>	<b>(107,424,128)</b>	<b>(7,037,474)</b>
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	99,961,770	(26,740)	<b>99,935,030</b>	107,201,377	<b>7,266,347</b>
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	(99,961,773)	(424,881)	<b>(100,386,654)</b>	(107,424,128)	<b>(7,037,474)</b>
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<b>Operating deficit</b>	<b>(3)</b>	<b>(451,621)</b>	<b>(451,624)</b>	<b>(222,751)</b>	<b>228,873</b>
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Loss on disposal of assets and liabilities	-	-	-	(77,946)	<b>(77,946)</b>
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	(3)	(451,621)	<b>(451,624)</b>	(222,751)	<b>228,873</b>
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	-	-	-	(77,946)	<b>(77,946)</b>
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<b>Deficit before taxation</b>	<b>(3)</b>	<b>(451,621)</b>	<b>(451,624)</b>	<b>(300,697)</b>	<b>150,927</b>
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Surplus before taxation	(3)	(451,621)	<b>(451,624)</b>	(300,697)	<b>150,927</b>
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Taxation	-	-	-	-	-
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<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(3)</b>	<b>(451,621)</b>	<b>(451,624)</b>	<b>(300,697)</b>	<b>150,927</b>
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## RECONCILIATION

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Inventories	-	-	-	371,205	371,205	
Receivables from exchange transactions	-	-	-	58,832	58,832	
VAT receivable	-	-	-	3,991,891	3,991,891	
Consumer debtors	-	-	-	2,534,518	2,534,518	
Cash and cash equivalents	-	-	-	14,907,850	14,907,850	
	-	-	-	<b>21,864,296</b>	<b>21,864,296</b>	
<b>NON-CURRENT ASSETS</b>						
Investment property	-	-	-	13,742,543	13,742,543	
Property, plant and equipment	-	-	-	343,313,460	343,313,460	
	-	-	-	<b>357,056,003</b>	<b>357,056,003</b>	
Non-Current Assets	-	-	-	21,864,296	21,864,296	
Current Assets	-	-	-	357,056,003	357,056,003	
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	-	-	
<b>Total Assets</b>	-	-	-	<b>378,920,299</b>	<b>378,920,299</b>	
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Payables from exchange transactions	-	-	-	10,757,051	10,757,051	
Unspent conditional grants and receipts	-	-	-	526,882	526,882	
	-	-	-	<b>11,283,933</b>	<b>11,283,933</b>	
<b>NON-CURRENT LIABILITIES</b>						
Provisions	-	-	-	248,891	248,891	
	-	-	-	11,283,933	11,283,933	
	-	-	-	248,891	248,891	
	-	-	-	-	-	
<b>Total Liabilities</b>	-	-	-	<b>11,532,824</b>	<b>11,532,824</b>	
Assets	-	-	-	378,920,299	378,920,299	
Liabilities	-	-	-	(11,532,824)	(11,532,824)	
<b>Net Assets</b>	-	-	-	<b>367,387,475</b>	<b>367,387,475</b>	
<b>NET ASSETS</b>						
<b>NET ASSETS ATTRIBUTABLE TO OWNERS OF CONTROLLING ENTITY</b>						

# Port St Johns Municipality

(Registration number ##/#####/##)

Financial Statements for the year ended June 30, 2013

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>RESERVES</b>						
Accumulated surplus	-	-	-	367,387,476	367,387,476	
<b>Undefined Difference</b>	-	-	-	(1)	(1)	
<b>Total Net Assets</b>	-	-	-	<b>367,387,476</b>	<b>367,387,476</b>	

# Port St Johns Municipality

(Registration number ##/#####/##)

Financial Statements for the year ended June 30, 2013

## APPROPRIATION STATEMENT

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2013</b>											
<b>Financial Performance</b>											
Property rates	4,571,266	61,514	4,632,780	-	-	4,632,780	6,346,046	-	1,713,266	137 %	139 %
Service charges	535,604	(85,604)	450,000	-	-	450,000	488,545	-	38,545	109 %	91 %
Investment revenue	-	-	-	-	-	-	1,461,190	-	1,461,190	DIV/0 %	DIV/0 %
Transfers recognised - operational	70,152,000	-	70,152,000	-	-	70,152,000	73,526,318	-	3,374,318	105 %	105 %
Other own revenue	133,900	(2,650)	131,250	-	-	131,250	810,278	-	679,028	617 %	605 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>75,392,770</b>	<b>(26,740)</b>	<b>75,366,030</b>	<b>-</b>	<b>-</b>	<b>75,366,030</b>	<b>82,632,377</b>	<b>-</b>	<b>7,266,347</b>	<b>110 %</b>	<b>110 %</b>
Employee costs	(28,111,267)	(1,681,464)	(29,792,731)	-	-	(29,792,731)	(30,377,889)	-	(585,158)	102 %	108 %
Remuneration of councillors	(6,818,494)	(2,181,506)	(9,000,000)	-	-	(9,000,000)	(8,808,210)	-	191,790	98 %	129 %
Debt impairment	-	-	-	-	-	-	(11,667,870)	-	(11,667,870)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	-	-	-	-	-	-	(26,340,826)	-	(26,340,826)	DIV/0 %	DIV/0 %
Transfers and grants	(29,921,347)	552,347	(29,369,000)	-	-	(29,369,000)	(5,702,731)	-	23,666,269	19 %	19 %
Other expenditure	(35,110,665)	3,400,866	(31,709,799)	-	-	(31,709,799)	(24,604,548)	-	7,105,251	78 %	70 %
<b>Total expenditure</b>	<b>(99,961,773)</b>	<b>90,243</b>	<b>(99,871,530)</b>	<b>-</b>	<b>-</b>	<b>(99,871,530)</b>	<b>(107,502,074)</b>	<b>-</b>	<b>(7,630,544)</b>	<b>108 %</b>	<b>108 %</b>

# Port St Johns Municipality

(Registration number ####/####/##)

Financial Statements for the year ended June 30, 2013

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total revenue (excluding capital transfers and contributions)	75,392,770	(26,740)	75,366,030	-	-	75,366,030	82,632,377	-	7,266,347	110 %	110 %
Total expenditure	(99,961,773)	90,243	(99,871,530)	-	-	(99,871,530)	(107,502,074)	-	(7,630,544)	108 %	108 %
<b>Surplus/(Deficit)</b>	<b>(24,569,003)</b>	<b>63,503</b>	<b>(24,505,500)</b>	-	-	<b>(24,505,500)</b>	<b>(24,869,697)</b>	-	<b>(364,197)</b>	<b>101 %</b>	<b>101 %</b>
Transfers recognised - capital	24,569,000	-	24,569,000	-	-	24,569,000	24,569,000	-	-	100 %	100 %
Surplus/(Deficit)	(24,569,003)	63,503	(24,505,500)	-	-	(24,505,500)	(24,869,697)	-	(364,197)	101 %	101 %
Capital transfers and contributions	24,569,000	-	24,569,000	-	-	24,569,000	24,569,000	-	-	100 %	100 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(3)</b>	<b>63,503</b>	<b>63,500</b>	-	-	<b>63,500</b>	<b>(300,697)</b>	-	<b>(364,197)</b>	<b>(474)%</b>	<b>023,233 %</b>
Surplus (Deficit) after capital transfers and contributions	(3)	63,503	63,500	-	-	63,500	(300,697)	-	(364,197)	(474)%	023,233 %
<b>Surplus/(Deficit) for the year</b>	<b>(3)</b>	<b>63,503</b>	<b>63,500</b>	-	-	<b>63,500</b>	<b>(300,697)</b>	-	<b>(364,197)</b>	<b>(474)%</b>	<b>023,233 %</b>

Capital expenditure and funds sources

# Port St Johns Municipality

(Registration number ##/#####/##)

Financial Statements for the year ended June 30, 2013

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	-	-	-	-	-	-	19,202,472	-	19,202,472	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(7,750,848)	-	(7,750,848)	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	-	-	-	-	-	<b>11,451,624</b>	-	<b>11,451,624</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	3,456,226	-	3,456,226	DIV/0 %	DIV/0 %
Net increase / (decrease) in cash and cash equivalents	-	-	-	-	-	-	11,451,624	-	(11,451,624)	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	3,456,226	-	(3,456,226)	DIV/0 %	DIV/0 %
<b>Cash and cash equivalents at year end</b>	-	-	-	-	-	-	<b>14,907,850</b>	-	<b>(14,907,850)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

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### 1. Presentation of Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

##### **Trade receivables / Held to maturity investments and/or loans and receivables**

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

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

##### **Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

##### **Impairment testing**

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

##### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 2 - Provisions.

##### **Effective interest rate**

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

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

---

### 1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

#### Allowance for doubtful debts

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

### 1.2 INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property - land	indefinite
Property - buildings	30 years
Lifts	x years
Air-conditioners	x years
Other components	x years

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

### 1.3 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.



# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

---

### 1.3 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

---

### 1.3 PROPERTY, PLANT AND EQUIPMENT (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

<b>Item</b>	<b>Average useful life</b>
Land	Indefinite
Buildings	
• Community Buildings	30 years
• Recreational Facilities	20-30 years
• Other Buildings	30 years
Plant and machinery	
• Specialised plant and equipment	10-15 Years
• Other items of plant and equipment	2-5 Years
Furniture and fixtures	
• Furniture and Fittings	7-10 Years
Motor vehicles	
• Specialist Vehicles	10 years
• Other Vehicles	5 Years
Office equipment	3-7 Years
IT equipment	
• Computer Equipment	3
Infrastructure	
• Roads and Paving	30 years
• Pedestrian Malls	30 Years
• Electricity & Sewerage	15-20 Years
Bins and containers	5 Years

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

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### 1.4 FINANCIAL INSTRUMENTS

#### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### 1.5 INVENTORIES

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

---

### 1.6 IMPAIRMENT OF CASH-GENERATING ASSETS

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

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

### 1.7 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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

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

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

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

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

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

---

### 1.7 PROVISIONS AND CONTINGENCIES (continued)

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

---

### 1.8 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

### 1.9 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

---

### 1.9 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

#### Measurement

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

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

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

#### Fines

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### Levies

Levies are recognised as revenue when:

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

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

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### 1.9 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.10 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

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

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

### 1.11 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

### 1.12 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or



# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

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### 1.12 IRREGULAR EXPENDITURE (continued)

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.13 USE OF ESTIMATES

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

### 1.14 BUDGET INFORMATION

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

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

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

The approved budget covers the fiscal period from 7/1/2012 to 6/30/2013.

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

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

# Port St Johns Municipality

(Registration number ##/#####/##)

Financial Statements for the year ended June 30, 2013

## ACCOUNTING POLICIES

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### 1.15 RELATED PARTIES

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

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

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

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

# Port St Johns Municipality

(Registration number ##/#####/##)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

2013

2012

### 2. PROVISIONS

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	159,918	88,973	248,891

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	152,097	7,821	159,918

### 3. PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	59,313,374	(300,508)	59,012,866	59,221,782	(156,683)	59,065,099
Plant and machinery	11,064,203	(2,909,181)	8,155,022	10,558,405	(2,038,685)	8,519,720
Furniture and fixtures	497,190	(242,213)	254,977	419,520	(180,538)	238,982
Motor vehicles	2,680,966	(930,515)	1,750,451	3,388,726	(1,117,933)	2,270,793
IT equipment	1,373,817	(741,843)	631,974	1,067,397	(525,713)	541,684
Infrastructure	359,639,147	(97,526,264)	262,112,883	335,254,713	(73,478,186)	261,776,527
Community	13,055,758	(1,807,960)	11,247,798	13,055,758	(1,324,764)	11,730,994
Traffic equipment	246,828	(99,339)	147,489	235,834	(61,314)	174,520
<b>Total</b>	<b>447,871,283</b>	<b>(104,557,823)</b>	<b>343,313,460</b>	<b>423,202,135</b>	<b>(78,883,816)</b>	<b>344,318,319</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Buildings	59,065,099	91,592	-	-	(143,825)	59,012,866
Plant and machinery	8,519,720	665,799	(132,295)	159	(898,361)	8,155,022
Furniture and fixtures	238,982	77,670	-	(1,381)	(60,294)	254,977
Motor vehicles	2,270,793	-	(213,677)	(269)	(306,396)	1,750,451
IT equipment	541,684	306,420	-	8,394	(224,524)	631,974
Infrastructure	261,776,527	24,384,434	-	-	(24,048,078)	262,112,883
Community	11,730,994	-	-	-	(483,196)	11,247,798
Office equipment	174,520	10,994	-	(2,101)	(35,924)	147,489
	<b>344,318,319</b>	<b>25,536,909</b>	<b>(345,972)</b>	<b>4,802</b>	<b>(26,200,598)</b>	<b>343,313,460</b>

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand 2013 2012

### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	58,767,751	426,273	-	(128,925)	59,065,099
Plant and machinery	9,391,718	26,073	(1,900)	(896,171)	8,519,720
Furniture and fixtures	293,450	-	(1,211)	(53,257)	238,982
Motor vehicles	1,814,719	804,055	-	(347,981)	2,270,793
IT equipment	493,001	236,325	(8,331)	(179,311)	541,684
Infrastructure	235,506,834	52,758,040	(1,213,490)	(25,274,857)	261,776,527
Community	12,214,189	-	-	(483,195)	11,730,994
Office equipment	163,165	56,311	(13,821)	(31,135)	174,520
	<b>318,644,827</b>	<b>54,307,077</b>	<b>(1,238,753)</b>	<b>(27,394,832)</b>	<b>344,318,319</b>

#### Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Total
Opening balance	28,185,051	28,185,051
Additions/capital expenditure	12,903,071	12,903,071
	<b>41,088,122</b>	<b>41,088,122</b>

#### Reconciliation of Work-in-Progress 2012

	Included within Infrastructure	Total
Opening balance	40,697,868	40,697,868
Additions/capital expenditure	12,060,142	12,060,142
Transferred to completed items	(24,572,959)	(24,572,959)
	<b>28,185,051</b>	<b>28,185,051</b>

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

### 4. INVESTMENT PROPERTY

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	14,023,003	(280,460)	13,742,543	14,023,003	(140,230)	13,882,773

#### Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	13,882,773	(140,230)	13,742,543

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012		
<b>4. INVESTMENT PROPERTY (continued)</b>				
<b>Reconciliation of investment property - 2012</b>				
	Opening balance	Depreciation	Total	
Investment property	14,023,003	(140,230)	13,882,773	
The three municipal properties representing investment properties are in accordance with the accounting policy carried at nominal value.				
<b>5. INVENTORIES</b>			371,205	204,468
<b>6. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>				
Trade debtors		58,832	319,634	
<b>7. VAT RECEIVABLE</b>				
VAT		3,991,891	5,675,699	
VAT is payable on a receipt basis. Only once payment is received from debtors is VAT paid over to SARS.				
<b>8. CONSUMER DEBTORS</b>				
<b>Gross balances</b>				
Rates		11,426,898	9,480,719	
Refuse		2,542,082	2,127,576	
Property lease		158,626	148,164	
		<b>14,127,606</b>	<b>11,756,459</b>	
<b>Less: Allowance for impairment</b>				
Rates		(9,157,330)	(7,693,104)	
Refuse		(2,309,631)	(1,942,121)	
Property lease		(126,127)	(118,531)	
		<b>(11,593,088)</b>	<b>(9,753,756)</b>	
<b>Net balance</b>				
Rates		2,269,568	1,787,615	
Refuse		232,451	185,455	
Property lease		32,499	29,633	
		<b>2,534,518</b>	<b>2,002,703</b>	
<b>Rates</b>				
Current (0 -30 days)		(845,556)	1,443,714	
31 - 60 days		141,687	2,056,300	
61 - 90 days		132,974	556,886	
91 - 120 days		11,997,793	5,423,819	
		<b>11,426,898</b>	<b>9,480,719</b>	

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012
<b>8. CONSUMER DEBTORS (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	150,206	136,455
31 - 60 days	63,124	471,123
61 - 90 days	61,623	366,897
91 - 120 days	2,267,129	1,153,101
	<b>2,542,082</b>	<b>2,127,576</b>
<b>Housing rental</b>		
Current (0 -30 days)	26,190	-
31 - 60 days	-	56,167
61 - 90 days	-	-
91 - 120 days	132,436	91,997
	<b>158,626</b>	<b>148,164</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(9,753,756)	(11,846,594)
Debt impairment written off against allowance	(1,839,332)	-
Reversal of allowance	-	2,092,838
	<b>(11,593,088)</b>	<b>(9,753,756)</b>

## 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	2,960,148	875,276
Short-term deposits	11,947,702	2,580,950
	<b>14,907,850</b>	<b>3,456,226</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2013	June 30, 2012	June 30, 2011
ABSA BANK - current - 4052439958	2,960,033	875,270	339,997	2,960,033	875,270	339,997
ABSA BANK - Call Acc - 9269486056	2,888,440	92,876	-	-	-	-
ABSA BANK - Call Acc - 9269486187	1,000	569,686	-	-	-	-
ABSA BANK - Call Acc - 9269487159	350,364	7,646	-	-	-	-
ABSA BANK - Call Acc - 9269487272	1,000	1,907,017	-	-	-	-
ABSA BANK - Call Acc - 9084721344	2,497,163	1,461	1,432	-	-	-
ABSA BANK - Call Acc - 9279313891	5,085	-	-	-	-	-
ABSA BANK - Call Acc - 9279313922	6,202,347	-	-	-	-	-
ABSA BANK - Call Acc - 9084929972	2,302	2,265	2,123	-	-	-
<b>Total</b>	<b>14,907,734</b>	<b>3,456,221</b>	<b>343,552</b>	<b>2,960,033</b>	<b>875,270</b>	<b>339,997</b>

# Port St Johns Municipality

(Registration number ##/#####/##)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012
<b>10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
Unspent conditional grants and receipts comprises of:		
<b>Unspent conditional grants and receipts</b>		
Municipal Finance Management Grant	24,417	91,875
EPWP	502,465	-
	<b>526,882</b>	<b>91,875</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	91,875	3,137,541
Additions during the year	526,882	91,875
Income recognition during the year	(91,875)	(3,137,541)
	<b>526,882</b>	<b>91,875</b>
See note 15 for reconciliation of grants from from other spheres of Government.		
<b>11. PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade payables	7,900,716	15,813,595
Sars Creditor	-	1,797,791
Provision for Leave Pay	1,433,614	892,749
Provision for Bonuses (13th cheque)	844,092	818,206
Retention Monies	517,629	59,352
Deposits received	61,000	61,000
	<b>10,757,051</b>	<b>19,442,693</b>
<b>12. REVENUE</b>		
Service charges	488,545	514,281
Rental of facilities and equipment	109,198	324,007
Licences and permits	22,336	10,409
Other income - (rollup)	646,216	725,211
Interest received - investment	1,461,190	1,478,020
Property rates	6,346,046	5,791,115
Government grants & subsidies	98,095,318	95,637,057
Fines	32,528	83,002
	<b>107,201,377</b>	<b>104,563,102</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	488,545	514,281
Rental of facilities and equipment	109,198	324,007
Licences and permits	22,336	10,409
Other income - (rollup)	646,216	725,211
Interest received - investment	1,461,190	1,478,020
	<b>2,727,485</b>	<b>3,051,928</b>

# Port St Johns Municipality

(Registration number ##/#####/##)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012
<b>12. REVENUE (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	6,346,046	5,791,115
<b>Transfer revenue</b>		
Government grants & subsidies	98,095,318	95,637,057
Fines	32,528	83,002
	<b>104,473,892</b>	<b>101,511,174</b>

### 13. PROPERTY RATES

#### Rates received

Residential	866,944	955,720
Commercial	1,994,325	1,959,495
State	3,487,702	3,073,064
Less: Income forgone	(2,925)	(197,164)
	<b>6,346,046</b>	<b>5,791,115</b>

Income forgone relates to discounts granted to ratepayers as per the approved municipal tariff schedule and policies.

#### Valuations

Residential	95,794,000	122,129,146
Commercial	199,432,500	215,027,767
State	155,701,000	192,074,000
Municipal	-	-
Small holdings and farms	27,827,500	21,234,000
Churches	-	3,826,525
Vacant plots	29,007,500	20,000,943
	<b>507,762,500</b>	<b>574,292,381</b>

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The general rate of 1 cent in a rand is applied to determine the assessment rates, rebates of 30% are granted to state properties. Rates are levied on annual bases on property owners.

### 14. SERVICE CHARGES

Refuse removal	488,545	514,281
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# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012
<b>15. GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Operating grants</b>		
Equitable share	67,852,000	59,537,000
EPWP	497,535	467,000
Department of Transport	-	3,137,541
MSIG	799,999	790,000
FMG grant	1,567,459	1,908,125
SETA grant	378,324	-
MSP	1,500,000	-
LED	328,622	183,857
O.R Tambo Intervention	-	9,359,534
Government grant (operating) 10	602,379	-
	<b>73,526,318</b>	<b>75,383,057</b>
<b>Capital grants</b>		
MIG	24,569,000	20,254,000
	<b>24,569,000</b>	<b>20,254,000</b>
	<b>98,095,318</b>	<b>95,637,057</b>

### Equitable Share

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

All registered indigents receive a monthly subsidy of R - (2012: R -), which is funded from the grant.

### FMG

Balance unspent at beginning of year	91,875	-
Current-year receipts	1,500,000	2,000,000
Conditions met - transferred to revenue	(1,567,458)	(1,908,125)
	<b>24,417</b>	<b>91,875</b>

Conditions still to be met - remain liabilities (see note 10).

### EPWP Grant

Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(497,535)	-
	<b>502,465</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 10).

# Port St Johns Municipality

(Registration number ##/#####/##)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012
<b>16. GENERAL EXPENSES</b>		
Advertising	348,657	509,118
Audit committee fees	126,484	60,465
Auditors remuneration	3,458,489	2,918,738
Bank charges	71,883	62,433
Books & Publications	16,614	17,359
Casual labour	235,594	170,200
Cleaning	221,439	61,574
Consulting and professional fees	3,118,719	1,768,960
Consumables	25,967	28,137
Entertainment	186,672	99,945
Insurance	535,991	452,196
Conferences and seminars	25,156	11,534
IT expenses	54,047	37,634
Lease rentals on operating lease	1,049,527	546,212
Promotions and sponsorships	315,164	-
Fuel and oil	1,791,282	1,701,909
Postage and courier	636	-
Printing and stationery	463,352	258,337
Licence Fees	172,087	179,464
Security (Guarding of municipal property)	1,406,510	1,340,160
Staff welfare	18,792	11,071
Subscriptions and membership fees	195,327	26,459
Telephone and fax	1,429,643	1,049,633
Training	74,743	21,491
Travel - local	3,735,614	2,477,316
Levy - SALGA	-	512,466
Assets expensed	-	42,576
Electricity	2,270,916	1,890,544
Uniforms	230,675	306,463
Publications & Marketing materials	6,900	100,025
Social Responsibility Programmes	1,094,036	337,590
Salaries Mangroove	93,500	120,000
Consumables & Beverages	27,305	44,259
Chemicals	88,973	7,821
Convention bureau	2,460	42,740
Other expenses	11,475	13,328
	<b>22,904,629</b>	<b>17,228,157</b>

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012
<b>17. EMPLOYEE RELATED COSTS</b>		
Basic	22,518,709	17,960,110
Bonus	25,886	818,206
Medical aid - company contributions	2,808,222	2,664,601
UIF	352,083	261,971
WCA	205,718	-
SDL	343,542	242,654
Leave pay provision charge	540,865	892,749
Post-employment benefits - Pension - Defined contribution plan	3,582,864	3,491,885
	<b>30,377,889</b>	<b>26,332,176</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	900,000	720,000
Car Allowance	301,200	240,000
Contributions to UIF, Medical and Pension Funds	1,497	1,497
Other Allowances	-	241,200
Acting Allowance	-	184,068
	<b>1,202,697</b>	<b>1,386,765</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	606,000	550,571
Car Allowance	180,000	183,375
Contributions to UIF, Medical and Pension Funds	-	1,497
Public Office Allowance	144,000	46,821
Subsistence Allowance	30,000	-
	<b>960,000</b>	<b>782,264</b>
<b>Remuneration of the Manager - Corporate Services</b>		
Annual Remuneration	606,000	550,571
Car Allowance	180,000	183,375
Contributions to UIF, Medical and Pension Funds	-	1,497
Public Office Allowance	144,000	46,821
Subsistence Allowance	30,000	-
	<b>960,000</b>	<b>782,264</b>
<b>Remuneration of the Community Services Manager</b>		
Annual Remuneration	606,000	550,571
Car Allowance	180,000	183,375
Contributions to UIF, Medical and Pension Funds	-	1,497
Public Office Allocation	144,000	46,821
Subsistence Allowance	30,000	-
	<b>960,000</b>	<b>782,264</b>
<b>Remuneration of the Engineering Manager</b>		
Annual Remuneration	606,000	550,571
Car Allowance	180,000	183,375
Contributions to UIF, Medical and Pension Funds	1,497	1,497
Public Office Allowance	144,000	46,821
Subsistence Allowance	30,000	-

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012
<b>17. EMPLOYEE RELATED COSTS (continued)</b>		
	<b>961,497</b>	<b>782,264</b>
<b>Local economic development</b>		
Annual Remuneration	606,000	550,571
Car Allowance	180,000	183,375
Contributions to UIF, Medical and Pension Funds	1,497	1,497
Public Office Allowance	144,000	46,821
Subsistence Allowance	30,000	-
	<b>961,497</b>	<b>782,264</b>
<b>18. DEBT IMPAIRMENT</b>		
Debt impairment	11,667,870	9,753,756
<b>19. INVESTMENT REVENUE</b>		
<b>Interest revenue</b>		
Interest from Investments	734,711	126,461
Interest from Debtors	726,479	1,351,559
	<b>1,461,190</b>	<b>1,478,020</b>
	-	-
	1,461,190	1,478,020
<b>20. FINANCE COSTS</b>		
Bank overdraft	-	745
<b>21. AUDITORS' REMUNERATION</b>		
Fees	3,458,489	2,918,738
<b>22. PENSION AND MEDICAL AID DEDUCTIONS</b>		
<b>Pension and Medical Aid Deductions</b>		
Opening balance	-	995,792
Current year payroll deductions and council contributions	7,141,596	6,118,940
Amount paid - current year	(7,141,596)	(6,118,940)
Amount paid - previous years	-	(995,792)
	-	-
<b>Retirement benefit information</b>		

The municipality has a retirement contribution plan to which all qualifying employees belong.

# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012
<b>23. OTHER INCOME</b>		
Donation received	-	193,845
Greenest town award	-	200,000
Insurance Claims received	478,105	33,988
Plan fees and tender Documents	63,457	130,090
Sundry Income	104,654	167,288
	<b>646,216</b>	<b>725,211</b>
<b>24. DEPRECIATION AND AMORTISATION</b>		
Property, plant and equipment	26,340,826	27,520,865
<b>25. GRANTS AND SUBSIDIES PAID</b>		
<b>Other subsidies</b>		
EPWP	371,259	-
FMG	1,044,783	1,347,779
MSIG	598,689	790,000
LED	3,688,000	3,371,456
MIG	-	21,236
Department of Transport	-	477,301
	<b>5,702,731</b>	<b>6,007,772</b>
Grants paid to ME's	-	-
Other subsidies	5,702,731	6,007,772
<b>26. CASH GENERATED FROM OPERATIONS</b>		
(Deficit) surplus	(300,697)	8,223,441
<b>Adjustments for:</b>		
Depreciation and amortisation	26,340,826	27,520,865
Gain on sale of assets and liabilities	77,946	-
Debt impairment	11,667,870	9,753,756
Movements in provisions	88,973	7,821
Other non-cash items	-	19,898,116
<b>Changes in working capital:</b>		
Inventories	(166,737)	46,032
Receivables from exchange transactions	260,802	(260,802)
Consumer debtors	(12,199,685)	7,551,195
Payables from exchange transactions	(8,685,641)	(16,013,479)
VAT	1,683,808	2,708,795
Unspent conditional grants and receipts	435,007	(3,045,666)
	<b>19,202,472</b>	<b>56,390,074</b>

# Port St Johns Municipality

(Registration number ##/#####/##)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012
<b>27. COMMITMENTS</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure Assets	22,189,373	30,062,616
This committed expenditure relates to access roads and will be financed by Municipal infrastructure grant.		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	83,022	82,033
- in second to fifth year inclusive	-	82,033
	<b>83,022</b>	<b>164,066</b>
Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.		
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	44,520	44,520
Certain of the municipality's property is held to generate rental income. lease agreements are renewable and renewed on annual basis.		
<b>28. CONTINGENCIES</b>		
Port St Johns Municipality is a defendant in a litigation by two service providers of which the outcome of the case cannot be reliable estimated as at 30 June 2013. Financial exposure is R13 300 000.		
<b>29. PRIOR PERIOD ERRORS</b>		
The Municipality made the following adjustments to figures reported previously.		
In the prior year rebates and discount allowed were classified under general expenditure they have been subsequently classified as revenue forgone.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Property, plant and equipment	5,378,477	4,802
VAT	-	1,207,171
debtors	-	(98,352)
Creditors	-	173,828
Opening Accumulated Surplus or Deficit	(16,209,097)	-
Debtors provisions	9,753,756	-
<b>Statement of Financial Performance</b>		
Assessment Rates	-	(197,164)
General Expenditure	-	197,164
<b>30. RISK MANAGEMENT</b>		
<b>Financial risk management</b>		

# Port St Johns Municipality

(Registration number ##/#####/##)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

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Figures in Rand	2013	2012
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### 30. RISK MANAGEMENT (continued)

#### Liquidity risk

The municipality's risk to liquidity is a result of funds availability to cover future commitments. At present we do not have any finance lease obligations or long term borrowings. The commitments we have are trade and other payables which are managed through an ongoing review process.

#### Credit risk

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any counter-party. No credit rating is done on trade receivables, however an assessment is done on customers for affordability through indigent registration process. No major financial assets are exposed to credit risk at year end except for investment accounts held with ABSA Bank.

#### Market risk

#### Interest rate risk

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

### 31. GOING CONCERN

We draw attention to the fact that at June 30, 2013, the municipality had accumulated deficits of R 367,387,475 and that the municipality's total liabilities exceed its assets by R 367,387,475.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

### 32. EVENTS AFTER THE REPORTING DATE

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

### 33. UNAUTHORISED EXPENDITURE

### 34. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure	76,099	726,091
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### 35. IRREGULAR EXPENDITURE

Opening balance	1,508,346	9,645,574
Add: Irregular Expenditure - current year	206,865	1,508,346
Less: Amounts condoned	-	(9,645,574)
	<b>1,715,211</b>	<b>1,508,346</b>

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# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012
<b>35. IRREGULAR EXPENDITURE (continued)</b>		
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	206,865	-
Prior years	1,508,346	-
	<b>1,715,211</b>	<b>-</b>
<b>Details of irregular expenditure – current year</b>		-
<b>Details of irregular expenditure condoned</b>		-
<b>36. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS</b>		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the financial statements.		
Fuel,accommodation and motor vehicle servicing were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the who considered them and subsequently approved the deviation from the normal supply chain management regulations.		
<b>37. REMUNERATION OF COUNCILLORS</b>		
Mayor	604,460	572,948
Speaker	483,567	458,358
Chief Whip	466,137	441,471
Exco members	1,527,934	1,687,063
Councillors	5,599,638	4,948,867
Other	126,474	261,960
	<b>8,808,210</b>	<b>8,370,667</b>



# Port St Johns Municipality

(Registration number ###/#####/###)

Financial Statements for the year ended June 30, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2013	2012
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### 38. RELATED PARTIES

Relationships			
Accounting Officer			Refer to accounting officer's report note
Controlled entities			Refer to note
Joint ventures			Refer to note
Associates			Refer to note
Shareholder with significant influence			Name (Proprietary) Limited
Shareholder with joint control			Name (Proprietary) Limited
Close family member of key management			Name
Joint venture of key management			Name (Proprietary) Limited of [Mr key management]
Associate of close family member of key management			Name (Proprietary) Limited of [Mr key management]
Post employment benefit plan for employees of entity and/or other related parties			Name Share Trust of Entity Name Share Trust of [Related party 1] Name Share Trust of Entity[Related party 1]
Post employment benefit plan for employees of a related party of a close family member of key management			Name Share Trust of [Mr key management]
Members of key management			Name Name

#### Related party transactions

##### Grants paid

Port St Johns Development Agency	3,332,207	2,500,000
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### 39. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### VAT

VAT receivable	3,991,891	5,675,699
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VAT output payables and VAT input receivables are shown in note .

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