
O.R. TAMBO DISTRICT MUNICIPALITY MUNICIPALITY



**O.R. TAMBO
DISTRICT MUNICIPALITY**

FINANCIAL STATEMENTS

for the period ended

30 June 2013

O. R. TAMBO DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

	Note	30 June 2013	30 June 2012
		R	R
ASSETS			
Current Assets			
		462 130 702	511 539 514
Cash and cash equivalents	3	193 083 992	427 551 056
Trade receivables from exchange transactions	4	44 822 440	68 600 732
Inventories	5	19 539 705	13 055 172
Other receivables from exchange transactions	6	163 908 863	2 332 554
VAT receivable	7	40 775 701	-
Non-Current Assets			
		2 362 152 198	2 134 282 412
Intangible assets	8	156 846	474 907
Investment property	9	2 200 000	2 200 000
Infrastructure, property, plant and equipment	10	2 349 210 913	2 119 062 659
Biological assets	11	10 584 439	12 544 846
Total Assets		2 824 282 900	2 645 821 926
LIABILITIES			
Current Liabilities			
		380 412 309	587 404 064
Trade and other payables	12	182 816 745	194 931 302
Consumer deposits	13	1 478 289	1 053 097
Obligations under transfer arrangements	14	195 242 898	383 398 809
Finance lease liability	15	874 376	677 643
VAT payable	7	-	7 343 213
Non-current Liabilities			
		638 202	1 248 591
Finance lease liability	15	638 202	1 248 591
Total liabilities		381 050 510	588 652 655
NET ASSETS			
		2 446 011 085	2 057 169 266
Accumulated surplus		2 446 011 085	2 057 169 266
Total net assets		2 827 061 595	2 645 821 921

O. R. TAMBO DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the period ended 30 June 2013

	Note	30 June 2013	30 June 2012
		R	R
REVENUE			
Revenue from exchange transactions		127 761 247	120 794 902
Service charges	16	127 761 247	120 794 902
Revenue from non-exchange transaction		1 271 811 194	741 983 825
Government grants & subsidies	17	1 271 811 194	741 983 826
Rental income		17 132	15 453
Other income	18	91 116 207	38 774 610
Finance income- Investment	19	21 490 534	14 237 907
Finance income- Other	19	24 458 462	18 526 873
Total income		1 536 654 775	934 333 570
EXPENDITURE			
Employee Related Costs	20	231 595 041	195 713 430
Remuneration of councillors	20.1	13 906 369	9 845 417
Debt impairment	4.2,6.2	80 361 579	104 253 377
Depreciation and amortisation	21	176 514 978	1 299 716 398
Impairment loss	22	14 901 214	14 802 350
Repairs and maintenance		61 862 724	35 576 161
Finance cost	23	965 123	15 850
Bulk purchases	24	28 840 899	27 807 876
Contracted services	25	9 193 434	6 971 592
Grants and subsidies paid	26	61 723 867	72 682 280
General expenses	27	469 337 076	438 832 793
Total expenses		1 149 202 304	2 206 217 524
(Loss) Gain on sale of assets	28	132 204	(736 134)
(Decrease) Increase in fair value of biological assets	29	1 257 144	2 244 375
SURPLUS / (DEFICIT) FOR THE YEAR		388 841 819	(1 270 375 714)

O. R. TAMBO DISTRICT MUNICIPALITY
 STATEMENT OF CASH FLOWS
 for the period ended 30 June 2013

		30 June 2013 R	30 June 2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts:		1 136 954 413	1 148 235 876
Sales of goods and services		77 793 107	53 387 629
Grants		1 083 655 283	982 352 086
Interest received		45 948 996	32 764 780
Other receipts inc		(70 442 972)	79 731 381
Payments:		(950 179 673)	(754 796 467)
Employee costs		(276 138 202)	(206 370 960)
Suppliers		(667 784 468)	(548 425 507)
Cash generated by / (utilised in) operations	30	186 774 740	393 439 409
Finance costs		(965 123)	(15 850)
Net cash flows from operating activities		185 809 618	393 423 559
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(420 692 659)	(120 126 757)
Purchase of intangible assets			(172 289)
Sale of Biological Assets		668 853	
Purchase of biological assets			
Proceeds on disposal of biological assets and produce			1 522 234
Net cash flows from investing activities		(420 023 806)	(118 776 813)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of capital portion of finance lease		-	(203 543)
Increase/(Decrease)in finance lease liability		(413 657)	1 389 561
Advances on Consumer deposits		425 192	374 100
Net cash flows from financing activities		11 535	1 560 117
Net decrease in net cash and cash equivalents		(234 202 653)	276 206 862
Net cash and cash equivalents at beginning of period		427 551 056	151 344 194
Net cash and cash equivalents at end of period	31	193 083 992	427 551 056

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity	District Municipality
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interests of the community mainly in Mthatha in the Eastern Cape.
The following is included in the scope of operation	Area DC15, as a district municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for DC15.
Mayoral committee	
Executive Mayor	Myolwa D J
Speaker	Meth N
Members	Dyule N W Mambila L N Mbede B Mlamli S Ngozi W Nkani B J Nogumla R Z Socikwa M C Soguntuza N
Councillors	Betele S Bunzana M Capa N Y Dambuza M B Dangala V Dawedi A M Dudumayo R B Gogo M Gwadiso V O Hibhane Z Khotsholo B Khupelo T E Kotana M P J Magaya F A Makhedama M Malangeni Z L Mamve N N Mandita K D Maqabuka Z Mathe M S Matomane N R Mazuza C S Mbotshwa N Mgugudo N O Mnvanyashe M N Mnyanda V Mpemnyama N Mtwana M Mvamveki R N Mziba L Ndlela N A Ndlobongela B Ndude L M Ndzwayiba M W

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

General Information

	Nelani N Ngabayena M Njemla S N Nkungu M I Ntobongwana N Ntshoyi N P Ntshuba V W Pepping P N Ruleni S Sigcau M Sikhonkothela N Thiyeka N Thwathshuka D Xangayi C T Zweni R M
Grading of local authority	Category 4 municipality as defined by the Municipal Structures Act, 1998 (Act No. 117 of 1998).
Accounting Officer	Hlazo HT
Chief Finance Officer (CFO)	Moleko M E
Registered office	O.R. Tambo House Nelson Mandela Drive Myezo Park Mthatha
Business address	Nelson Mandela Drive Myezo Park Mthatha Eastern Cape 5099
Postal address	Private Bag X 6043 Mthatha 5099
Bankers	First National Bank
Auditors	Auditor-General
Attorneys	FT Tayi Attorneys Jojo Attorneys Jolwana Mgidlana Attorneys WT Mngandi Attorneys
Enabling legislation	Treasury Regulations Division of Revenue Act, 2012 (Act No. 5 of 2012) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Systems Act, 2000 (Act No. 32 of 2000)
Website	www.ortambodm.org.za

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South African Local Government Association
SARS	South African Revenue Services

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

I am responsible for the presentation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Hlazo H T
Municipal Manager

Mthatha
31 August 2013

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services, infrastructure development and furthering the interests of the community mainly in Mthatha and operates principally in the Eastern Cape province.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net Surplus of the municipality was R 386 063 124 (2012: Loss R 1 270 375 714).

2. Going concern

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

3. Subsequent events

The accounting officer is not aware of any other matter or circumstance except as disclosed in note 38 of the annual financial statements arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts for the year under review.

5. Accounting policies

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Hlazo H T	South African

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, (Act No.56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention. In areas where historical costs have not been used this has been done in order to enhance the users understanding of the financial statements. Thus the following financial statement captions are not measured at historical cost:

Biological assets at fair value less estimated point of sale costs

Investment property at fair value

The annual financial statements have been prepared on a going concern basis.

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

Accounting policies for material transactions, events or conditions not covered by the Standards of GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 Accounting policies, changes in accounting estimates and errors. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practice (SA GAAP), including any interpretations of such statements issued by the Accounting Practices Board.

1.1 Presentation currency and rounding

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

1.2 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously and when offsetting is required or permitted by a Standard of GRAP.

Revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.3 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year or as a result of correction of prior period errors and changes in accounting policies which are applied retrospectively.

The nature and amounts of reclassifications as well as the reasons are disclosed in the notes.

1.4 Use of estimates and judgements

The preparation of annual 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 annual financial statements are disclosed in the relevant sections of the annual 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.

The estimates and underlying assumptions are reviewed on an annual basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements as well as assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included below.

1.5 Significant judgements and sources of estimation uncertainty

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

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of consumer debtors and trade and other receivables

The impairment of the municipality's consumer debtors and trade and other receivables is based on incurred losses in accordance with the requirements of GRAP 104. The historical loss experience of the municipality, based on observable data through the passage of time, is used to estimate the impairment of consumer debtors and trade and other receivables. Any changes in the payment status of customers in a specific group or national or local economic conditions that correlate with defaults on the assets in the group will have an impact on the impairment of consumer and trade and other receivables.

Fair value estimation

Buildings and farm land are stated at revalued amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.

Investment property is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.

Depreciation and the carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

Biological asset valuations

The fair value less estimated point-of-sale costs used to value biological assets requires management to make certain assumptions which are subject to change. The current assumptions are as follows:

- Cattle are valued at the prevailing market rates, as determined by breed, genetic merit and ageless point of sale costs.
- Fruit trees, harvest and vegetables are valued by way of arms length transaction that would have been applied / prevailing in

The existing fruit trees, harvest and vegetables with new fruit trees, harvest and vegetables.

Determination of the recoverable amount of cash-generating assets

Where impairment indicators exist, the determination of the recoverable amount of individual assets or cash generating units require management to make assumptions to determine the value in use. Key assumptions on which management has based its determination of value in use include projected revenue and market share. The judgements, assumptions and methodologies used can have a material impact on the value in use and ultimately the amount of the impairment.

Determination of the recoverable service amount of non-cash generating assets

Where impairment indicators exist, the determination of the recoverable service amount of non-cash generating assets requires management to make assumptions to determine the value in use based on the depreciated replacement cost approach. Key assumptions include the current replacement cost of non-cash generating assets and assumptions about the age of non-cash generating assets to determine the depreciated replacement cost.

1.6 Inventories

Cost

The cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is determined using the first-in-first-out principle except where stated otherwise.

The cost of agricultural produce harvested from biological assets is initially measured at fair value less estimated point of sale costs.

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Inventories (continued)

Significant Judgements and sources of estimation uncertainty

The cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is determined to be the fair value as at the date of acquisition. Cost is determined using the first-in-first-out principle except where stated otherwise.

The cost of agricultural produce harvested from biological assets is initially measured at fair value less estimated point of sale costs.

Subsequent measurement

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.

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

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

The amount of any write-down of inventories to net realisable value 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water inventory

Water inventory consist of:

- Raw materials;
- Water in purification (work in progress); and
- Clean water (Finished goods).

The cost of water inventory (clean water and water in purification) includes the cost of buying water, cost incurred in maintaining that water as well as the cost of chemicals and labour used to maintain and clean the water to its usable state. Cost of water inventory (finished goods) is determined on a first-in-first-out basis.

Raw materials are initially measured at cost. Where inventory is acquired at no cost, cost is deemed to be the fair value as at the date of acquisition.

Water inventory is only recognised once the municipality can demonstrate that it controls the water, it is probable that future economic benefits or service potential will flow to the municipality and the cost can be measured reliably. Control over water commences once it enters the purification process, or the O.R. Tambo infrastructure.

The water levels in reservoir are based on cubic meter capacity taking into account the capacity of the reservoir, based on land surveying reports and the curve of the reservoir.

Readings of raw water levels are taken at year-end, which is quantified using the cost of raw water at acquisition.

Water and purified effluent are measured at the lowest of cost and net realisable value in so far as it is stored and controlled in reservoirs at year-end.

1.7 Biological assets

Biological assets are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of tree plantations, harvest and vegetables is based on an arms' length transaction that would have been applied/ prevailing in replacing the existing tree plantations with trees of a similar age and fruit bearing capacity.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.8 Investment property

Investment property is property 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.

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes and is classified as property, plant and equipment.

Property leased at less than commercial rates to achieve service delivery is held in production of services and classified as property, plant and equipment.

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of 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.

Fair value

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

The fair value of investment properties is determined at the reporting date by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuations are based on the value of similar properties in the market.

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

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Disposal

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.

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

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

1.9 Property, plant and equipment

Initial recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for land which is carried at revalued amounts.

The revaluation surplus relating to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 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 however debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Land and Buildings

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.

Subsequent cost

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits or service potential associated with the item will flow to the municipality and the cost or fair value of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, infrastructure and equipment are recognised in surplus or deficit as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost or other amount substituted for cost of an asset less its residual value. Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each component (if the components are significant and have different useful lives) of property, infrastructure and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

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

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

Item	Estimated useful life
Land and buildings	
• Buildings	20 - 30 years
• Farm land	Not depreciated
• Other land	Not depreciated
Infrastructure	
• Roads	3 - 30 years
• Sewerage	15 - 30 years
• Storm water drains	5 - 20 years
• Water	5 - 15 years
Other property, plant and equipment	
• Computer equipment	3 - 7 years
• Emergency equipment	5-15 years
• Furniture and fittings	7 years
• Plant and equipment	1- 12 years
• Motor vehicles	5-10 years
• Office equipment	3 - 7 years
• Park homes	15 years
• Parking area	5 years
• Security systems	5 - 7 years
• Tools and equipment	10 years
Leased	
• Office equipment	5 years

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 Property, plant and equipment (continued)

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

Spare parts

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

Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential is expected from its continued use or disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in surplus or deficit.

Leased assets

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The depreciation expense for each period is recognised in surplus or deficit.

Finance Leases – lessee

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

Any contingent rents are expensed in the period in which they are incurred.

1.10 Heritage assets

Recognition

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as "inalienable items" meaning that assets which are retained indefinitely by the municipality and cannot be disposed of without consent as required by law or otherwise.

Initial measurement

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Intangible assets (continued)

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.11 Intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in surplus or deficit when incurred.

Intangible assets that are acquired by the municipality and have finite useful lives are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

Subsequent expenditure on Intangible assets shall be recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. All other expenditure, including expenditure on internally generated goodwill and customer lists, is recognised in surplus or deficit as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful life
Computer software and Ward Based Database	3 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

1.12 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality.

An adjustment to the cost of a entity combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.13 Financial instruments (continued)

1.13 Financial instruments

Classification

The municipality classifies financial instruments, or their component parts, on initial recognition as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement.

Non-derivative financial assets

The municipality initially recognises loans and receivables on the date at which the municipality becomes a party to the contractual provisions of the instrument.

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

Class of financial asset	GRAP 104 category
Trade and other receivables from exchange transactions (consumer debtors)	Loans and receivables
Cash and cash equivalents	Loans and receivables

De-recognition of financial assets

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment losses.

Interest is levied on past due consumer debtors at a market related rate.

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand and form an integral part of the municipality's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial liabilities

The municipality initially recognises financial liabilities, on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

De-recognition of financial Liabilities

The municipality derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

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

- . Trade and other payables from exchange transactions
- . Bank overdraft
- . Consumer deposits

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.13 Financial instruments (continued)

The above financial liabilities form part of the "other financial liabilities carried at amortised cost" category per GRAP 104 and are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Impairment of financial assets

A financial asset, carried at amortised cost, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The municipality considers evidence of impairment at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

Non-financial assets

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

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

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

1.14 Impairment of cash-generating assets

The carrying amounts of the municipality's cash generating non-financial assets, other than inventories and biological assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs. For the purpose of impairment testing, assets are therefore grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit. Impairment losses are recognised against the revaluation reserve to the extent that it relates to a revalued item of property, infrastructure or equipment.

Impairment losses recognised in respect of cash-generating units are allocated on a pro rata basis to reduce the carrying amounts of the other assets in the unit. The allocation of impairment losses to assets in a cash generating unit may not reduce the carrying amount of such assets below the highest of its fair value less costs to sell, value in use and zero.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of its recoverable amount and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued item of property, plant or equipment is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in surplus or deficit, a reversal of that impairment loss is recognised in surplus or deficit.

1.15 Impairment of non-cash-generating assets

The carrying amounts of the municipality's non-cash generating assets are reviewed at each reporting date to determine whether there is any indication of impairment. A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. The recoverable service amount is the greater of an asset's fair value less costs to sell and its value in use.

The value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

The value in use of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach - The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable service amount.

Impairment losses are recognised in surplus or deficit.

Impairment losses are recognised against the revaluation reserve to the extent that it relates to a revalued item of property, plant or equipment.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable service amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Any reversal of an impairment loss of a revalued item of property, plant or equipment is treated as a revaluation increase where appropriate. However, to the extent that an impairment loss on the same revalued asset was previously recognised in surplus or deficit, a reversal of that impairment loss is recognised in surplus or deficit.

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.16 Leases

1.16 Leases

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

Operating leases – lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

Operating leases – lessee

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

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.17 Tax

The Municipality is exempt from income tax

Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.18 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

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

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.18 Employee benefits (continued)

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds.

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets that are held by an municipality that is legally separate from the municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, and are not available to the municipality's own creditors, and cannot be returned to the municipality, unless either:

- The remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- The assets are returned to the municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee services rendered in prior periods relating to changes to post-employment benefits or other long-term employee benefits. In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- The present value of the defined benefit obligation at the reporting date;
- Minus the fair value at the reporting date of plan assets, out of which the obligations are to be settled directly;
- Plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- The amount determined above; and
- The present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.18 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- Current service cost;
- Interest cost;
- The expected return on any plan assets and on any reimbursement rights;
- Actuarial gains and losses;
- Past service cost;
- The effect of any curtailments or settlements; and
- The effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- Any resulting change in the present value of the defined benefit obligation; and
- Any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation and the related plan assets if any, using current actuarial assumptions.

1.19 Provisions and contingencies

A provision is recognised if, as a result of a past event, the municipality has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle 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. The unwinding of the discount is recognised as a finance cost.

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.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the municipality from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

Reimbursements

When some or all of the required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that the 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 the amount of the provision.

Restructurings

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly.

1.20 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.

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.20 Revenue from exchange transactions (continued)

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.

Revenue is generally recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits or service potential can be measured reliably, except when specifically stated otherwise.

Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

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.

Service charges relating to distribution of water are based on consumption. Meters are read on a monthly basis and revenue is recognised when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as an increase or decrease in revenue in the invoicing period. Estimates of consumption between meter readings are based on average consumption for the preceding three months.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

Interest

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Rentals received

Rental income from operating leases is recognised on a straight line basis over the lease term.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

1.21 Revenue from non-exchange transactions

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

While revenue from non-exchange transactions includes rates levied, donations and grants from other spheres of government.

Revenue from non-exchange transactions 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, if applicable, there has been compliance with the relevant legal requirements or restrictions. Revenue is measured at the fair value of the asset arising from a non-exchange transaction recognised or where a liability was recognised on initial recognition, at an amount equal to the reduction in the carrying amount of the liability.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the definition and recognition criteria of an asset has been met.

Gifts, donations and contributions, including goods in-kind

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

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

Services in-kind

Services in-kind are not recognised.

1.22 Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential 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.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached restrictions, the grants are recognised as revenue in the reporting period in which the recognition criteria are met.

1.23 Donations made and grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- . Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- . Expect to be repaid in future; or
- . Expect a financial return, as would be expected from an investment.

These transfers are recognised as expenses in surplus or deficit in the period that the events giving rise to the transfer occur.

1.24 Finance income and expenses

Finance income comprises interest income on funds invested in call accounts, positive bank balances as well as interest charged on debtors outstanding more than 30 days. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.24 Finance income and expenses (continued)

Finance expenses comprise interest expense on bank overdrafts and finance lease liabilities and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

1.25 Borrowing costs

Borrowing costs are capitalised in respect of qualifying assets that necessarily take a substantial period to get ready for their intended use.

If the carrying amount of the qualifying asset exceeds its recoverable amount or recoverable service amount, an impairment loss is recognised for the excess amount.

Borrowing costs that are not capitalised are recognised as an expense in surplus or deficit.

1.26 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.

1.27 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.

1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable if the definition and recognition criteria of an asset are met, until it is recovered or written off as irrecoverable.

1.29 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices A and C, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.30 Budget information

Municipality is 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 annual financial statements and the budget have been prepared on the same basis of accounting. A comparison between the actual and the budgeted amounts for the reporting period has been included in the annual financial statements.

O.R. Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.31 Capital commitments

A capital commitment is an agreement to undertake capital expenditure in future, which has not yet become an actual liability. Capital commitments are not recognised. However total value of commitments for the year are disclosed in note 35 of the financial statements.

1.32 Related Parties

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control as per GRAP 20.

All related party transactions are disclosed in accordance with GRAP 20 in note 37 of the financial statements.

1.33 Municipal entities

To be classified as a municipal entity the entity must meet the requirements of the Municipal Finance Management Act (Act No 56 of 2003) chapter 10. 1 (Establishment). The municipality has complied with the requirements set out in the Municipal Finance Management Act (Act No 56 of 2003).

All applicable standards must also be in compliance with the requirements set out in the Municipal Finance Management Act (Act No 56 of 2003) chapter 10.

O.R. Tambo District Municipality

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Accounting Policies

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

The effective date of the standard will be determined by the Minister of Finance in consultation with National Treasury.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP 105 Transfers of Functions between Entities Under Common Control

The effective date of the standard will be determined by the Minister of Finance in consultation with National Treasury.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The municipality has only applied the principles of the standard in accounting for the transfers of functions.

GRAP 106 Transfers of Functions Between Entities Not Under Common Control

The effective date of the standard will be determined by the Minister of Finance in consultation with National Treasury.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that there will be a material impact on the municipality's annual financial statements.

GRAP 107 Mergers

The effective date of the standard will be determined by the Minister of Finance in consultation with National Treasury.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that there will be a material impact on the municipality's annual financial statements.

**OR TAMBO DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
for the period ended 30 June 2013**

		Accumulated Surplus/(Deficit)	Total: Net Assets
	Note	R	R
Balance at 30 June 2011		3 439 230 660	3 439 230 660
Prior period errors	32	<u>(112 753 282)</u>	<u>(112 753 282)</u>
Restated Balance at 30 June 2011		3 326 477 378	3 326 477 378
Loss for the year		<u>(1 270 375 714)</u>	<u>(1 270 375 714)</u>
Balance at 30 June 2012		2 056 101 664	2 056 101 664
Prior period errors	32	<u>1 067 602</u>	<u>1 067 602</u>
Restated balance 30 June 2012		2 057 169 266	2 057 169 266
Surplus for the year		<u>388 841 819</u>	<u>388 841 819</u>
Balance at 30 June 2013		<u><u>2 446 011 085</u></u>	<u><u>2 446 011 085</u></u>

O.R. TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2013

43 STATEMENT OF BUDGET COMPARISON

R thousands or R	2012/13						
	Original Budget	Budget Adjustments <i>(i.t.o. s28 and s31 of the MFMA)</i>	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	4	5	7	8	9
Financial Performance							
Property rates							
Service charges	126 500 000	87 000 000	213 500 000	127 761 247	85 738 753	60%	101%
Investment revenue	12 000 000	2 245 000	14 245 000	21 490 534	(7 245 534)	151%	179%
Transfers recognised - operational	492 352 070	12 911 699	505 263 769	1 271 811 194	(766 547 425)	252%	258%
Other own revenue	32 196 231	(605 310)	31 590 921	115 591 801	(84 000 880)	366%	359%
Total Revenue (excluding capital transfers and contributions)	663 048 301	101 551 389	764 599 690	1 536 654 775	(772 055 085)	201%	232%
Employee costs	223 204 162	(27 267 317)	195 936 845	231 595 041	(35 658 196)	118%	104%
Remuneration of councillors	11 043 825	(1 009 600)	10 034 226	13 906 369	(3 872 143)	139%	126%
Debt impairment	30 000 000	87 000 000	117 000 000	80 361 579	36 638 421	69%	268%
Depreciation & asset impairment	160 000 000	30 000 000	190 000 000	191 416 192	(1 416 192)	101%	120%
Finance charges	-	-	-	965 123	(965 123)	0%	0%
Materials and bulk purchases	73 341 118	13 396 387	86 737 505	28 840 899	57 896 606	33%	39%
Transfers and grants	69 390 842	-	69 390 842	123 586 591	(54 195 749)	178%	178%
Other expenditure	256 068 353	29 431 919	285 500 272	478 530 510	(193 030 237)	168%	187%
Total Expenditure	823 048 301	131 551 389	954 599 690	1 149 202 304	(194 602 614)	120%	140%
Surplus/(Deficit)	(160 000 000)	(30 000 000)	(190 000 000)	387 452 471	(577 452 471)	-204%	-242%
FV gains/losses			-	1 257 144	(1 257 144)		
Profit/loss on sale of assets			-	(132 204)	132 204		
Transfers recognised - capital	763 384 979	338 394 294	1 101 779 273		1 101 779 273	0%	0%
Contributions recognised - capital & contributed assets		-	-				
Surplus/(Deficit) after capital transfers & contributions	603 384 979	308 394 294	911 779 273	388 577 412	523 201 861	43%	64%
Share of surplus/ (deficit) of associate							
Surplus/(Deficit) for the year	603 384 979	308 394 294	911 779 273	388 577 412	523 201 861	43%	64%
Capital expenditure & funds sources							
Capital expenditure	763 384 979	338 394 294	1 101 779 273	-	1 101 779 273	0%	0%
Transfers recognised - capital	681 796 210	341 692 167	1 023 488 377		1 023 488 377	0%	0%
Public contributions & donations	-	-	-		-	0%	0%
Borrowing	-	-	-		-	0%	0%
Internally generated funds	81 588 769	(3 297 873)	78 290 896		78 290 896	0%	0%
Total sources of capital funds	763 384 979	338 394 294	1 101 779 273	-	1 101 779 273	0%	0%
Cash flows							
Net cash from (used) operating	763 384 979	338 394 296	1 101 779 276	185 809 618	915 969 658	17%	24%
Net cash from (used) investing	(763 384 979)	(338 394 294)	(1 101 779 273)	(420 023 806)	(681 755 467)	38%	55%
Net cash from (used) financing	-	-	-	11 535	(11 535)	0%	0%
Cash/cash equivalents at the year end	190 367 064	264 249 241	454 616 305	193 083 992	261 532 314	42%	101%

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2013

	30 June 2013 R	30 June 2012 R
3 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Bank balances		
Cash and bank	10 922 750	25 035 153
Call deposits	<u>182 161 242</u>	<u>402 515 903</u>
	<u>193 083 992</u>	<u>427 551 056</u>
The Municipality has the following bank accounts:-		
Current Account (Primary Bank Account)		
First National Bank, York Road: Account Number 53990137772		
Cash book balance at beginning of year	<u>24 726 006</u>	<u>17 928 134</u>
Cash book balance at end of year	<u>10 922 750</u>	<u>24 726 006</u>
Bank statement balance at beginning of year	<u>46 066 804</u>	<u>25 983 037</u>
Bank statement balance at end of the year	<u>244 251 261</u>	<u>46 066 804</u>
Business credit card		
First National Bank, York Road: Account Number 881271004736000		
Cash book balance at beginning of year	<u>4 977</u>	<u>5 344</u>
Cash book balance at end of year	<u>4 807</u>	<u>4 977</u>
Bank statement balance at beginning of year	<u>4 977</u>	<u>2 169</u>
Bank statement balance at end of year	<u>4 977</u>	<u>4 977</u>
Current Account - petty cash		
First National Bank, York Road: Account Number 621428618881		
Cash book balance at beginning of year	<u>108</u>	<u>896</u>
Cash book balance at end of year	<u>(144)</u>	<u>108</u>
Bank statement balance at beginning of year	<u>108</u>	<u>829</u>
Bank statement balance at end of year	<u>108</u>	<u>108</u>
CORPORATE CHEQUE ACCOUNT: Account number 62242846890		
Cash book balance at beginning of year	<u>304 062</u>	<u>303 091</u>
Cash book balance at end of year	<u>312 398</u>	<u>304 062</u>
Bank statement balance at end of year	<u>304 062</u>	<u>304 062</u>
O.R. TAMBO REVENUE FUND - CALL ACCOUNT : Account number 62062843860		
Cash book balance at beginning of year	<u>1 521 610</u>	<u>2 504 987</u>
Cash book balance at end of year	<u>5 913 751</u>	<u>1 521 610</u>
Bank statement balance at end of year	<u>5 913 751</u>	<u>1 521 610</u>
ORTDM MIG CALL: Account number 6202957307		
Cash book balance at beginning of year	<u>320 868 719</u>	<u>4 111 498</u>
Cash book balance at end of year	<u>99 633 272</u>	<u>320 868 719</u>
Bank statement balance at end of year	<u>99 633 272</u>	<u>320 868 719</u>
DISASTER MANAGEMENT 62018060913		
Cash book balance at beginning of year	<u>84 252</u>	<u>18 662 877</u>
Cash book balance at end of year	<u>84 252</u>	<u>84 252</u>
Bank statement balance at end of year	<u>-</u>	<u>84 252</u>
CBPWP 02/03 6204 678 798		
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at end of year	<u>-</u>	<u>-</u>
KSD EQUITABLE SHARE CALL		
Cash book balance at end of year	<u>3 259</u>	<u>3 259</u>
Bank statement balance at end of year	<u>-</u>	<u>3 259</u>

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2013

	30 June 2013 R	30 June 2012 R
BUSINESS CREDIT CARD ACCOUNT		
Cash book balance at end of year	5 012	4 807
Bank statement balance at end of year	-	4 807
EQUITABLE SHARE 9075799257		
Cash book balance at end of year	4 478	4 478
Bank statement balance at end of year	-	4 478
C.B.P.W.D - SDI : Account number 62017225261		
Cash book balance at beginning of year	2 160	2 055
Cash book balance at end of year	2 260	2 160
Bank statement balance at end of year	2 260	2 160
TSOLO & QUMBU KDC ACCOUNT : Account number 62002820638		
Cash book balance at beginning of year	2 833	2 804
Cash book balance at end of year	2 861	2 833
Bank statement balance at end of year	2 861	2 833
BUDGET REFORMS - CALL ACCOUNT : Account number 62031694533		
Cash book balance at beginning of year	889 982	18 024
Cash book balance at end of year	8 673	889 982
Bank statement balance at end of year	8 673	889 982
O. R. TAMBO DM CMIP - CALL ACCOUNT : Account number 62032896427		
Cash book balance at beginning of year	1 362	1 295
Cash book balance at end of year	1 420	1 362
Bank statement balance at end of year	1 425	1 362
DWAF CWSS PROJECTS - CALL ACCOUNT : Account number 620323666149		
Cash book balance at beginning of year	361 374	7 208 123
Cash book balance at end of year	79 336	361 374
Bank statement balance at end of year	79 336	361 374
KDC DISASTER MANAGEMENT - CALL ACCOUNT : Account number 62018060913		
Cash book balance at beginning of year	311 513	296 311
Cash book balance at end of year	325 869	311 513
Bank statement balance at end of year	325 869	311 513
CBPWP - CALL ACCOUNT : Account number 62020745347		
Cash book balance at beginning of year	4 710	4 479
Cash book balance at end of year	4 927	4 710
Bank statement balance at end of year	4 927	4 710
BSRP CALL ACCOUNT NO: Account number 62035530527		
Cash book balance at beginning of year	22 505	21 404
Cash book balance at end of year	23 542	22 505
Bank statement balance at end of year	23 542	22 505
KDC FIRST AUTO CALL ACCOUNT NO: Account number 62025627227		
Cash book balance at beginning of year	77 787	75 258
Cash book balance at end of year	80 024	77 787
Bank statement balance at end of year	80 024	77 787
O. R. TAMBO DM -BSRP CALL ACCOUNT : Account number 62025627227		
Cash book balance at beginning of year	15 746	14 976
Cash book balance at end of year	16 472	15 746
Bank statement balance at end of year	16 472	15 746
TRAINING FUND CALL: Account number 62047716933		
Cash book balance at beginning of year	51 468	48 950
Cash book balance at end of year	53 840	51 468
Bank statement balance at end of year	53 840	51 468
O.R. T.DM HADINI ESTABLISHMENT GRANT: Account number 62044993823		
Cash book balance at beginning of year	3 039	2 891
Cash book balance at end of year	3 179	3 039
Bank statement balance at end of year	3 179	3 039

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2013

	30 June 2013 R	30 June 2012 R
O.R. TDM PRESTON EST GRANT : Account number 6204499955		
Cash book balance at beginning of year	1 505	1 432
Cash book balance at end of year	<u>1 575</u>	<u>1 505</u>
Bank statement balance at end of year	<u>1 575</u>	<u>1 505</u>
O.R. TDM MPEKO EST GRANT : Account number 62044992651		
Cash book balance at beginning of year	130 836	124 434
Cash book balance at end of year	<u>136 865</u>	<u>130 836</u>
Bank statement balance at end of year	<u>136 865</u>	<u>130 836</u>
O.R. TDM EAGERTON EST GRANT : Account number 6204499955		
Cash book balance at beginning of year	5 265	5 007
Cash book balance at end of year	<u>5 508</u>	<u>5 265</u>
Bank statement balance at end of year	<u>5 508</u>	<u>5 265</u>
O.R. TDM PRESTON SUBSIDIARY GRANT : Account number 62044993287		
Cash book balance at beginning of year	2 148	2 043
Cash book balance at end of year	<u>2 247</u>	<u>2 148</u>
Bank statement balance at end of year	<u>2 247</u>	<u>2 148</u>
O.R. TDM LINDILE SUBSIDY GRANT : Account number 62044992594		
Cash book balance at beginning of year	1 806	1 718
Cash book balance at end of year	<u>1 890</u>	<u>1 806</u>
Bank statement balance at end of year	<u>1 890</u>	<u>1 806</u>
O.R. TDM EARGERTON SUBSIDY GRANT : Account number 62044992148		
Cash book balance at beginning of year	4 121	3 920
Cash book balance at end of year	<u>4 311</u>	<u>4 121</u>
Bank statement balance at end of year	<u>4 311</u>	<u>4 121</u>
CBPWP 2003/2004 CALL : Account number 62057326235		
Cash book balance at beginning of year	46 374	44 105
Cash book balance at end of year	<u>48 511</u>	<u>46 374</u>
Bank statement balance at end of year	<u>48 511</u>	<u>46 374</u>
ORTDM MPEKO SUBSIDY GRANT : Account number 62044992776		
Cash book balance at beginning of year	1 656	1 575
Cash book balance at end of year	<u>1 733</u>	<u>1 656</u>
Bank statement balance at end of year	<u>1 733</u>	<u>1 656</u>
ORTDM UMZINTLAVA/QHINQOLO : Account number 62060367705		
Cash book balance at beginning of year	57 413	1 630 035
Cash book balance at end of year	<u>60 058</u>	<u>57 413</u>
Bank statement balance at end of year	<u>60 058</u>	<u>57 413</u>
ORTDM MUNICIPAL SYSTEMS IMPROVEMENT : Account number 62060396978		
Cash book balance at beginning of year	5 929	5 795
Cash book balance at end of year	<u>654 785</u>	<u>5 929</u>
Bank statement balance at end of year	<u>654 785</u>	<u>5 929</u>
ORTDM IRDP CALL : Account number 62060397322		
Cash book balance at beginning of year	12 417	11 809
Cash book balance at end of year	<u>12 989</u>	<u>12 417</u>
Bank statement balance at end of year	<u>12 989</u>	<u>12 417</u>

	30 June 2013 R	30 June 2012 R
ORTDM HIV AIDS CALL : Account number 62060397546		
Cash book balance at beginning of year	13 606	12 940
Cash book balance at end of year	<u>14 233</u>	<u>13 606</u>
Bank statement balance at end of year	<u>14 233</u>	<u>13 606</u>
ORTDM GRANTS CALL : Account number 62056856043		
Cash book balance at beginning of year	348 410	34 953 257
Cash book balance at end of year	<u>364 466</u>	<u>348 410</u>
Bank statement balance at end of year	<u>364 466</u>	<u>348 410</u>
ORTDM IGRF CALL: Account number 62066304313		
Cash book balance at beginning of year	125 073	118 953
Cash book balance at end of year	<u>130 837</u>	<u>125 073</u>
Bank statement balance at end of year	<u>130 837</u>	<u>125 073</u>
ORTDM SIP CALL: Account number 62066777958		
Cash book balance at beginning of year	4 375	4 161
Cash book balance at end of year	<u>4 576</u>	<u>4 375</u>
Bank statement balance at end of year	<u>4 576</u>	<u>4 375</u>
ORTDM MBIZANA EXT-A CALL: Account number 62062842854		
Cash book balance at beginning of year	22 132	21 049
Cash book balance at end of year	<u>23 152</u>	<u>22 132</u>
Bank statement balance at end of year	<u>23 152</u>	<u>22 132</u>
ORTDM SPU YOUTH DEVELOPMENT PROJECT: Account number 62062842854		
Cash book balance at beginning of year	221 575	210 762
Cash book balance at end of year	<u>231 786</u>	<u>221 575</u>
Bank statement balance at end of year	<u>231 786</u>	<u>221 575</u>
ORTDM SPU SIMISONKE PROJECT: Account number 62071761938		
Cash book balance at beginning of year	1 163	1 106
Cash book balance at end of year	<u>1 217</u>	<u>1 163</u>
Bank statement balance at end of year	<u>1 217</u>	<u>1 163</u>

	30 June 2013 R	30 June 2012 R
ORTDM ZIDINDI RURAL HOUSING PROJECT: Account number 62068746620		
Cash book balance at beginning of year	167 801	159 590
Cash book balance at end of year	<u>175 534</u>	<u>167 801</u>
Bank statement balance at end of year	<u>175 534</u>	<u>167 801</u>
ORTDM PAYNE RURAL HOUSING PROJECT: Account number 62068747165		
Cash book balance at beginning of year	3 883	3 693
Cash book balance at end of year	<u>4 268</u>	<u>3 883</u>
Bank statement balance at end of year	<u>4 268</u>	<u>3 883</u>
ORTDM UPPER CENTULI RURAL HOUSING PROJECT: Account number 62068747636		
Cash book balance at beginning of year	1 192	1 134
Cash book balance at end of year	<u>1 247</u>	<u>1 192</u>
Bank statement balance at end of year	<u>1 247</u>	<u>1 192</u>
ORTDM UPPER TABASE RURAL HOUSING PROJECT: Account number 62068747545		
Cash book balance at beginning of year	8 525	8 108
Cash book balance at end of year	<u>8 918</u>	<u>8 525</u>
Bank statement balance at end of year	<u>8 918</u>	<u>8 525</u>
ORTDM NKONZO RURAL HOUSING PROJECT: Account number 62068747826		
Cash book balance at beginning of year	3 543	3 370
Cash book balance at end of year	<u>3 707</u>	<u>3 543</u>
Bank statement balance at end of year	<u>3 707</u>	<u>3 543</u>
ORTDM NDLUNKULU RURAL HOUSING PROJECT: Account number 62068747438		
Cash book balance at beginning of year	2 808	2 670
Cash book balance at end of year	<u>2 937</u>	<u>2 808</u>
Bank statement balance at end of year	<u>2 937</u>	<u>2 808</u>
ORTDM MANTLANENI RURAL HOUSING PROJECT: Account number 62068746737		
Cash book balance at beginning of year	2 372	2 256
Cash book balance at end of year	<u>2 482</u>	<u>2 372</u>
Bank statement balance at end of year	<u>2 482</u>	<u>2 372</u>
ORTDM NCAMBELE RURAL HOUSING PROJECT: Account number 62068746901		
Cash book balance at beginning of year	2 195	2 087
Cash book balance at end of year	<u>2 296</u>	<u>2 195</u>
Bank statement balance at end of year	<u>2 296</u>	<u>2 195</u>
ORTDM NGWALA RURAL HOUSING PROJECT: Account number 62068746943		
Cash book balance at beginning of year	3 129	2 976
Cash book balance at end of year	<u>3 274</u>	<u>3 129</u>
Bank statement balance at end of year	<u>3 274</u>	<u>3 129</u>
ORTDM NEW PAYNE RURAL HOUSING PROJECT: Account number 62068747272		
Cash book balance at beginning of year	2 258	2 147
Cash book balance at end of year	<u>2 362</u>	<u>2 258</u>
Bank statement balance at end of year	<u>2 362</u>	<u>2 258</u>
ORTDM KWENKURHA RURAL HOUSING PROJECT: Account number 62068746802		
Cash book balance at beginning of year	52 200	49 645
Cash book balance at end of year	<u>54 605</u>	<u>52 200</u>
Bank statement balance at end of year	<u>54 605</u>	<u>52 200</u>
ORTDM NTSABENI RURAL HOUSING PROJECT: Account number 62068747058		
Cash book balance at beginning of year	10 058	9 566
Cash book balance at end of year	<u>10 522</u>	<u>10 058</u>
Bank statement balance at end of year	<u>10 522</u>	<u>10 058</u>
ORTDM UMTATA COMMUNITY ARTS CENTRE: Account number 62071882403		
Cash book balance at beginning of year	21 552	20 497
Cash book balance at end of year	<u>22 545</u>	<u>21 552</u>
Bank statement balance at end of year	<u>22 545</u>	<u>21 552</u>
ORTDM MBIZANA DROUGHT RELIEF: Account number 62061938844		
Cash book balance at beginning of year	14 678	13 960
Cash book balance at end of year	<u>15 355</u>	<u>14 678</u>
Bank statement balance at end of year	<u>15 355</u>	<u>14 678</u>
ORTDM COMMUNITY DEV. WORKER'S FUND: Account number 62070623535		
Cash book balance at beginning of year	3 602	3 425
Cash book balance at end of year	<u>3 768</u>	<u>3 602</u>
Bank statement balance at end of year	<u>3 768</u>	<u>3 602</u>
O.R.TAMBO INTEGRATED TRANSPORT PLAN: Account number 62076397861		
Cash book balance at beginning of year	25 169	23 937
Cash book balance at end of year	<u>26 328</u>	<u>25 169</u>
Bank statement balance at end of year	<u>26 328</u>	<u>25 169</u>

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2013

	30 June 2013 R	30 June 2012 R
O.R. TAMBO LIBRARIES & INFORMATION SERVICES: Account number 62063723136		
Cash book balance at beginning of year	2 396 742	71 348
Cash book balance at end of year	<u>374 808</u>	<u>2 396 742</u>
Bank statement balance at end of year	<u>315 603</u>	<u>2 396 742</u>
O.R. TAMBO INTERGRATED DEVELOPMENT PLAN: Account number 62076397671		
Cash book balance at beginning of year	4 579	4 355
Cash book balance at end of year	<u>4 790</u>	<u>4 579</u>
Bank statement balance at end of year	<u>4 790</u>	<u>4 579</u>
O.R. TAMBO AIDS TRAINING INF & COUNSELLING: Account number 62063723532		
Cash book balance at beginning of year	4 246 880	1 859 267
Cash book balance at end of year	<u>84 853</u>	<u>4 246 880</u>
Bank statement balance at end of year	<u>84 853</u>	<u>4 246 880</u>
O.R. TAMBO DISTRICT INF. MAN SYSTEMS: Account number 62063723780		
Cash book balance at beginning of year	11 326	10 772
Cash book balance at end of year	<u>11 848</u>	<u>11 326</u>
Bank statement balance at end of year	<u>11 848</u>	<u>11 326</u>
O.R. TAMBO LGWSETA: Account number 62044992362		
Cash book balance at beginning of year	89 469	85 092
Cash book balance at end of year	<u>93 592</u>	<u>89 469</u>
Bank statement balance at end of year	<u>93 592</u>	<u>89 469</u>
O.R. TAMBO JOB EVALUATION CALL: Account number 62081777497		
Cash book balance at beginning of year	5 654	5 377
Cash book balance at end of year	<u>5 624</u>	<u>5 654</u>
Bank statement balance at end of year	<u>5 914</u>	<u>5 654</u>
O.R. TAMBO CAPE TOWN DISASTER FUND: Account number 602079716357		
Cash book balance at beginning of year	33 765	32 113
Cash book balance at end of year	<u>35 321</u>	<u>33 765</u>
Bank statement balance at end of year	<u>35 321</u>	<u>33 765</u>
ORTDM VULINDELA: Account number 6208686062		
Cash book balance at beginning of year	560 460	558 811
Cash book balance at end of year	<u>586 288</u>	<u>560 460</u>
Bank statement balance at end of year	<u>586 288</u>	<u>560 460</u>
ORTDM FIRE & EMERGENCY: Account number 62098188686		
Cash book balance at beginning of year	1 359	5 131
Cash book balance at end of year	<u>1 421</u>	<u>1 359</u>
Bank statement balance at end of year	<u>1 421</u>	<u>1 359</u>
ORTDM IFESH CALL: Account number 62063723920		
Cash book balance at beginning of year	63 687	60 571
Cash book balance at end of year	<u>66 622</u>	<u>63 687</u>
Bank statement balance at end of year	<u>66 622</u>	<u>63 687</u>
ORTDM EMFUNDISWENI: Account number 62091000499		
Cash book balance at beginning of year	3 629	3 452
Cash book balance at end of year	<u>3 796</u>	<u>3 629</u>
Bank statement balance at end of year	<u>3 796</u>	<u>3 629</u>

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2013

	30 June 2013 R	30 June 2012 R
ORTDM SUGAR ASSOCIATION: Account number 62099252878		
Cash book balance at beginning of year	36 286	34 511
Cash book balance at end of year	<u>37 958</u>	<u>36 286</u>
Bank statement balance at end of year	<u>37 958</u>	<u>36 286</u>
ORTDM VAT CALL : Account number 62123698493		
Cash book balance at beginning of year	5 652	5 375
Cash book balance at end of year	<u>5 912</u>	<u>5 652</u>
Bank statement balance at end of year	<u>5 912</u>	<u>5 652</u>
BUSINESS MONEY MARKET: Account number 62148662449		
Cash book balance at beginning of year	11 900	11 781
Cash book balance at end of year	<u>12 019</u>	<u>11 900</u>
Bank statement balance at end of year	<u>12 019</u>	<u>11 900</u>
ORTDM HADINI SUBSIDY GRANT: Account number 62044993914		
Cash book balance at beginning of year	3 450	3 281
Cash book balance at end of year	<u>3 609</u>	<u>3 450</u>
Bank statement balance at end of year	<u>3 609</u>	<u>3 450</u>
BUSINESS CALL ACCOUNT: Account number 62154518404		
Cash book balance at beginning of year	41 114	40 704
Cash book balance at end of year	<u>41 526</u>	<u>41 114</u>
Bank statement balance at end of year	<u>41 526</u>	<u>41 114</u>
FARMS OPERATIONS 62242846890		
Cash book balance at beginning of year	3 216 511	3 061 073
Cash book balance at end of year	<u>3 365 608</u>	<u>3 216 511</u>
Bank statement balance at end of year	<u>3 365 608</u>	<u>3 216 511</u>
ABASA/MEEG BANK		
O. R. TAMBO DM SURVEY & PLANNING: Account number 9093497952		
Cash book balance at beginning of year	22 739	21 940
Cash book balance at end of year	<u>23 566</u>	<u>22 739</u>
Bank statement balance at end of year	<u>23 566</u>	<u>22 739</u>
O. R. TAMBO DM INCOME GENERATING : Account number 9093498144		
Cash book balance at beginning of year	591 107	570 344
Cash book balance at end of year	<u>612 592</u>	<u>591 107</u>
Bank statement balance at end of year	<u>612 592</u>	<u>591 107</u>
O. R. TAMBO DM PUBLIC TRANSPORT : Account number 9090592757		
Cash book balance at beginning of year	1 672 890	1 616 427
Cash book balance at end of year	<u>1 733 786</u>	<u>1 672 890</u>
Bank statement balance at end of year	<u>1 733 786</u>	<u>1 672 890</u>
O. R. TAMBO DM LEAVE GRATUITY: Account number 9090592317		
Cash book balance at beginning of year	9 708	9 381
Cash book balance at end of year	<u>10 058</u>	<u>9 708</u>
Bank statement balance at end of year	<u>10 058</u>	<u>9 708</u>

	30 June 2013 R	30 June 2012 R
STANDARD BANK		
ORTDM LG SETA: Account number 548744068-003		
Cash book balance at beginning of year	658 324	626 197
Cash book balance at end of year	<u>248 814</u>	<u>658 324</u>
Bank statement balance at end of year	<u>688 840</u>	<u>658 324</u>
ORTDM VAT CALL: Account number 548744068-006		
Cash book balance at beginning of year	120 288	114 417
Cash book balance at end of year	<u>125 863</u>	<u>120 288</u>
Bank statement balance at end of year	<u>125 863</u>	<u>120 288</u>
ORTDM LED DAEAT: Account number 548744068-005		
Cash book balance at beginning of year	10 781	10 621
Cash book balance at end of year	<u>10 893</u>	<u>10 781</u>
Bank statement balance at end of year	<u>10 893</u>	<u>10 781</u>
ORTDM SINGISI FOREST: Account number 548744068-007		
Cash book balance at beginning of year	321 095	305 425
Cash book balance at end of year	<u>335 978</u>	<u>321 095</u>
Bank statement balance at end of year	<u>335 978</u>	<u>321 095</u>
ORTDM SPATIAL PLANNING: Account number 548744068-011		
Cash book balance at beginning of year	12 443	11 837
Cash book balance at end of year	<u>12 578</u>	<u>12 443</u>
Bank statement balance at end of year	<u>12 578</u>	<u>12 443</u>
ORTDM ISROP PROJECT: Account number 548744068-016		
Cash book balance at beginning of year	13 719	13 515
Cash book balance at end of year	<u>13 861</u>	<u>13 719</u>
Bank statement balance at end of year	<u>13 861</u>	<u>13 719</u>
ORTDM INSTITUTIONAL PERFORMANCE: Account number 548744068-018		
Cash book balance at beginning of year	895 510	853 085
Cash book balance at end of year	<u>935 617</u>	<u>895 510</u>
Bank statement balance at end of year	<u>935 617</u>	<u>895 510</u>
ORTDM CAPACITY BUILDING: Account number 548744068-018		
Cash book balance at beginning of year	477 089	453 806
Cash book balance at end of year	<u>499 203</u>	<u>477 089</u>
Bank statement balance at end of year	<u>499 204</u>	<u>477 089</u>
ORTDM INTERGRATED SPATIAL MGT: Account number 548744068-019		
Cash book balance at beginning of year	2 052	1 953
Cash book balance at end of year	<u>2 075</u>	<u>2 052</u>
Bank statement balance at end of year	<u>2 075</u>	<u>2 052</u>
ORTDM SIYAPHAMBILI WOODWORKER'S CO-OP: Account number 548744068-023		
Cash book balance at beginning of year	2 671	2 541
Cash book balance at end of year	<u>2 700</u>	<u>2 671</u>
Bank statement balance at end of year	<u>2 700</u>	<u>2 671</u>
INFORMATION & ENERGY CENTRE: Account number 548744068-022		
Cash book balance at beginning of year	2 369	2 253
Cash book balance at end of year	<u>2 394</u>	<u>2 369</u>
Bank statement balance at end of year	<u>2 394</u>	<u>2 369</u>

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2013

	30 June 2013 R	30 June 2012 R
NTABANKULU DAM HOTEL & RECREATION: Account number 548744068-021		
Cash book balance at beginning of year	1 135 567	1 179 705
Cash book balance at end of year	<u>1 188 205</u>	<u>1 135 567</u>
Bank statement balance at end of year	<u>1 188 205</u>	<u>1 135 567</u>
LED STRATEGY GRANT FUND : Account number 548744068-24		
Cash book balance at beginning of year	611 901	582 039
Cash book balance at end of year	<u>640 265</u>	<u>611 901</u>
Bank statement balance at end of year	<u>640 265</u>	<u>611 901</u>
INVESTMENT SUMMIT CONFERENCE: Account number 548744068-026		
Cash book balance at beginning of year	2 700	2 569
Cash book balance at end of year	<u>2 729</u>	<u>2 700</u>
Bank statement balance at end of year	<u>2 729</u>	<u>2 700</u>
ORTDM REVENUE CALL (32 DAY CALL): Account number 548744068-027		
Cash book balance at beginning of year	1 293 145	13 621 189
Cash book balance at end of year	<u>1 358 023</u>	<u>1 293 145</u>
Bank statement balance at end of year	<u>1 358 023</u>	<u>1 293 145</u>
NEDBANK		
DISTRICT AIDS COUNCIL OPERATIONS: Account number 03/7881054263/01		
Cash book balance at beginning of year	194 655	185 156
Cash book balance at end of year	<u>203 650</u>	<u>194 655</u>
Bank statement balance at end of year	<u>203 650</u>	<u>194 655</u>

O.R. TAMBO DISTRICT MUNICIPALITY
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 For the period ended 30 June 2013

	30 June 2013 R	30 June 2012 R
RIVER HEALTH PROGRAMME: Account number 03/7881060115		
Cash book balance at beginning of year	1 127 932	1 072 887
Cash book balance at end of year	<u>1 180 059</u>	<u>1 127 932</u>
Bank statement balance at end of year	<u>1 180 054</u>	<u>1 127 932</u>
WILD COAST FISHING: Account number 03/7881053992/02		
Cash book balance at beginning of year	1 077 161	1 024 594
Cash book balance at end of year	<u>1 126 938</u>	<u>1 077 161</u>
Bank statement balance at end of year	<u>1 126 938</u>	<u>1 077 161</u>
RSC LEVY CALL 03/7881051965/04		
Cash book balance at beginning of year	114 139	108 569
Cash book balance at end of year	<u>119 413</u>	<u>114 139</u>
Bank statement balance at end of year	<u>119 413</u>	<u>114 139</u>
KWAM WOMEN'S MOVE: Account number 03 / 7881053976 /02		
Cash book balance at beginning of year	1 230 725	1 170 664
Cash book balance at end of year	<u>1 287 598</u>	<u>1 230 725</u>
Bank statement balance at end of year	<u>1 287 598</u>	<u>1 230 725</u>
INVESTMENT: Account number 03/1766000029/06		
Cash book balance at beginning of year	34 999 974	33 263 625
Cash book balance at end of year	<u>36 617 356</u>	<u>34 999 974</u>
Bank statement balance at end of year	<u>36 617 356</u>	<u>34 999 974</u>
VAT CALL - NEDBANK 03/7881051957/06		
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at end of year	<u>-</u>	<u>-</u>
INVESTEC PRIVATE BANK		
O. R. TAMBO DM INVESTEC 32 DAYS NOTICE A/C : Account number 456810		
Cash book balance at beginning of year	19 620 381	18 662 877
Cash book balance at end of year	<u>20 527 058</u>	<u>19 620 381</u>
Bank statement balance at end of year	<u>20 527 058</u>	<u>19 620 381</u>

O.R. TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Gross Balances R	Allowance for impairment losses R	Net Balance R
4 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS			
4 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS			
4.1 TRADE RECEIVABLES			
30-Jun-13			
Service debtors			
Water Services	287 091 215	(260 182 282)	26 908 933
Sewerage Charges	53 755 671	(35 731 735)	18 023 936
Sub -total	340 846 886	(295 914 017)	44 932 869
Discounting	(110 429)	-	(110 429)
Total	340 736 457	(295 914 017)	44 822 440
30-Jun-12			
Service debtors			
Water Services	249 287 549	(222 074 139)	27 213 411
Sewerage Charges	41 591 194	-	41 591 194
Sub -total	290 878 744	(222 074 139)	68 804 605
Discounting	(203 873)	-	(203 873)
Total	290 674 871	(222 074 139)	68 600 732

	30 June 2013 R	30 June 2012 R
Service Debtors: Ageing		
Current (0 – 30 days)	13 492 628	24 910 029
31 - 60 Days	13 042 546	11 390 957
61 - 90 Days	14 348 953	9 774 153
91 - 120 Days	11 798 855	10 483 909
121 - 365 Days	61 915 198	110 190 782
+ 365 Days	206 941 216	104 823 374
Payments received in advance	(3 655 293)	(3 729 316)
Total per ageing analysis	317 884 104	267 843 888

Reconciliation: gross debtors balance

	30 June 2013 R	30 June 2012 R
Trade receivables adjustments - not in ageing analysis	19 309 072	19 309 072
Reclassification of debtors with credit balances	3 655 293	3 729 316
Integration difference	(1 557)	(3 532)
Discounting	(110 429)	(203 873)
Gross trade receivables	340 736 483	290 674 871

Service debtors contain an amount of R3 655 293 (2012: R3 729 316) that has been received in advance from some of the municipality's consumer debtors. To comply with basic disclosure norms this amount has been disclosed under creditors.
Additionally, Trade receivables contains an amount of R19 309 072 (2012: R 19 309 072), relating to June 2012 revenue accrual and adjustments as a results of unbilled RDP houses. These amounts are not included in the ageing analysis and have been provided in full.

Summary of Debtors by Customer Classification

	Consumers R	Industrial / Commercial R	National and Provincial Government R	Total R
30-Jun-13				
Current (0 – 30 days)	7 015 169	2 332 339	4 145 119	13 492 628.03
31 - 60 Days	6 817 922	2 135 675	4 088 949	13 042 545.95
61 - 90 Days	7 040 939	2 121 199	5 186 815	14 348 953.46
91 - 120 Days	7 114 289	1 871 482	2 813 084	11 798 855.04
121 - 365 Days	47 418 309	9 666 290	4 830 599	61 915 198.45
+ 365 Days	179 582 002	22 085 836	4 673 378	206 941 216.16
Payments received in advance	(1 882 281)	(744 905)	(1 028 107)	(3 655 293.40)
Total per ageing analysis	253 106 349	40 067 917	24 709 838	317 884 104
Provision for doubtful debts	(257 392 223)	(32 822 845)	(5 698 949)	(295 914 017)
30-Jun-12				
Current (0 – 30 days)	11 954 552	3 902 305	9 053 172	24 910 029
31 - 60 Days	6 427 248	1 625 894	3 337 815	11 390 957
61 - 90 Days	6 024 908	1 285 944	2 463 301	9 774 153
91 - 120 Days	6 486 680	1 371 658	2 625 572	10 483 910
121 - 365 Days	83 754 245	13 807 129	12 629 408	110 190 782
+ 365 Days	91 320 228	7 256 706	6 246 439	104 823 373
Payments received in advance	(2 046 532)	(1 081 370)	(601 414)	(3 729 316)
Total per ageing analysis	209 921 329	28 168 266	35 754 293	267 843 888
Provision for doubtful debts	(193 905 873)	(28 168 266)	-	(222 074 139)
30-Jun-10				
Current (0 – 30 days)		9 167 385	3 304 752	
31 - 60 Days		4 110 561	1 630 682	
61 - 90 Days		3 392 968	1 013 117	
91 - 120 Days		3 399 797	1 085 927	
121 - 365 Days		50 428 560	10 399 940	
+ 365 Days		54 121 565	3 978 917	
Sub-total		124 620 836	21 413 333	
Less: Provision for doubtful debts		(116 139 178)	(19 955 842)	
Total debtors by customer classification		8 481 658	1 457 492	

	30 June 2013 R	30 June 2012 R
4.2 RECONCILIATION OF THE DOUBTFUL DEBT PROVISION		
Balance at beginning of the year	(222 074 139)	(195 065 305)
Total contribution to provision	(73 839 878)	(26 859 445)
Contributions to provision	(73 839 878)	(26 859 445)
Doubtful debts written off against provision	-	-
Balance at end of year	(295 914 017)	(222 074 139)

Trade receivables impaired

As of 30 June 2013, trade and other receivables of R 295 914 017 (2012: R222 074 139) were impaired and provided for.

The net increase in the provision was R 73 839 878 as at 30 June 2013 (2012: net increase of R26 859 445). Included in the movement for the current year, is an amount of R22 036 373 of cumulative impairment for doubtful debts relating to prior years as a result of implementation of GRAP 104.

No amounts were written off as irrecoverable by council in the 2013 and 2012 financial year respectively.

The fair value of trade receivables approximates their carrying amounts.

	30 June 2013 R	30 June 2012 R
5 INVENTORIES		
5.1 INVENTORIES		
Opening balances of inventory	13 055 172.11	13 080 242.91
Consumable stores and Maintenance materials	12 848 621.10	12 764 178.00
Water	206 551.01	316 064.91
Adjustments to inventory	6 484 533.31	(25 070.80)
Consumable stores and Maintenance materials	6 786 992.39	2 050 845.10
Consumable stores and Maintenance materials write off	(464 647.08)	-
Reclassification to biological assets	-	(1 966 402.00)
Water	162 188	(109 513.90)
Closing balances of inventory		
Consumable stores and Maintenance materials	19 170 966.41	12 848 621.10
Water	368 739.01	206 551.01
Total	19 539 705.42	13 055 172.11
5.2 Water losses	R	R
Water	20 171 633	19 340 508
	20 171 633	19 340 508
6 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
6.1 CURRENT		
Car loans	51 445	51 445
Other loans	405 492	405 492
Loans to third parties	1 690 362	2 328 055
Grants with Debit Balances	82 901 848	76 380 149
Prepaid Expenditure	162 186 348	-
Other receivables	2 615 278	2 587 621
Sub Total	249 850 773	81 752 763
Less: Provision for doubtful debts	(85 941 910)	(79 420 209)
Total	163 908 863	2 332 554
PREPAID EXPENDITURE		
The R 162 186 348 as reflected above, is in respect of the purchase of steel coils from Metal Steel. The fabrication and testing of the steel pipes from the coils will be performed from the month of October 2013 to January 2014. The delivery will also be done on site accordingly. This amount was paid to Amathola Water under the KSD Presidential Intervention project.		
CAR LOANS		
These are loans that were originally given to employees in 2006, payable within three years with no interest. The employees concerned are no longer working for the Municipality. Efforts are being made through the legal department to collect the amount owed. These amounts have been provided in full		
6.2 RECONCILIATION OF THE DOUBTFUL DEBT PROVISION		
Balance at beginning of the year	79 420 209	2 026 276
Contributions to provision	6 521 701	77 393 933
Balance at end of year	85 941 910	79 420 209
7 VAT PAYABLE / RECEIVABLE		
VAT receivable	40 775 701	-
VAT payable	-	(7 343 213)
Total	40 775 701	(7 343 213)
VAT is payable on a payment basis. VAT is paid over to SARS only when payment is received from debtors.		

8 INTANGIBLE ASSETS

Reconciliation of carrying value	Computer Software R	Ward based database R	Total R
As at 1 July 2012	474 906.29	1.00	474 907
Cost	2 329 654.46	5 797 519.00	8 127 173
Accumulated amortisation and impairment losses	(1 854 748.16)	(5 797 518.00)	(7 652 266)
Acquisitions	-	-	-
Amortisation	(318 061.44)	-	(318 061)
As at 30 June 2013	156 845.46	1.00	156 846
Cost	2 329 654.86	5 797 519.00	8 127 174
Accumulated amortisation and impairment losses	(2 172 809.40)	(5 797 518.00)	(7 970 327)
As at 1 July 2011	2 157 365.46	5 797 519.00	7 954 884
Cost	2 157 365.46	5 063 150.00	7 220 515
Prior period error correction	-	734 369.00	734 369
Accumulated amortisation and impairment losses	(1 802 042.43)	(4 631 656.00)	(6 433 698.43)
Prior period error correction	(1 802 042.43)	(3 516 077.00)	(5 318 119)
	-	(1 115 579.00)	(1 115 579)
Acquisitions	172 289.00	-	172 289
Amortisation	(52 705.74)	(1 165 862.00)	(1 218 568)
As at 30 June 2012	474 906.29	1.00	474 907
Cost	2 329 654.46	5 797 519.00	8 127 173
Accumulated amortisation and impairment losses	(1 854 748.16)	(5 797 518.00)	(7 652 266)

9 Investment property

30 June 2013	Investment property		Closing fair value
Investment property	Opening fair value	Fair value adjustment	2 200 000
	2 200 000	-	2 200 000
30 June 2012	Investment property		Closing fair value
Investment property	Opening fair value	Fair value adjustment	2 200 000
	2 200 000	-	2 200 000

Investment property represents vacant land (Erf 1559) located in Port St Johns. 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.

Details of valuation

The effective date of the revaluations was 30 June 2013. Revaluations were performed by an independent

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

10 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value

01 July 2012

	Land	Buildings	Infrastructure	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
Cost/Revaluation	39 404 387	131 199 583	3 534 243 354	90 000	127 593 256	2 124 291	3 834 654 870
Opening balance	39 404 387	131 199 583	3 534 243 354	90 000	127 593 256	2 124 291	3 834 654 870
Correction of error	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	(3 654 386)	(2 356 667)	(1 690 514 880)	-	(18 934 154)	(132 125)	(1 715 592 212)
Accumulated depreciation	-	(2 356 667)	(1 671 776 502)	-	(18 934 154)	(132 125)	(1 693 199 448)
Accumulated Impairment	(3 654 386)	-	(18 738 378)	-	-	-	(22 392 764)
Restated balance	35 750 001	128 842 916	1 843 728 474	90 000	108 659 102	1 992 165	2 119 062 659
Acquisitions - Municipality	-	-	-	-	8 906 778	112 000	9 018 778
Capital under Construction-Municipality	-	1 594 861	410 079 021	-	-	-	411 673 882
Write off of assets	-	-	(6 792 489)	-	-	-	(3 799 842)
- Cost	-	-	(124 671 958)	-	-	-	(124 671 958)
- Accumulated depreciation	-	-	117 879 469	-	-	-	117 879 469
-Accumulated Impairment	-	-	2 992 647	-	-	-	2 992 647
Depreciation	-	(2 356 667)	(154 601 957)	-	(18 404 095)	(834 198)	(176 196 917)
Impairment of assets	-	-	(10 547 647)	-	-	-	(10 547 647)
30 June 2013	35 750 001	128 081 110	2 084 858 050	90 000	99 161 785	1 269 968	2 349 210 913
Cost/Revaluation	39 404 387	132 794 444	3 819 650 417	90 000	136 500 033	2 136 291	4 130 675 572
Accumulated depreciation	-	(4 713 334)	(1 708 498 989)	-	(37 338 249)	(966 323)	(1 751 516 895)
Accumulated impairment	(3 654 386)	-	(26 293 378)	-	-	-	(29 947 764)

10.2 Reconciliation of Carrying Value

01 July 2011

	Land	Buildings	Infrastructure	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
Cost/Revaluation	39 404 387	131 199 583	4 120 462 417	90 000	122 089 407	812 745	4 414 058 539
Previously reported	39 404 387	81 437 753	5 429 025 134	90 000	90 422 527	1 575 266	5 641 955 067
Correction of error	-	49 761 830	(1 308 562 716)	-	31 666 880	(762 521)	(1 227 896 527)
Accumulated depreciation and impairment losses	(3 654 386)	(10 595 628)	(999 490 196)	-	(41 010 036)	(234 112)	(1 054 984 358)
Previously reported	(3 654 386)	(14 496 687)	(1 705 628 714)	-	(56 911 345)	(920 848)	(1 781 611 980)
Correction of error	-	3 901 059	706 138 518	-	15 901 309	686 736	726 627 622
Restated balance: 01 July 2011	35 750 001	120 603 955	3 120 972 221	90 000	81 079 372	578 633	3 359 074 182
Acquisitions - Municipality	-	-	-	-	5 503 848	1 311 546	6 815 394
Capital under Construction-Municipality	-	-	110 647 469	-	-	-	110 647 469
Write-off of assets	-	-	(97 412 518)	-	280 518	30 424	(97 101 576)
Depreciation	-	(2 356 667)	(1 275 783 570)	-	(19 214 672)	(162 549)	(1 297 517 457)
Impairment of assets	-	-	(14 695 128)	-	-	-	(14 695 128)
30 June 2012	35 750 001	128 842 916	1 843 728 474	90 000	108 659 102	1 992 165	2 119 062 659
Cost/Revaluation	39 404 387	131 199 583	3 534 243 354	90 000	127 593 256	2 124 291	3 834 654 870
Accumulated depreciation	-	(2 356 667)	(1 671 776 502)	-	(18 934 154)	(132 125)	(1 693 199 448)
Accumulated impairment losses	(3 654 386)	-	(18 738 378)	-	-	-	(22 392 764)

Details of valuation

No land and building revaluations were performed in the current and prior years.

Land and buildings are re-valued independently every 5 years. The valuations are performed using the market value method and the following assumptions were used: The income capitalisation approach used to value income producing properties and it is based on the assumption that the purchaser will pay no more for a property with a certain income flow with similar risks and benefits than for an investment elsewhere. The net income stream is converted into a present value through the capitalisation process. The capitalisation rate of return which will be required by the owner form an investment if that investment were fully let to tenants paying market related rentals with market escalation rates.

O.R. TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

11 BIOLOGICAL ASSETS

11.1 Reconciliation of Carrying Value	Trees in plantation R	Maize R	Potatoes R	Cows R	Bulls R	Calves R	Heifers R	Steers R	Weaners R	Total R
Balance as at 1 July 2012	7 896 000	949 452	600 000	1 643 835	48 268	170 050	942 970	16 492	277 780	12 544 846
Cost/Valuation	7 896 000	949 452	600 000	1 643 835	48 268	170 050	942 970	16 492	277 780	12 544 846
Additions						147 377				147 377
Newborn calves during the year										-
Purchases										-
Transfers to cows/bulls										-
Transfers from steers and heifers								(482 391)	482 391	-
Transfers from weaners to steers and heifers									(791 350)	-
Transfers from calves to weaners				244 683		(244 683)				-
Decrease due to harvest/sales				(136 986)				(531 867)		(668 853)
Decrease due to deaths				(36 881)		(1 889)	(7 425)	(4 123)	(38 760)	(89 078)
Decrease due to biological assets lost										-
Stock counts Gains and losses				574 288		245 628	(935 545)	(4 123)	174 420	54 668
Gains from changes in fair value				3 142 109	5 819	797 234	0	218 652	(104 481)	4 163 813
Losses from changes in fair value	(391 440)	(949 452)	(600 000)							(5 568 333)
Balance as at 30 June 2013	3 981 600	0	(0)	5 431 048	54 086	1 113 716	(0)	3 990	-	10 584 439
Cost/Valuation	3 981 600	0	(0)	5 431 048	54 086	1 113 716	(0)	3 990	-	10 584 439

11.2 Reconciliation of Carrying Value	Trees in plantation R	Maize R	Potatoes R	Cows R	Bulls R	Calves R	Heifers R	Steers R	Weaners R	Total R
Balance as at 1 July 2011	6 336 000	-	-	1 420 942	397 547	52 440	1 192 640	145 236	342 000	9 886 804
Cost/Valuation - As previously reported	6 336 000	-	-	1 420 942	397 547	52 440	1 192 640	145 236	342 000	9 886 804
Additions/ Purchases	-	556 055	164 201	-	-	-	-	-	-	720 256
Transfers from inventory	-	145 342	1 821 060	-	-	-	-	-	-	1 966 402
Newborn calves during the year	-	-	-	-	-	133 100	-	-	-	131 100
Transfers to cows/bulls	-	-	-	533 644	(115 444)	-	-	-	-	418 200
Transfers from steers and heifers	-	-	-	-	-	-	(533 644)	115 444	-	(418 200)
Transfers from weaners to steers and heifers	-	-	-	-	-	-	280 440	249 660	(530 100)	-
Transfers from calves to weaners	-	-	-	-	-	(80 940)	-	-	80 940	-
Decrease due to harvest/sales	-	-	(744 473)	(273 258)	(10 194)	-	(10 745)	(510 188)	-	(1 548 857)
Decrease due to deaths	(19 200)	-	-	(34 157)	(10 194)	(570)	(21 489)	(7 448)	(3 420)	(96 478)
Decrease due to biological assets lost	-	-	-	-	-	-	(10 745)	-	-	(10 745)
Gains from changes in fair value	1 579 200	248 055	-	(3 335)	(213 448)	68 020	46 512	23 788	388 360	2 353 935
Losses from changes in fair value	-	-	(640 788)							(857 571)
Balance as at 30 June 2012	7 896 000	949 452	600 000	1 643 835	48 268	170 050	942 970	16 492	277 780	12 544 846
Cost/Valuation	7 896 000	949 452	600 000	1 643 835	48 268	170 050	942 970	16 492	277 780	12 544 846

11.3 Biological assets pledged as security
No biological assets were pledged as security.

11.4 Assets carried at cost and accumulated depreciation and impairment losses
Biological assets are carried at fair value.

11.5 Methods and assumptions used in determining the fair value
Cattle are valued at the prevailing market rates, as determined by breed, genetic merit and age less point of sale costs. Fruit trees are valued by way of an arms length transaction that would have been

11.6 Output of agricultural produce

	2013	2012
Agricultural produce for the year		1 549 452
There was no output of agricultural produce for the year		

11.7 Biological assets that died during the year

	Trees	Cows	Bulls	Calves	Heifers	Steers	Weaners	Total
Rand value	(19 200)	(34 157)	(10 194)	(570)	(21 489)	(7 448)	(3 420)	(96 478)
Quantities		(7)		(2)	(2)	(1)	(12)	(24)

Most of the biological assets died due to ill-health ranging from pneumonia, liver flu, wire worm, red water and dystonia.

11.8 Financial risk management
The municipal tree plantations are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The municipality has processes in place aimed at monitoring and mitigating those risks, including regular inspections and pest and disease control.

Description and nature of biological assets
Biological assets consist of consumable assets except for fruit trees which are classified as bearer biological assets. All the biological assets are held for distribution at no charge or nominal charge. The nature of the activities involves the raising of livestock, plantations and annual or pre-annual agricultural produce.

	30 June 2013 R	30 June 2012 R
12 TRADE AND OTHER PAYABLES		
Financial liabilities measured at cost	153 763 078	168 386 053
Trade payables	140 187 762	155 375 840
Employee benefits obligations - Note 12.1	9 920 023	9 280 898
Payments received in advance	3 655 293	3 729 316
Payroll accruals	29 053 667	26 545 249
Accrual for Bonus	5 327 256	4 401 963
Accrual for Leave	23 726 411	22 143 286
Total trade and other payables	182 816 745	194 931 302
The fair value of trade and other payables approximates their carrying amounts.		
12.1 EMPLOYEE BENEFIT OBLIGATIONS		
Other defined benefit for long service bonuses.		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation	9 920 023	9 280 898
Net liability	9 920 023	9 280 898
The projected benefit obligation are included in trade and other payables. See note 12.		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	9 280 898	8 115 545
Net expense recognised in the statement of financial performance	1 998 248	2 239 920
Benefits paid	(1 359 123)	(1 074 567)
Closing balance	9 920 023	9 280 898
Net expense recognised in the statement of financial performance		
Current service cost	1 535 903	1 484 499
Interest cost	668 324	644 152
Actuarial (gains)/losses	205 660	111 269
Total included in employee related costs	2 409 887	2 239 920
Calculation of actuarial gains and losses		
Actuarial (gains)/losses - Obligation	205 660	111 269
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	2%	7.77%
Subsidy inflation	0%	5.77%
Mortality of continuation members is in accordance with PA (90) ultimate male and female tables.		
The valuation is based on the Projected Unit Credit valuation method, as prescribed by IAS 19.		
General increases to the employer/s medical aid subsidy take into account the estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical cost.		
The inflation rate has been determined by reference to market yields at the balance sheet date of long term bonds. The medical inflation premium has been set based on past experience for the industry.		
The discount rate has been determined by reference to market yields at the balance sheet date of South African long-term bonds. The rate of 8.8% (2012: 9.2%) is the yield on the R186 government bond as at 30 June 2013.		
13 CONSUMER DEPOSITS		
Consumer deposits	1 478 289	1 053 097

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 NOTES THE FINANCIAL STATEMENTS
 For the period ended 30 June 2013

	30 June 2013 R	30 June 2012 R
14 OBLIGATIONS UNDER TRANSFER ARRANGEMENTS		
14.1 Unspent Conditional Grants from other spheres of Government		
MIG Grants	(166 201 331)	(344 042 167)
Other	(29 041 568)	(39 356 642)
Total Unspent Conditional Grants and Receipts	<u>(195 242 898)</u>	<u>(383 398 809)</u>

In the 2013 financial year, conditional grant debit balances amounting to R82 901 850 (2012: R76 380 149) were reclassified as part of Other Receivables balance. Due to uncertainty regarding the recoverability of these amounts, these were provided in full and included as part of the doubtful debt provision.

14.2 Conditions and restrictions

See note 17 for the reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised.

15 FINANCE LEASE LIABILITY

30 June 2013

Amounts payable under finance leases

Present Value	1 512 578	1 926 234
Less: Amount due for settlement within 12 months (current portion)	874 376	677 643
	<u>638 202</u>	<u>1 248 591</u>

The average lease term is 5 years. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. The majority of these leases have fixed repayment terms. The agreements do not provide for contingent rental payments. None of the leased

	30 June 2013 R	30 June 2012 R
16 SERVICE CHARGES		
Sale of water	105 582 100	101 689 082
Sewerage and sanitation charges	22 179 147	19 105 821
Total Service Charges	<u>127 761 247</u>	<u>120 794 902</u>

17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	449 045 000	414 811 000
MIG Grant	779 043 330	284 831 734
Other Government Grants and Subsidies	43 722 863	42 341 091
Total Government Grants and Subsidies	<u>1 271 811 194</u>	<u>741 983 825</u>

	30 June 2013 R	30 June 2012 R
17.1 Equitable Share		
In terms of the Constitution, this, amongst other grants, is used to subsidise the provision of basic services to the district's communities. In this regard, the district's service beneficiaries (water supply customers) receive an allocation of 6 kilolitres of free water a day. This translates to a subsidy of R26.40 per month (2012: R21,60), which is funded from this grant. Furthermore a part of service delivery, the District Municipality carts water to the urban and rural areas throughout the district.		
17.2 MIG Grant		
Balance unspent at beginning of year	(344 042 167)	(101 563 233)
Current year receipts	(682 682 000)	(562 773 000)
Conditions met - transferred to revenue	860 522 836	320 294 067
Conditions still to be met - remain liabilities	<u>(166 201 331)</u>	<u>(344 042 167)</u>

In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The municipality reports that at year end, the Municipality had applied to Treasury for a roll forward of all unspent conditional grants not committed to identifiable projects.

17.3 Other Government Grants and Subsidies

Balance unspent at beginning of year	(38 520 601)	42 681 043
Prior year error	-	(6 938 621)
Current year receipts	(42 393 937)	(40 880 298)
Other expenditure	12 820 811	
Grants with debit balances transferred to other receivables	76 380 149	(76 380 149)
Conditions met - transferred to revenue	43 722 863	42 997 424
Conditions still to be met - remain liabilities	<u>52 009 285</u>	<u>(38 520 601)</u>

17.4 Grant in aid income

The Municipality did not benefit from any water Infrastructure constructed directly by the Department of Water Affairs (DWA) during the current year for the Municipality.

17.5 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming financial years.

17.6 Public contributions and donations

The municipality did not receive any in-kind donations or assistance during the current and previous year.

O.R. TAMBO DISTRICT MUNICIPALITY
NOTES THE FINANCIAL STATEMENTS
For the period ended 30 June 2013

	30 June 2013 R	30 June 2012 R
18 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
18.1 OTHER INCOME		
Sundry revenue	564 580	2 046 603
Tender documents	593 071	1 273 702
Commission received	63 894	66 776
Fresh Deposit Ntinga	77 478	-
VAT refund (MFMA Circular No.48 Implementation)	89 817 184	35 387 529
Total Other Income	91 116 207	38 774 610
19 FINANCE INCOME		
Interest income on external investment	21 490 534	14 237 907
Interest on outstanding receivables	24 458 462	18 526 873
Total interest	45 948 996	32 764 780
20 EMPLOYEE RELATED COSTS AND REMUNERATION OF COUNCILLORS		
Salaries and wages	134 647 563	120 353 844
Contributions for UIF, pensions and medical aids	27 224 766	23 839 141
Travel, motor car and other allowances	36 376 890	26 990 905
Housing benefits	7 974 896	7 049 363
Overtime	8 172 692	4 287 187
Bonus (13th cheque)	10 063 207	9 736 303
Provision for leave pay	7 135 028	3 456 687
Total employee costs excluding councillors	231 595 041	195 713 430
During the current financial year, the Municipality incurred R 35 908 525 (2012:R32 959 112) of salary related expenditure which was directly financed through grant income.		
Remuneration of the Municipal Manager - Hlazo H T		
Annual Remuneration	1 139 205	743 442
Contributions to UIF	1 713	1 123
Travel and Subsistence	293 632	135 000
Total	1 434 550	879 565
The Remuneration for the year ended 2012 included only ten months of remuneration to the Municipal Manager as this position was vacant for the remaining two months of the year ended 30 June 2012.		
Remuneration of the Chief Finance Officer - Moleko M E		
Annual Remuneration	825 792	752 086
Contributions to UIF	1 761	1 497
Leave Paid	234 421	-
Travel and subsistence	329 160	382 043
Total	1 391 134	1 135 626
Remuneration of the Strategic Director - Corporate Services - Nogaga T T		
Annual Remuneration	936 798	856 588
Contributions to UIF, medical and Pension Funds	185 979	185 715
Travel and subsistence	151 883	170 944
Total	1 274 660	1 213 247
Remuneration of the Strategic Director - Planning and socio-Economic Development -		
Annual Remuneration	1 172 571	1 088 806
Contributions to UIF	1 761	1 497
Travel Subsistence	119 830	98 983
Leave Pay	98 146	41 126
Total	1 392 308	1 230 412
Remuneration of Director - Planning and Development- Dunywa A		
Annual Remuneration	923 038	849 332
Travel and Subsistence	180 704	37 792
Leave Pay	85 329	151 015
Contributions to UIF, Medical and Pension funds	95 295	95 031
Total	1 284 367	1 133 170
Remuneration of Director- Infrastructure Engineer - Khoza S		
Annual Remuneration	857 044	783 337
Travel and subsistence	192 689	163 664
Contributions to UIF, Medical and Pension funds	165 110	164 847
Total	1 214 843	1 111 848
Remuneration of Director - Human Resources - Mhlembana V		
Annual Remuneration	890 280	115 537
Travel and subsistence	258 381	20 000
Contributions to UIF and Medical funds	63 717	250
Total	1 212 377	135 787
The remuneration for the year ended 2012 included two months payment		
Remuneration of Director - Technical Services - M Matiso		
Annual Remuneration	143 138	932 538
Travel and subsistence	33 854	152 085
Leave Pay	40 324	37 792
Contributions to UIF, Medical and Pension funds	7 183	57 646
Total	224 499	1 180 061

O.R. TAMBO DISTRICT MUNICIPALITY
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	30 June 2013 R	30 June 2012 R
Remuneration of Director - Water Services- Mzayiya E		
Annual Remuneration	950 606	876 900
Travel and Subsistence	101 781	83 188
Leave Pay	289 830	-
Contributions to UIF, Medical and Pension funds	108 359	108 096
Total	1 450 577	1 068 184
Remuneration of Director - Housing - Gqawa L		
Annual Remuneration	820 156	746 449
Travel and subsistence	222 317	241 220
Leave Pay	94 451	-
Contributions to UIF, Medical and Pension funds	126 463	126 200
Total	1 263 387	1 113 869
Remuneration of Director - ICT Management - Molathwa J		
Annual Remuneration	802 104	904 271
Travel and subsistence	66 514	51 151
Leave Pay	63 933	-
Contribution to UIF	1 564	1 497
Total	934 115	956 919
Remuneration of Director - Community and Social Affairs - Hlangu L		
Annual Remuneration	954 480	823 344
Travel and subsistence	85 127	132 575
Leave Pay	-	-
Contributions to UIF, Medical and Pension funds	118 065	117 802
Total	1 157 673	1 073 721
Remuneration of Director - Political Advisor - Mzamane Z		
Annual Remuneration	1 228 740	1 181 686
Contributions to UIF	1 713	1 497
Total	1 230 453	1 183 183
Remuneration of the Director - Chief Operations Officer- Mbatani B		
Annual Remuneration	947 189	873 377
Contributions to UIF and Medical funds	30 233	1 497
Leave Pay	170 488	-
Travel and Subsistence	238 415	225 075
Total	1 386 325	1 099 949
Remuneration of the Director - Office of the Executive Mayor - Ncube A		
Annual Remuneration	815 677	752 084
Leave Pay	63 933	-
Contributions to UIF	1 713	1 497
Travel Subsistence	315 957	356 586
Total	1 197 280	1 110 167
Remuneration of the Director - Internal Audit - Mbiko L		
Annual Remuneration	988 981	932 538
Leave Pay	241 369	37 792
Travel and subsistence	202 826	166 398
Contributions to UIF	1 713	1 497
Total	1 434 888	1 138 225
Remuneration of Council Secretary - Tseane T		
Annual Remuneration	905 880	842 286
Travel and subsistence	133 887	135 057
Leave Pay	68 877	37 792
Contributions to UIF, medical and pension funds	106 113	105 897
Total	1 214 757	1 121 032
Remuneration of Director - Legal Services - Mgidlana T		
Annual Remuneration	876 393	802 687
Travel and subsistence	290 039	352 048
Leave Pay	91 552	-
Contributions to UIF, medical and pension funds	1 761	1 497
Total	1 259 744	1 156 232
20.1 Remuneration of Councillors		
Mayor	787 368	653 559
Mayor Committee members	5 869 138	4 442 085
Speakers	586 068	527 006
Other councillors	6 663 795	4 222 767
Total	13 906 369	9 845 417

	30 June 2013 R	30 June 2012 R
EMPLOYEE RELATED COSTS AND REMUNERATION OF COUNCILLORS (continued)		
In-kind Benefits		
<p>The Executive Mayor and Executive Committee Members are full-time. The new Speaker which was elected on the 18 May 2011 is also full-time, the previous Speaker was part-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor is provided with personal body guards.</p> <p>The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at less than market related rate. The Executive Mayor has use of the Council owned vehicle for official duties.</p>		
21 DEPRECIATION AND AMORTISATION EXPENSE		
Infrastructure	154 601 957	1 275 783 570
Property Plant and Equipment	21 594 960	22 714 261
Intangible assets	318 061	1 218 568
Total Depreciation and Amortisation	<u><u>176 514 978</u></u>	<u><u>1 299 716 398</u></u>
22 IMPAIRMENT LOSS		
Inventory	464 647	-
Impairment of assets	14 347 489	14 695 128
Loss of biological assets due to natural death and losses	89 078	107 222
	<u><u>14 901 214</u></u>	<u><u>14 802 350</u></u>
23 FINANCE COSTS		
Finance costs	965 123	15 850
	<u><u>965 123</u></u>	<u><u>15 850</u></u>
24 BULK PURCHASES		
Water	<u><u>28 840 899</u></u>	<u><u>27 807 876</u></u>
25 CONTRACTED SERVICES		
Contracted services for:		
Security services	9 193 434	6 971 592
Total contracted services	<u><u>9 193 434</u></u>	<u><u>6 971 592</u></u>
26 GRANTS AND SUBSIDIES PAID		
Ntinga O.R. Tambo Development Agency *	60 869 160	62 779 435
Municipal support **	635 399	9 626 138
Support to Traditional Authorities	219 308	276 707
	<u><u>61 723 867</u></u>	<u><u>72 682 280</u></u>

* Ntinga O.R. Tambo Development Agency is an entity of the municipality responsible for the Economic Development objectives of the municipality. Accordingly and as a means to enable it to fulfil its mandate, it is recipient of allocated grant funding from the District Municipality.

** The District Municipality supported three of its local municipalities namely: Mhlontlo Local Municipality, Ingquza Hill Local Municipality and Port St Johns Local Municipality.

O.R. TAMBO DISTRICT MUNICIPALITY
NOTES THE FINANCIAL STATEMENTS
For the period ended 30 June 2013

	30 June 2013	30 June 2012
	R	R
27 GENERAL EXPENSES		
Included in general expenses are the following:-		
ABATTOIR	-	16 449
ACCOUNTING & AUDIT FEES	2 751 397	2 798 688
ADVERTISING FEES	193 898	446 086
ARTS AND CRAFT	147 422	468 890
ASSESSMENT RATES	1 081 232	1 059 966
AMBASSADORS	65 654	-
ASSISTANCE TO EX-COMBATANTS	146 785	251 539
AUDIT COMMITTEE ALLOWANCES	85 946	42 000
AWARENESS OF IT POLICIES	-	9 876
BANK COSTS	589 755	936 819
BOOKS & PUBLICATIONS	5 032	32 242
BUMBANE GREAT PLACE RETICULA	1 279 720	-
CEREMONIAL FUNCTION	-	195
CHILD PROTECTION SERVICES	159 244	142 300
CLEANING MATERIALS	611 873	493 032
COASTAL SAFETY	78 071	88 939
COMMUNICATION	1 125 487	451 797
COMMUNITY PARTICIPATION & RO	1 312 319	802 157
COMMUNITY TRAINING	41 289	-
CONDITIONAL GRANT EXPENDITURE	258 943 051	212 306 113
CONFERENCE FEES	1 415 771	666 066
CONTINUATION OF ABANDONED PR	20 310 477	-
CONSULTANTS & PROFESSIONAL FE	5 843 450	15 995 312
CO-OPERATIVES SUPPORT	735 658	865 964
CORPORATE EXPENDITURE	628 139	141 949
CORPORATE EXPENSES	145	4 403
COUNCIL AND COMMITTEES	1 871 113	2 893 484
COUNCIL MEETINGS	89 195	827 108
COUNCIL RECEPTIONS	7 020	228 481
COUNCILLORS	-	68 935
COUNCILLORS WORKING TOOLS	-	724 481
CUSTOMER RELATIONS SERVICES	905 960	1 130 187
DISASTER MANAGEMENT INFORMAT	850 000	306
DISASTER MANAGEMENT SUMMIT	-	732 778
DISASTER PREPAREDNESS AND RE	817 785	551 578
DISASTER RECOVERY SYSTEMS	234 797	-
DISTRICT PLANNING STRATEGY	-	587
DISTRICT AND LOCAL TRANSPORT	25 454	-
DISTRICT FRAUD INVESTIGATING	26 075	-
DISTRICT HOUSING DEVELOPMENT	169 035	-
DISTRICT SPEAKER'S FORUM	492 671	336 232
DISTRICT SPORTS COUNCIL	150 097	64 917
DROUGHT RELIEF FUNDING EXPEN	-	7 149 346
EARLY CHILDHOOD DEVELOPMENT	49 474	363 417
ELECTRICITY	28 430 248	30 683 315
EMPLOYEE ASSISTANCE PROGRAM	477 784	161 478
ENVIRONMENTAL RISK ASSESSMENT	62 114	65 894
ENVIRONMENTAL AUDIT	-	82
ENVIRONMENTAL AWARENESS	49 986	26 418
ENVIRONMENTAL MANAGEMENT PLA	9 544	3 449
EMPLOYMENT EQUITY PLAN	182 773	-
ESTABLISHMENT OF COUNCIL LIB	52 868	-
ESTABLISHMENT OF ARCHIVES	902 199	599 113
FARMS OPERATIONS	-	1 160 913
FENCING	1 366 309	-
FINANCIAL & BUDGETING REFORM	-	1 322
Sub-total carried forward	<u>334 774 319</u>	<u>285 794 602</u>

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES THE FINANCIAL STATEMENTS
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	30 June 2013 R	30 June 2012 R
GENERAL EXPENSES (continued)		
Sub-total brought forward	334 774 319	285 794 602
FINANCIAL ACADEMIC ASSISTANCE	1 703 187	2 169 958
FIRE AND EMERGENCY SERVICES	372 582	1 562 219
FIRE FIGHTER EQUIPMENT - EQS	1 685 854	-
FORT DONALD DEVELOPMENT	-	225 537
FREE BASIC SERVICES (EXP)	5 024 648	866 844
FREE BASIC SERVICES : WATER	1 212 555	1 797 520
FUNCTIONS & STAFF WELFARE	540 634	233 526
GIS SYSTEM & SERVER	194 691	-
GRANT - ADHOC HOUSING (AWARD	47 907	-
GRANT - INTEGRATED DEVELOPME	3 176 823	-
GENERATORS	175 323	-
GROUP LIFE ASSURANCE SCHEME	-	2 829 662
HEALTH RISK ASSESSMENT	109 649	-
HERITAGE SECTOR PLAN	98 648	-
HIRE - EQUIPMENT & MACHINERY	(785 645)	2 963 401
HIV/AIDS (ORTDM & INKCIYO PR	273 029	403 375
HIV/AIDS COMMUNITY AWARENESS	1 424 121	1 311 171
HLULEKA BEE-KEEPING PROJECT	703 722	-
HOUSING FORUMS	10 675	13 352
HOUSING SUMMIT	154 618	144 471
HUMAN RESOURCE DEVELOPMENT P	195 000	-
INDIGENT SUBSIDIES (EXP)	(2 120 911)	268 246
INGQUZA HOUSING GRANT	19 435	-
INGQUZA HILL MASSACRE (PONDO	918 530	918 071
INSURANCE - EXTERNAL	180 902	1 092 322
INTEGRATED DEVELOPMENT PLAN	-	612
INTEGRATED WASTE MANAGEMENT	51 142	150 407
INTEREST AND PENALTIES	-	15 847
INTER-GOVERNMENTAL RELATIONS	1 340 726	1 661 889
INTERGRATED SPATIAL MANAGEME	293 048	156 003
INTERNATIONAL RELATIONS	236 825	541 266
INTERNSHIP PROGRAMME	-	247 866
INTRANET DEVELOPMENT	76 570	218 782
INVESTMENT CONFERENCE	89 489	83
IT EQUIPMENT REPAIRS	(847 386)	162 058
LAND & FENCES	151 242	-
LED CAPACITY	477 537	-
LED STRATEGY	251 923	-
LEGAL FEES	297 456	1 088 073
LICENSE FEES	2 793 374	2 105 141
LM TOURISM PLAN DEVELOPMENT	-	165
LOCAL ECONOMIC DEVELOPMENT P	-	1 341
LOCAL ECONOMIC DEVELOPMENT S	-	476
LOCAL LABOUR FORUM PROGRAMME	26 683	79 184
MANDELA MONTH	497 156	-
MAINTENANCE OF PIPE LEAKS	-	5 989 488
MAYORAL IMBIZO	548 433	689 369
MAYORAL RECEPTION FUND	-	13 477
MAYOR'S SECTORAL ENGAGEMENT	705 903	886 434
MEDICAL EXAMINATION	660 088	38 620
MEMBERSHIP FEES	37 834	13 932
MORAL REGENERATION PROGRAMS	25 675	34 350
MTHATHA RIVER HEALTH CAMPAIG	-	1 701 760
MUD SCHOOL INTERVENTIONS	558 239	985 337
Sub-total carried forward	<u>358 362 256</u>	<u>319 376 240</u>

O.R. TAMBO DISTRICT MUNICIPALITY
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 For the period ended 30 June 2013

	30 June 2013	30 June 2012
	R	R
GENERAL EXPENSES (continued)		
Sub-total brought forward	358 362 256	319 376 240
MUNICIPAL HEALTH SERVICES	2 572 272	1 989 269
NGWENI POULTRY PROJECT	-	135 318
NXEKAZI WATER SUPPLY	6 049	1 292 828
OCCUPATIONAL HEALTH & SAFETY	15 858	274 637
OFFICE RENTAL	555 994	67 249
OR TAMBO MONTH	1 477 913	2 221 381
OTHER OPERATING EXPENDITURE	77 449	9 793 081
OVERSIGHT COMMITTEE & ROADSH	339 047	304 534
PHASE 1 AWARENESS CAMPAIGN	1 760	66 109
POLICY REGISTER	122 000	77 448
POSTAGE	136 417	177 525
POVERTY RELIEF PROGRAMME	2 234 652	2 586 697
PRIMARY HEALTH CARE	54 703	36 091
PRINTING & STATIONERY	2 701 880	2 659 898
PROTECTIVE CLOTHING	2 983 790	714 512
PERFORMANCE MANAGEMENT SYSTE	1 114 799	
PUBLIC PARTICIPATION&SECTION	1 635 467	1 098 316
PUBLIC TRANSPORT	(2 621 345)	250 320
REFURBISHMENT OF WATER SCHEME	-	341 968
RELOCATION COSTS	33 346	74 322
RENTAL OF IT EQUIPMENT	799 622	809 065
RESEARCH & DEVELOPMENT	946 481	727 127
RSC LEVY OUTSTANDING DEBT	134	
RISK MANAGEMENT	-	168 401
RIVER HEALTH PROGRAM	-	1 635
SAFETY AND SECURITY PROGRAMM	140 284	4 574
SALGA FEES	1 647 974	1 586 145
SCIENTIFIC DISASTER MANAGEME	144 716	921 123
SECURITY SYSTEMS AND MUNICIP	-	385 465
SECTOR DEVELOPMENT	429 695	
SERVICE DELIVERY TURN	-	14 730
SEWERAGE RETICULATION	-	10 773 261
SKILLS DEVELOPMENT & CAPACIT	7 091 070	6 705 525
SOCIAL RELIEF PROGRAMME	234 713	287 917
SPORTS ARTS CULTURE & HERITA	1 463 554	1 192 432
SPRING PROTECTION	-	1 100 405
SPUS - CHILDREN	748 792	2 046 926
SPUS - OLD AGE	294 582	534 254
SPUS - PHYSICALLY CHALLENGED	185 062	481 649
SPUS - WOMEN	495 944	494 003
SPUS - YOUTH	680 730	650 372
SUNDRY REVENUE	5 034	-
STANDING ORDERS & RESOLUTION	269 658	137 800
STIPEND FOR EMERGENCY VOLUNT	500 054	473 132
STRATEGIC INTERVENTION PLAN	-	2 575 990
SUBSISTENCE & TRAVELLING	-	1 479 534
SUNDRY EXPENSES	463 322	2 672
TELEPHONE	6 075 029	4 552 527
TOURISM : MARKETING	463 147	260 020
TLB	994 219	-
TOURISM EDUCATION & AWARENES	579 372	467 599
TOURISM ORGANISATIONS REGION	8 295	16 122
TRANSFER OF SPORT FACILITIES	196 205	-
TSOLO JUNCTION PROJECT	57 018	21 640
UPGRADING OF BEDFORD/EFATA W	856 592	-
URBAN RENEWAL	552 060	-
VEHICLE FUEL & OIL	8 809 212	5 337 383
VERIFICATION & UPDATE OF W/S	1 480 867	-
VILLAGE WATER COMMITEES	18 688 998	13 941 903
VIP PROTECTION UNIT	299 883	423 150
WARD BASED PLANNING INFORMAT	684 613	619 350
WATER PUMP STATIONS	-	10 175 936
WATER BOARDS	20 259 486	-
WASTE WATER MANAGEMENT	1 535 630	5 139 571
WATER CARTING EXPENDITURE	6 790 611	527 823
WATER PURIFICATION CHEMICALS	7 480 193	15 512 103
WATER QUALITY MONITORING	2 218 028	8 472
WHIPPERY SUPPORT	1 804 936	1 565 192
WORKMEN'S COMPENSATION FUND	66 795	454 048
WORKSHOPS VOTE	464 236	-
WORKPLACE TRAINING	-	2 717 945
WSDIP	625 923	47
WSP	-	85
	469 337 076	438 832 793

O.R. TAMBO DISTRICT MUNICIPALITY
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	30 June 2013	30 June 2012
	R	R
28 GAIN ON SALE OF ASSETS		
Biological assets	481 981	801 978
Cost of sale	<u>(614 185)</u>	<u>(1 538 112)</u>
Total (loss) Gain on Sale of Assets	<u>(132 204)</u>	<u>(736 134)</u>
29 INCREASE IN FAIR VALUE OF BIOLOGICAL ASSETS		
(Loss) Gains from changes in fair value	<u>(1 257 144)</u>	<u>2 244 375</u>
	<u>(1 257 144)</u>	<u>2 244 375</u>

O.R. TAMBO DISTRICT MUNICIPALITY
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For the period ended 30 June 2013

30 CASH GENERATED FROM / (UTILISED IN) OPERATIONS

(Deficit)/Surplus for the year	388 841 819	(1 058 333 213)
Adjustment for:-		
Depreciation and amortization	176 514 978	597 554 354
Loss/ (gain) on disposal of biological assets	(54 668)	736 134
Finance costs	965 123	15 850
Fair value adjustments	(1 257 144)	(2 244 375)
Impairment loss	14 901 214	479 078 544
Debt impairment	73 839 878	126 289 750
Accrual for Debtors	-	1 097 148
Payroll Accruals	29 053 667	186 739
Increase in employee benefits obligations	1 583 125	1 165 352
Discounting of debtors	(93 444)	203 873

Operating surplus before working capital changes: **684 294 547** **145 750 156**

(Increase)/ decrease in inventories	(6 949 180)	(3 596 196)
Increase in trade receivables from exchange transactions	(49 968 141)	(66 310 125)
(Increase)/ decrease in other receivables from other-exchange transactions	(161 576 311)	(1 203 782)
Increase/ (decrease) in VAT receivable	(40 775 701)	35 549 873
Increase/ (decrease) in VAT payable	(7 343 213)	6 595 227
Increase/(decrease) in trade and other payables from exchange transactions	(42 751 349)	35 918 349
Increase/ (decrease) in other payables		374 100
Increase in transfer arrangements	(188 155 911)	240 361 805
Increase in unspent conditional grants and receipts		
	186 774 740	393 439 408

Jun-13 **Jun-12**
R **R**

31 CASH AND CASH EQUIVALENTS

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

Bank balances and cash	193 083 992	427 551 056
Net cash and cash equivalents (net of bank overdrafts)	193 083 992	427 551 056

32 CORRECTION OF ERRORS

Adjusting opening 11/12 FY Infrastructure, Property, Plant and Equipment balances	(112 753 282)	(463 413 171)
Adjusting Grant and Investment account opening balances	(836 045)	(6 938 621)
Accounting for retention creditors previously not accounted for	(5 088 012)	
Adjusting opening book value for intangibles	(411 965)	(2 401 824)
Correction to prior year accrual and creditor balances	7 403 624	
Reversal of an expense incorrectly accrued	-	(16 958 367)
Correction of calculation errors in opening balances	-	12 659 293
Error relating to prior year bank adjustments	-	4 304 161
Adjusting prior year VAT accrual	-	27 342 174
Accounting for long-service leave accrual	-	(8 115 546)
Net effect on Statement of Financial Position and net effect on Accumulated Surplus		
Opening Balance	(111 685 681)	(453 521 901)

The above corrections have been included by restating prior year amounts included in the statement of financial position as per GRAP3 restatements. The adjustment relating to opening 11/12 FY Infrastructure, Property, Plant and Equipment balances has been included in the earliest period possible (i.e. June 2011), and the resultant changes in asset movements included by restating the Statement of Financial Performance and Statement of Financial Position for the 2011/12 financial year.

Corrections of error from the prior year amounting to R453 521 901 have been taken into account in arriving at the June 2013 corrections, with the exception of correction made in 2012 for Infrastructure, Property, Plant and Equipment. As such, the adjustment to opening Infrastructure, Property and Equipment of R112 753 282, represents a cumulative adjustment.

33 CHANGE IN ESTIMATE

During the current and preceding year, the Municipality reviewed the estimated remaining useful lives for Infrastructure assets. This resulted in a cumulative adjustment to depreciation in the 2011/12 financial year as a result of such revisions resulted in an additional depreciation for the year ending 30 June 2012. The additional "catch-up" depreciation is included as part of the depreciation of R 1 275 783 570 in note 21. The cash flow statement for the 2011/12 financial year, and respective notes, has not been adjusted for any prior year impacts and changes.

The impact of the change in estimate for the 30 June 2012 financial year amounted to R 1 124 884 583. Any change in remaining useful lives of assets from the 2011/12 to the 2012/13 financial year, are included in the depreciation for the year in note 21.

There were no material changes in the estimated residual values of assets or in the expected pattern of recovery of the assets carrying values.

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES THE FINANCIAL STATEMENTS
 For the period ended 30 June 2013

34 Expenditure incurred in terms of Paragraph 36(1)(a) and (b) of the Municipal Supply Chain Management Policy

Paragraphs 36(1)(a) and (b) of the Municipality's supply chain management policy stipulate that the accounting officer may dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:

- in an emergency;
- if such goods or services are produced or available from a single provider only;
- for the acquisition of special works of art or historical objects where specifications are difficult to compile;
- acquisition of animals for zoos and/or nature and game reserves; or
- in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

Deviations for the year as reported to council	3 829 932	-
Total value of expenditure	3 829 932	-

35 CAPITAL COMMITMENTS

35.1 Commitments in respect of capital expenditure

- Approved and contracted for		
Infrastructure	563 161 944	156 464 228
Other	563 161 944	156 464 228
	-	-
- Approved but not yet contracted for		
Infrastructure	639 909 602	1 505 636 334
Total	1 203 071 547	1 662 100 562

This expenditure will be financed from:

- Government Grants	1 203 071 547	1 662 100 562
	1 203 071 547	1 662 100 562

30 June 2013	30 June 2012
R	R

36 CONTINGENT LIABILITY

36.1 Claim for damages	34 475 689	14 155 844
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36.2 SCHEDULE OF CURRENT YEAR LISTING OF CONTINGENT LIABILITIES AS AT 30 JUNE 2013

NATURE OF CLAIM & COMMENCEMENT OF CLAIM	AMOUNT CLAIMED	AMOUNT CLAIMED
Claims have been lodged for failure to honour a cession agreement. Council is contesting the claim based on legal advice	187 981	187 981
Summons from service providers have been received for failure to honour contracts. On the basis of legal advice the municipality is contesting the claim.	11 359 545	6 266 671
Claims have been lodged against the municipality. They are in lieu of services rendered. On the basis of legal opinion, the municipality is contesting the claims.	18 078 183	3 320 136
The municipality is being sued for breach of agreement resulting to loss of earnings. Municipality contested the claim.	2 336 960	2 100 000
The municipality is being sued for damages suffered in a motor accident that occurred. On the basis of legal opinion the municipality is contesting the claim.	200 000	640 000
The municipality is being sued for damages on the claimant's property. The municipality is contesting the claim	315 000	100 000
Claims have been lodged for damage to telephone infrastructure. The municipality is contesting the claim.	352 547	290 133
Claims have been lodged for the damage to motor vehicles. The municipality is contesting the claim	79 473	50 923
The municipality is being sued for the electricution of a contract worker. The municipality is contesting the claim	300 000	-
Claims have been lodged for the damages arising from exposure to robbery, theft and trespassing of strangers. The municipality is contesting the claim	66 000	-
The municipality is being sued for failure to report a diseased employee to the provident fund for payment of proceeds. The municipality is contesting the claim	1 200 000	1 200 000
Claim for damages	34 475 689	14 155 844

The timing and amount of these contingent liabilities is uncertain as these will be determined by the courts.

O.R. TAMBO DISTRICT MUNICIPALITY
NOTES THE FINANCIAL STATEMENTS
For the period ended 30 June 2013

37 RELATED PARTIES

37.1 Relationships

Wholly controlled municipal entity
Members of key management
Members of Council

O.R Tambo Ntinga Development Agency
Refer to general information
Refer to general information

37.2 Other related party relationships

O R Tambo Ntinga Development Agency (the Agency)

A Municipal entity wholly controlled by the Municipality

The Agency (an Association incorporated under Section 21 of the Companies Act, Act No.61, of 1973) established by the District Municipality to promote and implement sustainable Local Economic Development through a myriad of initiatives, programs and projects throughout the District. By its nature therefore, in turn the Agency has a number of standalone and semi-standalone projects and entities which they themselves become related parties to the District Municipality in their own right.

Related party balances

In terms of Section 164 1 (c) of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004

No related party balances were identified for the current reporting period.

Related party transactions

O R Tambo Ntinga Development Agency: Grant Paid	67 444 811	62 779 435
Expenditure of farm operations	-	8 889 957
December Salary overpayment not immediately recovered	-	1 379 919
	<u>67 444 811</u>	<u>71 669 351</u>

Key Management and Councillors receive and pay for services on the same terms and conditions as other rate payers. For remuneration of Key Management and Councillors refer to note 20.

These transactions are recorded at arms length.

38 EVENTS AFTER THE REPORTING DATE

SARS requires a group life policy not initially taxed to be taxed, resulting in a liability of R 2 131 810.46. The municipality has been in contact with the Receiver of Revenue and objected to the above, which has since been rejected. The municipality intends to re-object. No adjustment has been made for this in the municipality statement of financial position as at 30 June 2013.

39 RISK MANAGEMENT

39.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Cash and cash equivalents	193 083 992	427 551 056
Trade receivables from exchange transactions	44 822 440	68 600 732
Other receivables from exchange transactions	163 908 863	2 332 554
	<u>401 815 295</u>	<u>498 484 342</u>

These balances represent the maximum exposure to credit risk.

The Municipality does not have collateral or other credit enhancements for its credit risk exposure from financial assets during the current or prior year. In addition, there were no instances during the current or prior year where the Group has taken possession of collateral it holds as security.

There are no financial assets that would have been past due or impaired had the terms not been renegotiated for the current or prior year.

The analysis of overall credit risk exposure indicated that the Municipality has trade receivables that are impaired at the reporting date. The impairment of such assets has been included in the total impairment as disclosed in the statement of financial performance

The financial assets are analysed below:

30 June 2013

	Gross	Net	Impairment losses
Trade receivables	<u>340 736 457</u>	<u>44 822 440</u>	<u>(295 914 017)</u>

30 June 2012

	Gross	Net	Impairment losses
Trade receivables	<u>290 674 871</u>	<u>68 600 732</u>	<u>(222 074 139)</u>

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

41.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance		-
Unauthorised expenditure current year	9 180 801	-
	<u>9 180 801</u>	<u>-</u>

Details

	9 180 801
Employee related cost: overtime	3 515 288
EPWP: Grant transfer rollover from previous year	5 665 513

41.2 Fruitless and wasteful expenditure

Opening balance -	13 860 811	13 860 811
Fruitless and wasteful expenditure current year	1 168 506	-
	<u>15 029 317</u>	<u>13 860 811</u>

Details

	1 168 506
Tender awarded was challenged and Municipality had to pay established cost of R2 946 886.06	861 142
Interest paid on late payments to suppliers	62 539
Damaged vehicle not recoverable from insurance	244 826
Unused motor vehicle licence fee paid for dormant yellow plant	105 004

41.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	214 194 150	30 224 702
Irregular expenditure current year	58 460 140	183 969 448
Condoned or written off by Council	(8 457 458)	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	-	-
	<u>264 196 832</u>	<u>214 194 150</u>

Details

	58 460 140	183 969 448
Expenditure where three quotes were not obtained	15 000	21 150 293
Suppliers who did not have tax clearance certificates	73 518	15 353 615
Non compliance with procurements procedures	3 759 278	2 464 680
December salary over payment not recovered in the month following overpayment	-	1 379 919
ARUBA payments not compliant with contract	30 894 402	-
Purchase of airtime for councillors	796 106	-
Councillors capacity building	330 500	-
Acting allowance paid to acting director, technical services, over three months	179 084	-
Bonus paid to councillor	11 913	-
Salary paid to councillor after resignation	47 581	-
Construction of VIP sanitation	18 774 758	25 455 374
Advance on materials on materials not yet delivered	3 078 000	3 743 033
Attendance to ICT director's funeral	500 000	114 422 534

O.R. TAMBO DISTRICT MUNICIPALITY
NOTES THE FINANCIAL STATEMENTS
For the period ended 30 June 2013

42 Additional Disclosures in terms of Municipal Finance Management Act

42.1 Contributions to organised local government

Opening balance	-	-
Council subscriptions	16 47974	1 586 145
Amount paid - current	(1 647 974)	(1 586 145)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	(1 647 974)	-

42.2 Audit fees

Opening balance	29 903	20 758
Current year audit fee	2 781 004	2 390 463
Amount paid - current year	(2 707 165)	(2 360 560)
Amount paid - previous years	(29 903)	(20 758)
Balance unpaid (included in payables)	73 839	29 903

The balance unpaid represents the audit fee for an interim audit conducted during May and June 20X2 and is payable by 31 July 20X2.

42.3 VAT

VAT input receivables and VAT output payables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.

42.4 PAYE, SDL and UIF

Opening balance	8 730	1 703
Current year payroll deductions	40 970 056	37 348 052
Amount paid - current year	(40 970 056)	(37 340 582)
Amount paid - previous years	-	(443)
Balance unpaid (included in payables)	8 730	8 730

The balance represents PAYE, SDL and UIF deducted from the June 2013 payroll. These amounts were paid during July 20X2.

42.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	37 751 931	33 410 903
Amount paid - current year	(37 751 931)	(33 410 903)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

The balance represents pension and medical aid contributions deducted from employees in the June 20X2 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 20X2.

42.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -	Total	Outstanding less than 90 days	Outstanding more than 90 days
as at 30 June 2013			
Mandita	1 921	565	1 356
Gwadiso	35 207	1 654	33 553
Nelani	9 988	822	9 166
Miamli	38 045	1 338	36 707
Ndlela	20 459	1 311	19 148
Ndzwayiba W N & N A	14 720	1 254	13 465
Mziba	8 190	474	7 716
Bunzana	9 052	1 573	7 478
Total Councillor Arrear Consumer Accounts	137 582	8 992	128 590
as at 30 June 2012			
Mandita	2 076	-	2 076
Gwadiso	29 741	484	29 257
Nelani	2 748	837	1 911
Miamli	43 220	270	42 950
Ndlela	20 761	1 523	19 238
Ndzwayiba W N & N A	28 645	-	28 645
Mziba	6 302	479	5 822
Bunzana	16 916	1 706	15 209
	150 409	5 299	145 110

O.R. TAMBO DISTRICT MUNICIPALITY
APPENDIX G
DETAILED SCHEDULE OF CONDITIONAL GRANTS AND RECEIPTS
AS AT 30 JUNE 2013

Grant name	Liability Acc no	Opening opening balance 01 July 2012	Prior year Adjustments	Opening opening balance 01 July 2012	Current year receipts	Revenue Expenditure	Capital Expenditure	Other movements
NATIONAL GRANTS								
Aids Training Information and Counsel Fund	900010517601	(2 981 266)	-	(2 981 266)	-	2 153 558	41 476.80	-
BSRP Projects	900010512201	(693 934)	-	(693 934)	-	-	-	-
CBPWP	900010512101	(43 251)	-	(43 251)	-	-	-	-
Community Development Workers' Fund	900010517201	228 809	-	228 809	-	-	-	-
KDC Disaster Management	900010512801	(294 099)	-	(294 099)	-	-	-	-
DWA Projects	900010512501	61 949 146	-	61 949 146	(27 944 000)	27 854 269	-	-
Establishment Fund (Grants Received)	900010513701	(4 413 212)	-	(4 413 212)	-	-	-	-
Financial Management Grant	900010511201	22 631	-	22 631	(1 500 000)	1 422 329	-	-
Fire and Emergency	900010518601	(432 419)	-	(432 419)	-	-	-	-
HIV / AIDS Programme	900010513601	(65 732)	-	(65 732)	-	-	-	-
IFESH	900010518501	(51 095)	-	(51 095)	-	-	-	-
Income Generating Projects	900010511701	(505 668)	-	(505 668)	-	-	-	-
Integrated Development Fund	900010517501	(229 221)	-	(229 221)	-	-	-	-
Integrated Transport Fund	900010517301	(199 959)	(836 045.00)	(1 036 004)	(1 776 000)	1 842 190	-	-
IRDP Project Fund	900010512701	(959 230)	-	(959 230)	-	-	-	-
Job Evaluation Fund	900010518101	4 664	-	4 664	-	-	-	-
LGWSETA	900010517801	(89 262)	-	(89 262)	-	-	-	-
LG SETA	900010518901	(955 744)	-	(955 744)	-	-	-	-
Libraries and Information Fund	900010517401	(5 308 859)	-	(5 308 859)	(1 027 000)	1 042 552	-	-
Mbizana Drought Relief Fund	900010516301	(13 212)	-	(13 212)	-	-	-	-
MIG Fund	900010516401	(344 042 167)	-	(344 042 167)	(682 682 000)	395 469 195	465 053 641	-
MSIG Projects	900010512401	61 099	-	61 099	(1 000 000)	990 588	-	-
Rural anti-poverty	900010511901	-	-	-	-	-	-	-
SIP Fund	900010517001	-	-	-	-	-	-	-
SPU Youth Development Project Fund	900010514601	(168 270)	-	(168 270)	-	-	-	-
Survey and Planning Project	900010513401	(20 561)	-	(20 561)	-	-	-	-
Training Funds	900010511401	3 197	-	3 197	-	-	-	-
Transport Infrastructure	900010511501	-	-	-	-	-	-	-
Water Services Business Plan Implementation	900010511101	-	-	-	-	-	-	-
Refurbishments of Sewerage Pump Stations	900010519401	-	-	-	-	-	-	-
Umzimtava / Qhinqolo Fund	900010516701	(2 585 037)	-	(2 585 037)	-	-	-	-
Assessment For River Health	900010510601	(916 355)	-	(916 355)	-	-	-	-
District Aids Council	900010514801	(150 000)	-	(150 000)	-	-	-	-
Capacity Building Training Grant	900010520501	(148 330)	-	(148 330)	-	-	-	-
Capacity Building	900010520904	(173 661)	-	(173 661)	-	-	-	-
Cape Town Disaster Fund	900010518201	(27 102)	-	(27 102)	-	-	-	-
Disaster Relief Fund	900010521401	-	-	-	-	-	-	-
Emfundisweni Bed and Breakfast	900010519201	-	-	-	-	-	-	-
First Call Account Fund	900010516501	-	-	-	-	-	-	-
Information and Energy Centre	900010521201	(4 230)	-	(4 230)	-	-	-	-
Institutional Training	900010520601	(724 998)	-	(724 998)	-	-	-	-
Investment Site Profiling Mapping	900010521601	-	-	-	-	-	-	-
ISRDP Beef Project	900010520401	-	-	-	-	-	-	-
ISRDP Development Fund	900010520301	-	-	-	-	-	-	-
Land Survey Projects Fund	900010520101	(86 960)	-	(86 960)	-	-	-	-
Lingeni Development (Singisi Forest)	900010519601	-	-	-	-	-	-	-
LED DEAFET	900010519001	(1 872 675)	-	(1 872 675)	-	715 634	-	-
LED Strategy Fund	900010510101	(212 798)	-	(212 798)	-	-	-	-
Masimanyane Fund	900010519801	-	-	-	-	-	-	-
Ntabankulu Dam, Hotel and Recreation	900010521301	(1 120 455)	-	(1 120 455)	-	-	-	-
ORTDM Sugar Association	900010519301	(1 354)	-	(1 354)	-	-	-	-
Siyaphambili Woodworkers Cooperative	900010521101	-	-	-	-	-	-	-
Spatial Development	900010519701	8 618	-	8 618	-	-	-	-
Spatial Planning Fund	900010519901	(9 862)	-	(9 862)	-	-	-	-
Valuations Projects Fund	900010520001	-	-	-	-	-	-	-
Vulindlela DBSA	900010518401	(222 755)	-	(222 755)	-	-	-	-
EPWP OPERATION	900010522100	(7 332 679)	-	(7 332 679)	(9 139 000)	22 072 172	-	-
		(314 778 248)	(836 045)	(315 614 293)	(725 068 000)	453 562 487	465 095 118	-
PROVINCIAL GRANTS								
Coffee Bay Housing Grant	900010521904	(51 477)	-	(51 477)	-	44 773	-	-
Nqabeni Housing Grant	900010522004	(252)	-	(252)	-	909 700	-	-
Nkonzo Rural Housing Fund	900010515401	976 736	-	976 736	-	133 536	-	-
Egerton Housing Fund	900010514301	(305 299)	-	(305 299)	-	-	-	-
Hadini Housing Fund	900010514201	3 698 650	-	3 698 650	-	-	-	-
Kwenxurha Rural Housing Fund	900010516001	517 363	-	517 363	-	-	-	-
Lindile Housing Fund	900010514501	(1 318 860)	-	(1 318 860)	-	-	-	-
Mantlani Rural Housing Fund	900010515601	56 262	-	56 262	-	-	-	-
Mpeko Rural Housing Fund	900010514101	(435 664)	-	(435 664)	-	-	-	-
Ncambele Rural Housing Fund	900010515701	(31 216)	-	(31 216)	-	-	-	-
Ndlunkulu Rural Housing Fund	900010515501	(856 305)	-	(856 305)	-	-	-	-
New Payne Rural Housing Fund	900010515901	899 569	-	899 569	-	-	-	-
Ngqwala Rural Housing Fund	900010515801	505 678	-	505 678	-	-	-	-
Ntshabeni Rural Housing Fund	900010516101	(804 309)	-	(804 309)	-	-	-	-
Payne Rural Fund	900010515101	(937 808)	-	(937 808)	-	-	-	-
Preston Housing Fund	900010514001	(765 163)	-	(765 163)	-	-	-	-
Upper Centuli Fund	900010515201	187 979	-	187 979	-	-	-	-
Upper Tabase Fund	900010515301	51 661	-	51 661	-	-	-	-
Zidindi Rural Fund	900010515001	819 868	-	819 868	-	-	-	-
Kwam Womens Movement	900010514701	683 363	-	683 363	-	-	-	-
Wild Coast Fishing Fund	900010519101	603 078	-	603 078	-	-	-	-
Mbizana Extension 4 Fund	900010517101	4 628 500	-	4 628 500	-	-	-	-
		8 122 353	-	8 122 353	-	1 088 009	-	-
PUBLIC CONTRIBUTIONS								
Umtata Community Arts Fund	900010516201	473 278	-	473 278	-	-	-	-
		473 278	-	473 278	-	-	-	-
Total conditional grants		(306 182 618)	(836 045)	(307 018 663)	(725 068 000)	454 650 496	465 095 118	-
Grants with debit balances transferred to "Receivables" and impaired		-	-	(76 380 149)	-	-	-	(6 521 701)
Total conditional grants		(382 562 766)	(836 045)	(383 398 811)	(725 068 000)	454 650 496	465 095 118	(6 521 701)

Closing balance (Unutilised funds) 30 June 2013
(786 232)
(693 934)
(43 251)
228 809
(294 099)
61 859 415
(4 413 212)
(55 040)
(432 419)
(65 732)
(51 095)
(505 668)
(229 221)
(969 814)
(959 230)
4 664
(89 262)
(955 744)
(5 293 306)
(13 212)
(166 201 331)
51 687
-
-
(168 270)
(20 561)
3 197
-
-
(2 585 037)
(916 355)
(150 000)
(148 330)
(173 661)
(27 102)
-
-
-
(4 230)
(724 998)
-
-
-
(86 960)
(1 157 041)
(212 798)
(1 120 455)
(1 354)
-
8 618
(9 862)
-
(222 755)
5 600 493
-
(122 024 688)
(6 704)
909 448
1 110 272
(305 299)
3 698 650
517 363
(1 318 860)
56 262
(435 664)
(31 216)
(856 305)
899 569
505 678
(804 309)
(937 808)
(765 163)
187 979
51 661
819 868
683 363
603 078
4 628 500
9 210 362
473 278
473 278
(112 341 049)
(82 901 850)
(195 242 898)