Ehlanzeni District Municipality
Annual Financial Statements
for the year ended 30 June 2013

General Information

Mayoral committee

Executive Mayor	LN Shongwe
Councillors	MJ Mavuso
	TB Mdluli
	MJ Mnisi
	BN Mdakane
	ET Mabuza
	NC Hlophe
	SP Monareng
	HL Lekhuleni
	SP Mnisi
	ML Mathebula
	KR Mkhari
	TC Dibakoane
	MW Nkhata
	M Chembeni-Sahi
	SV Khumalo
	MM Nthali
	BK Mokoena
	TP Maphanga
	L Sithole
	SJ Mkhumbane
	RG Herbst
	GP Mkhombo
	PR Rossouw
	RN Mnisi
	TJ Makhubedu
	MJ Morema
	LC Dlamini
	TM Charles
	JJ Khoza
	HK Malomane
	TP Mkhatswa
	NB Matume
	ET Mkhabela
	CN Mnyambu
	SI Mokoena
	M Mayinga
	CM Mashego
	DD Ngwenyama
	VL Nzimande
	SR Schormann
	GC De Bruin (Resigned)
	WH Shongwe
	TE Masilela
	M Zitha
	LA Mabuza
	S Silombo
	G Mogiba
	DA Maphanga

General Information

Z Godi
VX Baloyi
H Khumalo
RD Makhubele
VN Mzimba
EN Khoza
DR Mashabane
LE Khoza
BR Ncube
RS Ndlovu
H Thobakgale
SE Molobela
E Essack
S Mabuza
EI Shabangu

Grading of local authority	5
Municipal demarcation code	DC32
Chief Finance Officer (CFO)	WJ Khumalo
Accounting Officer	Adv. H Mbatha
Registered office	8 Van Niekerk Street Nelspruit Mpumalanga 1200
Postal address	P O Box 3333 Nelspruit Mpumalanga 1200
Bankers	Standard Bank of South Africa
Auditors	Auditor General South Africa

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 62, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013.

I hereby certify that the salaries, allowances and benefits of Councilors as disclosed in note 22 of 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 Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act.

Adv. H Mbatha
Accounting Officer

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	5	267 227	312 304
Receivables from non-exchange transactions	4	411 848	41 502 959
VAT receivable	7	4 014 219	226 966
Cash and cash equivalents	3	11 147 877	5 927 411
		15 841 171	**47 969 640**
Non-Current Assets			
Property, plant and equipment	9	240 071 234	249 123 023
Investments	8	2 813 648	2 073 520
Work in progress	11	6 372 027	867 612
Capitalised pre-paid expenses	6	-	643 943
		249 256 909	**252 708 098**
Total Assets		**265 098 080**	**300 677 738**
Liabilities			
Current Liabilities			
Short term portion of long term liabilities	13	10 800 546	9 875 671
Payables from exchange transactions	10	7 421 428	23 065 240
Unspent conditional grants and receipts	14	9 607 626	3 602 739
Provisions	12	20 687 699	17 783 412
Consumer deposits		-	6 000
		48 517 299	**54 333 062**
Non-Current Liabilities			
Long term liabilities	13	186 703 752	197 340 223
Total Liabilities		**235 221 051**	**251 673 285**
Net Assets		**29 877 029**	**49 004 453**
Accumulated surplus		29 877 029	49 004 453

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Revenue from exchange transactions			
Other income	36	1 381 557	508 512
Rental of facilities and equipment	36	61 200	72 401
Interest received	34	2 007 952	1 346 174
Dividends received		-	74 503
Revenue from non-exchange transactions			
Government grants & subsidies	15	233 074 425	211 961 704
Total revenue		**236 525 134**	**213 963 294**
Expenditure			
Employee related cost	16	(69 351 009)	(65 123 043)
Remuneration of councillors	17	(11 794 725)	(11 457 746)
Audit fees	22	(1 950 943)	(1 209 413)
Depreciation and amortisation	18	(10 034 611)	(16 635 539)
Finance costs	19	(23 278 108)	(24 497 242)
Debt impairment	37	(39 456 705)	(158 657)
Repairs and maintenance		(40 893)	(95 456)
Contracted services		(2 049 181)	(4 547 759)
Grants and subsidies paid		(64 842 704)	(55 462 272)
General expenses	20	(34 032 800)	(27 326 064)
	21		
	23		
Total expenditure		**(256 831 679)**	**(206 513 191)**
Operating (deficit) surplus		**(20 306 545)**	**7 450 103**
Profit/(loss) on disposal of assets		54 955	(13 444 973)
Gain on fair value adjustment		587 427	472 808
Actuarial gain		130 000	475 000
		772 382	**(12 497 165)**
Deficit for the year		**(19 534 163)**	**(5 047 062)**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	15 077 882	60 037 680	75 115 562
Adjustments			
Prior year adjustments	-	1 200 644	1 200 644
Balance at 01 July 2011 as restated	**15 077 882**	**61 238 324**	**76 316 206**
Changes in net assets			
Surplus for the year	-	(5 047 062)	(5 047 062)
Transfers from/to accumulated surplus	(15 077 882)	(7 186 809)	(22 264 691)
Total changes	(15 077 882)	(12 233 871)	(27 311 753)
Opening balance as previously reported	-	47 331 001	47 331 001
Adjustments			
Prior year adjustments	-	1 673 453	1 673 453
Balance at 01 July 2012 as restated	**-**	**49 004 454**	**49 004 454**
Changes in net assets			
Transfers from/to accumulated surplus	-	406 738	406 738
Net income (losses) recognised directly in net assets	-	406 738	406 738
Surplus for the year	-	(19 534 163)	(19 534 163)
Total recognised income and expenses for the year	-	(19 127 425)	(19 127 425)
Total changes	-	(19 127 425)	(19 127 425)
Balance at 30 June 2013	**-**	**29 877 029**	**29 877 029**
Note(s)	33	35	

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
SARS VAT refunds		7 607 976	16 732 729
Grants		233 074 425	209 996 782
Interest income		2 007 952	1 346 175
Other receipts		1 442 757	2 001 601
		244 133 110	230 077 287
Payments			
Employee costs		(76 922 378)	(76 580 789)
Suppliers		(121 346 316)	(115 458 609)
Finance costs		(23 278 108)	(24 497 242)
Other payments		(1 108 249)	(2 511 788)
		(222 655 051)	(219 048 428)
Net cash flows from operating activities	24	**21 478 059**	**11 028 859**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1 041 582)	(2 992 365)
Proceeds from sale of property, plant and equipment	9	-	112 280
(Increase)/decrease in work in progress		(5 504 415)	13 862 939
Net cash flows from investing activities		**(6 545 997)**	**10 982 854**
Cash flows from financing activities			
Repayment of long term liabilities		(9 711 596)	(8 786 616)
(Increase) / decrease in investments		-	(24 687)
Finance lease payments		-	(11 949 391)
Net cash flows from financing activities		**(9 711 596)**	**(20 760 694)**
Net increase/(decrease) in cash and cash equivalents		**5 220 466**	**1 251 019**
Cash and cash equivalents at the beginning of the year		5 927 411	4 676 392
Cash and cash equivalents at the end of the year	3	**11 147 877**	**5 927 411**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	1 738 000	-	**1 738 000**	1 381 557	**(356 443)**	Note 38.1
Rental of facilities and equipment	212 000	(100 000)	**112 000**	61 200	**(50 800)**	Note 38.2
Interest received	1 500 000	600 000	**2 100 000**	2 007 952	**(92 048)**	
Total revenue from exchange transactions	**3 450 000**	**500 000**	**3 950 000**	**3 450 709**	**(499 291)**	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	196 109 000	44 598 449	**240 707 449**	233 074 425	**(7 633 024)**	
Total revenue	**199 559 000**	**45 098 449**	**244 657 449**	**236 525 134**	**(8 132 315)**	
Expenditure						
Employee related cost	(78 473 432)	7 645 896	**(70 827 536)**	(69 351 009)	**1 476 527**	
Remuneration of councillors	(11 237 357)	(559 231)	**(11 796 588)**	(11 794 725)	**1 863**	
Audit fees	(3 354 993)	1 404 050	**(1 950 943)**	(1 950 943)	**-**	
Depreciation and amortisation	(18 226 815)	4 000 000	**(14 226 815)**	(10 034 611)	**4 192 204**	
Finance costs	(23 278 108)	-	**(23 278 108)**	(23 278 108)	**-**	Note 38.3
Debt impairment	-	(39 456 705)	**(39 456 705)**	(39 456 705)	**-**	
Repairs and maintenance	(432 700)	332 700	**(100 000)**	(40 893)	**59 107**	
Contracted services	(2 000 000)	(100 000)	**(2 100 000)**	(2 049 181)	**50 819**	
Grants and subsidies paid	(40 319 366)	(34 761 309)	**(75 080 675)**	(64 842 704)	**10 237 971**	
General expenses	(40 463 044)	5 064 678	**(35 398 366)**	(34 032 800)	**1 365 566**	
						Note 38.4
Total expenditure	**(217 785 815)**	**(56 429 921)**	**(274 215 736)**	**(256 831 679)**	**17 384 057**	
Deficit before taxation	**(18 226 815)**	**(11 331 472)**	**(2 955 887)**	**(20 306 545)**	**9 251 742**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(18 226 815)**	**(11 331 472)**	**(29 558 287)**	**(20 306 545)**	**9 251 742**	
Reconciliation						
Basis difference						
Profit on disposal of assets				54 955		
Actuarial gain				130 000		
Gain on fair value adjustment				587 427		
Actual Amount in the Statement of Financial Performance				**(19 534 163)**		

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	216 000	30 000	**246 000**	267 227	**21 227**	
Receivables from non-exchange transactions	22 093 000	(21 000 000)	**1 093 000**	411 848	**(681 152)**	
VAT receivable	-	4 150 000	**4 150 000**	4 014 219	**(135 781)**	
Cash and cash equivalents	5 283 000	6 557 000	**11 840 000**	11 147 877	**(692 123)**	
	27 592 000	**(10 263 000)**	**17 329 000**	**15 841 171**	**(1 487 829)**	
Non-Current Assets						
Property, plant and equipment	231 156 000	5 000 000	**236 156 000**	240 071 234	**3 915 234**	
Investments	375 000	2 200 000	**2 575 000**	2 813 648	**238 648**	
Other financial assets	128 000	(128 000)	-	-	**-**	
Work in progress	-	7 000 000	**7 000 000**	6 372 027	**(627 973)**	
	231 659 000	**14 072 000**	**245 731 000**	**249 256 909**	**3 525 909**	
Total Assets	**259 251 000**	**3 809 000**	**263 060 000**	**265 098 080**	**2 038 080**	
Liabilities						
Current Liabilities						
Long term liabilities	32 161 000	(21 360 454)	**10 800 546**	10 800 546	**-**	
Payables from exchange transactions	7 350 000	-	**7 350 000**	7 421 428	**71 428**	
Unspent conditional grants and receipts	-	10 000 000	**10 000 000**	9 607 626	**(392 374)**	
Provisions	13 439 000	6 000 000	**19 439 000**	20 687 699	**1 248 699**	
Consumer deposits	6 000	(6 000)	**-**	-	**-**	
	52 956 000	**(5 366 454)**	**47 589 546**	**48 517 299**	**927 753**	
Non-Current Liabilities						
Long term liabilities	181 061 000	5 642 752	**186 703 752**	186 703 752	**-**	
Total Liabilities	**234 017 000**	**276 298**	**234 293 298**	**235 221 051**	**927 753**	
Net Assets	**25 234 000**	**3 532 702**	**28 766 702**	**29 877 029**	**1 110 327**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	25 234 000	3 532 702	**28 766 702**	29 877 029	**1 110 327**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	197 109 000	46 755 589	**243 864 589**	233 074 425	**(10 790 164)**	
Interest income	1 500 000	600 000	**2 100 000**	2 007 952	**(92 048)**	
Dividends received	67 000	-	**67 000**	-	**(67 000)**	
Other receipts	9 500 000	-	**9 500 000**	8 942 733	**(557 267)**	
	208 176 000	**47 355 589**	**255 531 589**	**244 025 110**	**(11 506 479)**	
Payments						
Supplier and employee costs	(151 078 000)	(50 000 000)	**(201 078 000)**	(201 318 035)	**(240 035)**	
Finance costs	(12 161 000)	(11 000 000)	**(23 161 000)**	(23 278 108)	**(117 108)**	
	(163 239 000)	**(61 000 000)**	**(224 239 000)**	**(224 596 143)**	**(357 143)**	
Net cash flows from operating activities	**44 937 000**	**(13 644 411)**	**31 292 589**	**19 428 967**	**(11 863 622)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(22 093 000)	13 500 000	**(8 593 000)**	1 041 583	**9 634 583**	
Proceeds from sale of property, plant and equipment	150 000	(150 000)	**-**	(58 760)	**(58 760)**	
Decrease/(Increase) other non-current receivables	13 000	(7 000 000)	**(6 987 000)**	(5 504 415)	**1 482 585**	
Net cash flows from investing activities	**(21 930 000)**	**6 350 000**	**(15 580 000)**	**(4 521 592)**	**11 058 408**	
Cash flows from financing activities						
Movement in investments	-	-	**-**	24 687	**24 687**	
Repayment of long term liabilities	(20 000 000)	10 200 000	**(9 800 000)**	(9 711 596)	**88 404**	
Net cash flows from financing activities	**(20 000 000)**	**10 200 000**	**(9 800 000)**	**(9 686 909)**	**113 091**	
Net increase/(decrease) in cash and cash equivalents	3 007 000	2 905 589	**5 912 589**	5 220 466	**(692 123)**	
Cash and cash equivalents at the beginning of the year	2 276 000	3 651 411	**5 927 411**	5 927 411	**-**	
Cash and cash equivalents at the end of the year	**5 283 000**	**6 557 000**	**11 840 000**	**11 147 877**	**(692 123)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial Performance											
Rental of facilities	212 000	(100 000)	112 000	-		112 000	61 200		(50 800)	55 %	29 %
Investment revenue	1 500 000	600 000	2 100 000	-		2 100 000	2 007 952		(92 048)	96 %	134 %
Transfers recognised - operational	196 109 000	44 598 449	240 707 449	-		240 707 449	233 074 425		(7 633 024)	97 %	119 %
Other income	1 738 000	-	1 738 000	-		1 738 000	1 381 557		(356 443)	79 %	79 %
Total revenue (excluding capital transfers and contributions)	**199 559 000**	**45 098 449**	**244 657 449**	**-**		**244 657 449**	**236 525 134**		**(8 132 315)**	**97 %**	**119 %**
Employee related cost	(78 473 432)	7 645 896	(70 827 536)	-	-	(70 827 536)	(69 351 009)	-	1 476 527	98 %	88 %
Remuneration of councillors	(11 237 357)	(559 231)	(11 796 588)	-	-	(11 796 588)	(11 794 725)	-	1 863	100 %	105 %
Debt impairment	-	(39 456 705)	(39 456 705)			(39 456 705)	(39 456 705)	-	-	100 %	100 %
Depreciation and asset impairment	(18 226 815)	4 000 000	(14 226 815)			(14 226 815)	(10 034 611)	-	4 192 204	71 %	55 %
Finance charges	(23 278 108)	-	(23 278 108)	-	-	(23 278 108)	(23 278 108)	-	-	100 %	100 %
Transfers and grants	(40 319 366)	(34 761 309)	(75 080 675)	-	-	(75 080 675)	(64 842 704)	-	10 237 971	86 %	100 %
General expenditure	(46 250 737)	6 701 428	(39 549 309)	-	-	(39 549 309)	(38 073 817)	-	1 475 492	96 %	82 %
Total expenditure	**(217 785 815)**	**(56 429 921)**	**(274 215 736)**	**-**	**-**	**(274 215 736)**	**(256 831 679)**	**-**	**17 384 057**	**94 %**	**118 %**
Surplus/(Deficit)	**(18 226 815)**	**(11 331 472)**	**(29 558 287)**	**-**		**(29 558 287)**	**(20 306 545)**		**9 251 742**	**69 %**	**111 %**
Fair value adjustment	-	-	-	-		-	(587 427)		(587 427)	100 %	100 %
Actuarial gain	-	-	-	-		-	(130 000)		(130 000)	100 %	100 %
Profit on sale of assets	-	-	-	-		-	(54 955)		(54 955)	100 %	100 %
Surplus/(Deficit) for the year	**(18 226 815)**	**(11 331 472)**	**(29 558 287)**	**-**		**(29 558 287)**	**(19 534 163)**		**10 024 124**	**66 %**	**107 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	1 123 052	-	1 123 052	-		1 123 052	1 041 583		(81 469)	93 %	93 %
Sources of capital funds											
Transfers recognised - capital	13 875 000	44 191 449	58 066 449	-		58 066 449	45 132 061		(12 934 388)	78 %	325 %
Internally generated funds	26 444 366	(4 655 000)	21 789 366	-		21 789 366	21 789 366		-	100 %	82 %
Total sources of capital funds	**40 319 366**	**39 536 449**	**79 855 815**	**-**		**79 855 815**	**66 921 427**		**(12 934 388)**	**84 %**	**166 %**
Cash flows											
Net cash from (used) operating	44 937 000	(13 644 411)	31 292 589	-		31 292 589	21 478 059		(9 814 530)	69 %	48 %
Net cash from (used) investing	(21 930 000)	6 350 000	(15 580 000)	-		(15 580 000)	(6 545 997)		9 034 003	42 %	30 %
Net cash from (used) financing	(20 000 000)	10 200 000	(9 800 000)	-		(9 800 000)	(9 711 596)		88 404	99 %	49 %
Net increase/(decrease) in cash and cash equivalents	**3 007 000**	**2 905 589**	**5 912 589**	**-**		**5 912 589**	**5 220 466**		**(692 123)**	**88 %**	**174 %**
Cash and cash equivalents at the beginning of the year	2 276 000	3 651 411	5 927 411	-		5 927 411	5 927 411		-	100 %	260 %
Cash and cash equivalents at year end	**5 283 000**	**6 557 000**	**11 840 000**	**-**		**11 840 000**	**11 147 877**		**692 123**	**94 %**	**211 %**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables /Investments and/or other financial assets

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Useful lives

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

Effective interest rate

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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Initial recognition

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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.

Subsequent measurement - cost model

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

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred

1.2 Property, plant and equipment (continued)

Depreciation and impairment

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

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

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

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

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

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

The municipality tests property, plant and equipment with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Buildings	50 years
Plant and machinery	5-10 years
Furniture and fixtures	5-10 years
Motor vehicles	5-10 years
Office equipment	3-10 years
Bins and containers	5-10 years

1.3 Financial instruments

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Accounting Policies

1.3 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

Accounting Policies

1.3 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

1.3 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.4 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

1.4 Leases (continued)

Finance leases - lessee

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

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

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

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

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.

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

Operating leases - lessee

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

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

1.5 Inventories

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

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

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

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

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

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

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

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

Accounting Policies

1.5 Inventories (continued)

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

1.6 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

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

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

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

1.7 Non-current assets held for sale and disposal groups

Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Subsequent measurement

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

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.8 Impairment of non-cash-generating assets

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

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

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

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

Accounting Policies

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

1.9 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

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

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

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

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

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

Accounting Policies

1.9 Employee benefits (continued)

Post-employment benefits

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

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

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

1.9 Employee benefits (continued)

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 (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality’s own creditors (even in liquidation), and cannot be returned to the reporting 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 reporting 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 service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account 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. An example of a constructive obligation is where a change in the municipality’s informal practices would cause unacceptable damage to its relationship with employees.

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 (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding 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.

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

Accounting Policies

1.9 Employee benefits (continued)

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 (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service 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.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

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 (including current market interest rates and other current market prices).

1.9 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits 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 (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.10 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when a municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

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

Contingencies are disclosed in note 27.

1.11 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

1.11 Revenue from exchange transactions (continued)

Interest and dividends

Revenue arising from the use by others of mnicipality's assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

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

1.12 Revenue from non-exchange transactions

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an 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.

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

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

Recognition

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

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

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

Measurement

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

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

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.13 Investment income

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

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number and 1.8. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

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

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

1.15 Comparative figures

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

Accounting Policies

1.16 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.

1.17 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.

1.18 Irregular expenditure

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

1.19 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.20 Work in progress

Work in progress is recognised at cost and not depreciated. It includes all costs incurred in bringing the ultimate assets to their condition and location as intended by management.

Work in progress will be transferred to property, plant and equipment when the assets are available for use.

Work in progress relating to projects on behalf of other entities will be transferred to the specific entity when the assets are available for use.

1.21 Budget information

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

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

The Annual Financial Statements and the budget are not on the same basis of accounting. The actual financial statement information is therefor presented on a comparable basis to the budget information. The comparison and the reconciliation between the Statement of Financial Performance and the budget for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

1.22 Related parties

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

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

1.22 Related parties (continued)

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

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

1.23 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.24 Capital commitments

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

the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the

disclosure notes in the following cases:

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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 23: Revenue from Non exchange Transactions

Revenue from non exchange transactions arises when a municipality receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As a municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

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

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

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, a municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:
-the approved and final budget amounts;
-the actual amounts on a comparable basis; and
-by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

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

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

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

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

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

Refer to Statement of Comparison of Budget and Actual Amounts for the disclosure made.

Notes to the Annual Financial Statements

2.New standards and interpretations (continued)
GRAP 21: Impairment of Non cash generating Assets

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

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

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

The present value of the remaining service potential of a non cash generating asset is determined using one of the following approaches:
-depreciated replacement cost approach;
-restoration cost approach; or
-service units approach.

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

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

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

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

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

The impact of the standard is not material.

GRAP 26: Impairment of Cash generating Assets

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

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

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

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

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

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

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

The impact of the standard is not material as the municipality does not have cash generating assets.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.
A heritage asset should be recognised as an asset only if:
-it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
-the cost of fair value of the asset can be measured reliably.

The Standard of GRAP requires judgment in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non exchange transaction which should then be measured at its fair value as at the date of acquisition.
In terms of the Standard of GRAP, a municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

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

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

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

The impact of the standard is not material as the municipality does not have heritage assets.

GRAP 104: Financial Instruments

The Standard of GRAP prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.
Short term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and

Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:
-a derivative;
-a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non derivative host contract;
-held for trading;
-a non derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
-an investment in a residual interest for which fair value can be measured reliably; and
-other instruments that do not meet the definition of financial instruments at amortised cost or cost.
-Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Notes to the Annual Financial Statements

2.New standards and interpretations (continued)
Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

A municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:
-the cash flows from the asset expire, are settled or waived;
-significant risks and rewards are transferred to another party; or
-despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set off exists, and the parties intend to settle on a net basis.
GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

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

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

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

GRAP 27: Agriculture

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the IPSASB that has issued an IPSAS on Agriculture (IPSAS 27).

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

There is no impact of the standard on adoption.

GRAP 31 (as revised 2012): Intangible Assets (replaces GRAP 102)

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).
Changes made comprise three areas that can be summarised as follows:
-consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31;
-the deletion of guidance and examples from interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102; and
-changes to ensure consistency between the Standards of GRAP, or to clarify existing principles.

All amendments are to be applied retrospectively.

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

There is no impact of the standard on adoption.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

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

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.
The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:
-control;
-related party transactions; and
-remuneration of management

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

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

No effective date has yet been determined by the Minister of Finance.

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

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:
-a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
-an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:
-short term employee benefits;
  *all short term employee benefits;
  *short term compensated absences;
  *bonus, incentive and performance related payments;
-post employment benefits;
-other long term employee benefits; and
-termination benefits.

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

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

Notes to the Annual Financial Statements

2.New standards and interpretations (continued)
The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

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

The impact of this standard is currently being assessed.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

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

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus /

2.New standards and interpretations (continued)
(deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

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

The impact of this standard is currently being assessed.

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

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:
•exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and
•non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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

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

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

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

IGRAP 16: Intangible Assets Website Costs

The Interpretation deals with the treatment of a municipality's own website. The guidance on website costs was previously included in the Standard of GRAP on Intangible Assets.

It concludes that a municipality’s own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, a municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires a municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If a municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred
.
A website that is recognised as an intangible asset under this Interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets
.
The effective date of the interpretation is for years beginning on or after 01 April 2013
.
The municipality expects to adopt the interpretation for the first time in the 2014 financial statements
.
It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

Improvements to Standards of GRAP

The following Standards of GRAP have been amended as part of the ASB's Improvements Project for 2011:
-GRAP 1;
-GRAP 3;
-GRAP 7;
-GRAP 9;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
- GRAP 12;
- GRAP 13;
- GRAP 16; and
- GRAP 17.

The changes made will have no significant impact, except for the following:

A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates.

Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

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

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

It is unlikely that the amendments will have a material impact on the municipality's financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

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

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

No effective date has not yet been determined by the Minister of Finance.

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

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

Figures in Rand	2013	2012

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 000	4 000
Bank balances	11 143 877	5 923 411
	11 147 877	**5 927 411**

The municipality had the following bank accounts

Account number / description	**Cash book / Bank statement balances**		
	30 June 2013	**30 June 2012**	**30 June 2011**
FNB Nelspruit - 62 113 491 419	4 279 379	2 433 972	1 327 579
FNB Nelspruit - 62 113 492 938	219 686	211 861	203 690
FNB Nelspruit - 62 113 495 916	447 978	431 114	413 582
FNB Nelspruit - 62 113 496 360	445 250	428 485	411 056
FNB Nelspruit - 62 113 496 708	1 028 746	988 888	947 348
FNB Nelspruit - 62 113 468 564	1 424 589	1 369 058	1 310 834
FNB Nelspruit - 62 113 499 554	61 599	60 033	58 303
Standard Bank Nelspruit - 0000063395622 (Primary bank account)	3 228 678	-	-
Standard Bank Nelspruit - 0000273226703	7 972	-	-
Total	**11 143 877**	**5 923 411**	**4 672 392**

4. Receivables from non-exchange transactions

Trade receivables	-	39 456 704
Other receivables	411 848	2 046 255
	411 848	**41 502 959**

Trade receivables

2013	Gross balance	Allowance for debt impairment	Total
Property rates	119 475 060	(119 475 060)	-
Other receivables	411 818	-	411 818
	119 886 878	**(119 475 060)**	**411 818**

2012	Gross balance	Allowance for debt impairment	Total
Property rates	119 475 060	(80 018 356)	39 456 704
Other receivables	2 046 255	-	2 046 255
	121 521 315	**(80 018 356)**	**41 502 959**

Trade receivables: Ageing

Current (0 - 30 days)	411 818	2 046 255
365+ Days	119 475 060	119 475 060

Trade and other receivables past due but not impaired

Current (0 - 30 days)	-	-
365+ Days	-	39 456 705

Figures in Rand	2013	2012

4. Receivables from non-exchange transactions (continued)

Trade and other receivables impaired

365+ Days	(119 475 060)	(80 018 356)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(80 018 356)	(80 018 356)
Allowance for debt impairment	(39 456 704)	-
	(119 475 060)	**(80 018 356)**

5. Inventories

Consumable stores	267 227	312 304

Opening balance	312 304	251 226
Additions	547 389	816 497
Issued	(527 507)	(755 419)
Written off	(64 959)	-
Closing balance	**267 227**	**312 304**

Inventories comprise of office stationery.

6. Capitalised pre-paid expenses

Capitalised pre-paid expenses	-	643 943

Capitalised pre-paid expenses relates to pre-paid maintenance cost to be incurred within the next 12 months regarding disaster equipment.

7. VAT receivable

SARS VAT refundable	4 014 219	226 966

8. Investments

Fixed deposits	177 388	24 687
Listed investments	2 636 260	2 048 833
	2 813 648	**2 073 520**

9. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	7 165 083	-	7 165 083	7 165 083	-	7 165 083
Buildings	232 512 648	(16 717 059)	215 795 589	232 512 648	(11 078 206)	221 434 442
Furniture and fixtures	9 330 179	(2 932 121)	6 398 058	9 350 778	(2 016 215)	7 334 563
Motor vehicles	4 537 850	(3 133 631)	1 404 219	4 706 173	(2 743 530)	1 962 643
Office equipment	32 029 402	(23 732 833)	8 296 569	31 688 206	(21 801 955)	9 886 251
Plant and equipment	2 390 443	(1 379 276)	1 011 167	2 265 701	(926 319)	1 339 382
Bins and containers	4 289	(3 740)	549	4 289	(3 630)	659
Total	**287 969 894**	**(47 898 660)**	**240 071 234**	**287 692 878**	**(38 569 855)**	**249 123 023**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	7 165 083	-	-	-	7 165 083
Buildings	221 434 442	-	-	(5 638 853)	215 795 589
Furniture and fixtures	7 334 563	306	(12 498)	(924 313)	6 398 058
Motor vehicles	1 962 643	36 940	(13 684)	(581 680)	1 404 219
Office equipment	9 886 251	878 244	(31 317)	(2 436 609)	8 296 569
Plant and equipment	1 339 382	126 092	(1 261)	(453 046)	1 011 167
Bins and containers	659	-	-	(110)	549
	249 123 023	**1 041 582**	**(58 760)**	**(10 034 611)**	**240 071 234**

Reconciliation of property, plant and equipment - 2012

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	7 165 083	-	-	-	7 165 083
Buildings	238 597 999	1 995 011	(13 519 715)	(5 638 853)	221 434 442
Furniture and fixtures	8 264 460	5 857	(4 128)	(931 626)	7 334 563
Motor vehicles	2 154 665	748 709	(19 905)	(920 826)	1 962 643
Office equipment	18 346 815	237 091	(226)	(8 697 429)	9 886 251
Plant and equipment	1 779 889	5 697	-	(446 204)	1 339 382
Bins and containers	1 258	-	-	(599)	659
	276 310 169	**2 992 365**	**(13 543 974)**	**(16 635 537)**	**249 123 023**

Pledged as security

Carrying value of assets pledged as security:

Land and buildings	215 795 589	232 512 648

Refer to Appendix B for more detail on property, plant and equipment.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

10. Payables from exchange transactions

Trade payables	3 278 640	19 583 323
Retentions	4 142 788	3 481 917
	7 421 428	**23 065 240**

11. Work in progress

Construction work in progress	6 372 027	867 612

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

12. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	4 663 000	905 000	(403 000)	5 165 000
Leave provision	3 184 473	1 065 356	(423 929)	3 825 900
Post retirement benefits	9 851 000	1 736 000	(63 000)	11 524 000
Provision for performance bonusses	84 939	450 000	(362 140)	172 799
	17 783 412	**4 156 356**	**(1 252 069)**	**20 687 699**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	-	5 223 000	(560 000)	4 663 000
Leave provision	3 203 893	676 817	(696 237)	3 184 473
Post retirement benefits	8 387 000	1 464 000	-	9 851 000
Provision for performance bonusses	-	600 000	(515 061)	84 939
	11 590 893	**7 963 817**	**(1 771 298)**	**17 783 412**

Post retirement benefits

	2013	2012
Opening balance of defined benefits	9 851 000	8 387 000
Interest cost	761 000	731 000
Current service cost	1 055 000	823 000
Expected employer benefit payments	(63 000)	(56 000)
Actuarial gain	(80 000)	(34 000)
	11 524 000	**9 851 000**

Net expense recognised in Statement of Financial Performance

	2013	2012
Interest cost	761 000	731 000
Current service cost	1 055 000	823 000
Actuarial gain	(80 000)	(34 000)
	1 736 000	**1 520 000**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

12. Provisions (continued)

Long service awards

Transfers from accumulated surplus	4 663 000	4 603 000
Interest cost	384 000	439 000
Current service cost	571 000	622 000
Benefits paid	(403 000)	(560 000)
Actuarial gain	(50 000)	(441 000)
	5 165 000	**4 663 000**

Net expense recognised in Statement of Financial Performance

Interest cost	384 000	439 000
Current service cost	571 000	622 000
Actuarial gain	(50 000)	(441 000)
	905 000	**620 000**

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Post retirement benefit

The municipality operates an accredited medical aid scheme. Employees who are not on a fixed contract participate in the post retirement medical assistance plan.

The post retirement assistance plan consisting of KeyHealth Medical Scheme (Keyhealth), LA Health Medical Scheme (LA Health) , Bonitas Medical Aid Fund (Bonitas), Hosmed Medical Scheme (Hosmed) and SAMWU National Medical Scheme (SAMWUMED). The members are entitled to a 60% retirement subsidy of the total contribution subject to a maximum of R 3,439 as from 1 July 2011.

These funds are subject to actuarial valuations. The last valuation was performed by an independant actuarial firm, Alexander Forbes, on 30 June 2013.

Long service awards

The municipality rewards it's employees who are in service for an unbroken period of 10 years and longer. Employees are entitled/awarded leave days equivalent to number of years served eg. 10 years of service, one gets 10 days of leave, which can either be taken as leave or to be paid out in cash.

The awards were subjected to actuarial valuation by an independant actuarial firm, Alexander Forbes, on 30 June 2013.

Provision for performance bonusses

Performance bonusses accrued to fixed contract employees subject to certain conditions being met.

Calculation of actuarial gains & losses

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

12. Provisions (continued)

The following key assumptions were used at reporting date:

Post retirement benefits		
Discount rate	9.80%	7.75%
Rand Cap Inflation	7.80%	6.00%
Health Care Cost Inflation	8.80%	7.00%
Salary Inflation	7.80%	6.00%
Expected retirement age	65 years	65 years

Long service awards		
Discount rate	7.80%	7.50%
Inflation rate	5.60%	5.00%
Salary Inflation	6.60%	6.00%

13. Long term liabilities

At amortised cost		
DBSA loan	197 504 298	207 215 894

Refer to Appendix A for more detail on borrowings.The loans are of various fixed term rates.

Non-current liabilities		
At amortised cost	186 703 752	197 340 223
Current liabilities		
At amortised cost	10 800 546	9 875 671

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Human Settlement	1 890 526	-
DWAF	2 138 914	706 699
Ehlanzeni District Municipality-FMG	959	-
Local Government	363 205	503 205
Municipal Systems Improvement Grant MSIG	65 002	1 870 802
Nkomazi Local Municipality	164 976	-
Umjindi Local Municipality	129 975	343 466
Bushbuckridge Local Municipality	3 349 671	-
Mbombela Local Municipality	218 555	94 976
Barberton Mines (Pty) Ltd	-	83 591
SANParks Grants	1 285 843	-
	9 607 626	**3 602 739**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

15. Government grants and subsidies

Equitable share - National Treasury	178 734 000	169 305 386
Government grant - FMG	958 041	1 467 786
Government grant -Bushbuckridge Local Municipality	18 745 398	-
Government grant - MSIG	2 805 801	593 171
Government grant - COGTA	-	19 992 599
Government grant - DWAF	10 230 289	6 446 863
Government grant - Mbombela Local Municipality	3 174 243	2 087 524
Government grant - Nkomazi Local Municipality	2 717 196	4 464 927
Government grant - Umjindi Local Municipality	2 338 304	2 453 332
Government grant - Barberton Mines (Pty) Ltd	683 591	316 409
Government grant - Department Roads & Transport	-	1 496 795
Government grant - EPWP Incentive	1 407 000	1 372 000
Government grant - Human Settlement	11 280 562	1 964 912
	233 074 425	**211 961 704**

Human Settlement

Balance unspent at beginning of year	-	-
Current year receipts	13 171 088	1 964 912
Conditions met - transferred to revenue	(11 280 562)	(1 964 912)
	1 890 526	**-**

Conditions still to be met - remain liabilities (see note 14).

DWAF

Balance unspent at beginning of year	706 699	-
Current year receipts	11 662 505	7 153 562
Conditions met - transferred to revenue	(10 230 290)	(6 446 863)
	2 138 914	**706 699**

Conditions still to be met - remain liabilities (see note 14).

Finance Management Grant

Balance unspent at beginning of year	-	217 786
Current year receipts	1 500 000	1 250 000
Conditions met - transferred to revenue	(1 499 041)	(1 467 786)
	959	**-**

Conditions still to be met - remain liabilities (see note 14).

Local government: Department Roads & Transport

Balance unspent at beginning of year	503 205	2 000 000
Conditions not met - transferred to National Treasury	(140 000)	(1 496 795)
	363 205	**503 205**

Conditions still to be met - remain liabilities (see note 14).

Municipal Systems Improvement Grant

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

15. Government grants and subsidies (continued)

Balance unspent at beginning of year	1 870 802	1 463 973
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(2 805 800)	(593 171)
	65 002	**1 870 802**

Conditions still to be met - remain liabilities (see note 14).

COGTA

Current-year receipts	-	19 992 599
Conditions met - transferred to revenue	-	(19 992 599)
	-	**-**

SETA

Current year receipts	147 545	174 526
Conditions met - transferred to revenue	(147 545)	(174 526)
	-	**-**

Nkomazi Local Municipality

Current year receipts	2 882 172	4 464 927
Conditions met - transferred to revenue	(2 717 196)	(4 464 927)
	164 976	**-**

Conditions still to be met - remain liabilities (see note 14).

Umjindi Local Municipality

Balance unspent at beginning of year	343 466	-
Current year receipts	2 124 813	2 796 798
Conditions met - transferred to revenue	(2 338 304)	(2 453 332)
	129 975	**343 466**

Conditions still to be met - remain liabilities (see note 14).

EPWP Incentive

Balance unspent at beginning of year	-	-
Current year receipts	1 407 000	1 372 000
Conditions met - transferred to revenue	(1 407 000)	(1 372 000)
	-	**-**

Bushbuckridge Local Municipality

Balance unspent at beginning of year	-	-
Current year receipts	22 095 069	-
Conditions met - transferred to revenue	(18 745 398)	-
	3 349 671	**-**

Conditions still to be met - remain liabilities (see note 14).

Mbombela Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

15. Government grants and subsidies (continued)

Balance unspent at beginning of year	94 976	-
Current year receipts	2 252 608	2 182 500
Conditions met - transferred to revenue	(2 129 029)	(2 087 524)
	218 555	**94 976**

Conditions still to be met - remain liabilities (see note 14).

Barberton Mines (Pty) Ltd

Balance unspent at beginning of year	83 591	-
Current year receipts	600 000	400 000
Conditions met - transferred to revenue	(683 591)	(316 409)
	-	**83 591**

Conditions still to be met - remain liabilities (see note 14).

SANParks Grants

Current-year receipts	2 331 056	-
Conditions met - transferred to revenue	(1 045 213)	-
	1 285 843	**-**

Conditions still to be met - remain liabilities (see note 14).

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

16. Employee related costs

Basic	42 131 950	40 036 202
Bonus	2 857 234	2 089 285
Medical aid - company contributions	3 232 317	2 960 120
UIF	274 660	206 239
SDL	561 617	-
Leave pay provision charge	242 877	676 817
Post-employment benefits - pension - defined contribution plan	8 346 853	7 970 934
Travel, motor car, accommodation, subsistence and other allowances	10 521 955	9 964 835
Overtime payments	609 938	373 907
Acting allowances	182 595	414 322
Housing benefits and allowances	377 666	417 356
Telephone allowances	-	6 650
Industrial council levy	9 347	6 376
Standby allowances	2 000	-
	69 351 009	**65 123 043**

Remuneration of Municipal Manager - Adv. HM Mbatha

Annual Remuneration	997 221	919 746
Car Allowance	188 334	178 251
Performance Bonuses	137 098	156 000
Contributions to UIF, Medical and Pension Funds	271 750	248 603
		-
	1 594 403	**1 502 600**

Remuneration of Chief Finance Officer - W Khumalo

Annual Remuneration	768 696	646 255
Car Allowance	291 493	151 392
Performance Bonuses	116 713	264 384
Contributions to UIF, Medical and Pension Funds	186 161	154 245
		-
	1 363 063	**1 216 276**

Manager: Corporate Services - LP Dube (Resigned 02/05/2013)

Annual Remuneration	558 915	668 593
Car Allowance	201 920	192 000
Contributions to UIF, Medical and Pension Funds	38 390	179 910
	799 225	**1 040 503**

Acting Manager: Corporate services - MH Shabangu (From 02/05/2013)

Annual Remuneration	72 840	-
Car Allowance	22 080	-
Contributions to UIF, Medical and Pension Funds	22 123	-
	117 043	**-**

Manager: LED & Tourism - NP Mahlalela

Annual Remuneration	738 585	665 229
Car Allowance	228 917	204 000
Performance Bonuses	108 329	90 534
Contributions to UIF, Medical and Pension Funds	189 644	171 170

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

16. Employee related costs (continued)

	1 265 475	**1 130 933**

Manager: Technical services - K Shrinivasan

Annual Remuneration	708 288	284 462
Car Allowance	240 000	45 000
Contributions to UIF, Medical and Pension Funds	1 689	20 048
	949 977	**349 510**

Manager: Municipal Health & Environment- ST Shabangu

Annual Remuneration	635 962	714 402
Car Allowance	240 000	180 000
Performance Bonuses	-	90 534
Contributions to UIF, Medical and Pension Funds	74 462	145 923
	950 424	**1 130 859**

Manager: Public Safety & Disaster Management - SR Mhlongo

Annual Remuneration	549 593	-
Car Allowance	240 000	-
Contributions to UIF, Medical and Pension Funds	161 301	-
	950 894	**-**

17. Remuneration of councillors

Executive Major	806 999	765 314
Speaker	373 791	600 079
Councillors	6 741 237	8 580 793
Councillors’ pension contribution	680 596	836 254
Chief Whip	607 338	577 806
Councillors other allowances	2 584 764	97 500
	11 794 725	**11 457 746**

In-kind benefits

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

The Executive Mayor has the use of a council owned vehicles for official duties.

The Executive Mayor has a full-time bodyguard, a full-time driver and a full-time security guard at her residence, at the cost of the council.

Executive Mayor - LN Shongwe

Annual Remuneration	540 014	506 197
Car Allowance	192 019	182 358
Contributions to UIF, Medical and Pension Funds	74 966	80 144
	806 999	**768 699**

Speaker - MJ Morema

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17. Remuneration of councillors (continued)

Annual Remuneration	250 836	40 279
Car Allowance	88 614	145 887
Contributions to UIF, Medical and Pension Funds	34 340	56 172
	373 790	**604 638**

Chief Whip - EIT Shabangu

Annual Remuneration	396 988	386 250
Car Allowance	144 014	136 769
Contributions to UIF, Medical and Pension Funds	70 078	58 392
	611 080	**581 410**

MMC Finance & Procurement - TB Mdhluli

Annual Remuneration	443 358	420 444
Car Allowance	144 014	136 769
Contributions to UIF, Medical and Pension Funds	21 153	19 413
	608 526	**576 626**

MMC LED & Tourism - MJ Mavuso

Annual Remuneration	438 369	387 690
Car Allowance	144 014	136 769
Contributions to UIF, Medical and Pension Funds	55 739	54 071
	638 122	**578 530**

MMC Technical - MJ Mnisi

Annual Remuneration	384 950	378 924
Car Allowance	144 014	136 769
Contributions to UIF, Medical and Pension Funds	81 215	65 717
	610 179	**581 410**

MMC Rural Development - SP Monareng

Annual Remuneration	429 163	405 673
Car Allowance	144 014	136 769
Contributions to UIF, Medical and Pension Funds	35 348	36 088
	608 525	**578 530**

MMC Corporate Services - BN Mdagane

Annual Remuneration	411 054	387 690
Car Allowance	144 014	136 769
Contributions to UIF, Medical and Pension Funds	53 457	54 071
	608 525	**578 530**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17. Remuneration of councillors (continued)

MMC Environmental Health - ET Mabuza

Annual Remuneration	416 497	387 690
Car Allowance	140 817	136 769
Contributions to UIF, Medical and Pension Funds	51 212	54 071
	608 526	**578 530**

MMC Social Services - NC Hlophe

Annual Remuneration	395 087	373 477
Car Allowance	140 817	136 769
Contributions to UIF, Medical and Pension Funds	73 390	68 440
	609 294	**578 686**

18. Depreciation and amortisation

Property, plant and equipment	10 034 611	16 635 539

19. Finance costs

Interest - other	1 154 922	1 378 870
Interest - DBSA	22 123 186	23 118 372
	23 278 108	**24 497 242**

20. Contracted services

Security services	880 122	-
Other contractors	1 169 059	4 547 759
	2 049 181	**4 547 759**

21. Grants and subsidies - Capital

Other subsidies		
COGTA	-	19 992 599
DWAF	10 230 289	6 446 863
Nkomazi Local Municipality	3 584 808	10 481 899
Barberton Mines (Pty) Ltd	683 591	316 409
Department of Roads & Transport	-	1 496 795
EPWP Incentives	2 421 354	1 372 000
EDM	4 240 710	3 330 335
FMG	958 041	1 467 786
Human Settlement	11 280 562	1 964 912
Mbombela Local Municipality	3 174 243	2 087 524
MSIG	2 067 045	593 171
Umjindi Local Municipality	4 876 775	5 911 979
Bushbuckridge Local Municipality	21 325 286	-
	64 842 704	**55 462 272**

22. Auditors' remuneration

Audit fees	1 950 943	1 209 413

Notes to the Annual Financial Statements

23. General expenses

Figures in Rand	2013	2012
AIDS council	66 357	-
Advertising	395 253	599 657
Air quality management plan	431 915	-
Bank charges	98 617	53 024
Bursaries	105 854	52 432
Clean up campaigns	955 220	358 238
Cleaning	364 790	1 256 080
Community outreach	2 292 616	772 904
Community profiling	532 060	-
Conferences and seminars	63 575	-
Consulting and professional fees	2 922 070	1 755 034
Consumables	3 619	51 260
Corporate GIS shared services	804 863	-
Disaster management cost - centre	2 728 673	264 158
Disaster management operational cost	1 696 521	3 735 081
Electricity	2 055 105	2 081 382
Entertainment	290 823	536 960
Fuel and oil	805 403	712 870
GIS operational costs	222 508	107 289
GIS support to local municipalities	274 110	-
IDP review	150 952	113 901
IT expenses	182 680	976 123
Insurance	579 230	417 554
Lease rentals	226 109	233 875
Legal settlements	2 141 427	-
Magazines, books and periodicals	-	16 721
Marketing	336 359	649 979
Municipal health operational cost	168 303	903 867
Other expenses	1 644 916	742 143
Other programs and campaigns	517 930	675 191
Postage and courier	7 414	5 278
Printing and stationery	635 532	755 419
Project maintenance costs	613 110	1 206 862
Promotions	240 708	119 342
Protective clothing	5 508	2 819
Research and development costs	119 446	304 564
Skills development levy	981 439	1 058 158
Subscriptions and membership fees	627 787	538 768
Telephone and fax	1 171 382	1 299 764
Tourism development	151 153	188 936
Training	758 542	1 438 331
Travel - local	4 924 788	2 753 737
Water	738 133	588 363
	34 032 800	**27 326 064**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

24. Cash generated from operations

	2013	2012
Deficit	(19 534 163)	(5 047 062)
Adjustments for:		
Depreciation and amortisation	10 034 611	16 635 539
Actuarial (gain) / loss	(130 000)	(475 000)
Gain on fair value adjustments	(587 427)	(472 808)
Profit/(loss) on disposal of assets	(54 955)	13 444 973
Debt impairment	39 456 705	158 657
Movements in provisions	2 904 287	6 192 519
Investment income	-	(1 346 175)
Other non-cash items	(43 968)	(19 596 440)
Changes in working capital:		
Inventories	(19 822)	(61 078)
Receivables from non-exchange transactions	1 634 405	(1 747 023)
Consumer receivables	-	(158 657)
Payables from exchange transactions	(14 393 248)	(6 515 317)
VAT	(3 787 253)	10 095 751
Unspent conditional grants and receipts	6 004 887	(79 020)
Consumer deposits	(6 000)	-
	21 478 059	**11 028 859**

25. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from non-exchange transactions	-	411 818	-	411 818
Cash and cash equivalents	-	-	11 147 877	11 147 877
Investments	2 813 648	-	-	2 813 648
	2 813 648	**411 818**	**11 147 877**	**14 373 343**

Financial liabilities

	At amortised cost	Total
Long term liabilities	197 504 298	197 504 298
Payables from exchange transactions	7 421 427	7 421 427
	204 925 725	**204 925 725**

2012

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from non-exchange transactions	-	41 502 959	-	41 502 959
Cash and cash equivalents	-	-	5 927 411	5 927 411
Investments	2 073 520	-	-	2 073 520
	2 073 520	**41 502 959**	**5 927 411**	**49 503 890**

Financial liabilities

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

	At amortised cost	Total
Long term liabilities	207 215 894	207 215 894
Payables from exchange transactions	23 065 241	23 065 241
Consumer deposits	6 000	6 000
	230 287 135	**230 287 135**

26. Commitments

Authorised capital expenditure

	2013	2012
Already contracted for but not provided for		
•Property, plant and equipment	9 454 565	1 632 388

Operating leases - as lessee (expense)

	2013	2012
Minimum lease payments due		
- within one year	188 520	188 516
- in second to fifth year inclusive	141 377	329 897
	329 897	**518 413**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

27. Contingencies

Contingent assets

1. Development Bank of South Africa

The Municipality took a loan totaling R227 million in three phases after requesting proposals from interested bidders on 25 March 2009. DBSA was a successful bidder as it proposed to give the loan without wanting any security for the loan and promised to consider the interest rate in the event security is offered by the municipality.

DBSA also promised to undertake social responsibility programmes within the district. The Municipality tendered security for the loan but DBSA failed to honour its contractual duty and relook in to the interest rate and further failed to perform the social responsibility as obliged.

The Municipality opted to take the matter up to the North Gauteng High Court and compel DBSA to perform its obligations. No specific amount claimed as the contract was silent of that.

2. South African Revenue Services

The municipality obtained the services of Maximum Profit Recovery (Pty) Ltd during the financial period to review the VAT submissions. As a result the municipality will submit a VAT claim of R5,492,993 to the South African Revenue Services.

Contingent liabilities

1. Dumata Trading CC

This is claim instituted against the Municipality emanating from water services related project rendered by Dumata Trading CC being appointed by the disestablished Bohlabela District Municipality. The total amount claimed is R360 546.92. Litigation is still in progress and the matter is handled by VF Mokoena Attorneys.

2. MAC P Construction CC

MacP is suing the Municipality a sum of R877 604.99, being the balance due for services rendered (completion of construction work at Salique road). The matter is currently at the North Gauteng High Court handled by VF Mokoena Attorneys.

3. George E Nxumal and Gert Dysel

The former managers of Bohlabela District Municipality are claiming performance bonuses for consecutive 3 years, which they allege they are entitled to. The amount claimed is around R300 000.00

4. **Nkosi Attorneys /EDM**

The plaintiff is suing the Municipality an amount of R62 000.00 for services rendered whilst he was representing the municipality in the matter between Q Hadebe / EDM. Plaintiff refused despite requests to submit proper invoices as directed. The matter is at Nelspruit Magistrates Court.

28. Fruitless and wasteful expenditure

	2013	2012
Opening balance	-	-
Current year	-	40 890
Condoned by Council	-	(40 890)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

29. Irregular expenditure

Opening balance	-	-
Add: Irregular expenditure - current year	3 043 122	12 341 158
Less: Amounts condoned	(3 043 122)	(12 341 158)
Less: Amounts not recoverable (not condoned)	-	-
	-	-

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Deviations on quotations	Condoned by Council - resolution A140/2013	201 530
Disaster relief material	Condoned by Council - resolution A93/2013	296 985
Upgrade, support and maintenance of Municipal Health Information System	Condoned by Council - resolution A97/2013	234 650
Investigation of electricity revenue losses	Condoned by Council - resolution A58/2012	245 614
Supply of emergency portable water	Condoned by Council - resolution A57/2013	2 064 343
		3 043 122

30. Unauthorised expenditure

Unauthorised expenditure	460 532	-
Approved by Council	(460 532)	(209 999)
Transfer to/(from) receivables	-	209 999
	-	-

The unauthorised expenditure for the current year relates to land tenure upgrading. These expenses were condoned by the Council, resolution A150/2013.

31. Risk management

Financial risk management

Exposure to interest rate, liquidity and credit risks arises in the normal course of the Municipality's operations. The municipality has established a risk management committee, which is responsible for developing and monitoring the municipality's risk management policies. The risk management policies are established to identify and analyse the risks faced by the municipality, to set up risk limits and controls and to monitor risks and adherence to limits. Risk management policies are to be reviewed regularly to reflect changes in the municipality's activities.

Liquidity risk

Ehlanzeni District Municipality manages its liquidity risks by effectively managing its working capital, capital expenditure and external borrowings. Standby credit facilities in the form of an R20,000,000 bank overdraft facility has been negotiated with the main banker and provisionally approved. The overdraft facility will cater for any unexpected temporary shortfall in operating funds.

At 30 June 2013	**Less than 1 year**	**Over 5 years**
Long term borrowings	10 800 546	186 703 752
Payables from exchange transactions	7 421 427	-

At 30 June 2012	**Less than 1 year**	**Over 5 years**
Long term borowings	9 875 671	197 340 223
Payables from exchange transactions	23 065 240	-

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

31. Risk management (continued)

Credit risk

Ehlanzeni District Municipality manages its credit risk in its borrowing and investing activities by dealing with the A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with the approved cash and investment policy as was approved by council.

Market risk

Interest rate risk

Ehlanzeni District Municipality is not exposed to any interest rate risks on its financial liabilities. As at the end of the financial year, 30 June 2013, Ehlanzeni District Municipality had only three fixed interest bearing loans with the Development Bank of Southern Africa (DBSA) as reflected in APPENDIX A. It should be noted that the interest in these three loans is fixed until maturity. Similarly, with financial assets, Ehlanzeni District Municipality invests its surplus funds not immediately required in a fixed interest rate deposit with the A+ rated banks for fixed terms not exceeding one year.

32. Related parties

Relationships	
Entity of close family member of officials	Endecon Ubuntu (Pty) Ltd Brinzo Time CC
Members of key management	Refer to note 16.

Related party transactions

Purchases from (sales to) related parties		
Brinzo Time CC	51 248	385 884

33. Revaluation reserve

Opening balance	-	15 077 882
Transfer to accumulated surplus	-	(15 077 882)
	-	**-**

34. Interest received

External investment	2 007 952	930 320
Other	-	415 854
	2 007 952	**1 346 174**

35. Prior period errors

Sanlam investment has not been disclosed at fair value in prior years.

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

Statement of financial position		
Investments	1 673 452	1 673 452
Opening Accumulated Surplus or Deficit	(1 673 452)	(1 200 644)

Statement of Financial Performance		
Fair value adjustments	-	(472 808)

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

36. Revenue

Other income	1 381 557	508 512
Rental of facilities and equipment	61 200	72 401
Interest received	2 007 952	1 346 174
Dividends received	-	74 503
Government grants & subsidies	233 074 425	211 961 704
	236 525 134	**213 963 294**

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

Other income	1 381 557	508 512
Rental of facilities and equipment	61 200	72 401
Interest received	2 007 952	1 346 174
Dividends received	-	74 503
	3 450 709	**2 001 590**

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

Government grants & subsidies	233 074 425	211 961 704

37. Debt impairment

Debt impairment	39 456 705	158 657

38. Budget differences

Material differences between budget and actual amounts

Variances in excess of 10% is considered significant and therefore explanations are provided below:

38.1 Other income

No professional fees paid by Local Municipalities and Human Settlements as budgeted for.

38.2 Rental of facilities and equipment

A service provider was appointed during the course of the financial year to manage the converence centre.

38.3 Depreciation

Depreciation variances due to the review of useful lives of assets as per GRAP 17 par 56.

38.4 Grants and subsidies paid

Variances between grants and subsidies paid budgeted for and actual expenditure is a result of capital projects not completed during the financial year and the budget amounting to R 9,454,565 was rolled over to the next financial period.

Appendix A

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
DBSA - 61000886 Maturity date: 31/12/2029 Interest calculated at 11.12%			163 071 354	-	3 280 516	159 790 838	174 589 413	-
DBSA - 61000887 Maturity date: 31/12/2020 Inerest calculated at 6.75%			18 684 638	-	1 827 917	16 856 721	18 417 858	-
DBSA - 61000885 Maturity date: 31/12/2016 Interest calculated at 11.43%			25 459 902	-	4 603 171	20 856 731	22 788 318	-
			207 215 894	**-**	**9 711 604**	**197 504 290**	**215 795 589**	**-**
Total external loans								
Development Bank of South Africa			207 215 894	-	9 711 604	197 504 290	215 795 589	-
			207 215 894	**-**	**9 711 604**	**197 504 290**	**215 795 589**	**-**

Appendix B

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

	Cost/Revaluation				Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings									
Land	7 165 083	-	-	**7 165 083**	-	-	-	**-**	7 165 083
Buildings	232 512 648	-	-	**232 512 648**	(11 078 206)	-	(5 638 853)	**(16 717 059)**	215 795 589
	239 677 731	**-**	**-**	**239 677 731**	**(11 078 206)**	**-**	**(5 638 853)**	**(16 717 059)**	**222 960 672**
Other assets									
Plant & equipment	2 265 701	126 092	(1 350)	**2 390 443**	(926 319)	89	(453 046)	**(1 379 276)**	1 011 167
Furniture & Fittings	9 350 778	306	(20 905)	**9 330 179**	(2 016 215)	8 407	(924 313)	**(2 932 121)**	6 398 058
Office Equipment	31 688 206	878 244	(537 049)	**32 029 401**	(21 801 955)	774 381	(2 705 258)	**(23 732 832)**	8 296 569
Motor vehicles	4 706 173	36 940	(205 263)	**4 537 850**	(2 743 530)	191 579	(581 680)	**(3 133 631)**	1 404 219
Bins and Containers	4 289	-	-	**4 289**	(3 630)	-	(110)	**(3 740)**	549
	48 015 147	**1 041 582**	**(764 567)**	**48 292 162**	**(27 491 649)**	**974 456**	**(4 664 407)**	**(31 181 600)**	**17 110 562**

Appendix C

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

	Cost/Revaluation					Accumulated Depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Municipality											
Chief Whip	139 068	5 507	-	4 614	**149 189**	(56 608)	112	(3 076)	(13 410)	**(72 982)**	76 207
Corporate Services	255 265 722	100 169	-	(6 267 975)	**249 097 916**	(19 967 583)	24 126	4 615 769	(6 657 311)	**(21 984 999)**	227 112 917
Disaster management	21 013 853	13 245	-	1 238 957	**22 266 055**	(13 541 239)	191	(696 221)	(2 053 624)	**(16 290 893)**	5 975 162
Executive Mayor	1 697 791	4 384	-	530 729	**2 232 904**	(444 466)	881	(439 628)	(273 551)	**(1 156 764)**	1 076 140
Finance and SCM	3 088 305	687 730	(749 317)	4 173 704	**7 200 422**	(1 666 736)	799 953	(3 382 160)	(527 021)	**(4 775 964)**	2 424 458
Internal Audit	143 076	-	-	5 551	**148 627**	(70 707)	6 962	80	(15 354)	**(79 019)**	69 608
LED and Tourism	721 995	6 996	(5 433)	93 604	**817 162**	(292 178)	1 671	(47 327)	(87 629)	**(425 463)**	391 699
Municipal Health	1 579 527	122 714	-	(57 065)	**1 645 176**	(820 609)	90 587	21 567	(168 823)	**(877 278)**	767 898
Municipal Manager	980 455	29 094	-	563 441	**1 572 990**	(341 038)	661	(228 257)	(169 393)	**(738 027)**	834 963
Planning department	905 450	68 977	(5 959)	(149 004)	**819 464**	(494 331)	18 443	89 820	(119 087)	**(505 155)**	314 309
Rural Development	320 602	-	-	-	**320 602**	(103 169)	-	-	(34 997)	**(138 166)**	182 436
Social and Transversal Issues	635 476	2 866	-	(57 523)	**580 819**	(268 020)	5 295	36 182	(58 952)	**(285 495)**	295 324
Speaker	133 926	-	-	-	**133 926**	(43 619)	75	-	(14 686)	**(58 230)**	75 696
Technical Services	1 067 632	-	(3 858)	(79 033)	**984 741**	(459 550)	25 397	33 251	(109 422)	**(510 324)**	474 417
	287 692 878	**1 041 682**	**(764 567)**	**-**	**287 969 993**	**(38 569 853)**	**974 354**	**-**	**(10 303 260)**	**(47 898 759)**	**240 071 234**

Appendix D

Segmental Statement of Financial Performance for the year ended 30 June 2013

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
-	5 063 344	(5 063 344)	Office Executive Mayor	-	6 248 697	(6 248 697)
-	428 606	(428 606)	Office Rural Development	-	1 918 620	(1 918 620)
-	3 053 458	(3 053 458)	Office of the Speaker	-	3 457 548	(3 457 548)
-	5 759 082	(5 759 082)	Mayoral Committee	-	6 238 203	(6 238 203)
-	6 466 592	(6 466 592)	Office Municipal Manager	-	6 669 214	(6 669 214)
213 963 294	100 507 588	113 455 706	Finance	236 525 134	132 970 276	103 554 858
-	13 693 303	(13 693 303)	Corporate services	-	13 449 638	(13 449 638)
-	4 872 714	(4 872 714)	Technical Services	-	5 122 143	(5 122 143)
-	9 223 149	(9 223 149)	Municipal Health and Environment	-	10 140 203	(10 140 203)
-	1 207 146	(1 207 146)	Office Chief Whip	-	1 053 443	(1 053 443)
-	43 201 709	(43 201 709)	Council General	-	38 995 668	(38 995 668)
-	1 369 111	(1 369 111)	Internal Audit	-	1 408 999	(1 408 999)
-	3 450 207	(3 450 207)	Transversal Issues	-	6 283 494	(6 283 494)
-	7 734 448	(7 734 448)	LED and Tourism	-	8 086 575	(8 086 575)
-	6 503 201	(6 503 201)	Planning and development	-	5 772 485	(5 772 485)
-	7 742 472	(7 742 472)	Disaster Management and Public Safety	-	8 244 091	(8 244 091)
213 963 294	**220 276 130**	**(6 312 836)**		**236 525 134**	**256 059 297**	**(19 534 163)**

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal. Rand	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Other income	1 381 557	1 738 000	(356 443)	(20.5)	No professional fees were paid by local municipalities and Human Settlement
Rental of facilities and equipment	61 200	112 000	(50 800)	(45.4)	Service provider appointed duringthe course of the financial year to manage converence centre
Interest received (trading)	2 007 952	2 100 000	(92 048)	(4.4)	
Dividends received	-	-	-	-	
Government grants & subsidies	233 074 425	240 707 449	(7 633 024)	(3.2)	
	236 525 134	244 657 449	(8 132 315)	(3.3)	
Expenses					
Employee related cost	(69 351 009)	(70 827 536)	1 476 527	(2.1)	
Remuneration of councillors	(11 794 725)	(11 796 588)	1 863	-	
Audit fees	(1 950 943)	(1 950 943)	-	-	
Depreciation	(10 034 611)	(14 226 815)	4 192 204	(29.5)	Useful life adjustments GRAP 17 par 56
Finance costs	(23 278 108)	(23 278 108)	-	-	
Debt impairment	(39 456 705)	(39 456 705)	-	-	
Repairs and maintenance - General	(40 893)	(100 000)	59 107	(59.1)	Building still new, low repairs and maintenance
Contracted Services	(2 049 181)	(2 100 000)	50 819	(2.4)	
Grants and subsidies paid	(64 842 704)	(75 080 675)	10 237 971	(13.6)	Capital projects not completed, budget rolled over
General Expenses	(34 032 800)	(35 398 366)	1 365 566	(3.9)	
	(256 831 679)	(274 215 736)	17 384 057	(6.3)	
Other revenue and costs					
Fair value adjustments	54 955	-	54 955	-	
Income from equity accounted investments	587 427	-	587 427	-	
Gain or loss on disposal of non-current assets held for sale or disposal groups	130 000	-	130 000	-	
	772 382	-	772 382	-	
Net surplus/ (deficit) for the year	(19 534 163)	(29 558 287)	10 024 124	(33.9)	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2013

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Chief Whip	-	2 500	2 500	**100**	
Corporate Services	75 737	80 000	4 263	**5**	
Disaster Management	13 245	12 500	(745)	**(6)**	
Executive Mayor	701	-	(701)	**-**	
Finance & SCM	147 539	150 000	2 461	**2**	
Internal Audit	-	10 000	10 000	**100**	
LED & Tourism	6 995	-	(6 995)	**-**	
Municipal Health	98 953	100 000	1 047	**1**	
Municipal Manager	6 296	25 000	18 704	**75**	
Planning Department	1 198	20 000	18 802	**94**	
Rural Develpment	-	-	-	**-**	
Social & Transversial Issues	2 866	5 000	2 134	**43**	
Speaker	-	-	-	**-**	
Technical Services	-	10 000	10 000	**100**	
Mayoral Committee	-	20 000	20 000	**100**	
MSIG	688 052	688 052	-	**-**	
	-	-	-	**-**	
	1 041 582	**1 123 052**	**81 470**	**7**	

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

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act Yes/ No
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	
Equitable Share	74 472 000	58 897 000	44 684 000	-	25 510 891	28 312 812	45 463 048	78 766 249	Yes
Mbombela Local Municipality	308 595	1 428 915	515 098	295 447	525 604	885 495	270 590	447 340	Yes
DWAF	-	-	12 000 000	-	-	4 470 035	2 832 731	2 927 524	Yes
FMG	1 500 000	-	-	-	-	-	639 805	859 236	Yes
MSIG	1 000 000	-	-	-	223 618	405 331	-	1 488 799	Yes
SETA	-	26 331	22 930	72 559	-	-	-	147 545	Yes
Nkomazi Local Municipality	1 503 557	525 345	853 270	-	794 539	502 870	540 109	879 678	Yes
Human Settlement	15 136 000	-	-	-	1 967 000	-	-	9 313 562	Yes
EPWP Incentive	400 000	600 000	407 000	-	-	-	-	1 407 000	Yes
Barberton Mines	150 000	150 000	150 000	150 000	122 421	-	95 874	465 296	Yes
Bushbuckridge Local Municipality	16 157 608	5 752 780	-	-	4 809 054	4 200 964	-	9 735 379	Yes
SANParks Grants	1 038 588	-	-	1 292 468	-	-	226 978	818 235	Yes
Local Government Department of roads	-	-	-	-	-	-	-	140 000	Yes
	111 666 348	67 380 371	62 207 018	1 810 474	33 953 127	38 777 507	50 069 135	107 395 843	