Kgatelopele Local Municipality
Financial statements
for the year ended 30 June 2012
Auditor - General

General Information

Legal form of entity	Category B Municipality envisaged in section 155 (1) (b) of the Constitution
Mayoral committee	
Executive Mayor	G Kgoronyane
Councillors	PM Mgcera
	AJ Visser
	GP McCarthy
	AS Adams
	WH Cornellisen
	OH Sehularo
	C Joseph
Grading of local authority	Grade 1
Chief Finance Officer (CFO)	MG Kotze
Accounting Officer	S Titus (Acting)
Registered office	Bakerstreet Danielskuil 8450
Business address	Bakerstreet Danielskuil 8450
Postal address	PO Box 43 Danielskuil 8450
Bankers	First National Bank
Auditors	Auditor - General
Relevant Legislation	Municipal Finance Management Act (Act no 56 of 2002) Municipal Structures Act (Act no 17 of 1998) Municipal Systems Act (Act no 32 of 2000) Water Service Act (Act no 108 of 1997) Housing Act (Act no 107 of 1997) Municipal Property Rates Act (Act no 6 of 2004) Electricity Act (Act no 41 of 1987) Skills Development Levies Act (Act no 9 of 1999) Employment Equity Act (Act no 55 of 1998) Unemployment Insurance Act (Act no 30 of 1996) Basic Conditions of Employment Act (Act no 75 of 1997) Division of Revenue Act The Income Tax Act Value Added Tax Act
Domicile	Bakerstreet Danielskuil 8450

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

Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on the Provincial Treasury for continued funding of capital projects. The financial statements are prepared on the basis that the municipality is a going concern and that the National Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The accounting officer certify that the salaries, allowances and benefits of Councillors' as disclosed in note 20 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Bearers Act and the Minster of Provincial and Local Governments determinations in accordance with the Act.

The financial statements set out on page 4-52, which have been prepared on the going concern basis, were approved by the Accounting Officer and were signed on its behalf by:

Accounting Officer
Designation

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Receivables from exchange transactions	4	-	471 621
Other receivables from non-exchange transactions	5	3 139 388	6 663 444
Consumer debtors	6	9 142 595	9 862 034
Cash and cash equivalents	7	9 339 089	7 758 307
		21 621 072	**24 755 406**
Non-Current Assets			
Property, plant and equipment	3	76 675 034	133 926 569
Total Assets		**98 296 106**	**158 681 975**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	3 919 801	7 594 605
VAT payable	12	1 305 658	1 923 605
Consumer deposits	13	272 075	259 737
Provisions	10	1 929 774	725 675
Unspent conditional grants and receipts	9	10 110 509	3 606 122
Prepayments		959 103	1 129 354
Current portion of borrowings		1 896 293	-
		20 393 213	**15 239 098**
Non-Current Liabilities			
Borrowings	8	4 235 996	6 907 130
Total Liabilities		**24 629 209**	**22 146 228**
Net Assets		**73 666 897**	**136 535 747**
Net Assets			
Accumulated surplus		73 666 897	136 535 747
		73 666 897	136 535 747
Total Net Assets		**73 666 897**	**136 535 747**

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Exchange Transactions		-	-
Property rates and taxes	15	3 324 415	3 863 745
Service charges	16	22 354 204	19 739 379
Rental of facilities and equipment		-	178 442
Interest received - investment	23	241 915	221 730
Rental income		98 139	-
Fees earned		573 260	477 224
Other income	18	1 135 578	8 948 488
Non-Exchange Transactions		-	-
Government grants & subsidies	17	16 752 081	18 012 222
Fines		15 796	17 190
Commissions received		1 806	-
Total Revenue		**44 497 194**	**51 458 420**
Expenditure			
Personnel	20	(11 445 458)	(10 272 991)
Remuneration of councillors	21	(1 917 256)	(1 779 207)
Depreciation and amortisation	24	(10 710 316)	-
Finance costs	25	(1 582 103)	(557 362)
Debt impairment	22	(5 151 474)	8 305 366
Contributions to Provision for Leave/bonus		(1 204 099)	(1 152 244)
Repairs and maintenance		(1 091 951)	(1 643 390)
Bulk purchases	29	(10 555 930)	(8 837 655)
Contracted services	27	(2 609 445)	(2 874 812)
Grants and subsidies paid	28	(6 387 414)	(5 464 341)
Loss on disposal of assets	28	(126 981)	-
General Expenses	19	(6 713 661)	(7 441 131)
Total Expenditure		**(59 496 088)**	**(31 717 767)**
(Deficit) surplus for the year		**(14 998 894)**	**19 740 653**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2010	**116 092 807**	**116 092 807**
Changes in net assets		
Prior year adjustment	7 117 278	7 117 278
Prior Period Error (Note 34)	(6 414 991)	(6 414 991)
Net income (losses) recognised directly in net assets	702 287	702 287
Surplus for the year	19 740 653	19 740 653
Total recognised income and expenses for the year	20 442 940	20 442 940
Total changes	20 442 940	20 442 940
Balance at 01 July 2011	**136 535 747**	**136 535 747**
Changes in net assets		
Impairment losses on revalued PPE (Refer to Note 33)	(47 639 535)	(47 639 535)
Net income (losses) recognised directly in net assets	(47 639 535)	(47 639 535)
Surplus for the year	(14 998 894)	(14 998 894)
Total recognised income and expenses for the year	(62 638 429)	(62 638 429)
Prior period error	(230 421)	(230 421)
Total changes	(62 868 850)	(62 868 850)
Balance at 30 June 2012	**73 666 897**	**73 666 897**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Undefined difference compared to the cash generated from operations note		**3 453 940**	**6 948 537**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1 098 317)	(15 617 299)
Cash flows from financing activities			
Repayment of borrowings		(774 841)	4 387 780
Prior year correction		-	6 544 463
Net cash flows from financing activities		**(774 841)**	**10 932 243**
Net increase/(decrease) in cash and cash equivalents		**1 580 782**	**2 263 481**
Cash and cash equivalents at the beginning of the year		7 758 307	5 494 826
Cash and cash equivalents at the end of the year	7	**9 339 089**	**7 758 307**

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period

These annual financial statements have beem prepared in accordance with Directive 5 "Determining the GRAP Reporting Framework" issued by the Accounting Standard Board.

The standards are summarised as follows:

"Standards and Interpretations Issued, but not yet effective"

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

GRAP 18	Segment Reporting
GRAP 20	Related Party disclosures
GRAP 25	Employee benefits
GRAP 104	Financial Instruments
GRAP 105	Transfers of Functions between entities under common controls
GRAP 106	Transfers of Functions between entities not under common controls
GRAP 107	Mergers

"Standards and Interpretations effective but not early adopted"

GRAP 21	Impairment of non-cash-generating assets;
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets;
GRAP 103	Heritage Assets

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

1.1 Significant judgements and sources of estimation uncertainty (continued)

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

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

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

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

Useful lives of waste and water network and other assets

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

Effective interest rate

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

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 debtors 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 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.

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

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

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

1.2 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	**Average useful l**
Leasehold property	
• Office equipment	10-30
Infrastructure	
• Roads and paving	10-30
• Pedestrian Malls	30
• Electricity	20-30
• Water Network	20-30
• Sewerage Network	20-30
Community	
• Buildings	10-30
Heritage	
• Buildings	10-30
Other property, plant and equipment	
• Buildings	30
• Other vehicles	5-7
• Other Equipment	3-7
• Furniture and fittings	7-10
• Bins and containers	5
• Landfill sites	15
• Emergency Equipment	5-15
• Computer equioment	5
• Other item of plant and equipment	2-5

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

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

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

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

1.2 Property, plant and equipment (continued)

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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Financial instruments

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

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Long term loans	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Unspent Consditional grants	Financial liability measured at amortised cost
Current portion employee benefits	Financial liability measured at fair value

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

1.3 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity 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.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

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 entity 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, an 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.

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.

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 entity assesses the classification of each element separately.

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 .

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 - 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.

Any contingent rents are recognised separately as an expense in the period in which they are incurred

Accounting Policies

1.5 Impairment of cash-generating assets

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

Identification

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

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

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

Value in use

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

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

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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.

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

1.5 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.6 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.

1.6 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.

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

Irrespective of whether there is any indication of impairment, the entity 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 an asset is the present value of the asset’s remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

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

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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

Reversal of an impairment loss

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

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

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Redesignation

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

1.7 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.8 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;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- 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 entity during a reporting period, the entity 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 entity 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 entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity 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 entity has no realistic alternative but to make the payments.

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 entity 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 entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Long service awards

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service awards scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10,15, 20, 25 and 30 years of continued service

1.8 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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

1.9 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.10 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.

1.10 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

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

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

1.11 Revenue from non-exchange transactions

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 recognised as revenue to the extend that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

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.

Transfers

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

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

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Rates, including collection charges and penalties interest

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

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

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.

1.12 Investment income

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

1.13 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.14 Comparative figures

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

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

1.15 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.

1.16 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.

1.17 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 economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Offsetting

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

1.19 Conditional grants and receipts

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

1.20 Budget information

The financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the financial statements. Refer to note .

1.21 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.

Accounting Policies

1.21 Related parties (continued)

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

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

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

2. Changes in accounting policy

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

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

3. Property, plant and equipment

	2012			2011		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	11 949 245	-	11 949 245	11 949 245	-	11 949 245
Infrastructure	205 108 680	(141 163 592)	63 945 088	118 176 358	-	118 176 358
Community	335 004	-	335 004	335 004	-	335 004
Other property, plant and equipment	3 338 981	(2 893 284)	445 697	3 465 962	-	3 465 962
Total	**220 731 910**	**(144 056 876)**	**76 675 034**	**133 926 569**	**-**	**133 926 569**

Reconciliation of property, plant and equipment - 2012

	Opening balance	**Additions**	**Disposals**	**Under construction**	**Accumulated Depreciation**	**Total**
Buildings	11 949 245	-	-	-	-	11 949 245
Infrastructure	118 176 358	85 834 005	-	1 098 317	(141 163 592)	63 945 088
Community	335 004	-	-	-	-	335 004
Other property, plant and equipment	3 465 962	-	(126 981)	-	(2 893 284)	445 697
	133 926 569	**85 834 005**	**(126 981)**	**1 098 317**	**(144 056 876)**	**76 675 034**

Reconciliation of property, plant and equipment - 2011

	Opening balance	**Additions**	**Prior year corrections**	**Total**
Buildings	11 949 245	-	-	11 949 245
Infrastructure	102 729 013	15 447 345	-	118 176 358
Community	657 754	-	(322 750)	335 004
Other property, plant and equipment	3 296 008	169 954	-	3 465 962
	118 632 020	**15 617 299**	**(322 750)**	**133 926 569**

4. Receivables from exchange transactions

	2012	2011
Receivables from exchange transactions	-	471 621

5. Other receivables from non-exchange transactions

	2012	2011
Other taxes	4 478 761	6 663 444
Impairment - Other taxes	(1 339 373)	-
	3 139 388	**6 663 444**

Notes to the Financial Statements

Figures in Rand	2012	2011

6. Consumer debtors

Gross balances		
Electricity	1 876 920	1 804 078
Water	6 780 739	8 455 835
Sewerage	4 977 873	6 271 899
Refuse	1 951 844	2 863 980
Other (specify)	589 865	566 706
	16 177 241	**19 962 498**
Less: Provision for debt impairment		
Electricity	(305 616)	-
Water	(4 397 873)	-
Refuse	(891 655)	-
Business services levies	(1 196 678)	(10 100 464)
Other (specify)	(242 824)	-
	(7 034 646)	**(10 100 464)**
Net balance		
Electricity	1 571 304	1 804 078
Water	2 382 866	8 455 835
Sewerage	4 977 873	6 271 899
Refuse	1 060 189	2 863 980
Business service levies	(1 196 678)	(10 100 464)
Other (specify)	347 041	566 706
	9 142 595	**9 862 034**
Rates		
Current (0 -30 days)	318 485	-
31 - 60 days	209 930	-
61 - 90 days	186 007	-
91 - 120 days	179 613	-
121 - 365 days	3 584 725	-
	4 478 760	**-**
Electricity		
Current (0 -30 days)	434 441	2 376 886
31-60 days	275 652	-
61 - 90 days	220 550	-
91 - 120 days	153 312	-
121 - 365 days	792 965	-
	1 876 920	**2 376 886**
Water		
Current (0 -30 days)	163 619	8 670 855
31 - 60 days	345 861	-
61 - 90 days	195 101	-
91 - 120 days	226 079	-
121 - 365 days	5 850 079	-
	6 780 739	**8 670 855**

Notes to the Financial Statements

Figures in Rand	2012	2011

6. Consumer debtors (continued)

Sewerage		
Current (0 -30 days)	105 961	3 679 493
31 - 60 days	91 582	-
61 - 90 days	79 180	-
91 - 120 days	238 637	-
121 - 365 days	1 870 107	-
> 365 days	2 592 406	2 592 406
	4 977 873	**6 271 899**

Refuse		
Current (0 -30 days)	182 271	2 863 980
31 - 60 days	98 454	-
61 - 90 days	87 055	-
91 - 120 days	165 655	-
121 - 365 days	1 418 409	-
	1 951 844	**2 863 980**

Business service levies		
Current (0 -30 days)	1 196 678	(10 100 464)

Other (specify)		
Current (0 -30 days)	264 301	582 562
31 - 60 days	1 050	-
61 - 90 days	1 482	-
91 - 120 days	1 050	-
121 - 365 days	321 982	-
	589 865	**582 562**

Reconciliation of debt impairment provision		
Balance at beginning of the year	(10 100 464)	-
Contributions to provision	(5 151 474)	(10 100 464)
Debt impairment written off against provision	8 217 292	-
	-	-
Debtors to the value of R 8 217 292 has been written off during the year under review	-	-
	(7 034 646)	**(10 100 464)**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	9 339 089	7 758 307

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011		30 June 2012	30 June 2011	
First National Bank - Branch: Danielskuil Account Number; 62067443582	1 000	70 232	-	1 000	70 232	-
First National Bank - Branch: Danielskuil Account number:62021476313	7 925 456	4 383 527	-	7 925 456	4 383 527	-
First National Bank - Branch: Danielskuil Account number: 62028354562	1 000	4 017	-	1 000	4 017	-
First National Bank - Branch: Danielskuil Account number: 62076025016	993 548	1 179 445	-	993 548	1 179 445	-
First National Bank - Branch: Danielskuil Account number: 62076024571	1 000	288 964	-	1 000	288 964	-
First National Bank - Branch: Danielskuil Account number: 62260630829	1 000	4 804	-	1 000	4 804	-
First National Bank - Branch: Danielskuil Account number: 62260631918	1 000	1 613 381	-	1 000	1 613 381	-
First National Bank - Branch: Danielskuil Account number: 62289228548	257 778	251 671	-	257 778	251 671	-
First National Bank - Branch: Danielskuil Account number: 62289233547	1 000	350 682	-	1 000	350 682	-
First National Bank - Branch: Danielskuil Account number: 62289312094	54 278	1 006	-	54 278	1 006	-
First National Bank - Branch: Danielskuil Account number: 62289352727	1 000	1 006	-	1 000	1 006	-
First National Bank - Branch: Danielskuil Account number: 52003878794	189 062	-	-	101 029	-	-
Total	**9 427 122**	**8 148 735**	**-**	**9 339 089**	**8 148 735**	**-**

Figures in Rand	2012	2011

8. Borrowings

Held at amortised cost		
DBSA loan	3 449 508	5 651 642
Terms and conditions		
This loan bears interest at 5% per annum and are payable at monthly instalments of R 107 831,30		
DBSA Vehicles	778 815	1 083 755
Terms and condition		
This loan bears interset at 5% per annum and are payable at monthly installments of R 97 938,33		
Toyota Finance	7 673	171 733
Terms and conditions		
This loan bears interest at 14.5% per annum and are payable at monthly installments of R 4 544,37		
	4 235 996	**6 907 130**

Non-current liabilities		
At amortised cost	4 235 996	6 907 130

9. Unspent conditional grants and receipts

See note 17 for reconciliation of grants from National/Provincial Government.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	9 699 657	3 195 270
Community Lightning	8 852	410 852
INEP	402 000	-
	10 110 509	**3 606 122**

Movement during the year

Balance at the beginning of the year	3 606 122	702 773
Additions during the year	7 756 468	2 903 349
Income recognition during the year	(1 252 081)	-
	10 110 509	**3 606 122**

See note 18 for reconciliation of grants from National/Provincial Government.

Notes to the Financial Statements

Figures in Rand	2012	2011

10. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Bonus and Long service bonus provision	(470 414)	1 108 489	638 075
Landfill site rehabilitation	490 000	-	490 000
Leave provision	706 089	95 610	801 699
	725 675	**1 204 099**	**1 929 774**

Reconciliation of provisions - 2011

	Opening Balance	Total
Bonus and Long service bonus provision	(470 414)	(470 414)
Landfill site rehabilitation	490 000	490 000
Leave provision	706 089	706 089
	725 675	**725 675**

11. Payables from exchange transactions

	2012	2011
Trade payables	2 237 922	5 593 678
Prepaid electricity sold not utilized	124 799	124 799
Deposits received	36 317	36 317
Housing unspent	1 520 763	1 839 811
	3 919 801	**7 594 605**

12. VAT payable

	2012	2011
Tax refunds payables	1 305 658	1 923 605

13. Consumer deposits

	2012	2011
Electricity	269 543	257 205
Housing rental	2 532	2 532
	272 075	**259 737**

14. Revenue

	2012	2011
Property rates	3 324 415	3 863 745
Service charges	22 354 204	19 739 379
Rental of facilities & equipment	-	178 442
Fines	15 796	17 190
Government grants & subsidies	16 752 081	18 012 222
	42 446 496	**41 810 978**

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

	2012	2011
Service charges	22 354 204	19 739 379
Rental of facilities & equipment	-	178 442
	22 354 204	**19 917 821**

Notes to the Financial Statements

Figures in Rand	2012	2011

14. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	3 324 415	3 863 745
Fines	15 796	17 190
Transfer revenue		
Government grants and subsidies	16 752 081	18 012 222
	20 092 292	**21 893 157**

15. Property rates

Rates received

Households	331 920	3 863 745
Small holdings and farms	2 989 547	-
Re-zoning	2 948	-
	3 324 415	**3 863 745**

16. Service charges

Sale of electricity	11 477 343	7 464 573
Sale of water	4 253 563	3 127 947
Solid waste	3 703 084	6 497 281
Sewerage and sanitation charges	2 920 214	2 649 578
	22 354 204	**19 739 379**

Notes to the Financial Statements

Figures in Rand	2012	2011

17. Government grants and subsidies

Equitable share	12 918 000	11 591 272
Municipal Systems Improvement Grant	790 000	750 000
Finance Management Grant (FMG)	1 500 000	1 250 000
Municipal Infrastructure Grant (MIG)	1 252 081	3 630 950
Library grant	292 000	790 000
	16 752 081	**18 012 222**

Equitable Share

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

All registered indigents receive a monthly subsidy of R253.93 - (2011: R 190), which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	3 195 270	3 195 270
Current-year receipts	7 756 468	-
Conditions met - transferred to revenue	(1 252 081)	-
	9 699 657	**3 195 270**

Conditions still to be met - remain liabilities (see note 9).

Provide explanations of conditions still to be met and other relevant information.

INEP

Balance unspent at beginning of year	402 000	-
Current-year receipts	-	402 000
	402 000	**402 000**

Conditions still to be met - remain liabilities (see note 9).

Provide explanations of conditions still to be met and other relevant information.

Community Lightning

Balance unspent at beginning of year	8 853	8 853

Conditions still to be met - remain liabilities (see note 9).

Provide explanations of conditions still to be met and other relevant information.

18. Other income

Sundry income	43 384	8 567 046
Salary income	230 321	-
Insurance Claim Paid	53 397	-
General income	808 476	-
Other income	-	381 442
	1 135 578	**8 948 488**

Notes to the Financial Statements

Figures in Rand	2012	2011

19. General expenses

Advertising	38 613	39 012
Auditors remuneration	633 627	2 721 583
Bank charges	125 867	101 870
Cleaning	-	1 940
Consulting and professional fees	1 403 775	1 276 955
Donations	2 000	-
Entertainment	63 511	65 808
Hire	-	57 073
Insurance	348 455	233 376
Community development and training	195 241	190 402
Conferences and seminars	23 858	171 420
IT expenses	30 650	-
Lease rentals on operating lease	39 504	-
Promotions and sponsorships	168 973	153 708
Magazines, books and periodicals	-	49 471
Medical expenses	3 419	-
Packaging	44 700	-
Fuel and oil	490 548	365 101
Postage and courier	13 874	88 955
Printing and stationery	236 583	193 719
Promotions	-	11 988
Protective clothing	21 250	-
Project maintenance costs	-	16 083
Research and development costs	-	13 035
Subscriptions and membership fees	108 316	8 000
Telephone and fax	317 023	271 302
Training	69 388	246 944
Travel - local	710 534	444 588
Electricity	-	129 731
Other Expenses	256 993	55 690
Workman Compensation	113 699	-
Capital Replacement Fund	371 072	-
Chemicals	882 188	-
Material	-	533 377
	6 713 661	**7 441 131**

Notes to the Financial Statements

Figures in Rand	2012	2011

20. Employee related costs

Basic	7 202 094	6 695 729
Bonus	538 210	455 087
Medical aid - company contributions	516 611	475 509
UIF	75 882	68 579
SDL	94 668	43 067
Other payroll levies	3 870	68 680
Leave pay provision charge	21 001	-
Group Insurance	11 214	10 409
Standby Allowances	103 508	105 914
Staff Insurances	3 397	-
Post-employment benefits - Pension - Defined contribution plan	1 154 777	1 048 201
Travel, motor car, accommodation, subsistence and other allowances	650 959	-
Overtime payments	739 558	700 281
Long-service awards	-	71 984
Acting allowances	206 964	12 173
Car allowance	-	398 698
Housing benefits and allowances	19 077	23 225
Cellphone allowance	101 076	6 800
Other Employee Related Benefits	2 592	84 735
Unions Contributions	-	3 920
	11 445 458	**10 272 991**

Remuneration of municipal manager

Annual Remuneration	412 057	430 140
Car Allowance	170 830	186 360
Performance Bonuses	6 302	-
Contributions to UIF, Medical and Pension Funds	1 806	-
	590 995	**616 500**

Remuneration of chief finance officer

Annual Remuneration	362 731	246 615
Car Allowance	65 861	28 000
Performance Bonuses	41 192	-
Contributions to UIF, Medical and Pension Funds	5 455	-
	475 239	**274 615**

Remuneration of Manager Corporate Services

Annual Remuneration	247 706	258 054
Car Allowance	134 133	110 731
Performance Bonuses	21 407	-
Contributions to UIF, Medical and Pension Funds	78 955	74 493
	482 201	**443 278**

21. Remuneration of councillors

Mayor	591 788	-
Councillors Allowance	8 320	-
Councillors	1 317 148	1 779 207
	1 917 256	**1 779 207**

Notes to the Financial Statements

Figures in Rand	2012	2011

21. Remuneration of councillors (continued)

In-kind benefits

The Mayor are full-time and is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

22. Debt impairment

Debt impairment	-	(8 305 366)
Contributions to debt impairment provision	5 151 474	-
	5 151 474	**(8 305 366)**

23. Investment revenue

Interest revenue		
Bank	241 915	221 730

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R241 915 (PY: R221 730).

24. Depreciation and amortisation

Depreciation charges	10 710 316	-

25. Finance costs

Current borrowings	1 582 103	557 362

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

26. Auditors' remuneration

Fees	633 627	2 721 583

27. Contracted services

Other Contractors	2 609 445	2 874 812

28. Grants and subsidies paid

Other subsidies		
Municipal Systems Improvement Grant (MSIG)	790 000	750 000
Equitable Share	3 966 121	3 464 341
Finance Management Grant (FMG)	1 500 000	1 250 000
Library Grant	131 293	-
	6 387 414	**5 464 341**

Notes to the Financial Statements

Figures in Rand	2012	2011

29. Bulk purchases

Electricity	10 555 930	8 837 655

30. Cash generated from operations

(Deficit) surplus	(14 998 894)	19 740 653
Adjustments for:		
Depreciation and amortisation	10 710 316	-
Gain on sale of assets and liabilities	126 981	-
Fair value adjustments	57 251 535	-
Interest income	(241 915)	(221 730)
Finance costs	1 582 103	557 362
Debt impairment	5 151 474	(8 305 366)
Movements in provisions	1 204 099	1 152 244
Other non-cash items	(62 868 851)	-
Changes in working capital:		
Inventories	-	2 341
Receivables from exchange transactions	-	(3 723 369)
Other receivables from non-exchange transactions	4 715 116	(3 393 571)
Consumer debtors	-	(9 093 194)
Prepayments	(170 251)	-
Prior year adjustment	(1 231 748)	4 557 647
Payables from exchange transactions	(3 674 803)	654 126
VAT	(617 947)	2 592 406
Unspent conditional grants and receipts	6 504 387	2 501 349
Consumer deposits	12 338	(72 361)
	3 453 940	**6 948 537**

31. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	7 539 485	-

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

32. Contingencies

The municipality has been sued for R 300 000 by a consultant (Max Profit Recovery) for work done on VAT review. This summons is currently opposed.
Operating of a landfill site without the necessary permits may result in a penalty of R 10 000 000. Currently in process of establishing licenced landfill site
.

Figures in Rand	2012	2011

33. Change in estimate

Property, plant and equipment

During 2012 financial year Directive 4 were phased out and the municipality became fully GRAP 17 compliant. The following transactions were passed through the accumulative surplus account in order to adjust assets to fair value.

Increase in PPE -	R 85 834 004
Decrease in PPE (Write Offs)-	(R 126 981)
Increase in accumulated depeciation-	(R 133 346 558)

Nett impact
Accumulated surplus decrease with R 47 639 535

34. Prior period errors

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

Cash and Cash Equivalents
Cheque nr. 50008606 written back in the wrong financial year - R 1 870 113
Trade and other payables
Post Retirement Benefits incorrectly provided for as a debit balance R 2 250 790
Previous year old year creditors overstated with R 1 788 672
Unspent Conditional Grant
Unspent Conditional Grants - INEP understated to the amount of R 402 000
Longterm Liabilities
Development bank understated with R 3 680 761

	2012	2011
Statement of financial position		
Cash and cash equivalents	-	(1 870 113)
Trade and other Payables	-	(2 250 790)
Trade and other Payables	-	1 788 672
Unspent Conditional Grants	-	(402 000)
Long term liabilities	-	(3 680 761)
Statement of Financial Performance		
Accumulative surplus	-	6 414 992

35. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Figures in Rand	2012	2011

35. Risk management (continued)

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2012 and 2011, the municipality's borrowings at variable rate were denominated in the Rand.

At year end, financial instruments exposed to interest rate risk is as follows:

Call deposits
Notice deposits
Long term annuity
Development Bank of South Africa loan
Bank overdraft

Credit risk

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

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

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

36. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality

37. Events after the reporting date

No events after the reporting date exists.

38. Unauthorised expenditure

Unauthorised expenditure	8 017 144	-

Expenditure exceeding original budget due to the fact that no adjusted budget was compiled. Over expenditure has been declared as unauthorised.

Figures in Rand	2012	2011

39. Irregular expenditure

Opening balance	-	2 735 750
Add: Irregular Expenditure - current year	1 318 230	-
Less: Amounts condoned	-	(2 735 750)
	1 318 230	**-**

40. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	289 545	1 240 314
Current year subscription / fee	1 977 954	1 770 814
Amount paid - current year	(633 627)	(2 721 583)
	1 633 872	**289 545**

VAT

VAT payable	1 305 658	1 923 605

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
AJ Visser	1 194	638	1 832
W H Cornellisen	1 190	1 218	2 408
PM Mgcera	625	-	625
OH Sehularo	2 343	-	2 343
GP Mac Carthy	497	4 833	5 330
AS Adams	2 711	16 434	19 145
	8 560	**23 123**	**31 683**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

41. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

42. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

Notes to the Financial Statements

Figures in Rand	2012	2011

43. Distribution losses

The following material distribution losses incurred during the year		
Water %	9	-
Water	239 974	-
Electricity %	29	-
Electricity	6 215 429	-
	6 455 441	**-**

Appendix A

Schedule of external loans as at 30 June 2012

	Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock								
Structured loans								
Funding facility								
Development Bank of South Africa								
DBSA Loan	100942/1		2 311 825	508 431	-	2 820 256	-	-
DBSA Vehicles	102357/1		742 811	36 004	-	778 815	-	-
			3 054 636	**544 435**	**-**	**3 599 071**	**-**	**-**
Bonds								
Other loans								
Lease liability								
Annuity loans								
Government loans								
Total external loans								
Development Bank of South Africa			3 054 636	544 435	-	3 599 071	-	-
			3 054 636	**544 435**	**-**	**3 599 071**	**-**	**-**

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	GRAP 17 Adjustment Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	GRAP 17 Adjustment Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	118 632 019	(106 324 520)	-	-	-	**-**	**12 307 499**	-	(18 591)	-	(4 650)	-	**(23 241)**	12 284 258
Finance & Admin/Finance	14 765 259	(13 942 008)	(113 381)	-	-	**-**	**709 870**	-	(529 191)	-	(180 241)	-	**(709 432)**	438
Comm. & Social/Libraries and archives	1 809	(1 809)	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Public Works	-	83 674 885	(13 600)	-	-	**430 247**	**84 091 532**	-	(55 200 357)	-	(4 448 315)	-	**(59 648 672)**	24 442 860
Waste Water Management/Sewerage	-	36 816 143	-	-	-	**159 256**	**36 975 399**	-	(19 026 491)	-	(2 008 374)	-	**(21 034 865)**	15 940 534
Water/Water Service	-	28 070 108	-	-	-	**508 814**	**28 578 922**	-	(17 898 751)	-	(1 240 425)	-	**(19 139 176)**	9 439 746
Electricity /Electricity Service	-	58 068 687	-	-	-	**-**	**58 068 687**	-	(40 673 178)	-	(2 828 311)	-	**(43 501 489)**	14 567 198
Other/Air Transport	527 481	(527 481)	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	133 926 568	**85 834 005**	**(126 981)**	**-**	**-**	**1 098 317**	**220 731 909**	**-**	**(133 346 559)**	**-**	**(10 710 316)**	**-**	**(144 056 875)**	**76 675 034**
Municipal Owned Entities														
Total														
Municipality	133 926 568	85 834 005	(126 981)	-	-	**1 098 317**	**220 731 909**	-	(133 346 559)	-	(10 710 316)	-	**(144 056 875)**	76 675 034
	133 926 568	**85 834 005**	**(126 981)**	**-**	**-**	**1 098 317**	**220 731 909**	**-**	**(133 346 559)**	**-**	**(10 710 316)**	**-**	**(144 056 875)**	**76 675 034**

Appendix D

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
16 417 429	4 708 630	11 708 799	Executive & Council/Mayor and Council	3 441 480	5 080 422	(1 638 942)
9 757 384	6 762 465	2 994 919	Finance & Admin/Finance	15 910 231	22 322 711	(6 412 480)
-	344 135	(344 135)	Planning and Development/Economic Development/Plan	1 572 073	1 094 869	477 204
-	232 496	(232 496)	Health/Clinics	2 106	184 556	(182 450)
799 780	310 780	489 000	Comm. & Social/Libraries and archives	34 482	391 535	(357 053)
-	-	-	Housing	-	950	(950)
494 124	524 938	(30 814)	Public Safety/Police	-	-	-
3 558	910 807	(907 249)	Sport and Recreation	26 369	1 033 271	(1 006 902)
9 146 859	4 780 936	4 365 923	Waste Water Management/Sewerage	6 636 312	6 003 311	633 001
3 622 990	2 044 351	1 578 639	Road Transport/Roads	786 320	6 029 122	(5 242 802)
3 230 515	2 044 351	1 186 164	Water/Water Distribution	4 637 515	2 708 552	1 928 963
7 754 757	9 917 339	(2 162 582)	Electricity /Electricity Distribution	11 484 677	13 354 458	(1 869 781)
51 227 396	**32 581 228**	**18 646 168**		**44 531 565**	**58 203 757**	**(13 672 192)**
			Municipal Owned Entities			
			Other charges			
51 227 396	32 581 228	18 646 168	Municipality	44 531 565	58 203 757	(13 672 192)
51 227 396	**32 581 228**	**18 646 168**	**Total**	**44 531 565**	**58 203 757**	**(13 672 192)**

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Forecast # 2 2012 Act. Bal. Rand	Forecast # 2 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	3 324 415	10 366 058	(7 041 643)	(67,9)	Over estimation
Service charges - Electricity	11 477 343	10 371 487	1 105 856	10,7	Under estimation
Sewerage	2 920 214	3 144 735	(224 521)	(7,1)	
Refuse removal	3 703 084	1 987 329	1 715 755	86,3	Under estimation
Water	4 253 565	3 735 018	518 547	13,9	Mistakes on accounts
Rental of facilities and equipment	98 139	12 435	85 704	689,2	Under estimation
Interest received (trading)	-	300 000	(300 000)	(100,0)	
Fines	15 796	14 708	1 088	7,4	
Licences and permits	573 260	607 656	(34 396)	(5,7)	
Government grants & subsidies	16 752 081	22 935 000	(6 182 919)	(27,0)	Unspent MIG Grant
Fees earned	-	-	-	-	
Commissions received	1 806	-	1 806	-	
Other income	-	-	-	-	
Other revenue	1 135 578	3 615 624	(2 480 046)	(68,6)	Over estimation
Interest received - investment	241 914	-	241 914	-	Over estimation
	44 497 195	57 090 050	(12 592 855)	(22,1)	
Expenses					
Personnel	-	-	-	-	
Manufacturing - Employee costs	(11 445 458)	(14 244 389)	2 798 931	(19,6)	vacant positions
Remuneration of councillors	(1 917 256)	(1 611 584)	(305 672)	19,0	
Bad Debt	(5 151 474)	(2 344 000)	(2 807 474)	119,8	Not a cash transaction
Depreciation	(10 710 316)	-	-	-	Phasing out of Directive 4
Contribution to/(transfers from) provisions	(1 204 099)	(2 484 640)	1 280 541	(51,5)	Over estimation
Interest of extenal borrowings	(1 582 103)	(262 092)	(1 320 011)	503,6	Rescheduling of loans
Loss on disposal of property, plant & equipment	(126 981)	-	-	-	
Debt impairment	-	-	-	-	
Collection costs	-	-	-	-	
Repairs and maintenance - General	-	-	-	-	
Repairs and maintenance - General	(1 091 951)	(2 118 191)	1 026 240	(48,4)	Cashflow problem
Bulk purchases	(10 555 930)	(7 293 525)	(3 262 405)	44,7	Excessive usage at high peak tariffs
Contracted Services	(2 609 445)	(4 877 425)	2 267 980	(46,5)	Saving
Grants and subsidies paid	(6 387 414)	-	(6 387 414)	-	Reclassification of general expeniture
General Expenses	(6 713 661)	(14 801 189)	8 087 528	(54,6)	See Grants and Subsidies paid
	(59 496 088)	(50 037 035)	1 378 244	(2,8)	
Other revenue and costs					
Net surplus/ (deficit) for the year	(14 998 893)	7 053 015	(11 214 611)	(159,0)	

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withhold ng of funds
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	
MIG Grant	National Treasury	-	-	2 100 000	-	5 627 000	-	554 507	-	497 990	45 820	-	-	-	-	-	No applicable
FMG	National Treasury	-	-	1 500 000	-	-	-	375 000	375 000	375 000	375 000	-	-	-	-	-	No applicable
MSIG	National Treasury	-	-	-	790 000	-	-	197 500	-	395 000	197 500	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	3 600 000	790 000	5 627 000	-	1 127 007	375 000	1 267 990	618 320	-	-	-	-	-	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	
MIG Grant	National Treasury	-	-	2 100 000	-	5 627 000	-	554 507	-	497 990	45 820	-	-	-	-	-	No applicable
FMG	National Treasury	-	-	1 500 000	-	-	-	375 000	375 000	375 000	375 000	-	-	-	-	-	No applicable
MSIG	National Treasury	-	-	-	790 000	-	-	197 500	-	395 000	197 500	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	3 600 000	790 000	5 627 000	-	1 127 007	375 000	1 267 990	618 320	-	-	-	-	-	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withhold ng of funds
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	
MIG Grant	National Treasury	-	-	2 100 000	-	5 627 000	-	554 507	-	497 990	45 820	-	-	-	-	-	No applicable
FMG	National Treasury	-	-	1 500 000	-	-	-	375 000	375 000	375 000	375 000	-	-	-	-	-	No applicable
MSIG	National Treasury	-	-	-	790 000	-	-	197 500	-	395 000	197 500	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	3 600 000	790 000	5 627 000	-	1 127 007	375 000	1 267 990	618 320	-	-	-	-	-	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.