Laingsburg Local Municipality
Financial statements
for the year ended 30 June 2012

General Information

Legal form of entity	Local municipality
Municipal demarcation code	WC051
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following; Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, refuse and sewerage; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality; and Water Services - Supplying water to the public.
Mayoral committee	
Executive Mayor	Hon. Theron W du P
Speaker	Hon. Horn HG
Councillors	Cllr. Bobbejee M
	Cllr. Botes P
	Cllr. Botha J
	Cllr. Gouws M
	Cllr. Van As BJ
Grading of local authority	Grade 1
Capacity of local authority	Medium
Accounting Officer	Mr. Williams PA
Chief Finance Officer (CFO)	Ms. Groenewald A
Registered office	2 Van Riebeeck Street Laingsburg 6900
Business address	2 Van Riebeeck Street Laingsburg 6900
Postal address	Private Bag X4 Laingsburg 6900
Bankers	ABSA Bank Standard Bank
Auditors	Auditor General - Western Cape
Attorneys	Blyth & Coetzee Davids Attorneys De Vries, De Wet & Krouwkam Markotter Attorneys

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised 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)

The financial statements set out on pages 3 to 89, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:

Accounting Officer
PA Williams

Laingsburg - Western Cape

31 August 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	Restated 2011
Assets			
Current Assets			
Inventories	12	1 112 371	468 859
Receivables from non-exchange transactions	13	2 376 325	4 901 511
VAT receivable	14	335 713	1 016 350
Trade receivables from exchange transactions	15	1 109 789	1 039 601
Current portion of long-term receivables from exchange transactions	11	17 088	36 422
Cash and cash equivalents	16	9 824 252	7 248 537
		14 775 538	**14 711 280**
Non-Current Assets			
Heritage assets	4	43 354	43 354
Investment property	5	4 934 280	5 304 680
Property, plant and equipment	6	138 052 286	137 477 554
Intangible assets	7	759 506	444 517
Operating lease asset	9	5 137	2 113
Long-term receivables from exchange transactions	11	379	84 962
		143 794 942	**143 357 180**
Total Assets		**158 570 480**	**158 068 460**
Liabilities			
Current Liabilities			
Payables from exchange transactions	22	3 035 590	1 480 506
Consumer deposits	23	318 772	265 289
Retirement benefit obligation	10	75 000	67 000
Unspent conditional grants and receipts	20	2 493 129	4 230 156
Provisions	21	222 922	241 251
Bank overdraft	16	-	921 859
		6 145 413	**7 206 061**
Non-Current Liabilities			
Retirement benefit obligation	10	4 327 000	3 956 000
Provisions	21	2 972 602	2 762 510
		7 299 602	**6 718 510**
Total Liabilities		**13 445 015**	**13 924 571**
Net Assets		**145 125 465**	**144 143 889**
Net Assets			
Accumulated surplus	18	145 125 465	144 143 889

Statement of Financial Performance

Figures in Rand	Note(s)	2012	Restated 2011
Revenue			
Property rates	26	1 838 752	1 452 904
Service charges	27	11 150 536	9 345 648
Rental of facilities and equipment	39	2 004 741	531 743
Income from agency services		88 488	98 298
Fines		2 157 569	974 358
Licences and permits		277 663	263 439
Government grants & subsidies	28	20 776 487	14 460 003
Other income	29	412 595	440 756
Interest received - investment	34	768 218	692 272
Total Revenue		**39 475 049**	**28 259 421**
Expenditure			
Employee related costs	31	(8 549 899)	(9 116 431)
Remuneration of councillors	32	(1 972 619)	(2 194 354)
Transfer payments		(6 510)	(45 277)
Depreciation and amortisation	35	(8 458 654)	(7 980 305)
Impairment loss/ Reversal of impairments	36	-	(4 935)
Finance costs	37	(170 735)	(160 315)
Debt impairment	33	(2 815 431)	(24 704)
Collection costs		(1 258)	(1 444)
Repairs and maintenance		(1 443 480)	(868 528)
Bulk purchases	42	(4 781 653)	(3 779 121)
Contracted services	40	(73 081)	(373 021)
Grants and subsidies paid	41	(1 481 759)	(1 447 343)
General expenses	30	(8 624 396)	(6 111 529)
Total Expenditure		**(38 379 475)**	**(32 107 307)**
Loss on disposal of assets and liabilities		(114 004)	-
Surplus (deficit) for the year		**981 570**	**(3 847 886)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	113 590 077	113 590 077
Adjustments		
Correction of errors (note 46)	34 401 698	34 401 698
Balance at 01 July 2010 as restated	**147 991 775**	**147 991 775**
Changes in net assets		
Deficit for the year	(3 847 886)	(3 847 886)
Total changes	(3 847 886)	(3 847 886)
Opening balance as previously reported	104 614 452	104 614 452
Adjustments		
Correction of errors (note 46)	39 529 443	39 529 443
Balance at 01 July 2011 as restated	**144 143 895**	**144 143 895**
Changes in net assets		
Surplus for the year	981 570	981 570
Total changes	981 570	981 570
Balance at 30 June 2012	**145 125 465**	**145 125 465**

Cash Flow Statement

Figures in Rand	Note(s)	2012	Restated 2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		10 103 675	10 233 926
Grants		19 039 460	14 030 164
Interest income		768 218	692 272
Other receipts		7 466 242	1 256 819
		37 377 595	26 213 181
Cash paid to suppliers		(14 577 706)	(19 268 517)
Cash paid to employees		(10 143 518)	(10 067 785)
Finance costs		(170 735)	(160 315)
		(24 891 959)	(29 496 617)
Net cash flows from operating activities	43	**12 485 636**	**(3 283 436)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(8 542 609)	(1 212 624)
Purchase of investment property	5	-	(253 500)
Purchase of intangible assets	7	(549 370)	(407 555)
Increase in long-term receivables from exchange transactions		-	(121 384)
Decrease in long-term receivables from exchange transactions		103 917	-
Net cash flows from investing activities		**(8 988 062)**	**(1 995 063)**
Net increase/(decrease) in cash and cash equivalents		**3 497 574**	**(5 278 499)**
Cash and cash equivalents at the beginning of the year		6 326 678	11 605 177
Cash and cash equivalents at the end of the year	16	**9 824 252**	**6 326 678**

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. All figures have been rounded to the nearest Rand.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Useful lives of property, plant and equipement, investment property and intangible assets

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

Effective interest rate

The municipality used the prime the government bond 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.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Defined benefit plan and other long-term employee benefits

The municipality obtains actuarial valuations of its defined benefit plan and other long-term employee benefits, which were identified, are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or
- for administrative purposes; or
- sale in the ordinary course of operations.

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	Indefinite
Property - buildings	20 - 30 years

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

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

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

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

1.3 Property, plant and equipment (continued)

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

Where an asset is acquired 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.

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 life**
Land	Indefinite
Buildings	7 - 100 years
Other furniture and fixtures	1 - 20 years
Motor vehicles	1 - 6 years
Community	15 - 100 years
Housing schemes	1 - 10 years
Landfill site	30 years
Infrastructure - Electricity	45 - 60 years
Infrastructure - Roads	7 - 100 years
Infrastructure - Sanitation and refuse	5 - 80 years
Infrastructure - Water supply	5 - 80 years
Infrastructure - Storm water	5 - 50 years

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.

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.

1.3 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.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

1.5 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

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

1.7 Financial instruments

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

1.7 Financial instruments (continued)

Classification

The municipality 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 which are classified as financial assets at amortised cost:

Class
Short-term investments - Call deposit
Bank Balances and cash
Long-term receivables
Consumer debtors
Other debtors

The municipality 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 which are classified as financial liabilities at amortised cost:

Class
Long-term liabilities
Certain other creditors
Bank overdraft
Consumer deposits

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review.
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial 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 municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the 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.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

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

1.7 Financial instruments (continued)

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

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus of deficit within operating expenses. when such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

Presentation

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.8 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.

Operating leases - lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. Any contingent rents are recognised separately as revenue in the period in which they are received.

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.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position. The basis of determining the cost of water purified and not yet sold at reporting date comprises all costs of purification, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are therefore valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

1.9 Inventories (continued)

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

1.10 Non-current assets held for sale and disposal groups

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

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

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

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

1.11 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.
Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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.

1.11 Impairment of cash-generating assets (continued)

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.

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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.

1.12 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.

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 amount 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.

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

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.

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.

Reversal of an impairment loss

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

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

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

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

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.

1.13 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 municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the 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 a municipality provides post-employment benefits for one or more employees.

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

Multi-employer plans

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects 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 obligation.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, the municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

1.13 Employee benefits (continued)

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

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

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

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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.

Long term 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 allowance 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.

The municipality’s liability is based on the employee's rendering their services.

1.14 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.

1.14 Provisions and contingencies (continued)

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

A constructive obligation to restructure arises only when the municipality:

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

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is: A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service poetntial will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised.

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Revenue from exchange transactions

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Interest

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

Accounting Policies

1.16 Revenue from non-exchange transactions

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

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.

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.

Property rates

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.

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.

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.

1.16 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind are not recognised.

1.17 Borrowing costs

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

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

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

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

1.18 Comparative figures

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

1.19 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.

1.20 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.

1.21 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.

1.22 Offsetting

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

1.23 Accounting surplus

Included in the accumulated surplus of the municipality, is the following reserve that is maintained in terms of specific requirements:

Housing development fund/Housing operating account:
Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:
- the Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the municipality.
- the proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- any contributions to or from the fund are shown as transfers in the statement of changes in net assets within accumulated surplus.
- interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance.

1.24 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.25 VAT

The municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value Added Tax Act No 89 of 1991.

1.26 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.

Accounting Policies

1.27 Related parties

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions. Management is defined as the Council, the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

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

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

1.28 Capital commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:
- Approved and contracted commitments;
- Where the expenditure has been approved and the contract has been awarded at the reporting date; and
- Where disclosure is required by a specific standard of GRAP.

1.29 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

Figures in Rand	2012	2011

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.

- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instrument

The adoption of the above standards of GRAP did not have an impact on the operating results of the municipality, but did result in different and/or additional disclosure than was previously made.

For more details on standards and intepretations adopted in the current year, refer to Note 3 - New standards and interpretations.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

- recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property, Plant and Equipment (as revised in 2010); and
- recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) .

The interpretation addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for:

- a change in the estimated outflow of resources embodying economic benefits (e.g. cash flows) or service potential required to settle the obligation;
- a change in the current market-based discount rate as defined in paragraph .52 of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) (this includes changes in the time value of money and the risks specific to the liability); and
- an increase that reflects the passage of time (also referred to as the unwinding of the discount).

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the amendment is not material.

IGRAP 3: Determining Whether an Arrangement Contains a Lease

This Interpretation of the Standards of GRAP does not apply to arrangements that are, or contain, leases excluded from the scope of the Standard of GRAP on Leases (as revised in 2010).

The issues addressed in this Interpretation of the Standards of GRAP are:

- how to determine whether an arrangement is, or contains, a lease as defined in the Standard of GRAP on Leases (as revised in 2010);
- when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made; and
- if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for any other elements in the arrangement.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the amendment is not material.

Notes to the Financial Statements

3. New standards and interpretations (continued)

IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This Interpretation of the Standards of GRAP applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds that have both of the following features:

The issues addressed in this Interpretation of the Standards of GRAP are:
- the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity); and
- a contributor's right to access the assets is restricted.

A residual interest in a fund that extends beyond a right to reimbursement, such as a right to distributions once all the decommissioning has been completed or on winding up the fund, may be an equity instrument within the scope of the Standard of GRAP on Financial Instruments and is not within the scope of this Interpretation of the Standards of GRAP.

The issues addressed in this Interpretation of the Standards of GRAP are:
- how should a contributor account for its interest in a fund?
- when a contributor has an obligation to make additional contributions, for example, in the event of the liquidation of another contributor, how should that obligation be accounted for?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

This Interpretation of the Standards of GRAP provides guidance on how to apply the requirements of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010) in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010).

The questions addressed in this Interpretation of the Standards of GRAP are:
- how should the requirement '… stated in terms of the measuring unit current at the reporting date' in paragraph .10 of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010) be interpreted when an entity applies the Standard of GRAP?
- a contributor's right to access the assets is restricted.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

IGRAP 6: Loyalty Programmes

This Interpretation of the Standards of GRAP applies to customer loyalty award credits that:
- an entity grants to its customers as part of a transaction, i.e. a sale of goods, rendering of services, use by a customer of entity assets; and
- subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The issues addressed in this Interpretation of the Standards of GRAP are:

3. New standards and interpretations (continued)

- whether the entity's obligation to provide free or discounted goods or services ('awards') in the future should be recognised and measured by
  - allocating some of the consideration received or receivable from the sales transaction to the award credits and deferring the recognition of revenue (applying the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) and the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers); or
  - providing for the estimated future costs of supplying the awards; and
- if consideration is allocated to the award credits:
  - how much should be allocated to them;
  - when revenue should be recognised; and
  - if a third party supplies the awards, how revenue should be measured.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:

- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits.
- How a minimum funding requirement might affect the availability of reductions in future contributions

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions

This Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of assets in exchange transactions directly or through subcontractors. The construction of assets entered into by entities where funding to support the construction activity will be provided by an appropriation or similar allocation of general government revenue or by aid or grant funds are excluded from the scope of this Interpretation of the Standards of GRAP.

Agreements in the scope of this Interpretation of the Standards of GRAP are agreements for the construction of assets in exchange transactions. In addition to the construction of assets in exchange transactions, such agreements may include the delivery of other goods or services.

The Interpretation of the Standards of GRAP addresses two issues:

- Is the agreement within the scope of the Standard of GRAP on Construction Contracts (as revised in 2010) or the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010)?
- When should revenue from the construction of assets in exchange transactions be recognised?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

Notes to the Financial Statements

3. New standards and interpretations (continued)

IGRAP 9: Distributions of Non-cash Assets to Owners

This Interpretation of the Standards of GRAP applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners:

- distributions of non-cash assets (e.g. items of property, plant and equipment, entity combinations as defined in the Standard of GRAP on Entity Combinations, ownership interests in another entity or disposal groups as defined in the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations (as revised in 2010)); and
- distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Interpretation of the Standards of GRAP applies only to distributions in which all owners of the same class of residual interests are treated equally.

This Interpretation of the Standards of GRAP does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.

This Interpretation of the Standards of GRAP does not apply when the non-cash asset is ultimately controlled by the same parties both before and after the distribution. The Standard of GRAP on Entity Combinations states that ‘A group of individuals shall be regarded as controlling an entity when, as a result of binding arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities.’ Therefore, for a distribution to be outside the scope of this Interpretation of the Standards of GRAP on the basis that the same parties control the asset both before and after the distribution, a group of individual owners receiving the distribution must have, as a result of binding arrangements, such ultimate collective power over the entity making the distribution.

This Interpretation of the Standards of GRAP does not apply when an entity distributes some of its ownership interests in a controlled entity but retains control of the controlled entity. The entity making a distribution that results in the entity recognising a minority interest in its controlled entity accounts for the distribution in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements.

This Interpretation of the Standards of GRAP addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by owners who receive such a distribution.

When an entity declares a dividend or similar distribution and has an obligation to distribute the assets concerned to its owners, it must recognise a liability for the dividend or similar distribution payable. Consequently, this Interpretation of the Standards of GRAP addresses the following issues:

- When should the entity recognise the dividend or similar distribution payable?
- How should an entity measure the dividend or similar distribution payable?
- When an entity settles the dividend or similar distribution payable, how should it account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend or similar distribution payable?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

IGRAP 10: Assets Received from Customers

This Interpretation of the Standards of GRAP applies to the accounting for the receipt of items of property, plant and equipment by entities that receive such assets from their customers.

Agreements within the scope of this Interpretation of the Standards of GRAP are those in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Notes to the Financial Statements

3. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

This Interpretation of the Standards of GRAP does not apply to agreements in which the receipt occurs as part of a non-exchange transaction as defined in the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), or infrastructure used in a public-private partnership agreement (see the Guideline on Accounting for Public-private Partnerships), or assets received in a transfer of functions.

The Interpretation of the Standards of GRAP addresses the following issues:

- Is the definition of an asset met?
- If the definition of an asset is met, how should the received item of property, plant and equipment be measured on initial recognition?
- If the item of property, plant and equipment is measured at fair value on initial recognition, how should the resulting credit be accounted for?
- How should the entity account for a receipt of cash from its customer?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

IGRAP 13: Operating Leases – Incentives

In negotiating a new or renewed operating lease, the lessor may provide incentives for the lessee to enter into the agreement. Examples of such incentives are an up-front cash payment to the lessee or the reimbursement or assumption by the lessor of costs of the lessee (such as relocation costs, leasehold improvements and costs associated with a pre-existing lease commitment of the lessee). Alternatively, initial periods of the lease term may be agreed to be rent free or at a reduced rent.

The issue is how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease

An entity may enter into a transaction or a series of structured transactions (an arrangement) with an unrelated party or parties (an investor) that involves the legal form of a lease. For example, an entity may lease assets to an investor and lease the same assets back, or alternatively, legally sell assets and lease the same assets back. The form of each arrangement and its terms and conditions can vary significantly. In the lease and leaseback example, it may be that the arrangement is designed to achieve a tax advantage for the investor that is shared with the entity in the form of a fee, and not to convey the right to use an asset.

When an arrangement with an investor involves the legal form of a lease, the issues are:

- how to determine whether a series of transactions is linked and should be accounted for as one transaction;
- whether the arrangement meets the definition of a lease under the Standard of GRAP on Leases (as revised in 2010); and, if not,
  - whether a separate investment account and lease payment obligations that might exist represent assets and liabilities of the entity;
  - how the entity should account for other obligations resulting from the arrangement; and
  - how the entity should account for a fee it might receive from an investor.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

3. New standards and interpretations (continued)

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

IGRAP 15: Revenue – Barter Transactions Involving Advertising Services

An entity (seller) may enter into a barter transaction to provide advertising services in exchange for receiving other services from its customer (customer). Advertisements may be displayed on the Internet or poster sites, broadcast on the television or radio, published in magazines or journals, or presented in another medium. An example could be where a municipality offers advertising services to local businesses in its community newsletters in exchange for repairs and maintenance services provided by those businesses. These repair and maintenance services may, for example, take the form of repairing and maintaining office buildings or motor vehicles owned by the municipality.

In some cases, no cash or other consideration is exchanged between the entities. In some other cases, equal or approximately equal amounts of cash or other consideration are also exchanged.

A seller that provides advertising services in the course of its ordinary activities recognises revenue under the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) from a barter transaction involving advertising when, amongst other criteria, the services exchanged are dissimilar in terms of paragraph .18 in the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) and the amount of revenue can be measured reliably in terms of paragraph .20(a) in the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010). This Interpretation of the Standards of GRAP only applies to an exchange of dissimilar services. An exchange of similar advertising services is not a transaction that generates revenue under the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010).

The issue is under what circumstances can a seller reliably measure revenue at the fair value of advertising services received or provided in a barter transaction.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

GRAP 1 (as revised 2010): Presentation of Financial Statements

The revision resulted in various terminology and definition changes.

Additional commentary has been added, describing the purpose of financial statements in the public sector.

Commentary has been added to explain that where legislation requires a departure from a particular Standard of GRAP and that departure is material, entities cannot claim compliance with the Standards of GRAP.

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 2 (as revised 2010): Cash Flow Statements

The revision resulted in various terminology and definition changes.

Operating cash flows:

3. New standards and interpretations (continued)

- Where an entity is in the business of renting and subsequently selling the same assets, these cash flows should be regarded as operating rather than investing cash flows.

Investing cash flows:

- Only expenditures incurred on a recognised asset qualify to be classified as investing activities in the cash flow statement.

Acquisitions and disposals of controlled entities and other operating units:

- Guidance relating to acquisitions and disposals of entities, particularly those on another basis of accounting, has been deleted.

Disclosure of undrawn borrowing facilities, restricted cash balances and the operating, investing and financing cash flows of jointly controlled entities accounted for using the proportionate consolidation method, now encouraged rather than required.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes.

Paragraphs added to Changes in accounting policies

- A change from one basis of accounting to another basis of accounting is a change in accounting policy.
- A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies

- The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC.
- Commentary on the selection of benchmark and alternative accounting policies has been deleted.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates

Terminology changes:

Where reference has been made to the net realisable values of inventories, current replacement cost has also been included to allow for the appropriate valuation of inventories where they are distributed as part of a non-exchange transaction. Reference to ‘trade’ receivables has been amended to ‘receivables’.

Monetary items:

Paragraph .15 clarifies that child support grants are ‘payables’, and not just ‘obligations’ in terms of the current requirements of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19).

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

3. New standards and interpretations (continued)

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes.

Dividends or similar distributions declared from pre-acquisition surpluses:
Paragraph .36 has been amended to encompass not only securities, but any contributed capital.

Various amendments, deletions and additions to examples included in the appendix.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies

Certain terminology changes:

- The reference to 'current cost' in paragraph .30 has been deleted.
- Where reference has been made to 'net realisable value', 'current replacement cost' has been added.

Net monetary position:
References to 'surplus' or 'deficit' have been changed, throughout the document, to 'gain' or 'loss'.

Interpretations:
Text included in this Standard of GRAP from IFRIC Interpretation 7 on Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies has been deleted.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 11 (as revised 2010): Construction Contracts

The revision resulted in certain terminology changes:

Other amendments:

- An example has been added to clarify when an entity acts as a contractor in a construction contract arrangement.
- The example in paragraph .11 has been deleted as it is inappropriate for the South African public sector.
- The explanatory text relating to 'contractors' has been amended to clarify that an entity can be a contractor if it performs construction related activities itself or through subcontractors.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

Notes to the Financial Statements

3. New standards and interpretations (continued)

GRAP 12 (as revised 2010): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:
Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:
Where reference has been made to 'net realisable value', 'current replacement cost' has been added.

Fair value measurement:
The appendix on how to determine fair value has been deleted.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2010): Leases

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Non-current Assets Held for Sale and Discontinued Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard.

Guidance on accounting for finance leases by lessors:
The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:
The guidance included in the original text on substance over legal form has been deleted.

Classification of leases on land and buildings elements:
The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

Notes to the Financial Statements

3. New standards and interpretations (continued)

GRAP 14 (as revised 2010): Events After the Reporting Date

Existence of a liability for dividends or similar distributions:
Paragraph .13 of GRAP 14 was amended to clarify that no liability exists at the reporting date for dividends or similar distributions declared after the reporting date.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2010): Investment Property

The revision resulted in various terminology and definition changes.

Recognition of investment property:
- Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property.
- This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.
- The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably.
- Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

Disclosure:
Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount.

Amendments to be applied as follow:
- Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2010): Property, Plant and Equipment

The revision resulted in various terminology and definition changes.

Scope:
- The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions.
- Investment properties under construction have been removed from the scope.

Measurement at initial recognition:
Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value.

Notes to the Financial Statements

3. New standards and interpretations (continued)

Depreciable amount and depreciation period:
An additional paragraph has been added to clarify that 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.

Derecognition:

- The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed.
- Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories.

Disclosures:

- The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used.
- The requirement to disclose the cost basis for revaluated assets was removed.

Amendments to be applied as follow:

- Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets

The revision resulted in certain terminology changes.

Social benefits:
Paragraphs .08 and .16(a) clarify that social benefits due at year end are ‘payables’, as the amounts due are certain in terms of legislation.

Binding agreements for restructurings:
Paragraph .87 has been amended to clarify that restructurings may take place in the public sector in terms of directives, legislation or other means. These alternative means are enforceable and may give rise to an obligation.

Interpretations:
In developing the Standard initially, the Board included relevant text from any Interpretation that had been issued by the International Financial Reporting Interpretations Committee (IFRIC) relating to provisions, contingent liabilities and contingent assets. The Board included selected text from IFRIC 1 on Changes in Decommissioning, Restoration and Similar Liabilities and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds in line with the Board’s decisions. The Board concluded at its May 2008 meeting that it would issue any Interpretations as separate documents rather than dispersing the text of the Interpretations across various Standards. As a result, paragraphs .37 to .43, .74 to .80, and Appendix F of the previous version of GRAP 19, have been deleted.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations

Notes to the Financial Statements

3. New standards and interpretations (continued)

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .07 has been added to clarify the application of other Standards of GRAP to assets classified as non-current assets (or disposal groups) held for sale.

Plan to sell the controlling interest in a controlled entity:
- The Standard has been amended to clarify that an entity that is committed to a sales plan involving loss of control in a controlled entity shall classify all the assets and liabilities of that controlled entity as held for sale when the required criteria are met.
- The Standard has been amended to clarify that an entity that is committed to a sales plan involving loss of control of a controlled entity shall disclose the information required when the controlled entity is a disposal group that meets the definition of a discontinued operation.

Examples included in Appendix:
An additional example has been included regarding sale expected to be completed within one year.

Amendments to be applied as follow:
Paragraphs .13 and .42 were added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply the amendments earlier, it shall disclose this fact.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

3.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

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

The municipality has early adopted the standard for the first time in the 2012 financial statements.

The impact of the standard is not material.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and

Notes to the Financial Statements

3. New standards and interpretations (continued)

- the cost of fair value of the asset can be measured reliably.

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

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the Standard of GRAP, a municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

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

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

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

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

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

The carrying amount of a heritage asset should be derecognised:

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

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

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

The municipality has early adopted the standard for the first time in the 2012 financial statements.

The impact of the standard is not material.

GRAP 21: Impairment of Non-cash-generating Assets

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- depreciated replacement cost approach;
- restoration cost approach; or
- service units approach.

Notes to the Financial Statements

3. New standards and interpretations (continued)

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.

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

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

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

The municipality has early adopted the standard for the first time in the 2012 financial statements.

The impact of the standard is not material.

GRAP 26: Impairment of Cash-generating Assets

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

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

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

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

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

3. New standards and interpretations (continued)

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

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

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

The municipality has early adopted the standard for the first time in the 2012 financial statements.

The impact of the standard is not material.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP 25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as 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 municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as 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;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits;

Notes to the Financial Statements

3. New standards and interpretations (continued)

- other long-term employee benefits;
- termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

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

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

The municipality has early adopted the standard for the first time in the 2012 financial statements.

The impact of the standard is not material.

GRAP 104: Financial Instruments

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

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

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

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

3. New standards and interpretations (continued)

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

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

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

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

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

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

A municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

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

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

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

The municipality has early adopted the standard for the first time in the 2012 financial statements.

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

GRAP 27: Agriculture

Notes to the Financial Statements

3. New standards and interpretations (continued)

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

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

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact as a result of the standard on adoption.

GRAP 31: Intangible Assets

The Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

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

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

Notes to the Financial Statements

3. New standards and interpretations (continued)

3.3 Standards and interpretations issued, but not yet effective

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

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

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

A comparable basis means that the budget and financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

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

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

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

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

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

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

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

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

The impact of this standard is currently being assessed.

Notes to the Financial Statements

3. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

The impact of this standard is currently being assessed.

Notes to the Financial Statements

3. New standards and interpretations (continued)

GRAP 107: Mergers

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

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

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

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

Specific disclosures are required when there is a merger.

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

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

The impact of this standard is currently being assessed.

GRAP 20: Related Party Dislcosures

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

3. New standards and interpretations (continued)

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

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

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

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

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

Improvements to the Standards of GRAP

The following Standards of GRAP have been amended as part of the ASB's Improvements Project for 2011:

- GRAP 1;
- GRAP 3;
- GRAP 7;
- GRAP 9;
- GRAP 12;
- GRAP 13;
- GRAP 16; and
- GRAP 17.

Notes to the Financial Statements

3. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

IGRAP 16: Intangible Assets - Website Costs

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

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

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

If a municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this Interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

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

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

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

Notes to the Financial Statements

3. New standards and interpretations (continued)

3.4 Standards and interpretations not yet effective or relevant

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

GRAP 18: Segment Reporting

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

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

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

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

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

4. Heritage assets

	2012			2011		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Public statues	43 354	-	43 354	43 354	-	43 354

Reconciliation of heritage assets - 2012

	Opening balance	**Total**
Public statues	43 354	43 354

Reconciliation of heritage assets - 2011

	Opening balance	**Total**
Public statues	43 354	43 354

Pledged as security

None of the above assets have been pledged as security.

5. Investment property

	2012			2011		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and buildings	9 379 080	(4 444 800)	4 934 280	9 379 080	(4 074 400)	5 304 680

Reconciliation of investment property - 2012

	Opening balance	**Depreciation**	**Total**
Land and buildings	5 304 680	(370 400)	4 934 280

Reconciliation of investment property - 2011

	Opening balance	**Additions**	**Depreciation**	**Total**
Land and buildings	5 421 580	253 500	(370 400)	5 304 680

Details of Investment property

Investment property consists of:

- Land	R3 823 080 (2011: R3 823 080)
- Buildings	R5 556 000 (2011: R5 556 000)
- Accumulated depreciation on Buildings	R4 444 800 (2011: R4 074 400)

Pledged as security

None of the above properties have been pledged as security.

Other disclosures

	2012	2011
Rental revenue earned from investment property	75 742	64 749
Direct operating expenses - incurred to generate rental revenue	78 144	32 050

All of the municipality’s investment property is held under freehold interests.

There are no contractual obligations on investment property.

6. Property, plant and equipment

	2012			2011		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	37 688 016	-	37 688 016	37 688 016	-	37 688 016
Buildings	9 326 775	(5 905 837)	3 420 938	9 326 775	(5 622 552)	3 704 223
Office furniture and fixtures	3 293 406	(2 179 688)	1 113 718	3 954 503	(2 465 433)	1 489 070
Motor vehicles	3 252 698	(2 386 768)	865 930	3 045 198	(1 917 571)	1 127 627
Infrastructure	158 637 288	(81 221 267)	77 416 021	153 579 798	(75 476 592)	78 103 206
Infrastructure - under construction	4 182 076	-	4 182 076	1 152 725	-	1 152 725
Community	19 360 722	(11 180 431)	8 180 291	19 360 722	(10 629 173)	8 731 549
Refuse site	4 407 112	(404 016)	4 003 096	4 407 112	(255 949)	4 151 163
Housing schemes	2 955 500	(1 773 300)	1 182 200	2 955 500	(1 625 525)	1 329 975
Total	**243 103 593**	**(105 051 307)**	**138 052 286**	**235 470 349**	**(97 992 795)**	**137 477 554**

Reconciliation of property, plant and equipment - 2012

	Opening balance	**Additions**	**Transfers**	**Disposals**	**Depreciation**	**Total**
Land	37 688 016	-	-	-	-	37 688 016
Buildings	3 704 223	-	-	-	(283 285)	3 420 938
Office furniture and fixtures	1 489 070	248 268	-	(114 004)	(509 616)	1 113 718
Motor vehicles	1 127 627	207 500	-	-	(469 197)	865 930
Infrastructure	78 103 206	5 057 490	-	-	(5 744 675)	77 416 021
Community	8 731 549	-	-	-	(551 258)	8 180 291
Refuse sites	4 151 163	-	-	-	(148 067)	4 003 096
Infrastructure - Under construction	1 152 725	4 182 076	(1 152 725)	-	-	4 182 076
Housing schemes	1 329 975	-	-	-	(147 775)	1 182 200
	137 477 554	**9 695 334**	**(1 152 725)**	**(114 004)**	**(7 853 873)**	**138 052 286**

Reconciliation of property, plant and equipment - 2011

	Restated balance	**Additions**	**Depreciation**	**Impairment loss**	**Total**
Land	37 688 016	-	-	-	37 688 016
Buildings	3 987 508	-	(283 285)	-	3 704 223
Office furniture and fixtures	1 913 377	101 874	(521 246)	(4 935)	1 489 070
Motor vehicles	999 331	510 000	(381 704)	-	1 127 627
Infrastructure	83 564 294	73 918	(5 535 006)	-	78 103 206
Community	9 282 807	-	(551 258)	-	8 731 549
Refuse site	4 126 080	167 447	(142 364)	-	4 151 163
Infrastructure - Under construction	793 340	359 385	-	-	1 152 725
Housing schemes	1 477 750	-	(147 775)	-	1 329 975
	143 832 503	**1 212 624**	**(7 562 638)**	**(4 935)**	**137 477 554**

Pledged as security

None of the above was pledged as security:

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

7. Intangible assets

	2012			2011		
	Cost	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1 249 798	(490 292)	759 506	700 428	(255 911)	444 517

Reconciliation of intangible assets - 2012

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	444 517	549 370	(234 381)	759 506

Reconciliation of intangible assets - 2011

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	84 229	407 555	(47 267)	444 517

8. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial instruments at amortised cost	**Total**
Trade receivables from non-exchange transactions (current portion)	2 376 325	2 376 325
Operating lease asset	5 137	5 137
Long term receivables from exchange transactions (current portion)	17 088	17 088
Trade receivables from exchange transactions (current portion)	1 109 789	1 109 789
Long-term receivables from non exhange transactions (non-current portion)	379	379
Cash and cash equivalents	9 824 252	9 824 252
	13 332 970	**13 332 970**

2011

	Financial instruments at amortised cost	**Total**
Trade receivables from non-exchange transactions (current portion)	4 901 511	4 901 511
Operating lease asset	2 113	2 113
Long term receivables from exchange transactions (current portion)	36 422	36 422
Trade receivables from exchange transactions (current portion)	1 039 601	1 039 601
Long-term receivables from non exhange transactions (non-current portion)	84 962	84 962
Cash and cash equivalents	7 248 537	7 248 537
	13 313 146	**13 313 146**

Figures in Rand	2012	2011

9. Operating lease asset

Opening balance	2 113	7 344
Operating lease payments effected	3 024	(5 231)
	5 137	**2 113**

10. Employee benefit obligations

Post retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Alexander Forbes Health (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The plan is a post employment medical benefit plan.

Multi-employer pension funds

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

Figures in Rand	2012	2011

10. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-unfunded	(4 402 000)	(4 023 000)
Non-current liabilities	(4 327 000)	(3 956 000)
Current liabilities	(75 000)	(67 000)
	(4 402 000)	**(4 023 000)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3 962 000	2 780 000
Benefits paid	(67 000)	(61 000)
Net expense recognised in the statement of financial performance	379 000	1 243 000
	4 274 000	**3 962 000**

Net expense recognised in the statement of financial performance

Current service cost	235 000	150 000
Interest cost	349 000	254 000
Actuarial (surplus) / deficit	(138 000)	900 000
Benefits paid	(67 000)	(61 000)
	379 000	**1 243 000**

Key assumptions used

Assumptions used at the reporting date:

Expected retirement age	60	60
Discount rates used	7,75 %	8,75 %
Health care cost inflation rate	7,00 %	7,75 %
Expected increase in salaries	6,50 %	7,25 %

The discount rate of 7.75% per annum is based on current bond yields of appropriate term gross of tax. South Africa does not have a deep market in high quality corporate bonds. The discount rate is therefore determined by reference to current market yields on government bonds.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	159 000	(117 000)
Effect on defined benefit obligation	1 081 000	(818 000)

Amounts for the current and previous four years are as follows:

	2012 R	**2011 R**	**2010 R**	**2009 R**	**2008 R**
Defined benefit obligation	4 274 000	3 962 000	2 780 000	2 098 000	2 144 000

Figures in Rand	2012	2011

11. Long-term receivables from exchange transactions

Housing - Self build	101 986	92 678
Housing - Selling schemes	-	28 706
Current portion transferred to current receivables	(17 088)	(36 422)
Less: Provision for debt impairment	(84 519)	-
Total long-term receivables	**379**	**84 962**

As from 1 January 2006 no loan agreements are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

The management of the municipality is of the opinion that the carrying value of long-term receivables recorded at amortised cost in the annual financial statements approximate their fair values.

The fair value of long-term receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Housing Self build: Gross balances	
Current	2 263
31 - 60 days	989
61 - 90 days	1 057
91 - 120 days	853
+ 120 days	96 824
	101 986

Housing Self build: Less: Provision for debt impairment	
Current	-
31 - 60 days	-
61 - 90 days	-
91 - 120 days	-
+ 120 days	(84 519)
	(84 519)

Housing Self build: Net balances	
Current	2 263
31 - 60 days	989
61 - 90 days	1 057
91 - 120 days	853
+ 120 days	12 305
	17 467

Reconciliation of provision for impairment of trade receivables from non-exchange transactions	
Opening balance	-
Provision for impairment	84 519
Amounts written off as uncollectible	-
	84 519

Figures in Rand	2012	2011

12. Inventories

Milk powder	-	8 316
Crusher stone	-	59 436
Building materials	125 246	-
Consumable stock	731 566	346 383
Electric cable	243 700	-
Water	11 859	54 724
	1 112 371	**468 859**

13. Receivables from non-exchange transactions

Government claims	1 914 779	3 062 215
Assessment rates	2 277 509	1 668 116
Sundry debtors	328 550	462 907
Sundry deposits	40 140	39 846
Less: Provision for debt impairment	(2 184 653)	(331 573)
	2 376 325	**4 901 511**

Assessment rates: Gross balances		
Current	6 307	10 254
31 - 60 days	26 542	-
61 - 90 days	26 313	-
91 - 120 days	25 207	1 588 479
+ 120 days	2 193 140	69 383
	2 277 509	**1 668 116**

Assessment rates: Less: Provision for debt impairment		
Current	(261)	-
31 - 60 days	(1 535)	-
61 - 90 days	(2 758)	-
91 - 120 days	(1 718)	(262 190)
+ 120 days	(2 178 381)	(69 383)
	(2 184 653)	**(331 573)**

Assessment rates: Net balances		
Current	6 047	10 254
31 - 60 days	25 007	-
61 - 90 days	23 554	-
91 - 120 days	23 489	1 326 289
+ 120 days	14 759	-
	92 856	**1 336 543**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are past due are not considered to be impaired. At 30 June 2012, R 86 809 (2011: R 1 326 289) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	25 007	-
2 months past due	23 554	-
+ 3 months past due	38 248	1 326 289

Notes to the Financial Statements

Figures in Rand	2012	2011

13. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2012, trade receivables from non-exchange transactions of R 1 853 080 (2011: R -) were impaired and provided for.

The amount of the provision was R 2 184 653 as of 30 June 2012 (2011: R 331 573).

The ageing of receivables impaired are as follows:

0 to 3 months	6 272	-
3 to 6 months	22 441	262 190
Over 6 months	2 155 940	69 383

Reconciliation of provision for impairment of trade receivables from non-exchange transactions

Opening balance	331 573	520 944
Provision for impairment	1 853 080	-
Amounts written off as uncollectible	-	(189 371)
	2 184 653	**331 573**

14. VAT receivable

VAT Receivable	335 713	1 016 350

VAT is accounted for on the payment basis.

All VAT returns have been submitted throughout the year.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

15. Trade receivables from exchange transactions

Gross balances		
Electricity	622 474	483 151
Water	585 112	352 707
Sewerage	680 925	298 455
Refuse	508 596	319 992
Housing rental	101 548	96 329
	2 498 655	**1 550 634**
Less: Provision for debt impairment		
Electricity	(131 776)	(97 021)
Water	(407 472)	(229 641)
Sewerage	(444 979)	(697)
Refuse	(352 610)	(183 674)
Housing rental	(52 029)	-
	(1 388 866)	**(511 033)**

Notes to the Financial Statements

Figures in Rand	2012	2011

15. Trade receivables from exchange transactions (continued)

Net balance		
Electricity	490 697	386 130
Water	177 641	123 066
Sewerage	235 946	297 758
Refuse	155 986	136 318
Housing rental	49 519	96 329
	1 109 789	**1 039 601**

Electricity		
Current (0 -30 days)	418 774	-
31 - 60 days	21 371	371 870
61 - 90 days	11 423	2 737
91 - 120 days	34 402	12 725
+ 120 days	136 503	95 819
Less: Provision for debt impairment	(131 776)	(97 021)
	490 697	**386 130**

Water		
Current (0 -30 days)	75 438	-
31 - 60 days	37 437	58 252
61 - 90 days	30 745	42 695
91 - 120 days	28 441	22 314
+ 120 days	413 052	229 447
Less: Provision for debt impairment	(407 472)	(229 642)
	177 641	**123 066**

Sewerage		
Current (0 -30 days)	93 289	112 938
31 - 60 days	46 914	22 205
61 - 90 days	43 336	18 352
91 - 120 days	40 346	144 960
+ 120 days	457 040	-
Less: Provision for debt impairment	(444 979)	(697)
	235 946	**297 758**

Refuse		
Current (0 -30 days)	85 137	-
31 - 60 days	28 160	72 696
61 - 90 days	24 685	42 151
91 - 120 days	21 793	21 630
+ 120 days	348 821	183 515
Less: Provision for debt impairment	(352 610)	(183 674)
	155 986	**136 318**

Housing rental		
Current (0 -30 days)	28 338	44 262
31 - 60 days	3 994	52 067
61 - 90 days	3 790	-
91 - 120 days	4 610	-
+ 120 days	60 816	-
Less: Provision for debt impairment	(52 029)	-
	49 519	**96 329**

Figures in Rand	2012	2011

15. Trade receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2012	2011
Consumers		
Current (0 -30 days)	478 566	
31 - 60 days	118 573	
61 - 90 days	102 975	
91 - 120 days	121 641	
+ 121 days	1 352 084	
Less: Provision for debt impairment	(1 368 832)	
	805 007	
Business		
Current (0-30 days)	188 018	
31 - 60 days	7 935	
61 - 90 days	5 603	
91 - 120 days	4 843	
+121 days	37 980	
Less: Provision for debt impairment	(1 381)	
	242 998	
Industry		
Current (0 -30 days)	13 686	
31 - 60 days	-	
61 - 90 days	-	
91 - 120 days	-	
Less: Provision for debt impairment	-	
	13 686	
Municipal		
Current (0 -30 days)	3 833	
31 - 60 days	5 537	
61 - 90 days	-	
91 - 120 days	-	
Less: Provision for debt impairment	-	
	9 370	
Government		
Current (0 - 30 days)	4 571	
31 - 60 days	4 240	
61 - 90 days	4 584	
91 - 120 days	2 827	
+ 121 days	22 111	
Less: Provision for debt impairment	(16 088)	
	22 245	
Institutions		
Current (0 - 30 days)	1 076	
31 - 60 days	976	
61 - 90 days	-	
91 - 120 days	-	
+ 121 days	-	
Less: Provision for debt impairment	-	
	2 052	

Figures in Rand	2012	2011

15. Trade receivables from exchange transactions (continued)

Church

	2012	2011
Current (0 - 30 days)	7 374	
31 - 60 days	-	
61 - 90 days	-	
91 - 120 days	-	
> 121 days	-	
Less: Provision for debt impairment	-	
	7 374	

Officials

	2012	2011
Current (0 - 30 days)	2 968	
31 - 60 days	615	
61 - 90 days	489	
91 - 120 days	267	
+ 121 days	2 885	
Less: Provision for debt impairment	(2 565)	
	4 659	

Councillors

	2012	2011
Current (0 - 30 days)	2 312	
31 - 60 days	-	
61 - 90 days	-	
91 - 120 days	-	
+ 121 days	-	
Less: Provision for debt impairment	-	
	2 312	

Vacant land

	2012	2011
Current (0 - 30 days)	86	
31 - 60 days	-	
61 - 90 days	-	
91 - 120 days	-	
+ 121 days	-	
Less: Provision for debt impairment	-	
	86	

Reconciliation of debt impairment provision

	2012	2011
Balance at beginning of the year	(511 034)	(296 958)
Contributions to provision	(877 832)	(214 076)
	(1 388 866)	**(511 034)**

Trade receivables from exchange transactions past due but not impaired

Trade receivables from exchange transactions past due are not considered to be impaired. At 30 June 2012, R 467 116 (2011: R 882 401) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2012	2011
1 month past due	113 215	211 776
2 months past due	82 738	158 832
+ 3 months past due	271 163	511 793

Figures in Rand	2012	2011

15. Trade receivables from exchange transactions (continued)

Trade receivables from exchange transactions impaired

As of 30 June 2012, trade receivables from exchange transactions of R 877 832 (2011: R 214 076) were impaired and provided for.

The amount of the provision was R 1 388 866 as of 30 June 2012 (2011: R 511 034).

The ageing of these receivables impaired are as follows:

	2012	2011
3 to 6 months	333 465	2 253
Over 6 months	1 055 401	508 781

16. Cash and cash equivalents

Cash and cash equivalents consist of:

	2012	2011
Cash floats and advances	2 050	2 050
Bank balances	945 479	-
Current investment deposits	8 876 723	7 246 487
Bank overdraft	-	(921 859)
	9 824 252	**6 326 678**

	2012	2011
Current assets	9 824 252	7 248 537
Current liabilities	-	(921 859)
	9 824 252	**6 326 678**

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash-on-hand, cash in banks and investments in Money Market instruments, net of outstanding bank overdrafts.

Call deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6% per annum.

Deposits of R2 588 564 (2011: R2 987 536) are ring-fenced and attributable to the capital replacement reserve (note 17).

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2012	**30 June 2011**	**30 June 2010**	**30 June 2012**	**30 June 2011**	**30 June 2010**
ABSA -Laingsburg Account Number 2540140874	1 624 857	620 041	1 778 119	945 479	(921 859)	1 818 518
ABSA - Call account - 5064314329	4 923 814	3 313 018	-	-	-	-
Standard Bank - Moneymarket Call account - 288704800	4 131 149	3 933 469	-	-	-	-
Total	**10 679 820**	**7 866 528**	**1 778 119**	**945 479**	**(921 859)**	**1 818 518**

17. Capital replacement reserve

The capital replacement reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced financial instrument investments. The capital replacement reserve is included in retained earnings as required by GRAP 1.89.

	2012	2011
Capital Replacement Reserve (CRR)	2 588 564	2 987 536

18. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2012

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	2 987 536	32 611 823	1 960 166	37 559 525
Property, plant and equipment purchases	(207 966)	350 432	-	142 466
Capital grants used to purchase property, plant and equipment	-	32 417	-	32 417
Expenditure incurred	(191 006)	-	(31 342)	(222 348)
	2 588 564	**32 994 672**	**1 928 824**	**37 512 060**

Ring-fenced internal funds and reserves within accumulated surplus - 2011

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	3 758 590	32 611 823	2 130 549	38 500 962
Property, plant and equipment purchases	(771 054)	-	-	(771 054)
Contribution to insurance reserve	-	-	31 342	31 342
Expenditure incurred	-	-	(201 725)	(201 725)
	2 987 536	**32 611 823**	**1 960 166**	**37 559 525**

19. Housing development fund

	2012	2011
Loans extinguished by Government on 1 April 1998	1 928 824	1 960 166

The housing development fund is represented by the following assets and liabilities

	2012	2011
Revaluation of assets	1 928 824	1 076 737
Bank and cash	-	323 175
Advances 108 houses	-	560 254
Assets	**1 928 824**	**1 960 166**

The housing development fund has its origin from loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

The housing development fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the housing development fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Notes to the Financial Statements

Figures in Rand	2012	2011

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National: FMG grant	-	-
National: MIG funds	-	-
National: MSIG	-	-
National: Department of Water and Forests (DWAF)	575 883	715 562
Streets and Storm water	-	509 092
Water	-	-
National: Sport & Development	-	-
Department of Mineral and Energy	-	-
Bus route	-	284 298
Provincial: Electricity Matjiesfontein	-	-
Provincial: Library	-	-
Provincial: Streets	-	-
Fencing Sewerage	-	-
MIG	240 184	-
Provincial: Community Workers Development	68 678	38 842
Refuse	-	-
Provincial: Department Housing, Local Government and Traditional Affairs (DHLGTA)	-	-
Department Environmental Affairs and Tourism	204 913	204 913
Provincial: Department Transport	602 311	602 311
Local Government: Local Municipalities	112 140	112 140
Local Government: Mou & Business Plan	325 507	500 000
Laingsburg: High Mass Lights	-	-
Streets	-	1 262 998
Matjiesfontein 32 USIP	363 513	-
Matjiesfontein 39 houses	-	-
Provincial: Sub-Seta	-	-
Shared Servces	-	-
	2 493 129	**4 230 156**

Movement during the year

Balance at the beginning of the year	4 230 156	4 733 687
Additions during the year	19 039 460	13 956 470
Income recognition during the year	(20 776 487)	(12 388 066)
Recognition of prior period income	-	(2 071 935)
	2 493 129	**4 230 156**

See note 28 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

21. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Unwinding of discounting	Total
Provision for rehabilitation of landfill sites	2 626 694	-	-	170 735	2 797 429
Performance bonuses	92 335	116 342	(92 335)	-	116 342
Insurance Workmans Compensation Act	77 372	92 520	(77 372)	-	92 520
Long service awards	207 360	44 989	(63 116)	-	189 233
	3 003 761	**253 851**	**(232 823)**	**170 735**	**3 195 524**

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Unwinding in discounting	Total
Provision for rehabilitation of landfill sites	2 466 379	-	-	160 315	2 626 694
Performance bonuses	83 914	107 724	(99 303)	-	92 335
Insurance Workmans Compensation Act	37 018	82 688	(42 334)	-	77 372
Long service awards	139 770	67 590	-	-	207 360
	2 727 081	**258 002**	**(141 637)**	**160 315**	**3 003 761**

	2012	2011
Non-current liabilities	2 972 602	2 762 510
Current liabilities	222 922	241 251
	3 195 524	**3 003 761**

Long service awards
A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

Insurance Workmans Compensation Act
The provision for WCA insurance is made in terms of the Workmans Compensation Act. This amount is payable upon and based on assessment by the Workmens Compensation Commissioner.

Rehabilitation of landfill sites
In terms of licensing of the landfill refuse site, the municipality will incur rehabilitation costs of R2 797 429 to restore the site at the end of its useful life, estimated to be 25 years. The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption.

Performance bonus
Performance bonusses are paid based on the individual's performance as determined by the assessment of key performance indicators, per the performance management system of the municipality.

The financial implications of rehabilitating the landfill site was determined by the independent valuator, DCR Consulting.

Notes to the Financial Statements

Figures in Rand	2012	2011

22. Payables from exchange transactions

Trade payables	1 288 578	483 096
Payments received in advanced - contract in process	505	-
Other payables	1 326	210 949
Salary related amounts accrued	123 377	5 187
Deposits received	37 721	31 996
Debtors in credit	764 313	157 409
Thirteenth cheque	204 343	182 786
Leave accrual	615 427	409 083
	3 035 590	**1 480 506**

23. Consumer deposits

Electricity	73 805	265 289
Water	244 967	-
	318 772	**265 289**

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

24. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	**Total**
Consumer deposits	318 772	318 772
Payables from exchange transactions	3 035 590	3 035 590
	3 354 362	**3 354 362**

2011

	Financial liabilities at amortised cost	**Total**
Consumer deposits	265 289	265 289
Payables from exchange transactions	1 480 506	1 480 506
Bank overdraft	921 859	921 859
	2 667 654	**2 667 654**

Figures in Rand	2012	2011

25. Revenue

Property rates	1 838 752	1 452 904
Service charges	11 150 536	9 345 648
Rental of facilities & equipment	2 004 741	531 743
Income from agency services	88 488	98 298
Fines	2 157 569	974 358
Licences and permits	277 663	263 439
Government grants & subsidies	20 776 487	14 460 003
	38 294 236	**27 126 393**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	11 150 536	9 345 648
Rental of facilities & equipment	2 004 741	531 743
Income from agency services	88 488	98 298
Licences and permits	277 663	263 439
	13 521 428	**10 239 128**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	1 838 752	1 452 904
Fines	2 157 569	974 358
Transfer revenue		
Government grants and subsidies	20 776 487	14 460 003
	24 772 808	**16 887 265**

Notes to the Financial Statements

Figures in Rand	2012	2011

26. Property rates

Rates revenue

Laingsburg	1 668 375	1 020 331
Agriculture	3 301 541	3 504 036
Less: Discount	(3 131 164)	(3 071 463)
	1 838 752	**1 452 904**

Valuations

Laingsburg	176 494 312	176 321 812
Agriculture	525 622 303	525 316 303
	702 116 615	**701 638 115**

Matjiesfontein area was not enclosed in the latest valuation roll due to it's insignificance.

Assessment rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The last valuation came into effect on 1 July 2009. An interim valuation has been performed during the financial year and was applied with effect 1 July 2011.

A uniform rate of 7.1c/R (2010/2011: 6.5c/R) is applied on property valuations in terms of the Property Rates Act to determine assessment rates.

A rebate of 75,00% (2010/2011: 75,00%) is allowed on agricultural properties.

Rates are levied monthly on property owners and are payable by 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

Notes to the Financial Statements

Figures in Rand	2012	2011

27. Service charges

Sale of electricity	6 841 681	5 557 286
Sale of water	1 443 752	1 403 352
Sewerage and sanitation charges	1 523 715	1 249 468
Refuse removal	1 306 167	1 107 613
Cemetery and encroachment fees	35 221	27 929
	11 150 536	**9 345 648**

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Water losses

Laingsburg Municipality experiences major problems with water losses which originated from the floods in 1981. Laingsburg experienced an average water loss of R317,678 (22.78%) for the 2011/2012 financial period. An investigation was done to try to find the cause of these water losses. The investigation could not identify the cause of the losses. Due to these findings the Department of Water Affairs allocated funds to Laingsburg Municipality to do a water leakage detection investigation during the 2009/2010 financial year and more funds were allocated for further studies in the 2010/2011 financial year as well as the 2011/2012 financial year. The municipality is in the process of installing water meters to accurately calculate water losses. Potential losses could not be calculated.

Electricity losses

Laingsburg experienced an average of R568,574 (7,5%) loss on electricity for the year. The loss can be ascribed to the fact that streets lights, municipal offices and some outer municipal electricity users are not metered. This will be investigated and corrected as soon as possible.

28. Government grants & subsidies

Equitable share	8 029 000	6 862 738
National: FMG grant	1 500 000	1 250 000
National: MSIG funds	790 000	750 000
National: Department Water and Forests (DWAF)	139 678	250 000
Streets and Storm water (MIG)	2 750 348	11 808
Water (MIG)	-	280 029
National: Sport and Development	-	5 937
Department of Mineral and Energy	-	183 511
Bus routes	2 370 128	145 650
Provincial: Electricity Matjiesfontein	-	57 756
Provincial: Library	319 000	81 000
Provincial: Streets	32 886	8 608
Fencing Sewerage	-	331 923
Water	1 253 149	2 281 620
Provincial: Community Workers Development	100 164	114 215
Refuse	226 260	-
Provincial: Department Housing, Local Government and Traditional Affairs (DHLGTA)	-	-
Department Environmental Affairs & Tourism	-	1 205
Provincial: Department Transport	-	-
Local Government: Local Municipalities	113 610	-
Local Government: Mou & Business Plan	474 493	-
Laingsburg: High Mass Lights	-	125 609
Streets (MIG)	1 981 748	1 718 394
Matjiesfontein 32 USIP	-	-
Matjiesfontein 39 houses	407 487	-
Provincial: Sub-Seta	38 536	-
Shared Services	250 000	-
	20 776 487	**14 460 003**

Figures in Rand	2012	2011

28. Government grants & subsidies (continued)

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 of Goldnerville receive a monthly subsidy of up to R215.28 p.m. based on the monthly billing, towards the consumer account, which subsidy is determined annually by Council. All consumers receive 10 kl water and the indigent households receive 50 kWh electricity free every month.

National: FMG grant

Current year receipt	1 500 000	1 250 000
Conditions met - transferred to revenue: operating expenses	(1 500 000)	(1 245 175)
Conditions met - transferred to revenue: capital expenses	-	(4 825)
	-	**-**

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

National: MIG funds

Balance unspent at beginning of year	-	(102 219)
Current year receipt	-	102 219
	-	**-**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports and sewerage infrastructure as part of the upgrading of previously disadvantaged areas

National: MSIG funds

Current year receipt	790 000	750 000
Conditions met - transferred to revenue: operating expenses	(243 171)	(274 177)
Conditions met - transferred to revenue: capital expenses	(546 829)	(475 823)
	-	**-**

The Municipal Systems Improvement Grant (MSIG) is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No funds have been withheld.

National: Department Water and Forests (DWAF)

Balance unspent at beginning of year	715 561	410 361
Current year receipt	-	555 200
Conditions met - transferred to revenue: operating expenses	(139 678)	(250 000)
	575 883	**715 561**

Conditions still to be met - remain liabilities (see note 20).

This grant is used for water supply at Matjiesfontein, ground water investigation and the draw up water master plan. The water master plan needs to be drafted and submitted and the water meters needs to be installed.

Figures in Rand	2012	2011

28. Government grants & subsidies (continued)

Streets and Storm water (MIG)

Balance unspent at beginning of year	509 092	520 900
Current year receipt	2 241 256	-
Conditions met - transferred to revenue: capital expenses	(2 750 348)	(11 808)
	-	**509 092**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports and sewerage infrastructure as part of the upgrading of previously disadvantaged areas. No funds have been withheld.

Water (MIG)

Balance unspent at beginning of year	-	280 029
Conditions met - transferred to revenue: capital expenses	-	(280 029)
	-	**-**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports and sewerage infrastructure as part of the upgrading of previously disadvantaged areas. No funds have been withheld.

National: Sport and Development

Balance unspent at beginning of year	-	5 937
Current year receipt	-	(5 937)
	-	**-**

This grant was received for the promotion and development of sport and will be utilised as such as soon as a project has been identified. No funds have been withheld.

Department of Mineral and Energy

Balance unspent at beginning of year	-	183 511
Conditions met - transferred to revenue: capital expenses	-	(183 511)
	-	**-**

This grant has been used for electricity network connection of the RDP houses

Bus routes

Balance unspent at beginning of year	284 299	79 949
Current year receipt	2 085 829	350 000
Conditions met - transferred to revenue: capital expenses	(2 370 128)	(145 650)
	-	**284 299**

This grant has been used for development and construction of the new Matjiesfontein bus route.

Provincial: Electricity Matjiesfontein

Balance unspent at beginning of year	-	57 756
Conditions met - transferred to revenue: capital expenses	-	(57 756)
	-	**-**

This grant was received for develpment and connection of electricity infrastructure at Matjiesfontein.

Figures in Rand	2012	2011

28. Government grants & subsidies (continued)

Provincial: Library

Current year receipt	319 000	81 000
Conditions met - transferred to revenue: operating expenses	(319 000)	(81 000)
	-	**-**

This grant was allocated for the upgrading of library equipment and operational cost for the library. No funds have been withheld.

Provincial: Streets

Current year receipt	32 886	8 608
Conditions met - transferred to revenue: operating expenses	(32 886)	(8 608)
	-	**-**

This grant is received for maintenance of Provincial roads.

Fencing Sewerage

Current year receipt	-	331 923
Conditions met - transferred to revenue: operating expenses	-	(90 511)
Conditions met - transferred to revenue: capital expenses	-	(241 412)
	-	**-**

This grant was received for construction of fencing around the sewerage network.

Water

Balance unspent at beginning of year	-	2 121 620
Current year receipt	1 493 334	160 000
Conditions met - transferred to revenue: operating expenses	(45 066)	-
Conditions met - transferred to revenue: capital expenditure	(1 208 083)	(2 281 620)
	240 185	**-**

Conditions still to be met - remain liabilities (see note 20).

This grant was received for long term monitoring and construction of water infrastructure. A water master monitoring plan needs to be drafted and submitted.

Figures in Rand	2012	2011

28. Government grants & subsidies (continued)

Provincial: Community Workers

Balance unspent at beginning of year	38 842	-
Current year receipt	130 000	28 057
Interest allocated	-	125 000
Conditions met - transferred to revenue: operating expenses	(100 164)	(114 215)
	68 678	**38 842**

Conditions still to be met - remain liabilities (see note 20).

The purpose and conditions still to be met are as follows:
1. Administrative support to community development workers;
2. Provision for sufficient transportation for community develoment workers;
3. Capital expenditure to operationalise the program;
4. Provision for office space for community development workers;
5. Community projects; and
6. Ward based planning and support.

Refuse

Balance unspent at beginning of year	(70 170)	(70 170)
Current year receipt	226 260	-
Conditions met - transferred to revenue	(226 260)	-
	(70 170)	**(70 170)**

Conditions met - balance due by government transferred to current assets (see note 7).

This grant was received for construction of infrastructure on refuse.

Provincial: Department Housing, Local Government and Traditional Affairs (DHLGTA)

Balance unspent at beginning of year	(563 461)	(563 461)

Conditions met - balance due by government transferred to current assets (see note 7).

This grant was received for development and construction of 39 houses at Matjiesfontein.

Department Environmental Affairs & Tourism

Balance unspent at beginning of year	204 913	206 118
Conditions met - transferred to revenue	-	(1 205)
	204 913	**204 913**

Conditions still to be met - remain liabilities (see note 20).

This grant was received to develop a social development plan.

Provincial: Department Transport

Balance unspent at beginning of year	602 311	602 311

Conditions still to be met - remain liabilities (see note 20).

The amount of R602,311 is being used for a long distance taxi zone area. The balance is used for rehabilitation of streets and pavements.

Figures in Rand	2012	2011

28. Government grants & subsidies (continued)

Local Government: Local Municipalities

Balance unspent at beginning of year	112 140	114 735
Current year receipt	113 610	-
Conditions met - transferred to revenue	(113 610)	-
Other transfers	-	(2 595)
	112 140	**112 140**

Conditions still to be met - remain liabilities (see note 20).

This grant is used for the compiling of a sewerage master plan and investigation of electricity tariffs.

Local Government: Mou & Business Plan

Balance unspent at beginning of year	500 000	-
Current year receipt	300 000	500 000
Conditions met - transferred to revenue: operating expenses	(86 150)	-
Conditions met - transferred to revenue: capital expenses	(388 343)	-
	325 507	**500 000**

Conditions still to be met - remain liabilities (see note 20).

Funds received for the installation of a new financial system.

High Mast Lights - Laingsburg

Current year receipt	-	125 609
Conditions met - transferred to revenue: capital expenses	-	(125 609)
	-	**-**

This grant was received for development and construction of high mast lights in Laingsburg.

Streets

Balance unspent at beginning of year	1 262 998	-
Current year receipt	718 750	2 981 391
Conditions met - transferred to revenue: capital expenses	(1 981 748)	(1 718 393)
	-	**1 262 998**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.

Matjiesfontein 32 USIP

Current year receipt	363 513	-

Conditions still to be met - remain liabilities (see note 20).

This grant was received for the development and connection of the Transnet housing sewerage.

Notes to the Financial Statements

Figures in Rand	2012	2011

28. Government grants & subsidies (continued)

Matjiesfontein 39 houses

Current year receipt	407 487	-
Conditions met - transferred to revenue: capital expenses	(407 487)	-
	-	-

This grant was received for the construction and development of 39 houses in Matjiesfontein.

Provincial: Sub-Seta

Current year receipt	38 536	-
Conditions met - transferred to revenue: operating	(38 536)	-
	-	-

This grant was received for training in general at the municipality.

Shared Services

Current year receipt	250 000	-
Conditions met - transferred to revenue	(250 000)	-
	-	-

Funds received for the installation of a new financial system.

29. Other income

Sales - Sand and stone	91 564	11 212
Donations	247 988	336 488
Other income	73 043	93 056
	412 595	**440 756**

The amounts disclosed above for other income are in respect of services, other than described in notes 17 to 27, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Sales - Sand and stone: The sale of sand and stone mostly relates to the supply of sand and stone to the projects under the current financial period, namely Goldnerville Cul-de-Sac; Matjies new sanitation, Gabions 9de & 10de Laan, New roads & stormwater and Nuwe busroete Matjiesfontein: Fase 2. Sales are made at approved tarrifs. Sand is obtained from the riverbed as needed, and is therefore not recognised as inventory.

Donations: Donations were received for the Mayor Gholfday and the Karoo Marathon and for the Thusong Centre.

Figures in Rand	2012	2011

30. General expenses

Administration cost	60 057	59 281
Advertising	31 102	18 753
Auditors remuneration	1 567 737	1 030 039
Bank charges	118 879	98 751
Bargaining council	2 273	1 993
Billing charges	-	8 974
Cards and other	-	194
Chemicals	350	-
Cleaning	10 694	406 543
Commission for collection of traffic fines	210 732	123 408
Commission paid	463 126	176 031
Consumables	262 038	246 153
Delegation cost	21 135	4 200
Electricity	177 595	414 519
Entertainment	55 200	84 651
Fuel and oil	413 452	325 728
Grant expenditure - FMG / MSIG / Community	2 355 928	-
Insurance	155 784	131 687
Inventory - write-off's	8 316	-
Legal fees	62 644	104 660
Levy: District Municipality (Health Services)	23 362	1 161
Marketing	244 719	502 833
Motor vehicle expenses	60 230	27 725
Newspapers	-	45
Pauper burials	5 960	2 246
Pest control	7 500	11 332
Placement fees	38 952	115 416
Postage and courier	4 680	33 538
Printing and stationery	176 622	117 655
Protective clothing	1 913	-
Quality control	99 256	113 279
Refuse	-	4 575
Rental: other	1 036	1 109
Security (Guarding of municipal property)	460 347	-
Sewerage and waste disposal	-	6 164
Shrubs, plants and trees	69	3 000
Software expenses	44 413	87 957
Subscriptions and membership fees	108 846	103 956
Telephone and fax	244 388	287 535
Tools and equipment	62 145	159 348
Training	467 063	415 345
Travel - local	522 393	583 058
Uniforms and protective clothing	43 644	22 423
Valuation costs	1 247	1 345
Vehicle licences	28 569	18 013
Water leakages detection	-	250 000
Water - Municipal services	-	6 906
	8 624 396	**6 111 529**

Due to the short shelf life of Milk powder, the municipality was forced to dispose all Milk powder in stock during the year. The write-off was approved by council in November 2011.

Due to various burglaries at the municipality, a security firm was hired.

Consumables consist of household requirements and general material and stores.

Training cost increased mainly due to the new financial system that was implemented in the current financial period.

Figures in Rand	2012	2011

31. Employee related costs

Employee related costs - salaries and wages	5 743 202	5 827 845
Thirteenth cheque	204 343	183 070
Employee related costs - contributions	1 101 012	874 647
Workmans Compensation Act	92 520	82 688
Skills Development Levy	55 701	44 368
Leave pay	231 393	117 190
Defined benefit plan expense - current service cost	379 000	1 243 000
Travel, motor car, accommodation, subsistence and other allowances	379 818	284 090
Overtime payments	177 494	159 158
Long-service awards	44 989	67 590
Performance bonuses	116 342	107 724
Housing benefits and allowances	24 085	125 061
	8 549 899	**9 116 431**

Remuneration of Williams PA - Municipal Manager

Annual remuneration	745 679	769 458
Performance- and other bonuses	116 342	107 724
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Travel, motor car, accommodation, subsistence and other allowances	152 648	32 697
	1 016 166	**911 376**

Remuneration of Groenewald A - Chief Finance Officer

Annual remuneration	355 434	320 040
Travel, motor car, accommodation, subsistence and other allowances	161 258	139 128
Performance- and other bonuses	59 739	26 670
Contributions to UIF, medical and pension funds	76 024	70 200
	652 455	**556 038**

Notes to the Financial Statements

Figures in Rand	2012	2011

32. Remuneration of Councillors

Remuneration	1 698 877	1 255 983
Allowances	273 742	938 371
	1 972 619	**2 194 354**

Theron W Du P - Executive Major	
Remuneration	493 890
Allowances	79 576
	573 466
Van As BJ - Deputy Executive Mayor	
Remuneration	217 406
Allowances	35 013
	252 419
Horn H - Speaker	
Remuneration	395 215
Allowances	63 661
	458 876
Bobbejee M - Councillor	
Remuneration	148 011
Allowances	23 873
	171 884
Botes PJ - Councillor	
Remuneration	148 333
Allowances	23 873
	172 206
Botha J - Councillor	
Remuneration	148 011
Allowances	23 873
	171 884
Gouws M - Councillor	
Remuneration	148 011
Allowances	23 873
	171 884

In-kind benefits

The Mayor may utilise official Council transportation when engaged in official duties.

33. Debt impairment

Amounts written off as uncollectible	-	(189 372)
Contributions to debt impairment provision	2 815 431	214 076
	2 815 431	**24 704**

Figures in Rand	2012	2011

34. Interest earned

Interest revenue		
Investments	308 476	491 267
Bank	212 326	86 019
Interest charged on trade and other receivables	147 421	108 537
Interest on arrear rates	99 995	6 449
	768 218	**692 272**

35. Depreciation and amortisation

Property, plant and equipment	7 853 873	7 562 638
Investment property	370 400	370 400
Intangible assets	234 381	47 267
	8 458 654	**7 980 305**

36. Impairment of assets

Impairments		
Property, plant and equipment	-	4 935

37. Finance costs

Finance costs - Rehabilitation landfill site	170 735	160 315

38. Auditors' remuneration

Fees	1 567 737	1 030 039

39. Rental of facilities and equipment

Facilities and equipment		
Operating lease rental revenue Soutkloof	75 159	64 749
Rental revenue from cutlery	1 982	1 839
Rental revenue from buildings	587 191	435 651
Rental revenue from hawkers	17 473	15 973
Rental revenue from land	4 660	3 760
Rental revenue sundry	45 565	9 771
Rental revenue from machinery and equipment	1 272 711	-
	2 004 741	**531 743**

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

Sundry rental revenue consists of the following:
- Rental received from the IEC for the rental of the voting offices;
- Rental received from Allpay for the rental of the Matjiesfontein hall for the purposes of paying out social pension;
- Rental received from Provincial Western Cape for the rental of the Thusong Centre.

The operating lease of the Soutkloof farm is between the municipality and the Van Der Vyver Trust. The original lease agreement was for the period 1 November 2006 to 31 October 2011, but was amended in the current year for a further period of 1 November 2011 to 31 October 2016. The operating lease rental revenue on the Soutkloof farm was straightlined over the period of the lease.

Notes to the Financial Statements

Figures in Rand	2012	2011

40. Contracted services

Information technology services	2 075	-
Town planning	71 006	-
Employee package structure	-	373 021
	73 081	**373 021**

41. Grants and subsidies paid

Laingsburg High School	-	20 000
Acacia Primary School	-	20 000
Baartmansfontein	-	5 000
Matjiesfontein Primary	-	5 000
AIDS program	1 000	6 972
Crime prevention	-	7 149
SMME development	29 632	27 322
Gardening	-	6 776
Municipal sport	21 707	20 154
Youth Week	6 899	12 758
Women's Day	-	5 650
Huis Karoo	-	10 000
Equitable share households	1 057 313	921 733
Tourism grant	253 186	166 711
Donald Duck Pre-Primary	10 092	4 452
Soup kitchen	88 055	195 034
LaDaag	9 450	12 632
Other grants and subsidies paid	4 425	-
	1 481 759	**1 447 343**

42. Bulk purchases

Electricity	4 781 653	3 779 121

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

There was no bulk purchases for water during the year. This is as a result of the municipality being supplied with water from the river as well as from a municipal farm with a natural water resource.

Notes to the Financial Statements

Figures in Rand	2012	2011

43. Cash generated from (used in) operations

Surplus (deficit)	981 570	(3 847 886)
Adjustments for:		
Depreciation and amortisation	8 458 654	7 980 305
Loss on sale of assets and liabilities	114 004	-
Impairment deficit	-	4 935
Debt impairment	2 815 431	24 704
Movements in operating lease assets and accruals	(3 024)	(5 231)
Movements in retirement benefit assets and liabilities	379 000	1 243 000
Movements in provisions	191 763	369 482
Changes in working capital:		
Inventories	(643 512)	(343 179)
Trade receivables from non-exchange transactions	2 525 186	(1 051 775)
Trade receivables from exchange transactions	(2 885 613)	(564 626)
Payables from exchange transactions	1 555 084	(6 300 617)
VAT	680 637	(385 285)
Unspent conditional grants and receipts	(1 737 027)	(429 839)
Consumer deposits	53 483	22 576
	12 485 636	**(3 283 436)**

44. Commitments

Capital commitments

Capital commitments are equal to the unspent conditional grants of R2,493,129 (2011 - R4,230,156)

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	81 005	23 270
- in second to fifth year inclusive	270 015	-
	351 020	**23 270**

The operating lease on the Soutfkloof farm was extended on 1 November 2011 for another 5 years. No restrictions have been imposed by the municipality in terms of the operating lease agreements.

45. Related parties

Relationships

For disclosures of remuneration to management and councillors:	Refer to note 31&32
Close family member of management	Mrs A van As

Lusern land was rented to Mrs A van As, the wife of one of the council members (Mr BJ van As). The lusern land was rented to her based on a public tender that was awarded to her. No transactions occurred during the year.

Figures in Rand	2012	2011

46. Prior period errors

Due to the implementation of a new GRAP-compliant system during the year and compliance with the requirements of directive 7, the prior year figures were identified as summarised below.

Adoption of GRAP17 and Directive 7 - it had an impact on the cost and accumulated depreciation of property, plant and equipment, depreciation and accumulated surplus

During the year there was a correction of the retirement benefit liability as well as the long service award liability, resulting in adjustments in the prior year surplus and provisions

Grant register were reconciled and income and expenditure were allocated to the relevant accounting periods and resulting in a restatement of accumulated surplus and unspent grant.

The correction of the errors resulted in adjustments as follows:

Statement of financial position	
Opening accumulated surplus 30 June 2010	(34 401 698)
Inventory	346 383
Trade receivables from Non-Exchange Transactions	(658 784)
Property, Plant and Equipment	34 522 920
Intangible Assets	25 815
Investment property	3 713 080
Provisions	11 035
Creditors	(432 253)
Unspent Conditional Grants and Receipts	2 071 935
Bank Overdraft	(2 194)
Non-current Provisions	(68 493)
Statement of Financial Performance	
Property Rates	(8 180)
Service Charges	3 499
Rental of Facilities and Equipment	9 887
Government Grants and Subsidies	(2 083 935)
Other Income	(236 873)
Employee Related Cost	(667 905)
Collection Costs	1 444
Depreciation and Amortisation	(2 213 928)
Impairment Losses	(25 427)
Finance Costs	138 882
General Expenses	(45 209)
	(5 127 745)

Figures in Rand	2012	2011

47. Comparative figures

Certain comparative figures have been reclassified as a result of the implementation of the new GRAP-compliant accounting system during the year.

Due to the early adoption of GRAP 103 - Heritage Assets, the carrying amounts had to be separately disclosed on the face of the statement of financial position as required by the standard. The carrying amounts were previously included as part of property, plant and equipment.

VAT receivable was previously included in the carrying amount of Trade receivables from Non-exchange transactions on the face of the statement of financial position. It has now been reclassified to be disclosed separately on the face of the statement of financial position.

The effects of the reclassifications are as follows:

	2012	2011
Statement of financial position		
Trade receivables from Exchange transactions		47 940
Trade receivables from Non-exchange transactions	-	(1 100 059)
VAT Receivable	-	1 016 350
Property, plant and equipment	-	(43 354)
Heritage assets	-	43 354
Provisions		476 083
Creditors		(373 315)
Retirement benefits	-	(67 000)
Statement of Financial Performance		
Total revenue		12 000
Total expenditure		(12 000)

48. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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.

Interest rate risk

At 30 June 2012, if interest rates at that date had been 100 basis points lower with all other variables held constant, surplus for the period would have been R125 760 lower (2011: deficit would have been R138 530 higher), arising mainly as a result of lower interest received on investments, bank balances and trade and other receivables. If interest rates had been 100 basis points higher, with all other variables held constant, surplus would have been R125 760 higher (2011: deficit would have been R138 530 lower), arising mainly as a result of higher interest received on investments, bank balances and trade and other receivables.

Figures in Rand	2012	2011

48. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade receivables. 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:

Financial instruments		
Trade receivables from non-exchange transactions	2 376 325	4 901 511
Trade receivables from exchange transactions	1 109 789	1 039 601
Long-term receivables	17 467	121 384
Cash and cash equivalents	9 824 252	7 248 537

49. 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.

50. Events after the reporting date

Management is not aware of events that took place after the reporting date.

51. Unauthorised expenditure

Unauthorised expenditure	5 286 338	-

No disciplinary steps have been followed to date as the Municipality was of the opinion that unauthorised expenditure was incurred due to unforseen circumstance for the year under review.

All unauthorised expenditure was written-off by Council.

52. Fruitless and wasteful expenditure

Interest on late payment of suppliers	14 106	-
Advertisement for tenders that never went through	11 622	-
	25 728	**-**

All fruitless and wasteful expenditure was written-off by Council.

53. Irregular expenditure

Opening balance	2 152 391	-
Add: Irregular expenditure - current year	8 452 005	2 152 391
Less: Amounts written-off	(7 018 689)	-
	3 585 707	**2 152 391**

Figures in Rand	2012	2011

53. Irregular expenditure (continued)

Details of irregular expenditure written-off

	Written-off by:	
R 2 001 - R 10 000	Council	2 333 906
R 10 001 - R 30 000	Council	1 086 974
R 30 001 - R 200 000	Council	1 698 928
R 200 001 <	Council	1 898 880
		7 018 688

The irregular expenditure relates to deviations from Regulation 12 and the supply chain mangement policies.

No disciplinary steps have been followed to date as the Municipality was of the opinion that irregular expenditure was incurred due to unforseen circumstance for the year under review.

Deviation on procurement of goods and services amounted to R8,452,005 during the year.

All irregular expenditure of previous year and current year will be written-off by Council at the next council meeting held in November 2012.

54. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2012	2011
Net surplus per the statement of financial performance	981 570	-
Adjusted for:		
Increase in rebates on property rates	110 392	-
Impairments recognised / reversed	2 815 431	-
Loss on the assets written-off	114 004	-
Transfer payments	6 510	-
Finance cost - interest on landfill sites	170 735	-
Unexpected operating and administration expenses	2 009 373	-
Improved revenue to budget	(12 233 421)	-
Improved expenditure to budget	(12 052 408)	-
Net deficit per approved budget	**(18 077 814)**	**-**

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

	2012	2011
Opening balance	-	(240)
Current year subscription / fee	100 000	99 950
Amount paid - current year	(100 000)	(99 710)
	-	**-**

Audit fees

	2012	2011
Current year subscription / fee	1 567 737	1 030 039
Amount paid - current year	(1 276 538)	(1 030 039)
	291 199	**-**

PAYE and UIF

	2012	2011
Opening balance	5 187	-
Current year payroll deductions	1 248 086	1 284 759
Amount paid - current year	(1 198 123)	(1 279 572)
	55 150	**5 187**

Figures in Rand	2012	2011

55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and medical aid deductions

Opening balance	(29 837)	(30 841)
Current year payroll deductions and Council contributions	1 055 268	576 986
Amount paid - current year	(1 040 011)	(575 982)
	(14 580)	**(29 837)**

VAT

VAT receivable	335 713	1 016 350

VAT input receivables are shown in notes 14.

All VAT returns have been submitted throughout the year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been written-off by council.

The details of these deviations are contained in the municipal deviation register.

Incident	
Deviations on goods and services between R2 000 and R10 000	2 333 906
Deviations on goods and services between R10 001 and R30 000	1 086 974
Deviations on goods and services between R30 001 and R200 000	1 698 927
Deviations on goods and services exceeding R200 000	1 898 880
	7 018 687

56. Contingent asset

An employee which was found guilty of fraud, was dismissed. The exact amount involved can not be estimated at this stage but the external process is still going on.

57. Contingent liability

During the previous financial year the municipality was involved in a court case with a citizen of the town regarding a claim in respect of prohibited access to a business premises. During the current year a settlement agreement was signed.The amount paid to the citizen amounted to R4,431.

The municipality is involved in a civil matter where a citizen did not pay amounts due. The municipality is in the process of warrant of execution and thereafter sale in execution. Estimated legal costs are R3,000.