HLABISA
LOCAL MUNICIPALITY
Sakha Umphakathi Ongcono

Hlabisa Local Municipality
Annual Financial Statements
for the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality	
Dermacation code	KZ274	
Grading of local authority	2	
Members of the Council		
	V.F Hlabisa	**Mayor**
	H.T Nkosi	**Deputy Mayor**
	G.R Mchunu	**Speaker**
	S.F Mdaka	**Member of the Executive Committee**
	B.A Mokoena	**Member**
	T.T Kunene	**Member**
	B.J Langa	**Member**
	B.W Manqele	**Member**
	G.R Mchunu	**Member**
	Z.P Ndlovu	**Member**
	T.Z Nkosi	**Member**
	B. Ntombela	**Member**
	O.Z Simelane	**Member**
	M.B Sithole	**Member**
	V.M.V Zungu	**Member**
	B.I Zungu	**Member**
Municipal Manager (Acting)	S.N Zikhali (26 June 2013 to date) N.Z Ndlela (6 April 2013 - 25 June 2013) K.E Gamede (1 February 2012 - 5 April 2013)	
Chief Finance Officer (Acting)	F.X.H Mhlongo (23 January 2013 to date) B.M Thusi (1 July 2012 - 22 January 2013)	
Auditors	Auditor-General	
Attorneys	Ngwenya & Zwane Incorporated Ngidi & Company Incorporated Advocate T.H Mnyandu	
Bankers	ABSA FNB	
Registered office	Municipal Building Lot 808 Masson Street Hlabisa 3937	
Business address	Municipal Building Lot 808 Masson Street Hlabisa 3937	
Postal address	P.O. Box 387 Hlabisa 3937	

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Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements, which are set out in pages 4 to 54 in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) which I have signed on behalf of the Municipality.
I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Dr V.J. Mthembu
Municipal Manager

31 August 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012 Restated
ASSETS			
Current Assets			
Inventories	2	8,496	43,733
Trade and other receivables from exchange transactions	3	1,219,012	598,258
VAT receivable	4	-	1,133,983
Trade and other receivables from non-exchange transactions.	5	(134,964)	88,983
Cash and cash equivalents	6	6,871,853	8,674,098
		7,964,397	10,539,055
Non-Current Assets			
Investment property	7	2,360,841	2,362,664
Property, plant and equipment	8	75,987,733	72,392,492
Intangible assets	9	495,176	667,812
Deposits	10	14,200	14,200
		78,857,950	75,437,168
Non-current assets held for sale	40	1,182,736	-
Total Assets		88,005,083	85,976,223
LIABILITIES			
Current Liabilities			
Finance lease obligation	11	384,779	414,015
Payables from exchange transactions	12	4,290,979	1,712,301
VAT payable	13	94,629	-
Unspent conditional grants and receipts	14	11,649,294	10,249,657
Bank overdraft	6	664,539	1,699,936
		17,084,220	14,075,909
Non-Current Liabilities			
Finance lease obligation	11	932,149	1,316,556
Total Liabilities		18,016,369	15,392,465
NET ASSETS		69,988,714	70,583,758
NET ASSETS			
Accumulated surplus		69,988,714	70,583,758
Total Net Assets		**69,988,714**	**70,583,758**

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012 Restated
Revenue			
Service charges	15	307,980	231,551
Interest earned - investment	16	576,988	851,521
Licences and permits		176,386	282,328
Commission received	17	2,125	193
Sundry income	17	169,475	1,009,874
Rental of facilities and equipment	18	310,767	206,824
Property rates	19	344,669	259,367
Property rates - penalties imposed	19	41,087	128,662
Government grants & subsidies	20	48,634,362	65,594,850
Fines		545,325	1,622,651
Total revenue		**51,109,164**	**70,187,821**
Expenditure			
Employee related costs	21	(16,513,092)	(13,674,781)
Remuneration of councillors	22	(3,755,722)	(3,641,878)
Depreciation and amortisation	23	(3,055,624)	(2,632,187)
Impairment loss/ Reversal of impairments		(4,252,876)	-
Finance costs	24	(274,900)	(323,533)
Debt impairment		(755,935)	(14,620)
Repairs and maintenance		(774,674)	(541,469)
Contracted services	25	-	(6,468)
General expenses	26	(25,716,576)	(49,423,767)
Total expenditure		**(55,099,399)**	**(70,258,703)**
Deficit for the year		**(3,990,235)**	**(70,882)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	**70,654,640**	**70,654,640**
Changes in net assets		
Deficit for the year	(70,882)	(70,882)
Total changes	(70,882)	(70,882)
Opening balance as previously reported	60,242,951	60,242,951
Adjustments		
Correction of errors prior to 2012. Refer to note 41	8,726,957	8,726,957
Prior year adjustments. Refer to note 41	1,613,851	1,613,851
Balance at 01 July 2012 as restated	**73,978,949**	**73,978,949**
Changes in net assets		
Deficit for the year	(3,990,235)	(3,990,235)
Total changes	(3,990,235)	(3,990,235)
Balance at 30 June 2013	**69,988,714**	**69,988,714**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		2,083,348	2,109,783
Grants		50,033,999	65,563,733
Interest received		576,988	851,520
Other receipts		7,465,482	5,485,177
Non cash item		-	14,711,749
		60,159,817	88,721,962
Payments			
Employee costs		(20,268,814)	(17,316,659)
Community grant expenditure		(23,357,590)	(56,298,611)
Interest paid		(274,900)	(323,531)
Other payments		(5,607,540)	(3,194,744)
		(49,508,844)	(77,133,545)
Net cash flows from operating activities	27	**10,650,973**	**11,588,417**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(10,729,281)	(14,558,164)
Purchase of other intangible assets	9	-	(24,911)
Net cash flows from investing activities		**(10,729,281)**	**(14,583,075)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		(688,540)	-
Finance lease receipts		-	1,258,282
Net cash flows from financing activities		**(688,540)**	**1,258,282**
Net increase/(decrease) in cash and cash equivalents		**(766,848)**	**(1,736,376)**
Cash and cash equivalents at the beginning of the year		6,974,162	8,710,538
Cash and cash equivalents at the end of the year	6	**6,207,314**	**6,974,162**

Accounting Policies

1. Accounting policies

1.1 Basis of accounting basis of preparation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation of currency

The annual financial statements are presented in South African Rand, which is the Municipality's functional currency.

1.3 Going concern assumption

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

1.4 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated.

The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Standards , amendments to standards and interpretations issued but not yet effective

The Minister of Finance annouced that the application of GRAP 21,GRAP 23,GRAP 24 and GRAP 26 and GRAP 103 will be effective for period starting after on or after 1 April 2013.

The following GRAP standards are effective and have been adopted by the municipality during the current period end.

GRAP 1 (as revised 2012): Presentation of Financial Statements - effective date 1 April 2013
GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors - effective date 1 April 2013
GRAP 9 (as revised 2012): Revenue from Exchange Transactions - effective date 1 April 2013
GRAP 12 (as revised 2012): Inventories - effective date 1 April 2013
GRAP 13 (as revised 2012): Leases - effective date 1 April 2013
GRAP 16 (as revised 2012): Investment Property - effective date 1 April 2013
GRAP 17 (as revised 2012): Property, Plant and Equipment - effective date 1 April 2013
GRAP 21 Impairment of non-cash-generating assets - effective date 1 April 2013
GRAP 23 Revenue from Non-exchange Transactions - effective date 1 April 2013
GRAP 24 Presentation of Budget Information in the Financial Statements - effective date 1 April 2013
GRAP 26 Impairment of cash-generating assets - effective date 1 April 2013
GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102 - effective date 1 April 2013
GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations - effective date 1 April 2011

Accounting Policies

Standards , amendments to standards and interpretations issued but not yet effective (continued)

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

Where a standard of GRAP has been issued, but is not yet in effect, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

IGRAP 1 Applying the probablity test on initial recognition of exchange revenue

The objective of this Standard is to provide guidance on how the municipality applies the probability test on initial recognition of exchange revenue that arises on the provision of goods or ervices provided on credit when there is uncertainty that the revenue will eventually be collected.
Effective date 1 July 2013

IGRAP16 Intangible assets website costs

Effective date 1 July 2013

GRAP 18 (Original – Feb 2011) Segment Reporting

The objective of this Standard is to establish principles for reporting financial information by segments.
Effective date unknown

GRAP 20 (Original – June 2011) Related Party Disclosure

The objective of this Standard is to ensure that an Municipality's financial statements contains 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.
Effective date unknown

GRAP 25 Employee Benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected.
This standard does not yet have an effective date.

GRAP 105 (Original – Nov 2010) Transfer of Functions Between Entities Under Common Control

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

No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.
Effective date unknown

GRAP 106 (Original – Nov 2010) Transfer of Functions Between Entities Not Under Common Control

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

No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.
Effective date unknown

Accounting Policies

Standards , amendments to standards and interpretations issued but not yet effective (continued)

GRAP 107 (Original – Nov 2010) Mergers

The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.

No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.
Effective date unknown

The following GRAP Standards are not required to be applied by the Municipality:

GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates - effective date 1 April 2011
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements - effective date 1 April 2014
GRAP 7 (as revised 2012): Investments in Associates - effective date 1 April 2013
GRAP 8 (as revised 2010): Interests in Joint Ventures - effective date 1 April 2013
GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies - effective date 1 April 2011
GRAP 11 (as revised 2010): Construction Contracts - effective date 1 April 2011
GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101) - effective date 1 April 2013

1.6 Presentation of budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as three separate additional financial statements, namely the Statement of comparison of budget and actual amounts for the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

1.7 Property, plant and equipment

1.7.1 Initial recognition

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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

Property, plant and equipment (continued)

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. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

1.7.2 Subsequent measurement - cost model

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

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

The Municipality opted to take advantage of the transitional provisions of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010

1.7.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:
The residual value,the useful life of an asset and depreciation methid is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Infrastructure	
Roads and Paving	25-40 years
Pedestrial Malls	20 years
Electricity	10 years
Water	30 years
Sewerage	10 years
Stormwater	30-40 years
Road signs	10 years
Community	
Buildings	30 years
Recreational Facilities	7-30 years
Security	30 years
Halls	7-30 years
Libraries	30 years
Parks and Gardens	30 years
Heritage assets	
Paintings and Artifacts	30 years
Finance lease assets	
Office equipment	2-5 years

Other		
Computer equipment	5-15	years
Specialist	5-20	years
Other vehicles	7	years
Office equipment	5-15	years
Furniture	5-15	years
Watercraft	15	years
Bins and containers	5-7	years
Specialised plant and equipment	2-15	years
Other items of plant	5-15	years
Landfill sites	30	years
Quarries	30	years
Emergency Equipment	5-15	years
Buildings	30	years

1.7.4 Derecognition

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Accounting Policies

1.8 Intangible assets

1.8.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

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

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

Where an intangible asset 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.

1.8.2 Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.8.3 Amortisation and impairment

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3-5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

1.8.4 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 Investment property

1.9.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Accounting Policies

Investment property (continued)

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.9.2 Subsequent measurement - cost model

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

1.9.3 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.10 Non current assets held for sale

1.10.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered 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.

1.10.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of 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 the Statement of Financial Performance.

1.11 Inventories

1.11.1 Initial recognition

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

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.

Inventories (continued)

1.11.2 Subsequent measurement

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.

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

1.12 Financial instruments

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality’s statement of financial position.

Financial instruments (continued)

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.12.1 Initial recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.12.2 Subsequent measurement of financial assets and financial liabilities

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.12.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.12.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.12.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts.

Accounting Policies

Financial instruments (continued)

The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.12.2.4 Non-Current Investments

Investments which include investments and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.12.3 De-recognition of Financial Instruments

1.12.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired? or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement? and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality’s continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.12.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

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

Financial instruments (continued)

1.12.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.13 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).
Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 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), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present or constructive 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.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.16.1 Provision for staff leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.16.2 Staff bonuses accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.16.3 Provision for performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.17 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.

1.17.1 Finance leases - lessor

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

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

1.17.2 Finance leases - lessee

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

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

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

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

1.17.3 Operating leases - lessor

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

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

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

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

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

Accounting Policies

Leases (continued)

1.17.4 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.

1.18. Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.19 Revenue Recognition

1.19.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as a non-exchange transaction.

Fine revenue constitutes both spot fines and summonses.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue Recognition (continued)

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

1.19.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered , the value of which approximates the consideration received or receivable.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permit

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Revenue Recognition (continued)

When services are exchanged or swapped for services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When services are rendered in exchange for dissimilar services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.19.3 Transfers, grants and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.20 Borrowing costs

It is inappropriate to capitalise borrowing costs when there is clear evidence that it is difficult to link the borrowing requirement of the municipality directly to the nature of the expenditure to be funded. In such cases, the municipality expenses those borrowing costs related to a qualifying asset directly to the Statement of Financial Performance.

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

1.21 VAT

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African.Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

1.22 Related parties

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

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.
  The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person’s family is related to the Municipality if that person:
- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same Municipality (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 Municipality 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 Municipality or an entity related to the Municipality. 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).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or
(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

(a) all members of the governing body of the Municipality;
(b) a member of the governing body of an Municipality who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
(d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

(a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.

(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

Accounting Policies

1.23 Significant judgements and sources of estimation uncertainty

1.23.1 Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.23.2 Property, plant and equipment

The useful lives of property, plant and equipment are based on management’s estimation. Infrastructure’s useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management’s judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The municipality referred to buildings in other municipal areas to determine the useful life of buildings. The municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the municipality’s asset register;
- cost of items with a similar nature in other municipalities’ asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality’s asset register is considered to be accurate;
- cost as supplied by suppliers.

1.23.3 Intangible assets

The useful lives of intangible assets are based on management’s estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

1.23.4 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.23.5 Provision for staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.23.6 Provision for performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.24 Impairment of Non-Financial Assets

1.24.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.24.2 Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

Impairment of Non-Financial Assets (continued)

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.

- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.

- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

- A decision to halt the construction of the asset before it is complete or in a usable condition.

- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- depreciation replacement cost approach - the present value of the remaining service potential of an 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.

- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

Accounting Policies

Impairment of Non-Financial Assets (continued)

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance..

1.25 Capital commitments

Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.26 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect..

1.27 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.

1.27.1 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.

1.27.2 Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

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

Heritage assets (continued)

1.27.3 Derecognition

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

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

1.28 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.

If the related asset is measured using the revaluation model:
(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.29 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality’s own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an municipality’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.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Accounting Policies

Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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

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

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

1.29.2 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 the municipality provides post-employment benefits for one or more employees.

Accounting Policies

Employee benefits (continued)

1.29.3 Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.30 Offsetting

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

Figures in Rand	2013	2012 Restated

2. Inventories

Consumable stores	8,496	43,733

Inventory pledged as security

No inventory was pledged as security for overdraft facilities during the year.

3. Trade and other receivables from exchange transactions

Other receivables	232,031	72,761
Refuse	986,981	975,073
Allowance for debt impairment	-	(449,576)
Net balance	**1,219,012**	**598,258**

Refuse - Prior period error (see note 41)		
Balance previously stated	-	1,162,012
Adjusted for revenue incorrectly billed to own property	-	(50,252)
Adjusted opening balance of 2012	-	(136,687)
Restated	-	**975,073**

Refuse		
Current (0 - 30 days)	98,698	335,282
31 - 60 days	88,828	113,798
61 - 90 days	78,959	79,292
91 - 120 days	69,089	77,362
121 - 365 days	651,407	369,339
	986,981	**975,073**

Summary of trade receivables by customer classification

Other		
Current (0 -30 days)	17,766	17,551
31 - 60 days	15,989	15,796
61 - 90 days	14,212	14,041
91 - 120 days	12,436	12,286
121 - 365 days	117,253	115,839
	177,656	**175,513**

Industrial/commercial		
Current (0 -30 days)	61,193	60,454
31 - 60 days	55,074	54,409
61 - 90 days	48,954	48,364
91 - 120 days	42,835	42,318
121 - 365 days	403,873	399,000
	611,929	**604,545**

National and provincial government		
Current (0 -30 days)	19,739	19,502
31 - 60 days	17,766	17,551
61 - 90 days	15,792	15,601
91 - 120 days	13,818	13,651
121 - 365 days	130,281	128,710
	197,396	**195,015**

Reconciliation of allowance for impairment of trade receivables

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

3. Trade and other receivables from exchange transactions (continued)

Opening balance	(449,576)	(624,161)
Allowance for impairment	-	174,585
	(449,576)	**(449,576)**

4. VAT receivable

VAT	-	1,133,983

Vat is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

5. Trade and other receivables from non-exchange transactions

Gross balances		
Rates	112,657	428,135
Less: Allowance for debt impairment		
Rates	(247,621)	(339,152)
Net balance		
Rates	112,657	428,135
Provision for debt impairment	(247,621)	(339,152)
	(134,964)	**88,983**
Rates - Prior period error (see note 41)		
Balance previously reported	-	904,006
Adjusted for revenue incorrectly billed to own property	-	(60,024)
Adjusted opening balance of 2012	-	(415,806)
Restated	**-**	**428,176**
Prior period error (see note 41)		
Balance previously reported	-	(1,451,537)
Adjusted	-	662,768
Restated	**-**	**(788,769)**
Rates		
Current (0 -30 days)	11,266	149,298
31 - 60 days	10,139	140,358
61 - 90 days	9,013	31,839
91 - 120 days	7,886	28,094
121 - 365 days	74,353	78,587
	112,657	**428,176**

Figures in Rand	2013	2012 Restated

5. Trade and other receivables from non-exchange transactions (continued)

Summary of trade receivables by customer classification

Other		
Current (0 -30 days)	2,028	7,707
31 - 60 days	1,825	6,936
61 - 90 days	1,622	6,166
91 - 120 days	1,419	5,395
121 - 365 days	13,384	50,868
	20,278	**77,072**
Industrial/ commercial		
Current (0 -30 days)	6,985	26,547
31 - 60 days	6,286	23,892
61 - 90 days	5,588	21,238
91 - 120 days	4,889	18,583
121 - 365 days	46,099	175,209
	69,847	**265,469**
National and provincial government		
Current (0 -30 days)	2,253	8,564
31 - 60 days	2,028	7,707
61 - 90 days	1,803	6,851
91 - 120 days	1,577	5,994
121 - 365 days	14,871	56,519
	22,532	**85,635**
Total		
Current (0 -30 days)	11,266	149,298
31 - 60 days	10,139	140,358
61 - 90 days	9,013	31,839
91 - 120 days	7,886	28,094
121 - 365 days	74,353	78,587
	112,657	428,176
Less: Allowance for debt impairment	(247,621)	(339,193)
	(134,964)	**88,983**

Reconciliation of allowance for debt impairment		
Balance at beginning of the year	(339,152)	827,376
Contributions to provision	(228,564)	(488,224)
Balance at year end	**(247,621)**	**(339,152)**

Trade and other receivables pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.
No security is held for any accounts receivable.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

5. Trade and other receivables from non-exchange transactions (continued)

Credit quality of consumer debtors

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings.

Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Trade receivables

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of trade receivables

Due to the short term nature of trade and other receivables they are disclosed at face value.

Trade receivables from non-exchange transactions past due but not impaired

Trade receivables which are less than that allowed by Council's policy are not considered to be impaired.

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

1 month past due	16,552	-
2 months past due	32,977	-
3 months past due	12,454	-

Trade receivables from non-exchanged transactions impaired

The ageing of these receivables is as follows:

3 to 6 months	654,416	-
Over 6 months	931,335	-

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,938	1,941
Bank balances	36,913	30,143
Short-term deposits	6,832,002	8,642,014
Bank overdraft	(664,539)	(1,699,936)
	6,207,314	**6,974,162**

Current assets	6,871,853	8,674,098
Current liabilities	(664,539)	(1,699,936)
	6,207,314	**6,974,162**

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash.

No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

6. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

The municipality had the following bank accounts

Bank	Account number	Account description	Bank statement balances 30 June 2013	Bank statement balances 30 June 2012	Cashbook balances 30 June 2013	Cashbook balances 30 June 2012
ABSA BANK	- 4053709558	Current Account	26,524	40,612	26,524	(50,247)
FNB BANK	- 62331260240	Current account	(32,335)	(55,879)	(664,539)	(1,649,689)
FNB BANK	- 62205724174	Current Account	10,389	30,143	10,389	30,143
FNB BANK	- 74107649045	Investment	10,388	10,000	10,388	10,000
FNB BANK	- 74332463674	Investment	6,699,518	6,377,791	6,699,518	6,377,791
FNB BANK	- 62333315952	Investment	25,822	1,040,081	25,822	1,040,081
FNB BANK	- 62333317594	Investment	12,753	11,439	12,753	11,439
STANDARD BANK	- 068553560002	Investment	-	1,122,272	-	1,122,272
NEDBANK	- 371650167081	Call deposit	70,403	67,852	70,634	67,852
MERCANTILE	- 4100167725	Investment	12,887	12,580	12,887	12,580
NEDBANK	- 2003376887	Savings account	274	-	-	-
Total			**6,836,623**	**8,656,891**	**6,204,376**	**6,972,222**

7. Investment property

	2013			2012		
	Cost / Valuation	**Devaluation**	**Carrying value**	**Cost / Valuation**	**Devaluation**	**Carrying value**
Investment property	2,365,080	(4,239)	2,360,841	2,365,080	(2,416)	2,362,664

Reconciliation of investment property - 2013

	Opening balance	Impairments	Depreciation	Total
Investment property	2,362,664	(902)	(921)	2,360,841

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Investment property	2,365,080	(2,416)	2,362,664

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.

Other information

Amounts recognised in surplus and deficit for the year.

	2013	2012
Rental revenue from investment property	299,267	206,824

Pledged as security

No investment properties were pledged as security for overdraft facilities during the year

8. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	6,387,152	(2,144,820)	4,242,332	6,387,152	(1,603,149)	4,784,003
Plant and machinery	3,805,346	(480,182)	3,325,164	3,781,223	(203,398)	3,577,825
Furniture and fixtures	1,378,422	(792,680)	585,742	1,378,422	(661,756)	716,666
Motor vehicles	2,172,680	(1,227,326)	945,354	2,172,680	(916,946)	1,255,734
Office equipment	958,190	(462,213)	495,977	958,190	(295,005)	663,185
IT equipment	1,235,782	(706,239)	529,543	1,151,941	(542,314)	609,627
Infrastructure	18,561,025	(1,648,052)	16,912,973	17,401,465	(318,847)	17,082,618
Community	27,651,519	(7,150,998)	20,500,521	27,621,269	(3,199,110)	24,422,159
Capital work in progress	28,126,809	-	28,126,809	18,703,068	-	18,703,068
Finance leased assets	1,305,147	(981,829)	323,318	1,297,380	(719,773)	577,607
Total	**91,582,072**	**(15,594,339)**	**75,987,733**	**80,852,790**	**(8,460,298)**	**72,392,492**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Depreciation**	**Impairment loss**	**Total**
Buildings	4,784,003	-	(226,346)	(315,325)	4,242,332
Plant and machinery	3,577,825	24,123	(276,784)	-	3,325,164
Furniture and fixtures	716,666	-	(130,924)	-	585,742
Motor vehicles	1,255,734	-	(310,380)	-	945,354
Office equipment	663,185	-	(167,208)	-	495,977
IT equipment	609,627	83,840	(163,924)	-	529,543
Infrastructure	17,082,618	1,159,560	(239,295)	(1,089,910)	16,912,973
Community	24,422,159	30,250	(1,105,149)	(2,846,739)	20,500,521
Capital work in progress	18,703,068	9,423,741	-	-	28,126,809
Finance leased assets	577,607	7,767	(262,056)	-	323,318
	72,392,492	**10,729,281**	**(2,882,066)**	**(4,251,974)**	**75,987,733**

Figures in Rand	2013	2012 Restated

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	5,010,216	-	-	(226,213)	4,784,003
Plant and machinery	493,748	3,169,551	-	(85,474)	3,577,825
Furniture and fixtures	642,768	186,719	-	(112,821)	716,666
Motor vehicles	1,174,583	377,211	-	(296,060)	1,255,734
Office equipment	829,093	1,225	-	(167,133)	663,185
IT equipment	563,460	172,593	-	(126,426)	609,627
Infrastructure	5,687,612	-	11,634,301	(239,295)	17,082,618
Community	15,500,909	947	9,843,205	(922,902)	24,422,159
Capital work in progress	29,860,150	10,320,424	(21,477,506)	-	18,703,068
Finance leased assets	533,465	329,494	-	(285,352)	577,607
	60,296,004	**14,558,164**	**-**	**(2,461,676)**	**72,392,492**

	2013	2012
Prior period error (see note 41)		
Balance previously reported (carrying value)	-	63,778,792
Adjusted for:		
Land		
Balance previously reported	-	168,000
Adjusted for cost prior to 2012	-	(168,000)
Restated	**-**	**-**
Buildings		
Balance previously reported (carrying value)	-	4,829,973
Adjusted for Cost prior to 2012	-	(91,366)
Adjusted for accumulated depreciation prior to 2012	-	52,932
Adjusted for depreciation	-	(7,537)
Restated	**-**	**4,784,002**
Plant and machinery		
Adjusted for Cost prior to 2012	-	611,673
Adjusted for accumulated depreciation prior to 2012	-	(117,925)
Adjusted for depreciation	-	(85,474)
Adjusted for addtions	-	3,169,551
Restated	**-**	**3,577,825**
Furniture and fixtures		
Adjusted for Cost prior to 2012	-	1,191,702
Adjusted for accumulated depreciation prior to 2012	-	(548,934)
Adjusted for depreciation	-	(112,822)
Adjusted for addtions	-	186,720
Restated	**-**	**716,666**
IT equipment		
Adjusted for Cost prior to 2012	-	979,348
Adjusted for accumulated depreciation prior to 2012	-	(415,887)
Adjusted for depreciation	-	(126,426)

Figures in Rand	2013	2012 Restated
8. Property, plant and equipment (continued)		
Adjusted for addtions	-	172,593
Restated	**-**	**609,628**
Motor vehicles		
Adjusted for Cost prior to 2012	-	1,795,469
Adjusted for accumulated depreciation prior to 2012	-	(620,886)
Adjusted for depreciation	-	(296,060)
Adjusted for addtions	-	377,211
Restated	**-**	**1,255,734**
Office equipment		
Adjusted for Cost prior to 2012	-	956,965
Adjusted for accumulated depreciation prior to 2012	-	(127,872)
Adjusted for depreciation	-	(167,133)
Adjusted for addtions	-	1,225
Restated	**-**	**663,185**
Infrastructure		
Balance previously reported (carrying value)	-	15,311,270
Adjusted for Cost prior to 2012	-	147,530
Adjusted for accumulated depreciation prior to 2012	-	973,678
Adjusted for depreciation	-	650,140
Restated	**-**	**17,082,618**
Community		
Balance previously reported (carrying value)	-	18,942,120
Adjusted for Cost prior to 2012	-	6,399,439
Adjusted for accumulated depreciation prior to 2012	-	(686,588)
Adjusted for depreciation	-	(233,759)
Adjusted for addtions	-	947
Restated	**-**	**24,422,159**
Capital work in progress		
Balance previously reported (carrying value)	-	16,843,363
Adjusted for Cost prior to 2012	-	1,859,705
	-	**18,703,068**
Finance Leases		
Balance previously reported (carrying value)	-	1,219,321
Adjusted for Cost prior to 2012	-	119,183
Adjusted for accumulated depreciation prior to 2012	-	52,307
Adjusted for additions	-	(816,586)
Adjusted for depreciation	-	3,383
	-	**577,608**
Other property, plant and equipment		
Balance previously reported (carrying value)	-	6,464,745
Adjusted for carying value	-	(6,464,745)
	-	**-**

8. Property, plant and equipment (continued)

Pledged as security

No property, plant and equipment was pledged as security for overdraft facilities during the year

Infrastructure Assets

During the this financial year the municipality implemented a process to identify, record and value infrastructure assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for infrastructure assets. The key issues in this regard were as follows:

Physical verification and valuation
- All the infrastructure assets have been physically verified during the year by specialists. During this process the asset location, condition and
maintenance history was recorded and evaluated.
- The assets have been valued by an independent valuer and are effective on 30 June 2011.
- Due to the specialised nature of the assets, and market availability of information, the Depreciated Replacement Cost method was used.
- A 100% verification and condition assessment was done.

Disclosure of the asset information
- The deemed cost was determined on 30 June 2011 by using the depreciated replacement values (DRC).
- For the movable assets actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of the assets.
- The opening for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.
- During the financial year the municipality also identified and measured investment properties in terms of GRAP 16.

Movable Assets

During the current financial year the municipality implemented a process to identify, record and value movable assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for movable assets. The key issues in this regard were as follows:

Physical verification and valuation
- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- A 100% verification and condition assessment was done.

Disclosure of the asset information
- Actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of these assets.
- The opening for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.

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.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

9. Intangible assets

	2013			2012		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	875,140	(379,964)	495,176	875,140	(207,328)	667,812

Reconciliation of intangible assets - 2013

	Opening balance	**Amortisation**	**Total**
Computer software	667,812	(172,636)	495,176

Reconciliation of intangible assets - 2012

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	813,413	24,911	(170,512)	667,812

Pledged as security

No intangible assets were pledged as security for overdraft facilities during the year

Intangible assets

During the current financial year the municipality implemented a process to identify, record and value Intangible assets as required in terms of GRAP 102. This resulted in a reconstructed fixed asset register for Intangable assets. The key issues in this regard were as follows:

Physical verification and valuation
- All the Intangable assets have been verified during the year. During this process the asset location and description was recorded and evaluated.

Disclosure of the asset information
- Actual values were used to determine the cost of these assets.
- The opening for the take on values of the assets as well as for accumulated amortisation is restated. This adjustment is made directly to accumulated surplus.
- Amortisation for the year has been based on the new asset values and is calculated on the straight line method.

10. Deposits

	2013	2012
Deposits	14,200	14,200

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

11. Finance lease obligation

Minimum lease payments due		
- within one year	583,439	688,921
- in second to fifth year inclusive	1,112,999	1,696,060
	1,696,438	2,384,981
less: future finance charges	(379,510)	(654,410)
Present value of minimum lease payments	**1,316,928**	**1,730,571**
Present value of minimum lease payments due		
- within one year	384,779	414,015
- in second to fifth year inclusive	932,149	1,316,556
	1,316,928	**1,730,571**
Non-current liabilities	932,149	1,316,556
Current liabilities	384,779	414,015
	1,316,928	**1,730,571**

Prior period error (see note 41)		
Balance previously reported	-	1,458,072
Adjusted for increase in liability	-	272,499
Restated	**-**	**1,730,571**

12. Payables from exchange transactions

Trade payables	2,159,349	656,909
Sundry payables	415,365	10,138
Deposits received	190,417	2,925
Leave accrual	1,164,923	869,936
Annual bonus accrual	360,925	172,393
	4,290,979	**1,712,301**

Prior period error (see note 41)		
Balance previously reported	-	2,240,942
Adjusted for cellphone suspense understated	-	9,529
Adjusted for pension fund	-	(1,197)
Adjusted for MIG expenditure	-	(73,010)
Adjusted for consultancy fees	-	(464,963)
Adjusted for consumer deposits	-	1,000
Restated	**-**	**1,712,301**

Figures in Rand	2013	2012 Restated

13. VAT payable

VAT	94,629	-

Vat is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Hlabisa Sewerage System Project	1,798,319	1,798,319
National Electrification Program	6,035,316	4,686,392
Corridor Development	652,752	652,752
MIG	715,506	1,268,862
DOH - Disaster Management Grant	1,267,785	1,267,785
DPLG - MSIG	28,295	-
Library Grant	622,090	301,047
Hlabisa Town Beautification	37,250	274,500
Sports Grant	491,981	-
	11,649,294	**10,249,657**

Movement during the year

Balance at the beginning of the year	9,704,776	10,581,822
Additions during the year	27,728,000	26,861,804
Income recognition during the year	(25,783,482)	(27,193,969)
	11,649,294	**10,249,657**

Non-current liabilities	-	-
Current liabilities	11,649,294	10,249,657
	11,649,294	**10,249,657**

Grant description	Unspent balance 2012	Receipts	Adjustment/ written off	Expenditure	Transfer capital expenditure	Total
DOH-Disa Man Grant	(1,267,785)	-	-	-	-	(1,267,785)
DPLD-MSIG	-	(800,000)	-	771,705	-	(28,295)
FMG Grant	-	(1,500,000)	-	1,500,008	-	8
Library Grant	(301,047)	(838,000)	-	516,957	-	(622,090)
Municipal Infrastracture Grant	(1,268,862)	(11,915,000)	-	4,317,029	8,151,320	(715,513)
Corridor Development Grant	(652,752)	-	-	-	-	(652,752)
Sport Grant	-	(675,000)	-	183,019	-	(491,981)
National Electrification	(4,686,392)	(12,000,000)	-	10,651,076	-	(6,035,316)
HLA-Town Beautification	(274,500)	-	-	237,249	-	(37,251)
HLA- Sewarage System	(1,798,319)	-	-	-	-	(1,798,319)
Subtotal	(10,249,657)	(27,728,000)	-	18,177,043	8,151,320	(11,649,294)
	(10,249,657)	**(27,728,000)**	**-**	**18,177,043**	**8,151,320**	**(11,649,294)**

Prior period error (see note 41)

Balance previously reported	-	9,403,729
Adjusted for Library grant incorrectly written off in 2012	-	301,047
Adjusted for expenses never raised prior tp 2012	-	544,881
Restated	**-**	**10,249,657**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

15. Service charges

Refuse removal	307,980	231,551

16. Interest earned - external investments

Short-term deposits	484,624	823,611
Bank	92,364	27,910
	576,988	**851,521**

17. Other revenue

Sundry income	169,475	1,009,874
Commission received	2,125	193
	171,600	**1,010,067**

18. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	303,137	198,304
Rental of equipment	7,630	8,520
	310,767	**206,824**

19. Property rates

Rates received

Municipal	344,669	259,367
	344,669	259,367
Property rates - penalties imposed	41,087	128,662
	385,756	**388,029**

The following are the rates randage that were applied to the valuations in respect of the various categories:

Category	Randage in cents/Rand
Residential :	0.0105
Business :	0.0131
Specialized:	0.0026

Residential properties are subject to a rebate of R55 000 of the market value.

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2008. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2014.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

20. Government grants and subsidies

Equitable share	22,306,000	37,856,000
Government grant operating	26,328,362	27,738,850
	48,634,362	**65,594,850**

Equitable Share

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

21. Employee related costs

Basic	10,196,373	8,551,526
Bonus	794,383	462,810
Medical aid - company contributions	335,997	226,274
UIF	92,727	77,514
SDL	129,134	115,454
Post-employment benefits - Pension - Defined contribution plan	987,959	755,585
Travel, motor car, accommodation, subsistence and other allowances	1,011,938	812,123
Overtime payments	823,806	855,113
Housing benefits and allowances	658,632	883,006
Telephone, cell allowances	883,124	838,438
Industrial Council	3,804	73,043
Leave	595,215	23,895
	16,513,092	**13,674,781**

Remuneration of Municipal Manager

Annual Remuneration	376,267	228,523
Housing Allowance	130,470	-
Cellphone Allowance	15,184	-
Car Allowance	-	63,487
Contributions to UIF, Medical and Pension Funds	17,956	4,338
Leave Pay	59,333	-
Travel Allowance	130,687	-
Other	-	537,105
	729,897	**833,453**

The remuneration of the Municipal Manager is not for 12 months due to the resignation of the previous MM during the year.

Remuneration of Chief Finance Officer

Annual Remuneration	256,200	388,399
Housing Allowance	17,733	-
Car Allowance	-	118,727
Cellphone Allowance	10,500	-
Contributions to UIF, Medical and Pension Funds	31,664	1,497
Travel Allowance	120,867	-
Other Allowance	-	169,822
	436,964	**678,445**

The remuneration of the Chief Finance Officer is not for 12 months due to the resignation of the previous CFO during the year.

Figures in Rand	2013	2012 Restated

21. Employee related costs (continued)

Remuneration Corporate and Human Resources (Corporate Services)

Annual Remuneration	420,000	252,161
Travel Allowance	166,492	-
Cellphone Allowance	12,000	-
Contributions to UIF, Medical and Pension Funds	81,163	2,800
Car Allowance	-	72,097
Bonus	4,182	-
House Allowance	103,114	-
Backpay	4,186	-
Other Allowances	-	179,537
	791,137	**506,595**

Remuneration of Technical Services

Annual Remuneration	179,101	261,134
Travel Allowance	67,876	-
BackPay	15,585	-
Contributions to UIF, Medical and Pension Funds	15,655	23,881
Car Allowance	-	108,276
Cellphone Allowance	4,000	-
Other Allowance	-	95,837
	282,217	**489,128**

The remuneration of the Technical Services is not for 12 months due to the resignation of the previous manager during the year.

Remuneration of Community Services

Annual Remuneration	-	355,174
Car Allowance	-	86,555
Contributions to UIF, Medical and Pension Funds	-	1,373
Other Allowances	-	179,541
	-	**622,643**

There was no Community Services nor Acting Manager during the current year.

Staff salaries increased by 6,5% during the current financial year as per SALGA Bargaining Council determinations.

22. Remuneration of councillors

Mayor	330,745	230,789
Deputy Mayor	275,973	231,137
Executive Committee	281,941	821,382
Speaker	-	394,952
Councillors	627,872	446,048
Councillors Allowances	2,239,191	1,517,570
	3,755,722	**3,641,878**

In-kind benefits

The Mayor, Deputy Mayor and Mayoral Committee Members are part-time employees. Only the Speaker is a full time employee.The Mayor , Deputy Mayor and Speaker have offices and secretarial support at the cost of the Council.

The Mayor have the use of separate Council owned vehicle for official duties.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

22. Remuneration of councillors (continued)

The Mayor has two full-time bodyguards. The Deputy Mayor and the Speaker has one full-time bodyguard. The Executive Committee Member has one full-time bodyguard.

23. Depreciation and amortisation

Property, plant and equipment	2,882,067	2,461,676
Investment property	921	-
Intangible assets	172,636	170,511
	3,055,624	**2,632,187**

24. Interest paid

Finance leases	274,900	323,533

25. Contracted services

Contract services	-	6,468

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

26. General expenses

Accomodation	596,231	151,671
Administration Expenses	322,929	624,938
Advertising	175,725	721,699
Assets expensed	-	321,096
Auditors remuneration	2,745,281	2,724,813
Bank charges	46,296	62,930
Bursary	212,541	287,724
Catering	20,245	150,711
Cleaning	296,920	242,876
Community development and training	268,791	3,361,130
Consulting and professional fees	2,680,423	6,835,290
Consumables	35,237	-
Donations	-	16,147,732
Electrification	9,609,878	6,964,389
Entertainment	32,316	74,897
Fines and penalties	-	5,195
Fire fighters	492,181	1,298,232
Fuel and oil	960,373	773,364
General	-	102,438
Hiv/Aids program	54,624	178,859
Insurance	469,350	279,851
Lease rentals on operating lease	591,549	487,974
Legal claim	275,038	1,048,499
Postage and courier	393,846	474,826
Printing and stationery	186,194	155,212
Project maintenance costs	1,531,686	381,829
Promotions	-	70,430
Research and development costs	-	314,086
Royalties and license fees	-	850
Security (Guarding of municipal property)	1,074,332	701,416
Septic tank	-	1,057,141
Sports	370,075	308,654
Subscriptions and membership fees	-	5,101
Subsistance & Travel	1,197,287	1,527,813
Telephone and fax	-	411,475
Tourism development	-	228,258
Training	67,131	181,053
Uniforms	67,216	30,406
Utilities	336,560	298,554
Workshop	596,410	151,716
Youth support	9,911	278,639
	25,716,576	**49,423,767**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

27. Cash generated from operations

(Deficit)/Surplus for the year	(3,990,235)	(70,882)
Adjustments for:		
Depreciation and amortisation	3,055,624	2,632,187
Finance costs - Finance leases	274,900	323,533
Impairment deficit	4,252,876	-
Debt impairment	755,935	14,620
Appropriations (Opening retain earnings adjustment)	-	14,711,749
Other non-cash items	2,212,456	-
Changes in working capital:		
Inventories	35,237	(41,849)
Trade and other receivables from exchange transactions	(620,754)	(585,007)
Trade and other receivables from non-exchange transactions	(531,988)	(699,752)
Payables from exchange transactions	2,578,673	(6,155,268)
VAT	1,228,612	1,490,203
Unspent conditional grants and receipts	1,399,637	(31,117)
	10,650,973	**11,588,417**

28. Fruitless and wasteful expenditure

Opening balance	266,190	14,786
Add: Fruitless and wasteful expenditure - current year	23,411	257,558
less: Condoned	-	(6,154)
	289,601	**266,190**

The above item relates to penalties in respect of late payments to SARS,Telkom and Eskom for 2012-2013 financial year.

29. Irregular expenditure

Opening balance	21,280,061	489,666
Add: Irregular Expenditure - current year	7,713,402	20,790,395
	28,993,463	**21,280,061**

30. Unauthorised expenditure

Opening balance	2,542,297	-
Over expenditure	8,110,303	1,684,731
Conditional Grants not cashed back	10,355,687	839,566
	21,008,287	**2,524,297**

31. SCM Deviation

Description		
Sparks & Ellies - one quotation	40,136	-
Richie Motors - one quotation	4,426	-
Trans- Atlantic Equipment - one quotation	12,996	-
	57,558	**-**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

32. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,065,699	-

Auditor's remuneration

Current year auditor's remuneration	2,745,281	2,724,813
Amount paid - current year	(2,745,281)	(2,724,813)
	-	-

PAYE and UIF

Current year subscription / fee	1,533,586	2,977,116
Amount paid - current year	(1,533,586)	(2,977,116)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	713,035	1,377,488
Amount paid - current year	(713,035)	(1,377,488)
	-	-

VAT

VAT receivable	-	1,133,983
VAT payable	94,629	-
	94,629	**1,133,983**

VAT output payables and VAT input receivables are shown in note 4 .

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

Councillors' arrear consumer accounts

During the year, no councillors had rates in arrears.

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 Council. The expenses incurred hereunder were not condoned by the Council.

Incident		
Trans-Atlantic Equipment - 1 quotation	12,996	-
Richie Motors - 1 quotation	4,426	-
Sparks & Ellies - 1 quotation and not advertised	40,136	-
	57,558	**-**

Material losses through criminal conduct

The municipality did not take any criminal or disciplinary steps as a result of unauthorised, irregular or fruitless and wasteful expenditure incurred. The expenses incurred are submitted to the Council for condonement.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

33. Commitments

Authorised capital expenditure

Approved and contracted for		
- Property, plant and equipment	11,112,779	4,965,213

Operating leases - as lessee (expense)

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

34. Events after reporting date

There are no events after reporting date requiring disclosure other than below paragraph.

Dr. Mthembu (who did not act for any part of the financial year) was appointed on 01 August 2013 (subsequent to year end) but was appointed at the point of signing the annual financial statement to go to Council for noting.

35. Key Sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

-Useful lives and residual values of property, plant, and equipment
-Recoverable amounts of property, plant and equipment
-Provision for doubtful debts
-Impairment of assets

36. Risk management

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The 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. 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.

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

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

Notes to the Annual Financial Statements

37. Financial assets by category

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

2013

	Financial assets at amortised cost	Total
Inventories	8,496	8,496
Trade and other receivables from exchange transactions	843,832	843,832
Trade and other receivables from non-exchange transactions	139,300	139,300
Cash and cash equivalents	6,871,853	6,871,853
	7,863,481	**7,863,481**

2012

	Financial assets amortised cost	Total
Inventories	43,733	43,733
Trade and other receivables from exchange transactions	598,258	598,258
Trade and other receivables from non-exchange transactions	88,985	88,985
Cash and cash equivalents	8,674,098	8,674,098
	9,405,074	**9,405,074**

38. Financial liabilities by category

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

2013

	Financial liabilities at amortised cost	Total
Payables from exchange transactions	4,116,486	4,116,486
Bank overdraft	664,539	664,539
	4,781,025	**4,781,025**

2012

	Financial liabilities at amortised cost	Total
Payables from exchange transactions	1,712,301	1,712,301
Bank overdraft	1,699,936	1,699,936
	3,412,237	**3,412,237**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

39. Contingent Liabilities

The Municipality is in litigation with Mguni Wells CC over the construction of the city hall. The amount in question is R 763 782.

The Municipality awaits future litigation regarding a matter of non payment of R 408 281 to Wamkelwa Trading Enterprise CC.

40. Non-current assets held for sale

The municipality decided to sell some of its land to better its financial position.

The disposal are expected to be completed by during the 2013/2014 financial year.

41. Prior period errors

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

Statement of financial position		
Sundry payables, adjusted per audit query, understatement of cellphone account	-	(9,529)
Finance leases adjust to agree with amortization tables	-	(272,499)
Unspent grants - restate opening balance as per external confirmation recieved from Dept of Arts and Culture	-	(301,047)
Unspent grants - adjust for grant expenditure never raised prior to 2012	-	(544,881)
Investment property adjustment	-	2,251,180
Debtors Rates - Reversing revenue created due to incorrect billing	-	(60,063)
Debtors Refuse - Reversing revenue created due to incorrect billing	-	(50,251)
Debtors Rates - Writing off opening balance of incorrect billing	-	(415,806)
Debtors Refuse - Writing off opening balance of incorrect billing	-	(136,687)
Provision for bad debt, reducing the provision due to items incorrectly billed	-	662,809
Intangible assets carrying value adjustment. Refer to note 9	-	(2,902)
Trade creditors reversal due to duplication	-	514,009
Consumer deposits	-	(1,000)
Trade creditos reversal due to duplication prior to 2012	-	25,160
Capital work in progress reversal prior to 2012	-	3,000
PPE cost adjustment due to new fixed asset register. Refer to note 8	-	6,609,439
PPE accumulated depreciation adjustment due to new fixed asset register. Refer to note 8	-	1,912,329
Accumulated depreciation incorrectly classified as depreciation	-	88,932
Investment property - accumulated depreciation adjustment as per fixed asset register - Refer to note 7	-	(2,416)
Debtors - understated due to incorrect receipting	-	71,031
Total movement in Statement of Financial Position	-	**10,340,808**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012 Restated

41. Prior period errors (continued)

Statement of Financial Performance		
Property rates adjustment due to discounting	-	20,789
Interest adjustment due to discounting	-	(20,789)
Property rates	-	60,063
Refuse	-	50,251
Cellphone	-	9,529
Provision for debt impairment reversal	-	(662,809)
Depreciation adjustment - Intangible assets	-	170,511
Pension fund expense duplicated	-	(1,196)
PMU fees duplicated	-	(47,851)
National electricity program expense duplicated	-	(246,921)
Consulting fees ED Planning duplicated	-	(217,041)
Depreciation adjustment - PPE	-	(568,424)
Accumulated depreciation incorrectly classified as an income statement item adjusted accordingly	-	(88,932)
Sundry income - debtors incorrectly receipted	-	(71,031)
Movement in Statement of Financial Performance	-	**(1,613,851)**
Adjust for opening retain earnings of 2012 (finance leases)	-	272,499
Adjust for opening retain earnings of 2012 (Library Grant)	-	301,047
Adjust for opening retain earnings of 2012 (Bad debt write off)	-	552,493
Adjust for opening retain earnings of 2012 (Intangible assets)	-	(167,609)
Adjust for opening retain earnings of 2012 (Duplication)	-	(28,160)
Adjust for opening retain earnings of 2012 (Water reticulation)	-	544,881
Adjust for opening retain earnings of 2012 (PPE adjustment)	-	(8,521,768)
Adjust for opening retain earnings of 2012 (PPE Depreciation adjustment)	-	568,424
Adjust for opening retain earnings of 2012 (Investment property)	-	(2,251,180)
Adjust for opening retain earnings of 2012 (Investment property depreciation adjustment)	-	2,416
Retain earnings movement prior to 2012	-	**(8,726,957)**