GREATER TZANEEN MUNCIPALITY

AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

Nature of business and principal activities	Greater Tzaneen Municipality is a local municipality performing the functions as set out in the constitution (Act no 105 of 1996). GTEDA is a municipal agency performing the functions consistant with that of an agency and not that of an entity.
Jurisdiction within which the Municipality operates	The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province in the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km², and extends from Haenertsburg in the west, to Rubbervale in the east (85km), and just south of Modjadjiskloof in the north, to Trichardtsdal in the south (47km).
Mayoral committee	
Mayor	Councillor DJ Mmetle
Members of the Executive Committee	Councillor DJ Mmetle Councillor C Machimana (Finance) Councillor M Mokgomole (Agriculture and Environment Management) Councillor RE Pohl Councillor C Nkhwashu (Water Service) Councillor RR Selomo (Infrastructure) Councillor SJ Nkuna (Health and Social Development) Councillor B Sekgotodi (Public Transport and Roads) Councillor MS Maunatlala (Economic Development, Housing and Spatial Development Plan) Councillor MR Shingange (Corporate Gov. and Shared Services) Councillor P Machete (Speaker) Councillor MN Mboweni (Chief Whip)
Ordinary Councilors	Councillor S Mbhalati (MPAC Chairperson) Councillor C Baloyi Councillor KO Banyini Councillor ML Hlangwane Councillor AJ van Vuuren Councillor MM Letsoalo Councillor MD Mabape Councillor G Mabuza Councillor NM Mahasha Councillor S Mahori Councillor MR Makhudu Councillor SC Makwala Councillor M Makwala Councillor A Makwela Councillor C Mamogale Councillor MG Mangena Councillor SP Masetla Councillor BM Mashava Councillor NA Masila Councillor L Matita Councillor M Sabela Councillor M Mbhalati Councillor MS Mboweni

GENERAL INFORMATION

	Councillor DQ Mhlari Councillor MD Hlangwini Councillor MM Mmola Councillor TS Manyama Councillor MM Mohale Councillor L Mohale Councillor T Mokgobi Councillor MJ Mokgoloboto Councillor ST Mushwana Councillor DG Mushwana Councillor M Malebati Councillor M McNeil Councillor ML Ncha Councillor ND Ndhlovu Councillor D Maake Councillor DL Ndove Councillor GG Nghondzweni Councillor RP Nghonyama Councillor GE Ntimbane Councillor K Nukeri Councillor B Mashele Councillor J Mothiba Councillor ML Pudikabekwa Councillor MS Raganya Councillor PJ Ramodipa Councillor ME Ramolefo Councillor NR Rikhotso Councillor ML Mhlongo Councillor N Nkhwashu Councillor MH Magoro Councillor M Sibiya Councillor M Valentine Councillor NH Zandemela
Grading of local authority	Grade 4: High capacity
Chief Finance Officer (CFO)	Norah Mokgadi Lion
Municipal Manager	Obby Mkhombo
Registered office	Agatha Street Civic Centre Tzaneen 0850
Business address	Greater Tzaneen Municipality Agatha Street Civic Center Tzaneen 0850

GENERAL INFORMATION

Postal address	Greater Tzaneen Municipality PO Box 24 Tzaneen 0850
Bankers	ABSA
Website address	www.tzaneen.gov.za
Audit committee	TC Modipane (Chairperson) FJ Mudau HG Hlomane SAB Ngobeni Adv. SST Kholong
Level of rounding	Rounding to the nearest Rand
AGSA	Senior Manager: MD Tjale Telephone number: 015 283 9336 E-mail address: dtjale@agsa.co.za

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Abbreviations

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

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

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

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

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

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

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

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

The audited annual financial statements are prepared on the basis that the municipality is a going concern and that the Greater Tzaneen Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The audited annual financial statements set out on pages 8 to 85, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Obby Mkhombo
Municipal Manager

REPORT OF THE AUDITOR GENERAL

To the Provincial Legislature of Greater Tzaneen Muncipality

Report on the financial statements

ACCOUNTING OFFICER'S REPORT

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

1. Review of activities

Main business and operations

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province within the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km², and extends from Haenertsburg in the west, to Rubbervale in the east (85km), and just south of Modjadjiskloof in the north, to Trichardtsdal in the south (47km).

The operating results for the year were satisfactory for the following reasons.

Revenue
The municipality achieve a 98% collection rate on the budgeted revenue and all grant funding allocated to the Greater Tzaneen Municipality have been received.

Expenditure
The municipality closes the financial year with a deficit due to the fact that no loan was taken up to finance capital projects. All capital projects were financed from own funds. The increase in employee costs is as a result of benchmarking Greater Tzaneen Municipality with other municipalities.

2. Going concern

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

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer

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

Name	Nationality
Obby Mkhombo	South Africa

Statement of Financial Position as at 30 June 2013

	Note(s)	2013 R	2012 R
Assets			
Current Assets			
Inventories	3	33,245,772	10,977,924
Other financial assets	4	539,730	170,566
Operating lease asset	5	159,323	176,954
Other receivables from non-exchange transactions	6	198,902,409	104,587,505
Consumer debtors	7	57,358,648	54,562,911
Cash and cash equivalents	8	10,876,224	50,277,604
		301,082,106	**220,753,464**
Non-Current Assets			
Investment property	9	188,943,792	208,588,792
Property, plant and equipment	10	1,551,897,721	1,566,538,654
Intangible assets	11	131,570	49,645
Other financial assets	4	4,953,416	23,677,175
		1,745,926,499	**1,798,854,266**
Total Assets		**2,047,008,605**	**2,019,607,730**
Liabilities			
Current Liabilities			
Other financial liabilities	12	10,815,912	9,573,601
Finance lease obligation	13	3,078,821	2,753,768
Accounts payable	14	121,067,281	88,933,087
VAT payable	15	23,729,020	25,738,089
Consumer deposits	16	16,229,380	18,554,112
Unspent conditional grants and receipts	17	31,536,518	39,919,997
Provisions	18	273,487	2,139,391
		206,730,419	**187,612,045**
Non-Current Liabilities			
Other financial liabilities	12	119,654,076	142,330,562
Finance lease obligation	13	2,688,483	3,935,338
Retirement benefit obligation	19	55,540,543	50,152,756
Provisions	18	2,872,705	2,611,550
		180,755,807	**199,030,206**
Total Liabilities		**387,486,226**	**386,642,251**
Net Assets		**1,659,522,379**	**1,632,965,479**
Net Assets			
Accumulated surplus		1,659,522,379	1,632,965,479

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2013 R	2012 R
Revenue			
Fines		5,864,717	7,009,597
Government grants and subsidies	20	283,115,879	208,297,060
Income from agency services		14,598,636	20,929,065
Interest received - outstanding receivables		8,731,739	13,943,143
Interest received - external investments		3,901,063	5,159,947
Licences and permits		543,903	498,951
Other income	21	9,396,590	7,166,071
Property rates	22	61,059,598	55,727,950
Property rates - penalties imposed		4,216,707	3,106,571
Rental of facilities and equipment		1,292,420	393,210
Service charges	23	356,168,113	329,306,461
Total Revenue		**748,889,365**	**651,538,026**
Expenditure			
Bulk purchases	24	233,343,443	204,802,906
Collection costs		653,333	667,961
Contracted services	25	40,672,013	28,892,588
Debt impairment		50,680,062	12,496,142
Depreciation and amortisation		105,229,808	99,936,375
Finance costs	26	16,330,762	12,766,508
General Expenses	27	48,546,111	54,099,844
Grants and subsidies paid	28	23,481,039	24,560,971
Impairment of assets		(21,560,018)	96,882,830
Loss on disposal of assets		25,233,385	3,503
Employee costs	29	127,800,852	97,737,149
Remuneration of councillors	30	17,561,286	16,655,144
Repairs and maintenance	31	91,867,350	90,818,691
Loss on inventory		(164,010)	(38,856)
Total Expenditure		**759,675,416**	**740,281,756**
Deficit for the year		**(10,786,051)**	**(88,743,730)**

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1,794,955,625	1,794,955,625
Adjustments		
Prior year adjustments	5,180,018	5,180,018
Balance at 01 July 2011 as restated	**1,800,135,643**	**1,800,135,643**
Changes in net assets		
Surplus / (deficit) for the year	(88,743,730)	(88,743,730)
Appropriations	(35,005,373)	(35,005,373)
Transfers to / from accumulated surplus/(deficit)	(43,421,061)	(43,421,061)
Total changes	(167,170,164)	(167,170,164)
Balance at 01 July 2012	**1,632,965,484**	**1,632,965,484**
Changes in net assets		
Surplus / (deficit) for the year	(10,786,051)	(10,786,051)
Transfers to / from accumulated surplus/(deficit)	37,342,946	37,342,946
Total changes	26,556,895	26,556,895
Balance at 30 June 2013	**1,659,522,379**	**1,659,522,379**

Note(s)

CASH FLOW STATEMENT

	Note(s)	2013 R	2012 R
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		647,877,661	558,039,975
Interest income		3,901,063	19,103,090
		651,778,724	577,143,065
Payments			
Cash paid to suppliers and employees		(574,588,775)	(475,677,101)
Finance costs		(16,330,762)	(12,054,685)
		(590,919,537)	(487,731,786)
Net cash flows from operating activities	32	**60,859,187**	**89,411,279**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(95,409,939)	(97,520,564)
Proceeds from sale of property, plant and equipment	10	(20,358,936)	3,503
Proceeds from sale of investment property	9	19,645,000	-
Purchase of other intangible assets	11	(135,310)	(1,284)
Purchase of financial assets		(369,164)	(2,994,546)
Proceeds from sale of financial assets		18,723,759	2,729,697
Net cash flows from investing activities		**(77,904,590)**	**(97,783,194)**
Cash flows from financing activities			
Proceeds from other financial liabilities		-	35,684,405
Repayment of other financial liabilities		(21,434,175)	-
Net movement in finance lease liabilities		(921,802)	766,840
Net cash flows from financing activities		**(22,355,977)**	**36,451,245**
Net increase/(decrease) in cash and cash equivalents		**(39,401,380)**	**28,079,330**
Cash and cash equivalents at the beginning of the year		50,277,604	22,198,274
Cash and cash equivalents at the end of the year	8	**10,876,224**	**50,277,604**

ACCOUNTING POLICIES

1. Basis of preparation

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

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

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

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

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.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables and loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

ACCOUNTING POLICIES

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 19.

Effective interest rate

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

Allowance for doubtful debts

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

1.2 Investment property

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

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

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

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

1.2 Investment property (continued)

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

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

Fair value

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

The fair value of investment property reflects market conditions at the reporting date.

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

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.3 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

ACCOUNTING POLICIES

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	**Average useful life (in years)**
Infrastructure	
• Roads and paving	30
• Pedestrian malls	30
• Electricity	20 - 30
• Water	15 - 20
• Sewerage	15 - 20
• Housing	30
Community	
• Improvements	30
• Recreational facilities	20 - 30
• Security	5
Other	
• Buildings	30
• Specialist vehicles	10
• Other vehicles	5
• Office equipment	3 - 7
• Furniture and fittings	7 - 10
• Watercraft	15
• Bins and containers	5
• Specialised plant and equipment	10 - 15
• Other items of plant and equipment	2 - 5

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

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

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

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

1.3 Property, plant and equipment (continued)

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

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

Heritage assets, which are defined as culturally significant resources, are not depreciated as they are regarded as having an indefinite life. Land is also not depreciated for the same reason.

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

1.4 Intangible assets

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

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

Intangible assets are initially recognised at cost.

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

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

ACCOUNTING POLICIES

1.4 Intangible assets (continued)

Expenditure, which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

Research and development expenditure is written off as incurred.

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

Item	**Useful life**
Computer software	2 - 8 years

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

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

1.5 Financial instruments

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

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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

1.5 Financial instruments (continued)

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

ACCOUNTING POLICIES

1.5 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Loans and receivables	Financial asset measured at amortised cost
Held-to-maturity investments	Financial asset measured at fair value

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

ACCOUNTING POLICIES

1.5 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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

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

1.6 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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.

1.6 Leases (continued)

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.

1.7 Inventories

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in, first out method, and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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. Redundant and slow moving inventories are identified and written down with regard to their cost. Consumables are written down according to their age, condition and utility.

Stands available for sale during the next 12 months are recognised as inventory.

1.8 Non-current assets held for sale

Any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as non-current assets held for sale, and not included in either property, plant and equipment or investment property in the municipality's statement of financial position.

Such assets will, however, be recorded in the fixed asset register in the same manner as other fixed assets, but a separate section of the fixed asset register will be maintained for this purpose.

1.9 Impairment of cash-generating assets

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

ACCOUNTING POLICIES

1.9 Impairment of cash-generating assets (continued)

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

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

ACCOUNTING POLICIES

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.10 Impairment of non-cash-generating assets

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

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

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

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

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

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

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. 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 determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units 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 to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity 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 entity, 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 entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, 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 entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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.

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the 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 entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

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

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

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

ACCOUNTING POLICIES

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

ACCOUNTING POLICIES

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

ACCOUNTING POLICIES

1.11 Employee benefits (continued)

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

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

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.12 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.12 Provisions and contingencies (continued)

A contingent liability is:
- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

The municipality does not recognise a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Contingencies are disclosed in note 36.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

Revenue arising from application of the approved tariff of changes in recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.

ACCOUNTING POLICIES

1.13 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.14 Revenue from non-exchange transactions

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

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

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

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

ACCOUNTING POLICIES

1.14 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines

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

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

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

1.15 Borrowing costs

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

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

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, 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.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

ACCOUNTING POLICIES

1.19 Irregular expenditure

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

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. The liability is transferred to revenue as and when the conditions attached to the grants are met. Grants without any conditions attached are recognised as revenue when the asset s recognised.

1.21 Segmental information

Segmental information on Property, Plant and Equipment as well as income and expenditure is set out in Appendix C and D based on the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

1.22 Related parties

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

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

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

1.23 VAT

The municipality accounts for VAT on the payment basis. Output VAT is only payable as and when the purchase consideration is received and input tax can only be claimed as and when payments are made.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

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

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

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

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

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

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;

2. New standards and interpretations (continued)

- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

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

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

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

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

The standard prescribes recognition and measurement for:

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

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

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

The impact of this standard is currently being assessed.

GRAP 105: Transfers 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. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 audited annual financial statements.

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

GRAP 106: Transfers 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. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 audited annual financial statements.

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 audited annual financial statements.

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

GRAP 20: Related parties

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

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

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

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

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users’ assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

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

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

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

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

The standard elaborates on the definitions and identification of:

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

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

- Control;
- Related party transactions; and
- Remuneration of management

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

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

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

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

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

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

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

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

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

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

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

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

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

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

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition. All amendments to be applied retrospectively.

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

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

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

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures. All amendments to be applied retrospectively.

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

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

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

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure. All amendments to be applied prospectively.

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

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

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

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

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

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

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

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:
- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

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

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

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

IGRAP 1 (as revised 2012): Applying the probability test on initial recognition of revenue

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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

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

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

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R
3. Inventories		
Consumable stores	11,330,772	9,254,924
Stands	21,915,000	1,723,000
	33,245,772	**10,977,924**

The carrying value of consumable stores is disclosed at cost while the carrying value of stands is disclosed at net realisable value.

Inventory pledged as security

No inventory was pledge as security.

	2013 R	2012 R
4. Other financial assets		
Held to maturity		
Fixed deposits - Unlisted	4,953,416	23,677,175
Loans and receivables		
Stand sale arrangements	539,730	170,566
Total other financial assets	**5,493,146**	**23,847,741**
Non-current assets		
Held to maturity	4,953,416	23,677,175
Current assets		
Loans and receivables	539,730	170,566
	5,493,146	**23,847,741**
Council's valuation of unlisted investments		
Liberty	4,953,416	3,786,347
BOE (Sinking Fund)	-	19,890,828
	4,953,416	**23,677,175**

An investment of R6 982 292 has been made with BOE to repay a loan of R20 000 000 on maturity date. The loan bears interest at a variable rate and the value of the investment amounted to R20 000 000. The BOE investment has been ceded to ABSA and the investment was utilised to repay the Sinking Fund loan from ABSA during the current financial year. Refer to note 12 for more detail on long term liabilities.

Fair value of investments are at quoted book value as at 30 June 2013.

No non-current investments defaulted and no terms of any of the non-current investments were re-negotiated.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

4. Other financial assets (continued)

Loans and receivables

Stand sale arrangements	539,730	170,566
Debtor arrangements	830,524	749,369
	1,370,254	919,935
Less: Provision for impairment	(830,524)	(749,369)
	539,730	170,566
Less: Current portion	(539,730)	(170,566)
Total non-current loans and receivables	**-**	**-**

Reconciliation of provision for impairment of loans and receivables

Opening balance	749,369	1,412,928
Provision for impairment	81,155	(574,750)
Amounts written off as uncollectible	-	(88,809)
	830,524	**749,369**

No security is held for any loans and receivables.

No loans and receivables defaulted and no terms of any of the loans and receivables were re-negotiated.

No portion of the loans and receivables was pledged as security for financial liabilities.

Loans to staff and the public
To comply with the requirements of the MFMA, no loan has been made after 1 March 2004.

Stand sale arrangements
Arrangements were made to enable people to purchase stands from the Council. These arrangements are repayable within 60 days at a fixed interest rate of 18%.

Debtor arrangements
Short-term debt repayment arrangements are engaged in to enable debtors to pay outstanding consumer accounts.

5. Operating lease asset (accrual)

Current assets	159,323	176,954
	159,323	**176,954**

Municipality as lessor: Future minimum lease payments receivable

Less than one year	123,030	113,345
Between one and five years	256,940	333,311
More than five years	302,927	349,585
	682,897	**796,241**

6. Other receivables from non-exchange transactions

Payments in advance	5,534,243	6,248,343
Petrol deposit	9,808	9,808
Year end debtors	155,108,687	59,375,668
Public contributions and subsidies	37,342,946	35,055,739
Other	11,126,550	11,856,718
Provision for impairment of other receivables	(10,219,825)	(7,958,771)
	198,902,409	**104,587,505**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R
6. Other receivables from non-exchange transactions (continued)		
Reconciliation of provision for impairment of other receivables		
Opening balance	7,958,771	13,974,421
Provision for impairment	2,261,054	5,578,290
Amounts written off as uncollectible	-	(11,593,940)
	10,219,825	**7,958,771**
7. Consumer debtors		
Gross balances		
Rates	68,547,344	55,936,635
Electricity	88,033,570	55,841,956
Refuse	32,719,561	26,388,294
	189,300,475	**138,166,885**
Less: Provision for debt impairment		
Rates	(58,062,679)	(46,705,300)
Electricity	(45,378,284)	(14,689,896)
Refuse	(28,500,864)	(22,208,778)
	(131,941,827)	**(83,603,974)**
Net balance		
Rates	10,484,665	9,231,335
Electricity	42,655,286	41,152,060
Refuse	4,218,697	4,179,516
	57,358,648	**54,562,911**
Included in above is receivables from exchange transactions		
Electricity	42,655,286	41,152,060
Refuse	4,218,697	4,179,516
	46,873,983	**45,331,576**
Included in above is receivables from non-exchange transactions (taxes and tansfers)		
Rates	10,484,665	9,231,335
Rates: Ageing		
Current (0 -30 days)	5,274,600	4,833,610
31 - 60 days	2,750,946	2,389,666
61 - 90 days	2,242,693	2,502,182
91 - 120 days	1,923,233	1,671,254
121 days and older	56,355,872	44,539,923
	68,547,344	**55,936,635**
Electricity: Ageing		
Current (0 -30 days)	27,323,861	26,476,212
31 - 60 days	9,774,063	8,365,940
61 - 90 days	3,049,041	4,158,602
91 - 120 days	6,217,475	2,151,304
121 days and older	41,669,130	14,689,897
	88,033,570	**55,841,955**

	2013 R	2012 R

7. Consumer debtors (continued)

Refuse: Ageing		
Current (0 -30 days)	2,265,619	2,194,225
31 - 60 days	1,068,574	1,101,314
61 - 90 days	843,840	909,482
91 - 120 days	785,140	830,542
121 days and older	27,756,388	21,352,731
	32,719,561	**26,388,294**

Summary of debtors by customer classification including other debtors

Residential property: Ageing		
Current (0 -30 days)	13,332,645	13,287,486
31 - 60 days	6,782,228	6,239,757
61 - 90 days	3,325,637	2,587,719
91 - 120 days	3,579,637	2,185,877
121 days and older	106,210,186	52,432,174
	133,230,333	**76,733,013**

Industrial / Commercial: Ageing		
Current (0 -30 days)	15,967,502	19,948,753
31 - 60 days	7,950,220	6,719,346
61 - 90 days	3,528,478	3,936,980
91 - 120 days	6,585,417	1,878,100
121 days and older	77,224,584	22,616,398
	111,256,201	**55,099,577**

National and Provincial: Ageing		
Current (0 -30 days)	5,916,602	685,360
31 - 60 days	308,044	583,041
61 - 90 days	295,632	349,147
91 - 120 days	268,026	286,903
121 days and older	9,972,077	7,194,944
	16,760,381	**9,099,395**

Other: Ageing		
Current (0 -30 days)	5,035,470	1,454,830
31 - 60 days	1,331,777	1,012,804
61 - 90 days	1,245,739	629,752
91 - 120 days	851,599	441,689
121 days and older	17,052,066	7,047,177
	25,516,651	**10,586,252**

Consumer debtors pledged as security

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

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to historical information about counter party default rates.

Fair value of consumer debtors

The fair value of accounts receivable approximates their carrying amounts.

	2013 R	2012 R

7. Consumer debtors (continued)

Consumer debtors

No security is held for any of the accounts receivable.

Consumer debtors impaired

As of 30 June 2013, consumer debtors of R131,941,827 (2012: R83,603,974) were impaired and provided for.

No debtors have been written off in the current year. For the 2011/2012 year, R4,178,342 were written off as uncollectable against the debt impairment allowance account.

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.

Reconciliation of provision for impairment of consumer debtors

	2013 R	2012 R
Opening balance	83,603,974	80,320,553
Provision for impairment	48,337,853	7,461,763
Amounts written off as uncollectable	-	(4,178,342)
	131,941,827	**83,603,974**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013 R	2012 R
Bank balances	10,876,224	50,277,604

No cash and cash equivalents, or portion thereof, was pledge as security for any financial liabilities.

No restrictions exist regarding the use of cash.

No portion of cash and cash equivalents is past due or impaired.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank - 126 085 0527	-	-	-	10,876,224	50,277,604	22,198,274
ABSA Bank - 404 896 4222	10,091,268	51,117,022	32,338,697	-	-	-
ABSA Bank - 908 197 4990	784,956	795,556	150,942	-	-	-
Total	**10,876,224**	**51,912,578**	**32,489,639**	**10,876,224**	**50,277,604**	**22,198,274**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

9. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	188,943,792	-	188,943,792	208,588,792	-	208,588,792

Reconciliation of investment property - 2013

	Opening balance	Disposals	Total
Investment property	208,588,792	(19,645,000)	188,943,792

Reconciliation of investment property - 2012

	Opening balance	Impairments	Total
Investment property	305,471,622	(96,882,830)	208,588,792

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

Details of valuation

The Greater Tzaneen Municipality valuation is based on the valuation roll and is reviewed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The valuation roll has been extended for one year and new valuations will be effective from 1 July 2013.

10. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	134,592,193	-	134,592,193	142,172,785	-	142,172,785
Infrastructure	1,670,600,056	(536,025,946)	1,134,574,110	1,665,893,554	(447,419,111)	1,218,474,443
Community	80,599,462	(15,372,438)	65,227,024	80,930,173	(12,749,032)	68,181,141
Work in progress	169,664,254	-	169,664,254	83,742,397	-	83,742,397
Other assets	74,935,077	(32,898,211)	42,036,866	70,159,295	(23,230,045)	46,929,250
Leased assets	15,117,675	(9,314,401)	5,803,274	14,415,429	(7,376,791)	7,038,638
Total	**2,145,508,717**	**(593,610,996)**	**1,551,897,721**	**2,057,313,633**	**(490,774,979)**	**1,566,538,654**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Classified as held for sale	Transferred to completed items	Depreciation	Total
Land	142,172,785	-	(3,438,974)	(4,141,618)	-	-	134,592,193
Infrastructure	1,218,474,443	4,706,504	-	-	-	(88,606,837)	1,134,574,110
Community	68,181,141	602,292	(933,000)	-	-	(2,623,409)	65,227,024
Work in progress	83,742,397	89,784,582	-	-	(3,862,725)	-	169,664,254
Other assets	46,929,250	5,749,037	(95,984)	-	-	(10,545,437)	42,036,866
Leased assets	7,038,638	2,571,867	(406,491)	-	-	(3,400,740)	5,803,274
	1,566,538,654	**103,414,282**	**(4,874,449)**	**(4,141,618)**	**(3,862,725)**	**(105,176,423)**	**1,551,897,721**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transferred to completed items	Depreciation	Total
Land	142,172,785	-	-	-	-	142,172,785
Infrastructure	1,293,681,657	13,620,909	-	-	(88,828,123)	1,218,474,443
Community	70,773,119	-	-	-	(2,591,978)	68,181,141
Work in progress	31,399,756	65,801,964	-	(13,459,323)	-	83,742,397
Other assets	24,095,326	27,342,956	(3,503)	-	(4,505,529)	46,929,250
Leased assets	6,911,772	4,214,057	-	-	(4,087,191)	7,038,638
	1,569,034,415	**110,979,886**	**(3,503)**	**(13,459,323)**	**(100,012,821)**	**1,566,538,654**

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 AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

11. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	234,777	(103,207)	131,570	99,467	(49,822)	49,645

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	49,645	135,310	(53,385)	131,570

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	81,545	1,284	(33,184)	49,645

12. Other financial liabilities

	2013 R	2012 R
At amortised cost		
Annuity loan - DBSA	39,126,339	40,373,580
Annuity loan - ABSA	30,028,990	32,527,144
Annuity loan - INCA	16,163,106	18,110,312
Sinking fund - ABSA	-	11,600,000
Annuity loan - Standard Bank	30,151,553	34,293,127
DBSA local registered stock loan	15,000,000	15,000,000
	130,469,988	**151,904,163**
Non-current liabilities		
At amortised cost	119,654,076	142,330,562
Current liabilities		
At amortised cost	10,815,912	9,573,601
	130,469,988	**151,904,163**

12. Other financial liabilities (continued)

Refer to Appendix A for detail on long-term liabilities.

Annuity loan - Standard Bank
This loan has been split into two allocations of R21 011 000 and R13 281 000 and was taken up on 30 June 2012. These loans bear interest at rates of 11,8% and 10,96% respectively and will be fully redeemed on 30 June 2019 and 30 June 2017 respectively.

Annuity loan - ABSA
This loan has been split into two allocations of R25 140 000 and R9 640 000 and was taken up on 15 August 2010. These loans bear interest at rates of 10,62% and 6,75% respectively and will be fully redeemed on 31 July 2025 and 31 July 2015 respectively.

Annuity loan - DBSA
A loan of R41 000 000 of which R 35 010 350 has been allocated during the 2010 / 2011 financial year was taken up to finance capital projects. This loan bears interest at a rate of 6,75% per annum and will be fully redeemed on 31 October 2030.

Annuity loan - INCA
The loan has been taken up to finance the purchase of land. It bears interest at a rate of 12,5% per annum and will be fully redeemed on 31 December 2018.

Sinking fund - ABSA
An investment of R6 982 292 has been made with BOE to repay a loan of R20 000 000 on maturity date. The loan bears interest at a variable rate and the value of the investment amounts to R20 000 000. The BOE investment has been ceded to ABSA and the investment was utilised to repay the Sinking Fund loan from ABSA during the current financial year.

R11 600 000 is refelcted above as an ABSA Sinking Fund whilst R8 400 000, which represent water related transactions, is reflected in the annual financial statements of Mopani District Municipality.

Excelsior 1 000 investment
An investment of R855 619 has been made with Liberty to repay a loan of R15 000 000 on maturity date. The loan bears interest at a variable rate.

None of the loans are secured by any fixed or movable assets of the Greater Tzaneen Municipality.

The municipality did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the financial liabilities were re-negotiated.

Undrawn borrowings
There were no undrawn borrowing facilities that were available for future activities or to settle capital commitments at 30 June 2013.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

13. Finance lease obligation

	2013 R	2012 R
Minimum lease payments due		
- within one year	3,547,279	3,238,489
- in second to fifth year inclusive	2,888,741	4,321,914
	6,436,020	7,560,403
less: future finance charges	(668,716)	(871,297)
Present value of minimum lease payments	**5,767,304**	**6,689,106**
Present value of minimum lease payments due		
- within one year	3,078,821	2,753,768
- in second to fifth year inclusive	2,688,483	3,935,338
	5,767,304	**6,689,106**
Non-current liabilities	2,688,483	3,935,338
Current liabilities	3,078,821	2,753,768
	5,767,304	**6,689,106**

The average lease term was 3-5 years. Interest rates are fixed at the contract date. Certain leases have fixed repayments and other escalate. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

The municipality did not default on any of the interest or capital repayments of the finance leases.

No terms and conditions of the finance leases were re-negotiated.

14. Accounts payable

	2013 R	2012 R
Trade payables	78,980,512	53,505,256
Payments received in advanced	5,534,243	6,248,343
Staff leave	6,979,074	5,817,207
Retention	12,284,854	8,159,957
Unknown direct deposits	11,351,951	10,372,910
Other payables	1,115,677	769,006
13th Cheque	4,820,970	4,060,408
	121,067,281	**88,933,087**

The Municipality did not default on any accounts payable in respect of capital or interest portions.

No terms attached to the accounts payable were re-negotiated.

15. VAT payable

	2013 R	2012 R
Net VAT payable	23,729,020	25,738,089

VAT is payable on the payments basis. Output VAT is only payable as and when the purchase consideration is received and input VAT can only be claimed as and when payments are made.

16. Consumer deposits

	2013 R	2012 R
Electricity	16,229,380	18,554,112
Guarantees held in lieu of electricity deposits	3,725,130	3,024,630

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2013 R	2012 R
Conditional grants from other spheres of Government		
Grants - other	31,536,518	39,919,997

Movement during the year

	2013 R	2012 R
Balance at the beginning of the year	39,919,997	15,909,094
Additions during the year	81,965,000	24,010,903
Income and administration fees recognition during the year	(90,348,479)	-
	31,536,518	**39,919,997**

Included in income and administration fees recognised during the year is income amounting to R78 252 803 and administration fees amounting to R12 095 676.

Refer to note 20 for reconciliation of unspent conditional grants.

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

18. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Provision for rehabilitation of landfill site	2,611,550	261,155	-	2,872,705
Provision for performance bonusses	2,139,391	-	(1,865,904)	273,487
	4,750,941	**261,155**	**(1,865,904)**	**3,146,192**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Provision for rehabilitation of landfill site	2,374,136	237,414	-	2,611,550
Provision for performance bonusses	1,982,059	357,175	(199,843)	2,139,391
	4,356,195	**594,589**	**(199,843)**	**4,750,941**

	2013 R	2012 R
Non-current liabilities	2,872,705	2,611,550
Current liabilities	273,487	2,139,391
	3,146,192	**4,750,941**

Provision for rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10% over an average period of 20 years. The due date of this provision is June 2027.

Provision for performance bonusses

Performance bonusses accrue to Section 57 managers and managers on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff. Performance bonusses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period. Performance bonusses are measured at face value as it is expected that these would be paid shortly after the financial year end once performance evaluations have been completed.

19. Employee benefit obligations

Defined benefit plan

Long service awards

Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 642 (2012: 684) employees that are entitled to long service leave awards on 30 June 2013. The long service leave awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.

Post-employment health care benefit

The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arragement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2013.

Joint Municipal Pension Fund

The last valuation of the Joint Municipal Pension Fund was done on 30 September 2011.

The results of the valuation (with provision for some future pension increases) are as follows:

Funding level (including solvency): 100%

Actuarial valuation	2011 R'000	2010 R'000
Actuarial value of assets	1,959,558	1,995,626
Total accrued liabilities	(1,796,761)	(1,902,613)
Solvency reserve	(162,797)	(93,013)
Surplus / (Deficit)	**-**	**-**

Municipal Employees Gratuity Fund

The last valuation of the Municipal Employees Gratuity Fund was done on 30 June 2012.

The fund is financial sound for the requirements of the Pension Fund Act.

Actuarial valuation	2012 R'000	2011 R'000
Value of assets	12,537,061	11,257,721
Reserve account	273,806	198,557
Value of fund on 30 June 2011	**12,810,867**	**11,456,278**

Municipal Employees Pension Fund

The last valuation of the Municipal Employees Pension Fund was done on 28 February 2011.

This represents a funding level of 107.9%.

Actuarial valuation	28 Feb 2011 R'000	29 Feb 2008 R'000
Assets	7,544,210	5,715,557
Liabilities	(6,991,439)	(4,900,547)
Contingency reserves	(739,816)	(382,289)
Surplus / (Deficit)	**(187,045)**	**432,721**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

19. Employee benefit obligations (continued)

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

	2013 R	2012 R
Carrying value		
Present value of the defined benefit obligation - Post-employment health care benefit -wholly unfunded	(47,819,496)	(44,563,827)
Present value of the defined benefit obligation - Long service award - wholly unfunded	(7,721,047)	(5,588,929)
	(55,540,543)	**(50,152,756)**

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

	2013 R	2012 R
Opening balance	50,152,756	42,855,153
Benefits paid	(1,643,003)	(1,603,336)
Net expense recognised in the statement of financial performance	7,030,790	8,900,939
	55,540,543	**50,152,756**

Net expense recognised in the statement of financial performance

	2013 R	2012 R
Current service cost	3,235,198	2,936,349
Interest cost	3,879,270	3,601,898
Actuarial (gains) losses - Post employment health care benefit	(1,561,206)	1,955,602
Actuarial (gains) losses - Long service awards	1,477,528	407,090
	7,030,790	**8,900,939**

Calculation of actuarial gains and losses

	2013 R	2012 R
Actuarial gains – Obligation	(1,561,206)	-
Actuarial losses – Obligation	1,477,528	2,362,692
	(83,678)	**2,362,692**

Key assumptions used

Assumptions used at the reporting date:

	2013	2012
Expected retirement age	61	61
Discount rates used - Post employment health care benefit	8.92 %	8.03 %
Health care cost inflation rate	7.75 %	6.99 %
Net discount rate - Post employment health care benefit	1.08 %	0.97 %
Discount rates used - Long service awards	7.21 %	6.50 %
General salary inflation - Long service awards	6.76 %	5.97 %
Net discount rate - Long service awards	0.42 %	0.51 %

Other assumptions

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

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

19. Employee benefit obligations (continued)

Defined contribution plan

Imatu Retirement Fund

The above mentioned fund is a defined contribution fund and according to regulation 2 of the Pension Fund of 1956 exempt from the provisions of sections 9A and 16 of the Act.

20. Government grants and subsidies

	2013 R	2012 R
Equitable share	195,684,000	167,203,000
National MSIG	873,798	690,200
Neighbourhood Grant	9,392,003	5,702,009
Finance Management Grant	1,500,000	1,250,000
SETA	24,839	271,697
MIG	67,601,461	25,230,782
National - Electrification Grant	7,142,448	6,244,372
EPWP	-	1,705,000
Department of Minerals and Energy	897,330	-
	283,115,879	**208,297,060**

Equitable Share

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

Drought Relief Programme

	2013 R	2012 R
Balance unspent at beginning of year	30,702	30,702
Conditions still to be met - transferred to liabilities	**30,702**	**30,702**

Conditions still to be met - remain liabilities (see note 17).

The grant is targeting communities without primary potable water, mainly attributed by drought. The aim is to provide primary water to a minimum of 25lt per day in the proposed area.

SETA

	2013 R	2012 R
Balance unspent at beginning of year	718,398	990,095
Conditions met - transferred to revenue	(24,839)	(271,697)
Conditions still to be met - transferred to liabilities	**693,559**	**718,398**

Conditions still to be met - remain liabilities (see note 17).

The grant is used to pay for training courses. It supplement / augment the funds on the training vote. It is used to set off the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

	2013 R	2012 R

20. Government grants and subsidies (continued)

MIG Grant

Balance unspent at beginning of year	20,570,501	1,191,323
Current-year receipts	56,665,000	46,712,000
Conditions met - transferred to revenue	(59,299,527)	(22,132,265)
Admin fees	(8,301,934)	(5,200,557)
Agent commission	(2,266,600)	-
Conditions still to be met - transferred to liabilities	**7,367,440**	**20,570,501**

Conditions still to be met - remain liabilities (see note 17).

MIG funds are used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure for the poorest of the poor.

Department of Minerals and Energy

Balance unspent at beginning of year	930,516	336,118
Current-year receipts	-	594,398
Conditions met - transferred to revenue	(897,330)	-
Conditions still to be met - transferred to liabilities	**33,186**	**930,516**

Conditions still to be met - remain liabilities (see note 17).

The main aim of this grant was to supply the farmers (workers) with electricity and the funds were used for the electrification of the farmer houses (workers houses) within the Greater Tzaneen Municipality. This was according to the DME (Department of Minerals and Energy) standards.

National Electrification Grant

Balance unspent at beginning of year	2,975,066	4,469,438
Current-year receipts	13,000,000	5,000,000
Conditions met - transferred to revenue	(6,265,305)	(5,477,519)
Administration fees	(877,143)	(1,016,853)
Agent commission	(650,000)	-
Conditions still to be met - transferred to liabilities	**8,182,618**	**2,975,066**

Conditions still to be met - remain liabilities (see note 17).

The grant was used for electrification of farm labour housing and schools.

Community Based Projects

Balance unspent at beginning of year	356,878	413,430
Conditions met - transferred to revenue	-	(56,552)
Conditions still to be met - transferred to liabilities	**356,878**	**356,878**

Conditions still to be met - remain liabilities (see note 17).

The funds were used for the training of lead facilitators, ward-based facilitators and community based projects roll out to the wards. This process took place from December 2003 to date.

	2013 R	2012 R

20. Government grants and subsidies (continued)

EU Grant - Fruit and Nut Cluster

	2013 R	2012 R
Balance unspent at beginning of year	(645,758)	(645,758)
Conditions still to be met - transferred to liabilities	**(645,758)**	**(645,758)**

Conditions still to be met - remain liabilities (see note 17).

This grant was used for a hawker feasibility study.

Neighbourhood Grant

	2013 R	2012 R
Balance unspent at beginning of year	14,332,505	8,572,359
Current-year receipts	10,000,000	12,000,000
Conditions met - transferred to revenue	(9,392,003)	(6,239,854)
Conditions still to be met - transferred to liabilities	**14,940,502**	**14,332,505**

Conditions still to be met - remain liabilities (see note 17).

These funds were used to embellish the entrances of various towns and villages.

Cleanest Town

	2013 R	2012 R
Balance unspent at beginning of year	450,766	450,766
Conditions still to be met - transferred to liabilities	**450,766**	**450,766**

Conditions still to be met - remain liabilities (see note 17).

Funds received through the greenest town competition were used to provide schools in villages with refuse removal skips.

MSIG Establishment Grant

	2013 R	2012 R
Balance unspent at beginning of year	99,800	-
Current-year receipts	800,000	790,000
Conditions met - transferred to revenue	(873,798)	(690,200)
Conditions still to be met - transferred to liabilities	**26,002**	**99,800**

Conditions still to be met - remain liabilities (see note 17).

The grant is used to upgrade the financial systems of the Municipality and to provide training to officials.

Upgrade of sport facilities

	2013 R	2012 R
Balance unspent at beginning of year	100,623	100,623
Conditions still to be met - transferred to liabilities	**100,623**	**100,623**

Conditions still to be met - remain liabilities (see note 17).

This grant was used to upgrade sport facilities in towns and villages.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

20. Government grants and subsidies (continued)

Finance Management Grant

Current-year receipts	1,500,000	-
Conditions met - transferred to revenue	(1,500,000)	-
Conditions still to be met - transferred to liabilities	**-**	**-**

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

No grant destined for the Municipality in terms of the annual Division of Revenue Act were delayed or withheld during the current financial year.

21. Other income

Library services	6,688	16,621
Insurance claims	2,877,989	1,039,837
Valuation certificates	39,820	24,165
Environmental health services	31,359	38,627
Non-refundable deposit	117,506	3,750
Sundry income	6,323,228	6,043,071
	9,396,590	**7,166,071**

22. Property rates

Rates received

Residential	24,480,693	21,608,568
Commercial	20,336,657	17,992,058
State	5,643,955	5,281,074
Other	10,598,293	10,846,250
	61,059,598	55,727,950
Property rates - penalties imposed and collection charges	4,216,707	3,106,571
	65,276,305	**58,834,521**

Valuations

	R'000	**R'000**
Residential	3,371,273	3,484,735
Commercial	1,912,855	2,035,411
State	1,000,150	1,000,270
Municipal	310,439	254,914
Agriculture	4,326,007	4,029,496
Other	58,551	5,816
	10,979,275	**10,810,642**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The same rate is applied on different categories of property and improvement valuations to determine assessment rates. Rebates are granted on various categories of properties. Interest at prime rate plus 1% is levied on outstanding rates and the prime rate of ABSA applies. The valuation roll has been extended for one year and new valuations will be effective from 1 July 2013.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

23. Service charges

Sale of electricity	330,591,700	307,269,216
Indigent charges	144,242	212,382
Refuse removal	24,501,603	21,229,834
Other service charges	930,568	595,029
	356,168,113	**329,306,461**

Greater Tzaneen Municipality acts as service provider for the Mopani District Municipality with regard to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

24. Bulk purchases

Electricity	233,343,443	204,802,906

25. Contracted services

Valuation roll	2,744,357	1,906,522
Security services	8,519,412	8,494,752
Refuse removal	8,965,223	7,248,067
Cleaning services	10,693,888	7,920,955
Other contracted services	9,749,133	3,322,292
	40,672,013	**28,892,588**

Included in other contracted services are:

Information technology	R391 649 (2012: R391 223)
Meter reading	R1 652 764 (2012: R1 780 633)
Town planning	R314 260 (2012: R350 166)
Aerodrum	R13 189 (2012: R107 833)
EPWP	R1 846 032 (2012: R692 437)
Other	R5 531 239 (2012: R0)

26. Finance costs

Finance leases	783,544	711,823
Other financial liabilities	15,547,218	12,054,685
	16,330,762	**12,766,508**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

27. General expenses

	2013 R	2012 R
Auditor's remuneration	1,810,012	2,329,249
Conferences and seminars	3,579	-
Consulting fees	7,689,870	6,858,860
Consumables	734,434	663,089
Fuel and oil	5,774,672	4,037,191
Gifts	397	-
Insurance	2,442,590	2,772,959
Insurance claims - Own expenditure	3,781,680	7,260,780
Lease rentals on operating lease	825,472	380,060
Membership fees - Salga	1,280,968	1,189,262
Other expenses	11,380,922	14,155,674
Postage and courier	1,033,580	904,265
Printing and stationery	1,213,632	1,427,452
Protective clothing	480,272	563,944
Public education and training	44,380	48,986
Rent - Computer	573,455	575,991
Rent - Telephone exchange	899,534	535,077
Small tools and equipment	246,593	1,604,056
Telephone and fax	1,606,775	1,890,069
Training	775,674	1,133,108
Travel - local	5,947,620	5,769,772
	48,546,111	**54,099,844**

28. Grants and subsidies paid

	2013 R	2012 R
HPH	6,052,016	6,239,854
Other grants	10,378,594	14,760,031
Eskom EBSST	4,823,978	2,836,792
Mayor bursary account	331,000	147,450
SPCA	90,000	90,000
Sport Council	106,644	106,644
SETA (Training)	24,839	271,697
Department of Trade and Mineral	897,330	(594,398)
MSIG	738,488	690,200
Mayor special account	38,150	12,701
	23,481,039	**24,560,971**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

29. Employee related costs

Salaries and wages	133,851,778	101,908,806
Performance bonus	273,482	497,425
Social contributions	34,928,545	30,106,659
Travel allowances	7,387,591	6,038,988
Overtime payments	20,143,040	11,955,797
Housing allowances	1,753,235	1,331,040
Less: Employee costs included in other expenses	(70,536,819)	(54,101,566)
	127,800,852	**97,737,149**

Remuneration of municipal manager

Annual remuneration	700,000	954,138
Performance bonuses	-	51,407
	700,000	**1,005,545**

The municipal manager was appointed on 1 December 2012.

Remuneration of chief finance officer

Annual remuneration	990,000	913,863

The chief finance officer was appointed on 1 August 2012.

Remuneration of individual directors

Community services	548,585	903,997
Electrical engineering	950,448	909,934
Planning and economic development	811,516	906,397
Civil engineering	892,668	-
	3,203,217	**2,720,328**

The position of Director Corporate Services was vacant during the current financial year.

The increase in employee related costs from the previous year is as a result of benchmarking with other municipalities.

No advances were made to employees during the year.

30. Remuneration of councillors

Mayor	694,350	658,262
Executive committee allowances	1,454,391	1,478,577
Speaker and full time councillors' allowances	3,689,523	3,327,001
Other councillors' allowances	11,723,022	11,191,304
	17,561,286	**16,655,144**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

30. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Speaker and five Councillors are full-time employees. Each is provided with an office at the cost of the Council.

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

The Mayor has one full-time secretary, one personal assistant and a special project assistant, who is responsible for EPWP, gender, youth and disability programmes.

The allowances and benifits of councillors of the Municipality, whether financial or in-kind, are within the upper limits of the framework envisage in section 219 of the Constitution.

31. Repairs and maintenance

	2013	2012
Machinery and equipment	179,418	187,839
Lawnmowers	3,184,840	2,462,212
Distribution networks	28,920,630	24,984,628
Stormwater, drainage and bridges	7,631,939	7,012,149
Tarred roads	5,292,923	12,504,513
Gravel roads	6,607,215	11,886,591
Sidewalks and pavements	5,025,852	3,436,099
Streetlights	779,376	694,930
Council-owned land	7,462,144	8,240,397
Council-owned buildings	7,563,823	6,685,774
Council-owned vehicles	17,795,064	11,743,118
Non-council-owned assets (Contractors)	174,819	164,762
Other	1,249,307	815,679
	91,867,350	**90,818,691**

32. Cash generated from operations

	2013	2012
Deficit	(10,786,051)	(88,743,730)
Adjustments for:		
Depreciation and amortisation	105,229,808	99,936,375
Gain on sale of assets and liabilities	25,233,385	3,503
Finance costs - Finance leases	-	711,823
Impairment deficit	-	96,882,830
Debt impairment	50,680,062	12,496,142
Movements in operating lease assets and accruals	17,631	27,678
Movements in retirement benefit assets and liabilities	5,387,787	7,297,603
Movements in provisions	(1,604,749)	394,746
Appropriations and transfers	37,342,946	(78,426,434)
Other non-cash items	-	426,730
Changes in working capital:		
Inventories	(22,267,848)	(248,000)
Other receivables from non-exchange transactions	(94,314,904)	12,000,422
Consumer debtors	(53,475,799)	(20,465,091)
Accounts payable	32,134,199	9,625,328
VAT	(2,009,069)	6,501,163
Unspent conditional grants and receipts	(8,383,479)	24,010,903
Consumer deposits	(2,324,732)	6,979,288
	60,859,187	**89,411,279**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

33. Auditor's remuneration

	2013 R	2012 R
Fees	1,810,012	2,329,249

34. Revenue

	2013 R	2012 R
Property rates	61,059,598	55,727,950
Property rates – Penalties imposed and collection charges	4,216,707	3,106,571
Service charges	356,168,113	329,306,461
Rental of facilities and equipment	1,292,420	393,210
Interest received – outstanding receivables	8,731,739	13,943,143
Income from agency services	14,598,636	20,929,065
Fines	5,864,717	7,009,597
Licences and permits	543,903	498,951
Government grants and subsidies	283,115,879	208,297,060
	735,591,712	**639,212,008**

	2013 R	2012 R
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	356,168,113	329,306,461
Rental of facilities and equipment	1,292,420	393,210
Interest received – outstanding receivables	8,731,739	13,943,143
Income from agency services	14,598,636	20,929,065
Licences and permits	543,903	498,951
	381,334,811	**365,070,830**

	2013 R	2012 R
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	61,059,598	55,727,950
Property rates – Penalties imposed and collection charges	4,216,707	3,106,571
Transfer revenue		
Government grants and subsidies	283,115,879	208,297,060
Fines	5,864,717	7,009,597
	354,256,901	**274,141,178**

	2013 R	2012 R
35. Commitments		
Authorised expenditure		
Already contracted for but not provided for		
• Infrastructure	92,138,855	-
• Other commitments	1,344,000	-
	93,482,855	**-**
Not yet contracted for and authorised by accounting officer		
• Infrastructure	-	105,464,828
• Community	-	5,335,000
• Other	-	7,855,000
	-	**118,654,828**
The expenditure will be financed by:		
- Internal advances	12,688,928	29,128,748
- External loans	-	30,000,000
- Government grants	20,279,816	5,000,000
- MIG grants	60,514,111	54,526,080
	93,482,855	**118,654,828**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

36. Contingencies

	2013 R	2012 R
A letter of demand regarding the non-payment of services for the valuation roll performed by Thlaola Dynamics (Pty) Ltd.	769,069	-
A letter of demand from Makasana Construction CC regarding the termination of SLA resulting from the awarding of tenders. The amount under dispute could not yet be reliably determined.		
A letter of demand from Makgets Construction CC regarding the termination of SLA resulting from the awarding of tenders.	15,776,459	-
A notice of action regarding the repair of parking slots and the maintenance thereof from Gypsey Queen Properties 12. The amount under dispute could not yet be reliably determined		
A notice of action regarding negligence to extinguish a fire which gutted Bedrock Mining Support property.	1,500,000	-
Application to the High Court with regard to the unfair dismissal of the previous CFO Mr Andre le Grange. The amount under dispute could not yet be reliably determined		
Paper guarantees housing loan (ABSA) A paper guaranty of R1 million has been negotiated with ABSA on behalf of officials in respect of housing loans. No collateral is needed by ABSA on housing loans.	1,000,000	1,000,000
The municipality is being sued by Thabo Molepo for unlawful arrest by the traffic officers of the municipality. The matter is still in the North Gauteng High Court.	1,000,000	1,000,000
An adjustment of R11 085 243.49 was made by SARS on the municipality's VAT account after an audit was conducted on water related transactions. A dispute is currently in process.	11,085,243	-
A High Court case between Telegenix and the municipality, where the municipality sold land but the purchaser failed to honour payments.	12,000,000	12,000,000
A disciplinary hearing regarding allegations of misconduct between Adv Phatudi and the municipality was conducted and the parties reached a settlement agreement for the amount of R3 281 436.50, in terms of which Adv. Phatudi was compensated an amount of R500 000 and left the employment of the council. An amount of R2 500 000 was paid during July 2013 and the balance of R281 436.50 during August 2013.	2,781,436	1,000,000
A disciplinary hearing regarding allegations of miscoduct between Thabo Ramokgano and the municipality was resolved whereby Thabo Ramokgano was reassigned from his position as Manager Supply Chain Management to Manager Assets.	-	1,000,000

36. Contingencies (continued)

Contingent assets

The estimated amount of recoverable traffic fines for 2013 is R7 393 515 (2012: R4 029 538), being 40% (2012: 35%) of all the traffic fines amounting to R17 223 200 (2012: R7 080 208) issued but not yet recovered at year end. An amount of R504 235 is included in the estimated recoverable traffic fines, which represents warrants.

37. Related parties

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational dicisions.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management. Refer to notes 29 and 30 for detail.

There are no share based payments.

38. Risk management

Financial risk management

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

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	10,815,912	-	-	-
Finance lease obligation	3,078,820	2,138,569	549,914	-
Trade and other payables	32,602,655	-	-	-
Bank overdraft	35,253,776	-	-	-

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	9,573,601	-	-	-
Finance lease obligation	2,753,768	-	-	-
Trade and other payables	88,933,087	-	-	-

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

38. Risk management (continued)

Interest rate risk

The municipality is exposed to interest rate risk on its investments and long term borrowings.

This risk is managed by investing in investments with different maturity dates. This enables the municipality to re-allocate some of the investments in the event of major fluctuations in interest rates. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings at fixed rates expose the municipality to fair value interest rate risk.

Credit risk

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

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

Financial instrument	2013	2012
Investments - BOE	-	19,890,828
Investments - Liberty	4,953,416	3,786,347
Loans and receivables	539,730	170,566
Bank balances	10,876,224	50,277,604
Consumer debtors	57,358,648	54,562,911
Other receivables	198,902,409	104,587,505

Currency risk

The municipality does not have currency risk as in terms of section 163 of the Municipal Finance Management Act, No. 56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

39. Unauthorised expenditure

Unauthorised expenditure for the year	59,533,493	-
Rehabilitation of Claude Wheatley street	4,207,502	-
Unauthorised expenditure awaiting authorisation	**63,740,995**	**-**

Unauthorised expenditure for the year is as a result of overspending of the approved budget.

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

40. Fruitless and wasteful expenditure

Opening balance	169,212	-
Fruitless and wasteful expenditure	4,879,974	169,212
Less: Amounts condoned by Council	(5,049,186)	-
Fruitless and wasteful expenditure awaiting condonement	**-**	**169,212**

Included in fruitless and wasteful expenditure for the current year is interest paid as a result of late payment of audit fees and electricity and telephone accounts and costs incurred for road construction, which where paid to contractors after their contracts have been terminated by the Municipality, while a legal process was still in progress.

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

41. Irregular expenditure

Opening balance	79,411,888	-
Add: Irregular Expenditure - current year	34,972,401	79,411,888
Add: Non-adherence to supply chain regulations	9,968,230	-
Less: Amounts condoned	(114,384,289)	-
Irregular expenditure awaiting condonement	**9,968,230**	**79,411,888**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Training	None - Condoned during the year	254,904
Spouse in service of State	None - Condoned during the year	101,842
Strategic planning workshop	None - Condoned during the year	127,600
Uniform purchase	None - Condoned during the year	57,699
Purchase of stormwater pipes	None - Condoned during the year	140,700
Legal fees paid	None - Condoned during the year	7,596,701
Loud haling	None - Condoned during the year	29,980
Expired contracts	None - Condoned during the year	26,641,448
Jazz festival	None - Condoned during the year	7,500
2012 Women Caucus	None - Condoned during the year	5,363
Asset barcoding	None - Condoned during the year	8,664
Non-adherence to supply chain regulations	Still in progress	9,968,230
		44,940,631

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription fee	1,280,968	1,189,262
Amount paid - current year	(1,280,968)	(1,189,262)
	-	-

Skills Development Levy

Current year levy	1,567,458	1,418,252
Amount paid - current year	(1,567,458)	(1,418,252)
	-	-

Audit fees

Current year audit fee	1,810,012	2,329,249
Amount paid - current year	(1,810,012)	(2,329,249)
	-	-

PAYE and UIF

Current year payroll deductions	36,658,111	23,797,485
Amount paid - current year	(36,658,111)	(23,797,485)
	-	-

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

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

Pension and Medical Aid Deductions

	2013 R	2012 R
Control contributions	46,310,931	32,131,196
Amount paid - current year	(46,310,931)	(32,131,196)
	-	-

Bargaining Council Levy

	2013 R	2012 R
Current year levy fee	41,717	64,214
Amount paid - current year	(41,717)	(64,214)
	-	-

VAT

	2013 R	2012 R
VAT payable	23,729,020	25,738,089

VAT output payables and VAT input receivables are shown in note 15.

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

Councillors' arrear consumer accounts

30 June 2013

There were no Councilors' arrear accounts outstanding for more than 90 days at 30 June 2013.

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ME Ramolefo	2,351	-	2,351
Councillor RE Pohl	3,870	-	3,870
Councillor MG Mushwana	1,010	31,504	32,514
	7,231	**31,504**	**38,735**

30 June 2013

There were no Councilors' arrear accounts outstanding for more than 90 days at 30 June 2013.

30 June 2012	Highest outstanding amount	Aging (in days)
Councillor MG Mushwana	31,504	120

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R

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

Supply chain management regulations

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.

Paragraph 36 of the same Gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the Annual Financial Statements.

Deviations from supply chain management regulations did occur. A detailed deviation register is available at the Municipality for inspection.

43. Utilisation of Long-term liabilities reconciliation

	2013 R	2012 R
Long-term liabilities raised	130,469,988	151,904,163
Used to finance property, plant and equipment	-	(40,282,776)
	130,469,988	111,621,387
Cash set aside for the repayment of long-term liabilities	(24,532,794)	(23,677,175)
	105,937,194	**87,944,212**

External loans have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that external loans can be repaid on redemption date. Refer to note 12 for more detail regarding long-term borrowings.

44. Financial assistance

GTEDA is a municipal agency performing the functions consistant with that of an agency and not that of an entity. Greater Tzaneen Municipality did not have an entity during the year. The Council resolved that GTEDA will be an entity with effect from 1 July 2013.

45. Comparison with the budget

The comparison of the municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2).

46. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

	2013 R	2012 R
Statement of financial position		
Current portion of long term receivables	(539,730)	(170,566)
Other financial assets (current assets)	539,730	170,566
Held to maturity investments	(4,953,416)	(23,677,175)
Other financial assets (non-current assets)	4,953,416	23,677,175
Borrowings	119,654,076	142,330,562
Other financial liabilities (non-current liabilities)	(119,654,076)	(142,330,562)
Current portion of long-term borrowings	10,815,912	9,573,601
Other financial liabilities (current liabilities)	(10,815,912)	(9,573,601)

47. Going concern

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

	2013 R	2012 R

47. Going concern (continued)

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

48. Prior period errors

Items of property, plant and equipment were identified during the year that were never accounted for in the municipality's accounting records.

An item of investment properties to the value of R20 000 was removed from the accounting records as it was duplicated.

An item of land was restated to a value of R157 014 as it was incorrectly stated at a zero value.

Additions to work in progress of R343 856 was subsequently determined to be repairs and maintenance.

It was determined that an item of work in progress to the value of R11 893 should be transferred to completed infrastructure.

The correction of the errors results in adjustments as follows:

	2013	2012
Statement of Financial Position		
Property, plant and equipment	-	5,090,339
Investment Property	-	(20,000)
Opening Accumulated Surplus or Deficit	-	(5,174,711)
Statement of Financial Performance		
Repairs and maintenance	-	104,372
Cash flow statement		
Cash flow from operating activities		
Deficit	-	(104,372)
Cash flow from investing activities		
Purchase of property, plant and equipment	-	104,372

Schedule of external loans as at 30 June 2013

	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock						
Development Bank of South Africa	15,000,000	-	-	15,000,000	-	-
	15,000,000	**-**	**-**	**15,000,000**	**-**	**-**
Annuity loans						
Standard Bank	21,011,252	-	2,019,656	18,991,596	-	-
Standard Bank	13,281,875	-	2,121,918	11,159,957	-	-
Development Bank of South Africa	40,373,579	-	1,247,240	39,126,339	-	-
ABSA	32,527,144	-	2,498,154	30,028,990	-	-
INCA	18,110,312	-	1,947,206	16,163,106	-	-
	125,304,162	**-**	**9,834,174**	**115,469,988**	**-**	**-**
Sinking Fund						
ABSA	11,600,000	-	11,600,000	-	-	-
	11,600,000	**-**	**11,600,000**	**-**	**-**	**-**
Total external loans						
Loan Stock	15,000,000	-	-	15,000,000	-	-
Annuity loans	125,304,162	-	9,834,174	115,469,988	-	-
Sinking Fund	11,600,000	-	11,600,000	-	-	-
	151,904,162	**-**	**21,434,174**	**130,469,988**	**-**	**-**

Greater Tzaneen Muncipality
Appendix B
June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	142,172,785	-	(3,438,974)	(4,141,618)	-	-	**134,592,193**	-	-	-	-	-	**-**	134,592,193
	142,172,785	**-**	**(3,438,974)**	**(4,141,618)**	**-**	**-**	**134,592,193**	**-**	**-**	**-**	**-**	**-**	**-**	**134,592,193**
Infrastructure														
Roads	744,090,559	1,291,760	-	-	-	**-**	**745,382,319**	(236,350,404)	-	-	(48,147,039)	-	**(284,497,443)**	460,884,876
Storm water	41,532,409	-	-	-	-	**-**	**41,532,409**	(14,642,416)	-	-	(2,824,457)	-	**(17,466,873)**	24,065,536
Solid waste	1,577,142	-	-	-	-	**-**	**1,577,142**	(121,219)	-	-	(60,444)	-	**(181,663)**	1,395,479
Buildings	142,080	232,211	-	-	-	**-**	**374,291**	(37,499)	-	-	(30,346)	-	**(67,845)**	306,446
Reticulation	9,352,702	-	-	-	-	**-**	**9,352,702**	(916,240)	-	-	(368,251)	-	**(1,284,491)**	8,068,211
Refuse sites	44,413,261	-	-	-	-	**-**	**44,413,261**	(2,890,377)	-	-	(1,577,466)	-	**(4,467,843)**	39,945,418
Airports	-	191,751	-	-	-	**-**	**191,751**	-	-	-	(53)	-	**(53)**	191,698
Plant and machinery	-	203,695	-	-	-	**-**	**203,695**	-	-	-	(10,261)	-	**(10,261)**	193,434
Traffic	347,170	-	-	-	-	**-**	**347,170**	(115,702)	-	-	(23,102)	-	**(138,804)**	208,366
Water	-	198,000	-	-	-	**-**	**198,000**	-	-	-	(54)	-	**(54)**	197,946
Electricity	809,785,863	2,589,087	-	-	-	**-**	**812,374,950**	(185,999,413)	-	-	(34,318,589)	-	**(220,318,002)**	592,056,948
Land and buildings	14,652,367	-	-	-	-	**-**	**14,652,367**	(6,345,840)	-	-	(1,246,775)	-	**(7,592,615)**	7,059,752
	1,665,893,553	**4,706,504**	**-**	**-**	**-**	**-**	**1,670,600,057**	**(447,419,110)**	**-**	**-**	**(88,606,837)**	**-**	**(536,025,947)**	**1,134,574,110**
Community Assets														
Parks & gardens	29,302,500	-	(933,000)	-	-	**-**	**28,369,500**	(1,118,571)	-	-	(223,347)	-	**(1,341,918)**	27,027,582
Fencing	41,929	-	-	-	-	**-**	**41,929**	(8,403)	-	-	(4,190)	-	**(12,593)**	29,336
Roads	11,301,760	-	-	-	-	**-**	**11,301,760**	(1,858,008)	-	-	(381,966)	-	**(2,239,974)**	9,061,786
Municipal offices	15,375,000	-	-	-	-	**-**	**15,375,000**	(4,691,992)	-	-	(936,858)	-	**(5,628,850)**	9,746,150
Libraries	7,350,000	-	-	-	-	**-**	**7,350,000**	(500,479)	-	-	(99,932)	-	**(600,411)**	6,749,589
Traffic centre	862,000	-	-	-	-	**-**	**862,000**	(31,030)	-	-	(6,196)	-	**(37,226)**	824,774
Museums	1,300,000	-	-	-	-	**-**	**1,300,000**	(150,144)	-	-	(29,979)	-	**(180,123)**	1,119,877
Airports	128,586	-	-	-	-	**-**	**128,586**	(128,586)	-	-	-	-	**(128,586)**	-
Recreational facilities	8,430,667	-	-	-	-	**-**	**8,430,667**	(3,848,231)	-	-	(739,235)	-	**(4,587,466)**	3,843,201
Cemeteries	3,702,000	-	-	-	-	**-**	**3,702,000**	(189,181)	-	-	(37,774)	-	**(226,955)**	3,475,045
Road and subgrade	597,216	-	-	-	-	**-**	**597,216**	(119,688)	-	-	(59,681)	-	**(179,369)**	417,847
Buildings	522,515	602,292	-	-	-	**-**	**1,124,807**	(104,719)	-	-	(104,251)	-	**(208,970)**	915,837
Land and buildings	2,016,000	-	-	-	-	**-**	**2,016,000**	-	-	-	-	-	**-**	2,016,000
	80,930,173	**602,292**	**(933,000)**	**-**	**-**	**-**	**80,599,465**	**(12,749,032)**	**-**	**-**	**(2,623,409)**	**-**	**(15,372,441)**	**65,227,024**

Greater Tzaneen Muncipality
Appendix B
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Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Work in progress														
Work in progress	83,742,397	89,784,582	-	(3,862,725)	-	-	**169,664,254**	-	-	-	-	-	-	169,664,254
	83,742,397	**89,784,582**	**-**	**(3,862,725)**	**-**	**-**	**169,664,254**	**-**	**-**	**-**	**-**	**-**	**-**	**169,664,254**
Leased assets														
Leased assets	14,415,429	2,571,867	(1,869,621)	-	-	-	**15,117,675**	(7,376,791)	1,463,130	-	(3,400,740)	-	**(9,314,401)**	5,803,274
	14,415,429	**2,571,867**	**(1,869,621)**	**-**	**-**	**-**	**15,117,675**	**(7,376,791)**	**1,463,130**	**-**	**(3,400,740)**	**-**	**(9,314,401)**	**5,803,274**
Other assets														
Computer Equipment	4,462,763	2,022,100	(206,301)	-	-	-	**6,278,562**	(2,445,072)	193,078	-	(707,642)	-	**(2,959,636)**	3,318,926
Furniture & Fittings	1,451,088	188,206	(40,702)	-	-	-	**1,598,592**	(760,418)	40,082	-	(207,516)	-	**(927,852)**	670,740
Office Equipment	3,100,360	230,759	(98,835)	-	-	-	**3,232,284**	(1,704,856)	91,762	-	(387,901)	-	**(2,000,995)**	1,231,289
Electricity	56,299	-	-	-	-	-	**56,299**	(23,486)	-	-	(4,689)	-	**(28,175)**	28,124
Plant and machinery	9,030,618	245,364	(181,532)	-	-	-	**9,094,450**	(3,274,401)	147,766	-	(1,009,347)	-	**(4,135,982)**	4,958,468
Health equipment	229,366	-	(1,457)	-	-	-	**227,909**	(136,907)	1,457	-	(36,175)	-	**(171,625)**	56,284
Parks	30,718	-	-	-	-	-	**30,718**	(7,687)	-	-	(1,535)	-	**(9,222)**	21,496
Buildings	5,416,005	-	-	-	-	-	**5,416,005**	(1,468,632)	-	-	(293,244)	-	**(1,761,876)**	3,654,129
Security measures	600,428	-	-	-	-	-	**600,428**	(402,634)	-	-	(80,395)	-	**(483,029)**	117,399
Weapons	87,657	-	-	-	-	-	**87,657**	(40,139)	-	-	(9,174)	-	**(49,313)**	38,344
Motor vehicles	45,689,206	3,062,608	(444,429)	-	-	-	**48,307,385**	(12,961,292)	403,127	-	(7,807,553)	-	**(20,365,718)**	27,941,667
Land	4,788	-	-	-	-	-	**4,788**	(4,522)	-	-	(266)	-	**(4,788)**	-
	70,159,296	**5,749,037**	**(973,256)**	**-**	**-**	**-**	**74,935,077**	**(23,230,046)**	**877,272**	**-**	**(10,545,437)**	**-**	**(32,898,211)**	**42,036,866**

Greater Tzaneen Muncipality
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June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	142,172,785	-	(3,438,974)	(4,141,618)	-	**-**	**134,592,193**	-	-	-	-	-	**-**	134,592,193
Infrastructure	1,665,893,553	4,706,504	-	-	-	**-**	**1,670,600,057**	(447,419,110)	-	-	(88,606,837)	-	**(536,025,947)**	1,134,574,110
Community Assets	80,930,173	602,292	(933,000)	-	-	**-**	**80,599,465**	(12,749,032)	-	-	(2,623,409)	-	**(15,372,441)**	65,227,024
Work in progress	83,742,397	89,784,582	-	(3,862,725)	-	**-**	**169,664,254**	-	-	-	-	-	**-**	169,664,254
Leased assets	14,415,429	2,571,867	(1,869,621)	-	-	**-**	**15,117,675**	(7,376,791)	1,463,130	-	(3,400,740)	-	**(9,314,401)**	5,803,274
Other assets	70,159,296	5,749,037	(973,256)	-	-	**-**	**74,935,077**	(23,230,046)	877,272	-	(10,545,437)	-	**(32,898,211)**	42,036,866
	2,057,313,633	**103,414,282**	**(7,214,851)**	**(8,004,343)**	**-**	**-**	**2,145,508,721**	**(490,774,979)**	**2,340,402**	**-**	**(105,176,423)**	**-**	**(593,611,000)**	**1,551,897,721**
Intangible assets														
Computers - software	99,467	135,310	-	-	-	**-**	**234,777**	(49,822)	-	-	(53,385)	-	**(103,207)**	131,570
	99,467	**135,310**	**-**	**-**	**-**	**-**	**234,777**	**(49,822)**	**-**	**-**	**(53,385)**	**-**	**(103,207)**	**131,570**
Investment properties														
Investment property	208,588,792	-	(19,645,000)	-	-	**-**	**188,943,792**	-	-	-	-	-	**-**	188,943,792
	208,588,792	**-**	**(19,645,000)**	**-**	**-**	**-**	**188,943,792**	**-**	**-**	**-**	**-**	**-**	**-**	**188,943,792**
Total														
Land and buildings	142,172,785	-	(3,438,974)	(4,141,618)	-	**-**	**134,592,193**	-	-	-	-	-	**-**	134,592,193
Infrastructure	1,665,893,553	4,706,504	-	-	-	**-**	**1,670,600,057**	(447,419,110)	-	-	(88,606,837)	-	**(536,025,947)**	1,134,574,110
Community Assets	80,930,173	602,292	(933,000)	-	-	**-**	**80,599,465**	(12,749,032)	-	-	(2,623,409)	-	**(15,372,441)**	65,227,024
Work in progress	83,742,397	89,784,582	-	(3,862,725)	-	**-**	**169,664,254**	-	-	-	-	-	**-**	169,664,254
Leased assets	14,415,429	2,571,867	(1,869,621)	-	-	**-**	**15,117,675**	(7,376,791)	1,463,130	-	(3,400,740)	-	**(9,314,401)**	5,803,274
Other assets	70,159,296	5,749,037	(973,256)	-	-	**-**	**74,935,077**	(23,230,046)	877,272	-	(10,545,437)	-	**(32,898,211)**	42,036,866
Intangible assets	99,467	135,310	-	-	-	**-**	**234,777**	(49,822)	-	-	(53,385)	-	**(103,207)**	131,570
Investment properties	208,588,792	-	(19,645,000)	-	-	**-**	**188,943,792**	-	-	-	-	-	**-**	188,943,792
	2,266,001,892	**103,549,592**	**(26,859,851)**	**(8,004,343)**	**-**	**-**	**2,334,687,290**	**(490,824,801)**	**2,340,402**	**-**	**(105,229,808)**	**-**	**(593,714,207)**	**1,740,973,083**

Greater Tzaneen Muncipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	142,172,785	-	-	-	-	-	**142,172,785**	-	-	-	-	-	-	142,172,785
	142,172,785	**-**	**-**	**-**	**-**	**-**	**142,172,785**	**-**	**-**	**-**	**-**	**-**	**-**	**142,172,785**
Infrastructure														
Roads	742,150,562	1,939,998	-	-	-	-	**744,090,560**	(188,107,510)	-	-	(48,242,890)	-	**(236,350,400)**	507,740,160
Storm water	41,532,409	-	-	-	-	-	**41,532,409**	(11,507,782)	-	-	(3,134,634)	-	**(14,642,416)**	26,889,993
Solild waste	1,339,730	237,413	-	-	-	-	**1,577,143**	(60,609)	-	-	(60,609)	-	**(121,218)**	1,455,925
Buildings	142,080	-	-	-	-	-	**142,080**	(9,025)	-	-	(28,474)	-	**(37,499)**	104,581
Reticulation	5,293,208	4,059,494	-	-	-	-	**9,352,702**	(669,734)	-	-	(246,506)	-	**(916,240)**	8,436,462
Refuse sites	44,357,483	55,778	-	-	-	-	**44,413,261**	(1,308,833)	-	-	(1,581,544)	-	**(2,890,377)**	41,522,884
Traffic	347,170	-	-	-	-	-	**347,170**	(92,536)	-	-	(23,166)	-	**(115,702)**	231,468
Electricity	802,457,636	7,328,226	-	-	-	-	**809,785,862**	(151,855,092)	-	-	(34,144,327)	-	**(185,999,419)**	623,786,443
Land and buildings	14,652,367	-	-	-	-	-	**14,652,367**	(4,979,867)	-	-	(1,365,973)	-	**(6,345,840)**	8,306,527
	1,652,272,645	**13,620,909**	**-**	**-**	**-**	**-**	**1,665,893,554**	**(358,590,988)**	**-**	**-**	**(88,828,123)**	**-**	**(447,419,111)**	**1,218,474,443**
Community Assets														
Parks & gardens	29,302,500	-	-	-	-	-	**29,302,500**	(894,612)	-	-	(223,959)	-	**(1,118,571)**	28,183,929
Fencing	41,929	-	-	-	-	-	**41,929**	(4,201)	-	-	(4,201)	-	**(8,402)**	33,527
Roads	11,301,760	-	-	-	-	-	**11,301,760**	(1,474,995)	-	-	(383,012)	-	**(1,858,007)**	9,443,753
Municipal offices	15,375,000	-	-	-	-	-	**15,375,000**	(3,752,567)	-	-	(939,425)	-	**(4,691,992)**	10,683,008
Libraries	7,350,000	-	-	-	-	-	**7,350,000**	(400,274)	-	-	(100,205)	-	**(500,479)**	6,849,521
Traffic centre	862,000	-	-	-	-	-	**862,000**	(24,817)	-	-	(6,213)	-	**(31,030)**	830,970
Museums	1,300,000	-	-	-	-	-	**1,300,000**	(120,082)	-	-	(30,062)	-	**(150,144)**	1,149,856
Airports	128,586	-	-	-	-	-	**128,586**	(128,586)	-	-	-	-	**(128,586)**	-
Recreational facilities	8,430,667	-	-	-	-	-	**8,430,667**	(3,093,413)	-	-	(754,819)	-	**(3,848,232)**	4,582,435
Cemeteries	3,702,000	-	-	-	-	-	**3,702,000**	(151,303)	-	-	(37,878)	-	**(189,181)**	3,512,819
Road and subgrade	597,216	-	-	-	-	-	**597,216**	(59,845)	-	-	(59,845)	-	**(119,690)**	477,526
Buildings	522,515	-	-	-	-	-	**522,515**	(52,359)	-	-	(52,359)	-	**(104,718)**	417,797
Land and buildings	2,016,000	-	-	-	-	-	**2,016,000**	-	-	-	-	-	**-**	2,016,000
	80,930,173	**-**	**-**	**-**	**-**	**-**	**80,930,173**	**(10,157,054)**	**-**	**-**	**(2,591,978)**	**-**	**(12,749,032)**	**68,181,141**

Greater Tzaneen Muncipality
Appendix B
June 2013

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Work in progress														
Work in progress	31,399,756	65,801,964	-	(13,459,323)	-	-	**83,742,397**	-	-	-	-	-	-	83,742,397
	31,399,756	**65,801,964**	**-**	**(13,459,323)**	**-**	**-**	**83,742,397**	**-**	**-**	**-**	**-**	**-**	**-**	**83,742,397**
Leased assets														
Leased assets	18,555,686	4,213,992	(8,354,249)	-	-	-	**14,415,429**	(11,643,849)	8,354,249	-	(4,087,191)	-	**(7,376,791)**	7,038,638
	18,555,686	**4,213,992**	**(8,354,249)**	**-**	**-**	**-**	**14,415,429**	**(11,643,849)**	**8,354,249**	**-**	**(4,087,191)**	**-**	**(7,376,791)**	**7,038,638**
Other assets														
Computer Equipment	4,021,022	463,931	(22,190)	-	-	-	**4,462,763**	(1,913,684)	18,687	-	(550,072)	-	**(2,445,069)**	2,017,694
Furniture & Fittings	1,410,067	41,021	-	-	-	-	**1,451,088**	(595,564)	-	-	(164,854)	-	**(760,418)**	690,670
Office Equipment	3,090,308	10,052	-	-	-	-	**3,100,360**	(1,440,352)	-	-	(264,504)	-	**(1,704,856)**	1,395,504
Electricity	56,299	-	-	-	-	-	**56,299**	(18,784)	-	-	(4,702)	-	**(23,486)**	32,813
Plant and machinery	8,123,052	907,566	-	-	-	-	**9,030,618**	(2,459,292)	-	-	(815,109)	-	**(3,274,401)**	5,756,217
Health equipment	229,366	-	-	-	-	-	**229,366**	(111,270)	-	-	(25,637)	-	**(136,907)**	92,459
Parks	30,718	-	-	-	-	-	**30,718**	(6,148)	-	-	(1,539)	-	**(7,687)**	23,031
Buildings	5,416,005	-	-	-	-	-	**5,416,005**	(1,189,081)	-	-	(279,551)	-	**(1,468,632)**	3,947,373
Security measures	600,428	-	-	-	-	-	**600,428**	(380,040)	-	-	(22,594)	-	**(402,634)**	197,794
Weapons	87,656	-	-	-	-	-	**87,656**	(31,441)	-	-	(8,698)	-	**(40,139)**	47,517
Motor vehicles	19,768,820	25,920,386	-	-	-	-	**45,689,206**	(10,593,025)	-	-	(2,368,269)	-	**(12,961,294)**	32,727,912
Land	4,788	-	-	-	-	-	**4,788**	(4,522)	-	-	-	-	**(4,522)**	266
	42,838,529	**27,342,956**	**(22,190)**	**-**	**-**	**-**	**70,159,295**	**(18,743,203)**	**18,687**	**-**	**(4,505,529)**	**-**	**(23,230,045)**	**46,929,250**

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	142,172,785	-	-	-	-	**-**	**142,172,785**	-	-	-	-	-	**-**	142,172,785
Infrastructure	1,652,272,645	13,620,909	-	-	-	**-**	**1,665,893,554**	(358,590,988)	-	-	(88,828,123)	-	**(447,419,111)**	1,218,474,443
Community Assets	80,930,173	-	-	-	-	**-**	**80,930,173**	(10,157,054)	-	-	(2,591,978)	-	**(12,749,032)**	68,181,141
Work in progress	31,399,756	65,801,964	-	(13,459,323)	-	**-**	**83,742,397**	-	-	-	-	-	**-**	83,742,397
Leased assets	18,555,686	4,213,992	(8,354,249)	-	-	**-**	**14,415,429**	(11,643,849)	8,354,249	-	(4,087,191)	-	**(7,376,791)**	7,038,638
Other assets	42,838,529	27,342,956	(22,190)	-	-	**-**	**70,159,295**	(18,743,203)	18,687	-	(4,505,529)	-	**(23,230,045)**	46,929,250
	1,968,169,574	**110,979,821**	**(8,376,439)**	**(13,459,323)**	**-**	**-**	**2,057,313,633**	**(399,135,094)**	**8,372,936**	**-**	**(100,012,821)**	**-**	**(490,774,979)**	**1,566,538,654**
Intangible assets														
Computers - software	98,184	1,283	-	-	-	**-**	**99,467**	(16,638)	-	-	(33,184)	-	**(49,822)**	49,645
	98,184	**1,283**	**-**	**-**	**-**	**-**	**99,467**	**(16,638)**	**-**	**-**	**(33,184)**	**-**	**(49,822)**	**49,645**
Investment properties														
Investment property	305,471,622	-	(96,882,830)	-	-	**-**	**208,588,792**	-	-	-	-	-	**-**	208,588,792
	305,471,622	**-**	**(96,882,830)**	**-**	**-**	**-**	**208,588,792**	**-**	**-**	**-**	**-**	**-**	**-**	**208,588,792**
Total														
Land and buildings	142,172,785	-	-	-	-	**-**	**142,172,785**	-	-	-	-	-	**-**	142,172,785
Infrastructure	1,652,272,645	13,620,909	-	-	-	**-**	**1,665,893,554**	(358,590,988)	-	-	(88,828,123)	-	**(447,419,111)**	1,218,474,443
Community Assets	80,930,173	-	-	-	-	**-**	**80,930,173**	(10,157,054)	-	-	(2,591,978)	-	**(12,749,032)**	68,181,141
Work in progress	31,399,756	65,801,964	-	(13,459,323)	-	**-**	**83,742,397**	-	-	-	-	-	**-**	83,742,397
Leased assets	18,555,686	4,213,992	(8,354,249)	-	-	**-**	**14,415,429**	(11,643,849)	8,354,249	-	(4,087,191)	-	**(7,376,791)**	7,038,638
Other assets	42,838,529	27,342,956	(22,190)	-	-	**-**	**70,159,295**	(18,743,203)	18,687	-	(4,505,529)	-	**(23,230,045)**	46,929,250
Intangible assets	98,184	1,283	-	-	-	**-**	**99,467**	(16,638)	-	-	(33,184)	-	**(49,822)**	49,645
Investment properties	305,471,622	-	(96,882,830)	-	-	**-**	**208,588,792**	-	-	-	-	-	**-**	208,588,792
	2,273,739,380	**110,981,104**	**(105,259,269)**	**(13,459,323)**	**-**	**-**	**2,266,001,892**	**(399,151,732)**	**8,372,936**	**-**	**(100,046,005)**	**-**	**(490,824,801)**	**1,775,177,091**

Greater Tzaneen Muncipality
Appendix C
June 2013

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

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Capitalised WIP Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive and Council	3,429,940	-	(12,436)	-	-	**-**	**3,417,504**	(960,926)	12,436	-	(185,894)	-	**(1,134,384)**	2,283,120
Finance and Admin	55,749,684	7,088,224	(2,272,840)	-	-	**-**	**60,565,068**	(16,974,970)	1,805,689	-	(9,444,584)	-	**(24,613,865)**	35,951,203
Planning and Development	142,260,615	-	(3,447,288)	(4,141,618)	-	**-**	**134,671,709**	(66,736)	7,959	-	(9,162)	-	**(67,939)**	134,603,770
Health	122,781	-	-	-	-	**-**	**122,781**	(47,208)	-	-	(6,289)	-	**(53,497)**	69,284
Community and Social Services	9,118,085	-	(989,401)	-	-	**-**	**8,128,684**	(2,767,451)	53,521	-	(560,741)	-	**(3,274,671)**	4,854,013
Housing	247,233,999	-	(19,646,741)	-	-	**-**	**227,587,258**	(11,524,218)	1,741	-	(2,184,850)	-	**(13,707,327)**	213,879,931
Public Safety	10,481,666	-	(52,322)	-	-	**-**	**10,429,344**	(3,729,207)	52,322	-	(2,297,074)	-	**(5,973,959)**	4,455,385
Sport and Recreation	57,074,208	-	(9,897)	-	-	**-**	**57,064,311**	(7,530,914)	9,897	-	(1,474,120)	-	**(8,995,137)**	48,069,174
Community Services	55,778	3,572,990	-	-	-	**-**	**3,628,768**	(1,619)	-	-	(74,674)	-	**(76,293)**	3,552,475
Waste Management	14,797,160	-	(40,659)	-	-	**-**	**14,756,501**	(4,961,388)	40,139	-	(1,167,156)	-	**(6,088,405)**	8,668,096
Road Transport	774,857,650	89,876,342	(158,637)	-	(3,862,750)	**-**	**860,712,605**	(250,615,920)	158,092	-	(51,181,972)	-	**(301,639,800)**	559,072,805
Water	244,678	198,000	-	-	-	**-**	**442,678**	(152,588)	-	-	(30,888)	-	**(183,476)**	259,202
Electricity	950,200,638	2,814,031	(229,631)	-	-	**-**	**952,785,038**	(191,466,252)	198,606	-	(36,587,417)	-	**(227,855,063)**	724,929,975
Water and Sanitation	375,038	-	-	-	-	**-**	**375,038**	(25,403)	-	-	(24,985)	-	**(50,388)**	324,650
	2,266,001,920	**103,549,587**	**(26,859,852)**	**(4,141,618)**	**(3,862,750)**	**-**	**2,334,687,287**	**(490,824,800)**	**2,340,402**	**-**	**(105,229,806)**	**-**	**(593,714,204)**	**1,740,973,083**
Total														
Municipality	2,266,001,920	103,549,587	(26,859,852)	(4,141,618)	(3,862,750)	**-**	**2,334,687,287**	(490,824,800)	2,340,402	-	(105,229,806)	-	**(593,714,204)**	1,740,973,083
	2,266,001,920	**103,549,587**	**(26,859,852)**	**(4,141,618)**	**(3,862,750)**	**-**	**2,334,687,287**	**(490,824,800)**	**2,340,402**	**-**	**(105,229,806)**	**-**	**(593,714,204)**	**1,740,973,083**

Greater Tzaneen Muncipality
Appendix D
June 2013

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
-	23,708,787	(23,708,787)	Executive & Council/Mayor and Council	-	26,953,789	(26,953,789)
256,546,336	204,665,811	51,880,525	Finance & Admin/Finance	279,126,298	139,152,441	139,973,857
5,803,749	18,616,734	(12,812,985)	Planning and Development/Economic Development/Plan	10,412,433	18,208,701	(7,796,268)
38,627	4,203,327	(4,164,700)	Health/Clinics	31,359	6,617,823	(6,586,464)
103,289	3,376,497	(3,273,208)	Comm. & Social/Libraries and archives	79,586	4,762,403	(4,682,817)
752,122	10,118,882	(9,366,760)	Housing	1,661,968	14,155,120	(12,493,152)
6,170,926	18,952,376	(12,781,450)	Public Safety/Police	5,559,479	25,346,965	(19,787,486)
36,719	13,583,392	(13,546,673)	Sport and Recreation	66,609	17,809,671	(17,743,062)
22,934,834	34,060,665	(11,125,831)	Waste Water Management/Sewerage	31,642,298	58,111,069	(26,468,771)
71,587,793	134,142,157	(62,554,364)	Road Transport/Roads	81,217,869	109,532,287	(28,314,418)
-	2,775,690	(2,775,690)	Water/Water Distribution	-	-	-
313,513,588	298,027,395	15,486,193	Electricity /Electricity Distribution	339,091,466	339,025,147	66,319
677,487,983	**766,231,713**	**(88,743,730)**		**748,889,365**	**759,675,416**	**(10,786,051)**

Greater Tzaneen Muncipality
Appendix E(1)
June 2013

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

	Current year 2013 Act. Bal. Rand	Current year 2013 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	61,059,598	44,020,000	17,039,598	38.7	Valuation roll lead to discovery of new premises that were not in the deed's office.
Service charges	356,168,113	363,641,700	(7,473,587)	(2.1)	
Property rates - penalties imposed and collection charges	4,216,707	3,200,000	1,016,707	31.8	Increase in revenue due to the appointment of revenue enhancement contractors.
Rental of facilities and equipment	1,292,420	259,100	1,033,320	398.8	Increase in Pusela lease agreement.
Interest received (trading)	8,731,739	16,000,000	(7,268,261)	(45.4)	Interest of R7 million on water account was taken out.
Income from agency services	14,598,636	44,448,250	(29,849,614)	(67.2)	
Fines	5,864,717	3,210,136	2,654,581	82.7	Cameras used for traffic control.
Licences and permits	543,903	345,000	198,903	57.7	Increase as a result of permits building plan approved.
Government grants & subsidies	283,115,879	278,658,000	4,457,879	1.6	
Other income	9,396,590	5,203,203	4,193,387	80.6	Increase in insurance claims paid to council.
Interest received - investment	3,901,063	1,001,000	2,900,063	289.7	More interest on investment was received due to the availability of cash.
Interest received - other	-	-	-	-	
	748,889,365	759,986,389	(11,097,024)	(1.5)	
Expenses					
Personnel	(127,800,852)	(92,505,854)	(35,294,998)	38.2	An increase to employee related costs due to benchmarking.
Remuneration of councillors	(17,561,286)	(18,036,148)	474,862	(2.6)	
Loss on inventory	164,010	-	164,010	-	
Depreciation	(105,229,808)	(106,120,308)	890,500	(0.8)	
Impairments	21,560,018	-	21,560,018	-	
Finance costs	(16,330,762)	(23,884,373)	7,553,611	(31.6)	Due to loan budgeted for not taken up.
Debt impairment	(50,680,062)	(9,004,000)	(41,676,062)	462.9	Result of revenue enhancement contractor appointed.
Collection costs	(653,333)	(200,000)	(453,333)	226.7	More money was paid for legal serivces than recovered.
Repairs and maintenance	(91,867,350)	(101,210,743)	9,343,393	(9.2)	
Bulk purchases	(233,343,443)	(231,845,047)	(1,498,396)	0.6	
Contracted Services	(40,672,013)	(39,803,872)	(868,141)	2.2	
Grants and subsidies paid	(23,481,039)	(42,573,184)	19,092,145	(44.8)	Due to re-advert of tenders which delayed the process.
General Expenses	(48,546,111)	(88,943,402)	40,397,291	(45.4)	
	(734,442,031)	(754,126,931)	19,684,900	(2.6)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(25,233,385)	2,300,000	(27,533,385)	,197.1)	
	(25,233,385)	2,300,000	(27,533,385)	,197.1)	
Net surplus/ (deficit) for the year	(10,786,051)	8,159,458	(18,945,509)	(232.2)	

Budget Analysis of Capital Expenditure as at 30 June 2013

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council	-	500,000	500,000	**100**	
Finance & Admin	7,088,224	1,500,000	(5,588,224)	**(373)**	
Planning & Development	-	10,500,000	10,500,000	**100**	
Community & Social	3,572,990	165,000	(3,407,990)	**(2,065)**	
Housing	-	1,384,932	1,384,932	**100**	
Public Safety	-	135,000	135,000	**100**	
Sport & Recreation	-	100,000	100,000	**100**	
Water	198,000	100,000	(98,000)	**(98)**	
Road Transport	89,876,342	85,954,828	(3,921,514)	**(5)**	
Electricity	2,814,031	14,751,302	11,937,271	**81**	
	103,549,587	**115,091,062**	**11,541,475**	**10**	