MKHONDO LOCAL MUNICIPALITY
UNAUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

General Information

Executive Mayor	Cllr. B.H. Mtshali
Councillors	Cllr. A.T. Thwala
	Cllr. T.S. Nkosi
	Cllr. S.S. Mathebula
	Cllr. M.P. Sibanyoni
	Cllr. S.N. Nkambule
	Cllr. P.S. Nhlabathi
	Cllr. J.L.T. Brussow
	Cllr. S.P. Kunene
	Cllr. N.B. Masuku
	Cllr. M.D. Ntuli
	Cllr. L.V.A. Mkhwanazi
	Cllr. S.R. Sangweni
	Cllr. C.G. Mtshali
	Cllr. Z.J. Mnisi
	Cllr. K.D. Masondo
	Cllr. J.S. Mngomezulu
	Cllr. M.O. Nkosi
	Cllr. M.L. Yende
	Cllr. M.E. Phakathi
	Cllr. B.J. Vilakazi
	Cllr. S.C. Mtshali
	Cllr. N.L. Nhlengethwa
	Cllr. Z.E. Mthimkhulu
	Cllr. N.C. Ndlovu
	Cllr. D.M. Thwala
	Cllr. V.D. Nkosi
	Cllr. S.J. Methula
	Cllr. P.C. Langa
	Cllr. V.W.Masuku
	Cllr. H.P. Sunkel
	Cllr. R.J.A. Wilson
	Cllr. T.E. Khumalo
	Cllr. B.H. Mtshali
	Cllr. H.A. Mncube
	Cllr. T.G.F. Nhleko
	Cllr. T.E. Motha
	Cllr. B.T. Mabuza
	Cllr. S.J. Nkosi

Municipal Council Committees

Finance Committee

Chairperson	Cllr. D. Ntuli
Committee members	Cllr. K.D. Masondo
	Cllr. R.J.A. Wilson
	Cllr. Z.J. Mnisi
	Cllr. H.A. Mncube

Corporate Services Committee

Chairperson	Cllr. T.E. Khumalo
Committee members	Cllr. T.S. Nkosi
	Cllr. M.E. Phakathi
	Cllr. T.G.F. Nhleko
	Cllr. T.E. Motha

General Information

Technical services committee

Chairperson	Cllr. M.P. Sibanyoni
Committee members	Cllr. A.T. Thwala
	Cllr. N.L. Nhlengethwa
	Cllr. S.P. Kunene
	Cllr. H.P. Sunkel

Community Services Committee

Chairperson	Cllr. M.O. Nkosi
Committee members	Cllr. S.N. Kambule
	Cllr. B.J. Vilakazi
	Cllr. S.J. Methula

Municipal Public Accounts Committee

Chairperson	Cllr. D.M. Thwala
Committee members	Cllr. C.G. Mtshali
	Cllr. S.R. Sangweni
	Cllr. S.J. Nkosi
	Cllr. M.L. Yende

Rules and Ethics Committee

Chairperson	Cllr. Z.E. Mthimkhulu
Committee members	Cllr. M.L. Yende
	Cllr. C.G. Mtshali
	Cllr. V.W. Masuku
	Cllr. B.T. Mabuza

AD-HOC Committee on Local Geographical Names Change (L.G.N.C)

Chairperson	Cllr. P.C. Langa
Committee members	Cllr. S.S. Mathebula
	Cllr. N.S. Kambule
	Cllr. T.S. Nkosi
	Cllr. M.E. Phakathi
	Cllr. H.A. Mncube

Grading of local authority	Grade 3
Chief Finance Officer (CFO)	Mr T.D. Mabuya
Accounting Officer	Mr A.N. Mahlangu
Registered office	Cnr Market & De Wet street Piet Retief 2380
Postal address	P.O. Box 23 Piet Retief 2380
Bankers	First National Bank
Auditors	Auditor General South Africa
Telephone number	(017) 826 8100
Fax Number	(017) 826 3129
Web address	www.mkhondo.gov.za
Email address	tmabuya@mkhondo.org.za

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

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Abbreviations

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

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 unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited 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 unaudited annual financial statements and was given unrestricted access to all financial records and related data.

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

The unaudited 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 unaudited 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 unaudited annual financial statements set out on pages 5 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

Mr A.N. Mahlangu
Municipal Manager (Accounting Officer)
Piet Retief

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 municipality is a local municipality.

The operating results and state of affairs of the municipality are fully set out in the attached unaudited annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 30,399,388 (2012: deficit R 8,064,900).

2. Going concern

The unaudited 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.

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's interest in contracts

The accounting officer has no interest in contracts awarded.

5. Accounting policies

The unaudited annual financial statements prepared in accordance with prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

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

Name
Mr A.N. Mahlangu

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the MFMA(Municipal Finance Management Act, No.56 of 2003). The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising:
  - councillors, all of whom are independent councillors as defined in the Code

Accounting Officer's Report

Audit committee

The Audit Committee members for the period under review were as follows:

		Meetings attended	Remuneration
Chair Person:	Mr. S. Mthembu	5/5	R16,965.00
Members:	Mr. N. Weber	3/5	R6,168.00
	Adv. T. Nevondwe	2/5	R4,102.00

The committee met 5 times during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. Notwithstanding that councillors appointed by the municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that municipalities should appoint further members of the municipality's audit committees who are not councillors of the municipal entity onto the audit committee.

Internal audit

The municipality has a functional Internal Audit Unit. This is in compliance with the Municipal Finance Act, 2003.

8. Bankers

The municipality mainly banks with First National Bank Limited a division of First Rand limited.

9. Auditors

Auditor General South Africa will continue in office for the next financial year.

Statement of Financial Position as at 30 June 2013

Figures in Rand	Notes	2013	2012 Restated
Assets			
Current Assets			
Cash and cash equivalents	12	32,985,627	45,437,969
Consumer debtors	11	13,738,613	10,654,179
Inventories	9	2,498,686	2,666,090
Other financial assets	7	30,217	34,630
Receivables from exchange transactions	10	700,096	2,548,952
Total current assets		**49,953,239**	**61,341,820**
Non-Current Assets			
Biological assets	3	58,912,732	63,199,166
Investment property	4	19,106,200	19,725,600
Property, plant and equipment	5	1,297,330,372	1,305,257,447
Intangible assets	6	376,875	753,750
Other financial assets	7	19,047,996	18,361,004
		1,394,774,175	**1,407,296,967**
Non-current assets held for sale and assets of disposal groups		410,000	410,000
Total Assets		**1,445,137,414**	**1,469,048,787**
Liabilities			
Current Liabilities			
Bank overdraft	12	9,228,767	-
Consumer deposits	19	2,946,120	2,868,226
Other financial liabilities	13	1,290,563	-
Provisions	15	7,045,369	5,070,232
Taxes and transfers payable (non-exchange)	17	2,645,313	-
Payables from exchange transactions	16	15,404,612	44,157,914
Unspent conditional grants and receipts	14	38,833,402	20,866,284
VAT payable	18	3,547,811	2,626,869
Total current liabilities		**80,941,957**	**75,589,525**
Non-Current Liabilities			
Other financial liabilities	13	4,176,971	7,050,233
Retirement benefit obligation	8	16,705,268	13,933,722
Provisions	15	9,697,021	5,336,172
		30,579,260	**26,320,127**
Total Liabilities		**111,521,217**	**101,909,652**
Net Assets		**1,333,616,197**	**1,367,139,135**
Net Assets			
Accumulated surplus		1,333,616,197	1,367,139,135

Statement of Financial Performance at 30 June 2013

Figures in Rand	Notes	2013	2012 Restated
Revenue			
Revenue from exchange transactions			
Service charges	22	103,484,141	96,324,150
Income from agency services		2,510,825	5,427,326
Rental income		556,634	570,208
Other income	24	9,949,117	29,848,762
Interest received - investment		2,347,181	4,649,551
Gains on disposal of assets		1,392,620	1,933,632
Total revenue from exchange transactions		**120,240,518**	**138,753,629**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	18,892,904	15,129,808
Transfer revenue			
Government grants & subsidies	23	150,930,610	141,468,299
Fines		859,161	853,510
Total revenue from non-exchange transactions		**170,682,675**	**157,451,617**
Total revenue	20	**290,923,193**	**296,205,246**
Expenditure			
Personnel	26	(86,756,665)	(73,798,967)
Remuneration of councillors	27	(12,099,930)	(8,262,081)
Depreciation and amortisation	31	(71,497,732)	(70,578,648)
Impairment loss/ Reversal of impairments	32	(1,917,044)	(667,432)
Finance costs	33	(1,184,293)	(3,681,784)
Debt impairment	28	-	(2,994,750)
Repairs and maintenance		(11,582,602)	(10,212,966)
Bulk purchases	36	(63,268,366)	(71,814,164)
Grants and subsidies paid	35	(3,465,897)	(5,480,142)
General Expenses	25	(68,387,164)	(55,811,445)
Total expenditure		**(320,159,693)**	**(303,302,379)**
Operating deficit		**(29,236,500)**	**(7,097,133)**
Fair value adjustments	30	(4,286,434)	(2,845,535)
Deficit for the year		**(33,522,934)**	**(9,942,668)**
Attributable to:			
Owners of the controlling entity		(33,522,934)	(9,942,668)

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	**1,377,081,798**	**1,377,081,798**
Changes in net assets		
Deficit for the year	(9,942,663)	(9,942,663)
Total changes	(9,942,663)	(9,942,663)
Balance at 01 July 2012	**1,367,139,131**	**1,367,139,131**
Changes in net assets		
Deficit for the year	(33,522,934)	(33,522,934)
Total changes	(33,522,934)	(33,522,934)
Balance at 30 June 2013	**1,333,616,197**	**1,333,616,197**

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

Cash Flow Statement

Figures in Rand	Notes	2013	2012
Cash flows from operating activities			
Receipts			
Taxation		17,542,173	15,129,808
Sale of goods and services		105,902,402	97,770,551
Grants		168,897,728	142,410,229
Interest income		2,347,181	4,649,551
Other receipts		15,268,357	38,678,551
		309,957,841	298,638,690
Payments			
Employee costs		(98,738,799)	(79,280,147)
Suppliers		(166,351,771)	(139,801,429)
Finance costs		(1,184,293)	(3,681,784)
Other cash item		-	(2,148)
		(266,274,863)	(222,765,508)
Net cash flows from operating activities	37	**43,682,978**	**75,873,182**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(64,491,427)	(61,258,975)
Proceeds from sale of property, plant and equipment	5	1,392,620	2,911,746
Purchase of other intangible assets	6	-	(1,130,625)
Proceeds from sale of financial assets		(682,579)	(1,632,866)
Net cash flows from investing activities		**(63,781,386)**	**(61,110,720)**
Cash flows from financing activities			
Repayment of other financial liabilities		(1,582,699)	(1,374,441)
Net cash flows from financing activities		**(1,582,699)**	**(1,374,441)**
Net increase/(decrease) in cash and cash equivalents		**(21,681,107)**	**13,388,021**
Cash and cash equivalents at the beginning of the year		45,437,969	32,049,948
Cash and cash equivalents at the end of the year	12	**23,756,860**	**45,437,969**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	108,904,734	8,164,266	**117,069,000**	103,484,141	**(13,584,859)**	Due to the annual service increase and tariffs.
Income from agency services	7,395,000	(2,611,000)	**4,784,000**	2,510,825	**(2,273,175)**	Variance not material
Rental income	1,373,746	(876,000)	**497,746**	556,634	**58,888**	Variance not material
Other income - (rollup)	19,403,610	(10,592,000)	**8,811,610**	9,949,117	**1,137,507**	Variance not material
Interest received - investment	1,650,000	333,000	**1,983,000**	2,347,181	**364,181**	Variance not material
Total revenue from exchange transactions	**138,727,090**	**(5,581,734)**	**133,145,356**	**118,847,898**	**(14,297,458)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23,794,348	(1,542,000)	**22,252,348**	18,892,904	**(3,359,444)**	Due to the annual service increase and tariffs
Government grants & subsidies	104,141,054	-	**104,141,054**	150,930,610	**46,789,556**	Readjustment and rollovers
Transfer revenue						
Fines	1,457,809	(353,000)	**1,104,809**	859,161	**(245,648)**	Variance not material
Total revenue from non-exchange transactions	**129,393,211**	**(1,895,000)**	**127,498,211**	**170,682,675**	**43,184,464**	
Total revenue	**268,120,301**	**(7,476,734)**	**260,643,567**	**289,530,573**	**28,887,006**	
Expenditure						
Personnel	(82,722,000)	(4,449,000)	**(87,171,000)**	(86,756,665)	**414,335**	Variance not material
Remuneration of councillors	(9,796,474)	(369,000)	**(10,165,474)**	(12,099,930)	**(1,934,456)**	Variance not material
Depreciation and amortisation	-	-	**-**	(71,497,732)	**(71,497,732)**	Not budgetted for on MTERF
Impairment loss/ Reversal of impairments	-	-	**-**	(1,917,044)	**(1,917,044)**	Variance not material
Finance costs	(945,000)	-	**(945,000)**	(1,184,293)	**(239,293)**	Variance not material
Repairs and maintenance	(16,105,536)	7,764,000	**(8,341,536)**	(11,582,602)	**(3,241,066)**	Lack of maintenance plans, reduced budget unnecessarily

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Bulk purchases	(76,375,000)	14,288,000	**(62,087,000)**	(63,268,366)	**(1,181,366)**	Variance not material
Grants and subsidies paid	(16,361,000)	12,640,000	**(3,721,000)**	(3,465,897)	**255,103**	Variance not material
General Expenses	(67,870,000)	(10,656,000)	**(78,526,000)**	(68,387,164)	**10,138,836**	Over budgetted for general expenses
Total expenditure	**(270,175,010)**	**19,218,000**	**(250,957,010)**	**(320,159,693)**	**(69,202,683)**	
Operating deficit	**(2,054,709)**	**11,741,266**	**9,686,557**	**(30,629,120)**	**(40,315,677)**	
Gain on disposal of assets and liabilities	-	-	**-**	1,392,620	**1,392,620**	Municipal properties sold during the year
Fair value adjustments	-	-	**-**	(4,286,434)	**(4,286,434)**	Due to fair value adjustment on boilogical assets
	-	**-**	**-**	**(2,893,814)**	**(2,893,814)**	
Deficit before taxation	**(2,054,709)**	**11,741,266**	**9,686,557**	**(33,522,934)**	**(43,209,491)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(2,054,709)**	**11,741,266**	**9,686,557**	**(33,522,934)**	**(43,209,491)**	

Reconcilation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	6,025,000	-	**6,025,000**	2,498,686	**(3,526,314)**	Municipality budgets on MTERF
Other financial assets	39,674,891	-	**39,674,891**	30,217	**(39,644,674)**	Municipality budgets on MTERF
Receivables from exchange transactions	3,708,000	-	**3,708,000**	700,096	**(3,007,904)**	Municipality budgets on MTERF
Consumer debtors	127,974,000	-	**127,974,000**	13,738,613	**(114,235,387)**	Municipality budgets on MTERF
Cash and cash equivalents	47,921,000	-	**47,921,000**	32,985,627	**(14,935,373)**	Municipality budgets on MTERF
	225,302,891	**-**	**225,302,891**	**49,953,239**	**(175,349,652)**	
Non-Current Assets						
Biological assets	55,216,232	-	**55,216,232**	58,912,732	**3,696,500**	Municipality budgets on MTERF
Investment property	42,400,000	-	**42,400,000**	19,106,200	**(23,293,800)**	Municipality budgets on MTERF
Property, plant and equipment	1,242,555,000	-	**1,242,555,000**	1,297,330,372	**54,775,372**	Municipality budgets on MTERF
Intangible assets	1,221,000	-	**1,221,000**	376,875	**(844,125)**	Municipality budgets on MTERF
Other financial assets	22,503,000	-	**22,503,000**	19,047,996	**(3,455,004)**	Municipality budgets on MTERF
	1,363,895,232	**-**	**1,363,895,232**	**1,394,774,175**	**30,878,943**	
Non-current assets held for sale and assets of disposal groups	-	-	**-**	410,000	**410,000**	Municipality budgets on MTERF
Total Assets	**1,589,198,123**	**-**	**1,589,198,123**	**1,445,137,414**	**(144,060,709)**	
Liabilities						
Current Liabilities						
Other financial liabilities	(1,475,000)	-	**(1,475,000)**	1,290,563	**2,765,563**	Municipality budgets on MTERF
Payables from exchange transactions	(21,369,000)	-	**(21,369,000)**	15,404,610	**36,773,610**	Municipality budgets on MTERF

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Taxes and transfers payable (non-exchange)	-	-	**-**	2,645,313	**2,645,313**	Municipality budgets on MTERF
VAT payable	(424,000)	-	**(424,000)**	3,547,811	**3,971,811**	Municipality budgets on MTERF
Consumer deposits	(3,516,000)	-	**(3,516,000)**	2,946,120	**6,462,120**	Municipality budgets on MTERF
Unspent conditional grants and receipts	(23,833,000)	-	**(23,833,000)**	38,833,402	**62,666,402**	Municipality budgets on MTERF
Provisions	(4,570,000)	-	**(4,570,000)**	7,045,369	**11,615,369**	Municipality budgets on MTERF
Bank overdraft	-	-	**-**	9,228,767	**9,228,767**	Municipality budgets on MTERF
	(55,187,000)	**-**	**(55,187,000)**	**80,941,955**	**136,128,955**	
Non-Current Liabilities						
Other financial liabilities	(4,303,000)	-	**(4,303,000)**	4,176,971	**8,479,971**	Municipality budgets on MTERF
Retirement benefit obligation	(3,862,000)	-	**(3,862,000)**	16,705,268	**20,567,268**	Municipality budgets on MTERF
Provisions	(5,336,000)	-	**(5,336,000)**	9,697,021	**15,033,021**	Municipality budgets on MTERF
	(13,501,000)	**-**	**(13,501,000)**	**30,579,260**	**44,080,260**	
Total Liabilities	**(68,688,000)**	**-**	**(68,688,000)**	**111,521,215**	**180,209,215**	
Net Assets	**1,657,886,123**	**-**	**1,657,886,123**	**1,333,616,199**	**(324,269,924)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,657,886,123	-	**1,657,886,123**	1,333,616,199	**(324,269,924)**	Municipality budgets on MTERF

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	-	-	-	15,129,808	**15,129,808**	Municipality budgets on MTERF.
Sale of goods and services	-	-	-	97,770,551	**97,770,551**	Municipality budgets on MTERF
Grants	-	-	-	142,410,229	**142,410,229**	Municipality budgets on MTERF
Interest income	-	-	-	4,649,551	**4,649,551**	Municipality budgets on MTERF
Other receipts	-	-	-	38,678,551	**38,678,551**	Municipality budgets on MTERF
	-	**-**	**-**	**298,638,690**	**298,638,690**	
Payments						
Employee costs	-	-	-	(79,280,147)	**(79,280,147)**	Municipality budgets on MTERF
Suppliers	-	-	-	(140,881,727)	**(140,881,727)**	Municipality budgets on MTERF
Finance costs	-	-	-	(1,694,254)	**(1,694,254)**	Municipality budgets on MTERF
Other payments	-	-	-	(2,148)	**(2,148)**	Municipality budgets on MTERF
	-	**-**	**-**	**(221,858,276)**	**(221,858,276)**	
Net cash flows from operating activities	**-**	**-**	**-**	**76,780,414**	**76,780,414**	

Cash flows from investing activities

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Purchase of property, plant and equipment	-	-	-	(61,357,018)	**(61,357,018)**	Municipality budgets on MTERF
Proceeds from sale of property, plant and equipment	-	-	-	978,114	**978,114**	Municipality budgets on MTERF
Purchase of other intangible assets	-	-	-	(1,130,625)	**(1,130,625)**	Municipality budgets on MTERF
Proceeds from sale of financial assets	-	-	-	(1,632,866)	**(1,632,866)**	Municipality budgets on MTERF
Net cash flows from investing activities	**-**	**-**	**-**	**(63,142,395)**	**(63,142,395)**	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	-	(1,374,441)	**(1,374,441)**	Municipality budgets on MTERF.
Net increase/(decrease) in cash and cash equivalents	-	-	-	12,263,578	**12,263,578**	Municipality budgets on MTERF
Cash and cash equivalents at the beginning of the year	-	-	-	32,049,948	**32,049,948**	Municipality budgets on MTERF
Cash and cash equivalents at the end of the year	**-**	**-**	**-**	**44,313,526**	**44,313,526**	

Mkhondo Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial Performance											
Property rates	23,794,348	(1,542,000)	22,252,348	-		22,252,348	18,892,904		(3,359,444)	85 %	79 %
Service charges	108,904,734	8,164,266	117,069,000	-		117,069,000	103,484,141		(13,584,859)	88 %	95 %
Investment revenue	1,650,000	333,000	1,983,000	-		1,983,000	2,347,181		364,181	118 %	142 %
Transfers recognised - operational	104,141,054	-	104,141,054	-		104,141,054	150,930,610		46,789,556	145 %	145 %
Other own revenue	29,630,165	(14,432,000)	15,198,165	-		15,198,165	15,268,357		70,192	100 %	52 %
Total revenue (excluding capital transfers and contributions)	**268,120,301**	**(7,476,734)**	**260,643,567**	**-**		**260,643,567**	**290,923,193**		**30,279,626**	**112 %**	**109 %**
Employee costs	(82,722,000)	(4,449,000)	(87,171,000)	-	-	(87,171,000)	(86,756,665)	-	414,335	100 %	105 %
Remuneration of councillors	(9,796,474)	(369,000)	(10,165,474)	-	-	(10,165,474)	(12,099,930)	-	(1,934,456)	119 %	124 %
Repairs & maintenance	(16,105,536)	7,764,000	(8,341,536)			(8,341,536)	(11,582,602)	-	(3,241,066)	139 %	72 %
Depreciation and asset impairment	-	-	-			-	(73,414,776)	-	(73,414,776)	DIV/0 %	DIV/0 %
Finance charges	(945,000)	-	(945,000)	-	-	(945,000)	(1,184,293)	-	(239,293)	125 %	125 %
Materials and bulk purchases	(76,375,000)	14,288,000	(62,087,000)	-	-	(62,087,000)	(63,268,366)	-	(1,181,366)	102 %	83 %
Transfers and grants	(16,361,000)	12,640,000	(3,721,000)	-	-	(3,721,000)	(3,465,897)	-	255,103	93 %	21 %
Other expenditure	(67,870,000)	(10,656,000)	(78,526,000)	-	-	(78,526,000)	(68,387,164)	-	10,138,836	87 %	101 %
Total expenditure	**(270,175,010)**	**19,218,000**	**(250,957,010)**	**-**	**-**	**(250,957,010)**	**(320,159,693)**	**-**	**(69,202,683)**	**128 %**	**119 %**
Surplus/(Deficit)	**(2,054,709)**	**11,741,266**	**9,686,557**	**-**		**9,686,557**	**(29,236,500)**		**(38,923,057)**	**(302)%**	**1,423 %**
Surplus/(Deficit) for the year	**(2,054,709)**	**11,741,266**	**9,686,557**	**-**		**9,686,557**	**(29,236,500)**		**(38,923,057)**	**(302)%**	**1,423 %**

Capital expenditure and funds sources

Mkhondo Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	57,131,000	(5,730,000)	51,401,000	-		51,401,000	43,682,978		(7,718,022)	85 %	76 %
Net cash from (used) investing	(45,884,000)	-	(45,884,000)	-		(45,884,000)	(63,781,386)		(17,897,386)	139 %	139 %
Net cash from (used) financing	(1,374,000)	-	(1,374,000)	-		(1,374,000)	(1,582,699)		(208,699)	115 %	115 %
Net increase/(decrease) in cash and cash equivalents	**9,873,000**	**(5,730,000)**	**4,143,000**	**-**		**4,143,000**	**(21,681,107)**		**(25,824,107)**	**(523)%**	**(220)%**
Cash and cash equivalents at the beginning of the year	79,156,000	-	79,156,000	-		79,156,000	45,437,969		(33,718,031)	57 %	57 %
Cash and cash equivalents at year end	**89,029,000**	**(5,730,000)**	**83,299,000**	**-**		**83,299,000**	**23,756,862**		**59,542,138**	**29 %**	**27 %**

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board as prescribed by the Municipal Finance Management Act, Act 56 of 2003.

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited 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 unaudited annual financial statements. Significant judgements include:

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

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

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

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 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.

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. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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 15 - Provisions.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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 8.

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 Biological assets

An entity shall recognise a biological assets or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a biological assets measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value, by equal installments over their useful lives as follows:

Item	Useful life
Trees in a plantation forest	Indefinite

Accounting Policies

1.3 Investment property

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

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

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

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

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

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

Cost model

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

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

Item	**Useful life**
Property - land	indefinite
Property - buildings	50 years

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

1.4 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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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.

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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

Item	Average useful life
Electricity Equipment	30 - 45 years
Electricity Cables	50 years
Electricity Poles	30 years
Roads	10 - 50 years
Road furniture	7 - 50 years
Street lights	25 years
Sewer Equipment	10 - 50 years
Sewer & Manholes	36 years
Stormwaters	20 - 50 years
Waterequipment	8 - 75 years
Water reticilation	40 - 50 years
Computer Equipment	2 - 7 years
Furniture and Office equipment	2 - 7 years
Other machinery and equipment	2 - 15 years
Transport assets	5 - 10 years
Other structures (Infrastructure assets)	5 years
Buildings	30 - 50 years
Other property, plant and equipment # 1	Not depreciated

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.

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

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

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

1.5 Site restoration and dismantling cost

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

1.5 Site restoration and dismantling cost (continued)

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

1.6 Intangible assets

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.

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

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

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

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

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

Item	**Useful life**
Computer software	3 years

1.7 Financial instruments

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

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.

A derivative is a financial instrument or other contract with all three of the following characteristics:

1.7 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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.

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

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

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.

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.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.7 Financial instruments (continued)

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 entity 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 entity 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:
- derivatives;
- 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.

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
Fixed Deposit	Financial asset measured at fair value
Collective Investment Scheme	Financial asset measured at fair value
Listed Equity	Financial asset measured at fair value

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

Class	Category
Loan 10861/103	Financial liability measured at amortised cost
Loan 10883/103	Financial liability measured at amortised cost
Loan 12527/102	Financial liability measured at amortised cost
Loan 9630/103	Financial liability measured at amortised cost
Loan 12528/102	Financial liability measured at amortised cost
Loan 12526/102	Financial liability measured at amortised cost
Loan 9920/103	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.7 Financial instruments (continued)

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.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality 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.

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

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.

1.7 Financial instruments (continued)

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.

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.

1.8 Leases

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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.

Operating leases - lessee

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

1.9 Inventories

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

1.9 Inventories (continued)

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

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

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

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

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

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

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

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

1.10 Non-current assets held for sale and disposal groups

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

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

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

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

1.11 Impairment of cash-generating assets

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

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.

1.11 Impairment of cash-generating assets (continued)

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.

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:

When an asset becomes unavailable to continue with its service delivery potential, an asset is classified from cash-generating to non-cash generating.

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.

1.11 Impairment of cash-generating assets (continued)

Discount rate

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

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.

Accounting Policies

1.11 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.

Accounting Policies

1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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 goodsor 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 entity 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.

1.12 Employee benefits (continued)

Post-employment benefits

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

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

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

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.

1.13 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 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.

Accounting Policies

1.13 Provisions and contingencies (continued)

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.

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.14 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.

1.14 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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.

1.15 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.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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.

1.15 Revenue from non-exchange transactions (continued)

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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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.

Measurement

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

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

1.15 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

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.

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.16 Investment income

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

Accounting Policies

1.17 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.

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 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.

1.21 Use of estimates

The preparation of unaudited annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited annual financial statements are disclosed in the relevant sections of the unaudited annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Presentation of currency

These unaudited annual financial statements are presented in South African Rand.

1.23 Offsetting

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

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

1.24 Budget information (continued)

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the unaudited annual financial statements.

1.25 Related parties

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

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

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.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's unaudited 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 unaudited 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.
- 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.

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

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

The impact of the standard is not material.

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 has early adopted the amendment for the first time in the 2013 unaudited annual financial statements.

The impact of the amendment is not material.

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 has early adopted the amendment for the first time in the 2013 unaudited annual financial statements.

The impact of the amendment is not material.

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 has early adopted the amendment for the first time in the 2013 unaudited annual financial statements.

The impact of the amendment is not material.

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 has early adopted the amendment for the first time in the 2013 unaudited annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

2. New standards and interpretations (continued)

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 has early adopted the amendment for the first time in the 2013 unaudited annual financial statements.

The impact of the amendment is not material.

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 has early adopted the amendment for the first time in the 2013 unaudited annual financial statements.

The impact of the amendment is not material.

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 has early adopted the amendment for the first time in the 2013 unaudited annual financial statements.

The impact of the amendment is not material.

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 has early adopted the amendment for the first time in the 2013 unaudited annual financial statements.

The impact of the amendment is not material.

IGRAP16: Intangible assets website costs

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annul reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

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

The municipality has early adopted the amendment for the first time in the 2013 unaudited annual financial statements.

The impact of the amendment is not material.

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	Impact is not material
• GRAP 25: Employee benefits	01 April 2013	Impact is not material

3. Biological assets

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Plantation	58,912,732	-	58,912,732	63,199,166	-	63,199,166
Total	**58,912,732**	**-**	**58,912,732**	**63,199,166**	**-**	**63,199,166**

Reconciliation of biological assets - 2013

	Opening balance	Gains or losses arising from changes in fair value	Total
Plantation	63,199,166	(4,286,434)	58,912,732
	63,199,166	**(4,286,434)**	**58,912,732**

Reconciliation of biological assets - 2012

	Opening balance	Gains or losses arising from changes in fair value	Total
Plantation	66,044,701	(2,845,535)	63,199,166
	66,044,701	**(2,845,535)**	**63,199,166**

Non - Financial information

Quantities of each biological asset

Trees in a plantation forest	58,912,732	63,199,166
	58,912,732	**63,199,166**

Total population of plantation area as at 30 June 2013:
- Wattle: 19% (503.5ha)
- Gum: 41% (1098.6ha)
- Pine: 40% (1046.5ha)

Methods and assumptions used in determining fair value

Mean annual increment (MAI) was used on a given index age for a specified silviculture regime (Gum 10 years, Pine 25 years and Wattle 10 years), to determine volume production potential. Historical sales volumes of the Mkhondo area, as well as FES data for 2011 and 2012 were used to determin MAI (gum:15 tons/ha/year, Pine: 12 tons/ha/year, Wattle: 10 tones/ha/year).

Furthermore the municipality used a expert to calculate the fair value of biological assets as at 30 June 2013.

4. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	31,459,300	(12,353,100)	19,106,200	31,459,300	(11,733,700)	19,725,600
Total	**31,459,300**	**(12,353,100)**	**19,106,200**	**31,459,300**	**(11,733,700)**	**19,725,600**

Reconciliation of investment property - 2013

	Opening balance	**Depreciation**	**Total**
Investment property	19,725,600	(619,400)	19,106,200
	19,725,600	**(619,400)**	**19,106,200**

Reconciliation of investment property - 2012

	Opening balance	**Depreciation**	**Total**
Investment property	20,345,000	(619,400)	19,725,600
	20,345,000	**(619,400)**	**19,725,600**

Additional disclosure relating to Investment property

Investment property Type	**2013**
Agricultural	650,000.00
Business	20,126,000.00
Residential	10,034,000.00
Vacant land	160,000.00

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the cost model (when fair value of investment property cannot be reliably determined), disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

5. 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	47,707,861	-	47,707,861	43,460,371	-	43,460,371
Buildings	31,921,152	(11,296,788)	20,624,364	31,921,152	(10,643,003)	21,278,149
Infrastructure	1,954,688,263	(927,239,323)	1,027,448,940	1,954,688,263	(863,370,078)	1,091,318,185
Community	13,424,500	(6,305,300)	7,119,200	15,164,500	(6,002,010)	9,162,490
Other property, plant and equipment	44,660,758	(24,302,867)	20,357,891	41,370,905	(18,450,684)	22,920,221
Work in progress	174,072,116	-	174,072,116	117,118,031	-	117,118,031
Total	**2,266,474,650**	**(969,144,278)**	**1,297,330,372**	**2,203,723,222**	**(898,465,775)**	**1,305,257,447**

Notes to the Unaudited Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	43,460,371	4,247,490	-	-	47,707,861
Buildings	21,278,149	-	(653,785)	-	20,624,364
Infrastructure	1,091,318,185	-	(63,869,245)	-	1,027,448,940
Community	9,162,490	-	(303,290)	(1,740,000)	7,119,200
Other property, plant and equipment	22,920,221	3,289,852	(5,675,138)	(177,044)	20,357,891
Work in progress	117,118,031	56,954,085	-	-	174,072,116
	1,305,257,447	**64,491,427**	**(70,501,458)**	**(1,917,044)**	**1,297,330,372**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	44,803,371	-	(933,000)	(410,000)	-	-	43,460,371
Buildings	21,931,933	-	-	-	(653,784)	-	21,278,149
Infrastructure	1,154,931,154	-	-	-	(63,612,969)	-	1,091,318,185
Community	9,302,790	160,000	-	-	(300,300)	-	9,162,490
Other property, plant and equipment	19,218,763	9,347,321	(45,114)	-	(4,933,317)	(667,432)	22,920,221
Work in progress	65,366,377	51,751,654	-	-	-	-	117,118,031
	1,315,554,388	**61,258,975**	**(978,114)**	**(410,000)**	**(69,500,370)**	**(667,432)**	**1,305,257,447**

Details of properties

A detailed property register is kept by the Municipality.

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.

5. Property, plant and equipment (continued)

Deemed cost

Deemed cost was determined using fair value OR depreciated replacement cost.

6. Intangible assets

	2013			2012		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1,224,247	(847,372)	376,875	1,224,247	(470,497)	753,750
Total	**1,224,247**	**(847,372)**	**376,875**	**1,224,247**	**(470,497)**	**753,750**

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	753,750	(376,875)	376,875
	753,750	**(376,875)**	**376,875**

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	31,207	1,130,625	(408,082)	753,750
	31,207	**1,130,625**	**(408,082)**	**753,750**

Figures in Rand	2013	2012

7. Other financial assets

Designated at fair value		
Sanlam: 040485057X0	1,720,673	1,622,248
Sanlam: 042223507X7	2,926,357	2,758,871
Sanlam: 042473066X1	829,380	782,008
Sanlam	1,339,962	1,339,962
Listed Shares - Old Mutual	646,637	523,370
Listed Shares - Old Mutual: 13093141	10,474,730	10,281,384
Fixed Deposit - ABSA: 5008322939	6,277	6,000
Fixed Deposit - ABSA: 2056165426	23,940	22,717
Fixed Deposit - Nedbank: 18424102/9998	-	5,913
Fixed Deposit - Sanlam	1,110,257	1,053,161
	17,357,540	16,773,386
	19,078,213	**18,395,634**

Non-current assets		
Designated at fair value	19,047,996	18,361,004
Current assets		
Designated at fair value	30,217	34,630

8. Employee benefit obligations

Defined benefit plan

The GRAP 25 Statement sets out the measurement recognition and disclosure requirements in accounting for postretirement “defined benefit” plans. It is recommended that the Municipality consult with their auditors in determining the appropriate approach for reflecting the results of this valuation in their Financial Statements.

Post retirement benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member’s death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 7.32% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.82%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.80% which derives from (8.18%-7.32%)/1.0732.

The expected inflation assumption of 5.82% was obtained from the differential between market yields on index-linked bonds and bonds consistent with the estimated term of the liabilities (1.76%) and those of nominal bonds (8.18%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: (8.18%-0.50%-1.76%)/1.0176.

The next contribution increase was assumed to occur with effect from 1 January 2014.

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

	2013	2012
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(16,705,268)	(13,933,722)
Net liability	**(16,705,268)**	**(13,933,722)**

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

	2013	2012
Opening balance	13,933,722	12,713,443
Net expense recognised in the statement of financial performance	2,771,546	1,220,279
Closing balance	**16,705,268**	**13,933,722**

Net expense recognised in the statement of financial performance

	2013	2012
Opening balance	13,933,722	12,713,443
Current service cost	571,158	443,779
Interest cost	1,006,432	1,029,866
Actuarial (gains) losses	1,936,981	475,798
Expected Employer Benefit Vestings	(743,025)	(729,164)
Total included in employee related costs	**16,705,268**	**13,933,722**

Figures in Rand	2013	2012

8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Long service Aawards		
Discount rates used	7.46 %	6.59 %
General salary inflation	6.84 %	5.96 %
Net effective discount rate	0.58 %	0.59 %
Actuarial valuation		
Discount rates used	8.18 %	8.18 %
Health care cost inflation rate	7.32 %	7.32 %
Net effective discount rate	0.80 %	0.80 %

Key demographic assumptions used at the report date:

Average retirement age	65

Proportion of eligible current non-member employees joining the scheme by retirement:

Mortality during employment:	SA85-90(Mixed) Ultimate

It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions bebased on market expectations at the valuation date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP 25, the market yields on government bonds
consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 7.46% per annum has been used. This rate does not reflect any adjustment for taxation.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award. The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 5.82% was obtained from the differential between market yields on index-linked bonds (1.76%) consistent with the estimated term of the liabilities and those of nominal bonds (8.18%) witha risk premium adjustment for the uncertainty implicit in guaranteeing real increases(0.50%). Therefore, expected inflation is determined as (8.18%-7.32%)/1.0732.

Thus, a general salary inflation rate of 6.84% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.58%. It has been assumed that the next salary increase will take place in July 2014.

9. Inventories

Consumable stores	2,349,569	2,506,054
Water	149,117	160,036
	2,498,686	**2,666,090**

10. Receivables from exchange transactions

Sundry Debtors	700,096	2,548,952

Figures in Rand	2013	2012

10. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Counterparties with external credit rating (Moody's)		
Baaa1	700,096	2,548,952
	700,096	**2,548,952**

Fair value of trade and other receivables

Trade and other receivables	700,096	2,548,952

Figures in Rand	2013	2012

11. Consumer debtors

	2013	2012
Gross balances		
Rates	25,848,827	21,108,855
Electricity	6,962,429	15,166,014
Water	17,028,800	14,763,379
Sewerage	13,146,223	11,216,338
Refuse	18,921,893	14,736,515
Other	28,963,632	11,274,702
	110,871,804	**88,265,803**
Less: Allowance for impairment		
Rates	(22,569,804)	(18,836,886)
Electricity	(5,096,830)	(10,728,080)
Water	(15,373,445)	(13,037,803)
Sewerage	(12,058,567)	(10,381,770)
Refuse	(17,435,425)	(13,503,620)
Other	(24,599,120)	(11,123,465)
	(97,133,191)	**(77,611,624)**
Net balance		
Rates	3,279,023	2,271,969
Electricity	1,865,599	4,437,934
Water	1,655,355	1,725,576
Sewerage	1,087,656	834,568
Refuse	1,486,468	1,232,895
Other	4,364,512	151,237
	13,738,613	**10,654,179**
Rates		
Current (0 -30 days)	1,351,511	1,096,869
31 - 60 days	1,112,425	638,915
61 - 90 days	815,087	536,185
	3,279,023	**2,271,969**
Electricity		
Current (0 -30 days)	963,566	2,984,408
31 - 60 days	577,724	791,556
61 - 90 days	324,309	661,970
	1,865,599	**4,437,934**
Water		
Current (0 -30 days)	576,220	763,159
31 - 60 days	725,629	535,766
61 - 90 days	353,506	426,651
	1,655,355	**1,725,576**
Sewerage		
Current (0 -30 days)	441,804	370,309
31 - 60 days	374,499	247,412
61 - 90 days	271,353	216,847
	1,087,656	**834,568**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

11. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	535,662	460,541
31 - 60 days	498,062	397,718
61 - 90 days	452,744	374,636
	1,486,468	**1,232,895**

Other		
Current (0 -30 days)	1,721,142	201,757
31 - 60 days	1,867,148	(199,055)
61 - 90 days	776,222	148,535
	4,364,512	**151,237**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(77,611,624)	(78,606,621)
Contributions to allowance	(19,521,567)	994,997
	(97,133,191)	**(77,611,624)**

Fair value of consumer debtors

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	13,738,613	10,654,179

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8,171	8,171
Bank balances	-	4,369,360
Short-term deposits	32,977,456	41,060,438
Bank overdraft	(9,228,767)	-
	23,756,860	**45,437,969**

Current assets	32,985,627	45,437,969
Current liabilities	(9,228,767)	-
	23,756,860	**45,437,969**

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**
Current Accounts						
First National Bank - Cheque Account - 62013126356	1,137,709	2,807,641	1,057,902	(9,228,767)	4,369,360	(1,737,433)
First National Bank - Fixed deposit - 62254274732	1,908,105	1,124,443	1,081,387	1,908,105	1,124,443	1,081,387
First National Bank - Pulic sector - 62242238534	3,167	2,050	339	-	-	-
Call Accounts						
First National Bank - Call Account - 740280175876	29,771,388	12,345,149	27,564,773	29,771,388	12,345,149	27,564,773
First National Bank - Call Account - 62016967351	1,297,963	27,590,846	5,004,585	1,297,963	27,590,846	5,004,585
Total	**34,118,332**	**43,870,129**	**34,708,986**	**23,748,689**	**45,429,798**	**31,913,312**

13. Other financial liabilities

At amortised cost		
DBSA Sewerage	397,514	631,875
DBSA Streets Ethanda	594,308	672,029
DBSA Electricity Ethanda	1,593,907	2,111,993
DBSA Electricity Ext 5	-	24,987
DBSA Electricity Ext 7 & 9	1,654,731	1,897,480
DBSA Electricity	8	164,132
DBSA LAS Control System	3	72,395
ABSA Bank Limited	1,227,063	1,475,342
	5,467,534	**7,050,233**

Total other financial liabilities	**5,467,534**	**7,050,233**

Non-current liabilities		
At amortised cost	4,176,971	7,050,233
	4,176,971	**7,050,233**

Current liabilities		
At amortised cost	1,290,563	-
	1,290,563	**-**

Figures in Rand	2013	2012

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	31,961,448	17,758,921
Municipal Systems Improvement Grant	158,986	72,390
Financial Management Grant	307,614	-
Local goverment sector education and training authority	12,103	-
Integrated National Electrification Programme	6,341,680	3,034,973
Expanded Public Works Programme Incentive Grant	51,571	-
	38,833,402	**20,866,284**

Movement during the year

Balance at the beginning of the year	20,866,284	18,450,152
Additions during the year	70,602,070	115,871,299
Unpsent grants not/approved for rollover for the year	-	(2,645,313)
Income recognition during the year	(52,634,952)	(110,809,854)
	38,833,402	**20,866,284**

The nature and extent of government grants recognised in the unaudited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 23 for reconciliation of grants from National/Provincial Government.

15. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Land fill site provision	5,336,172	4,360,849	-	9,697,021
Leave provision	5,070,232	3,436,081	(1,460,944)	7,045,369
	10,406,404	**7,796,930**	**(1,460,944)**	**16,742,390**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Land fill site provision	5,336,172	-	5,336,172
Leave provision	3,714,930	1,355,302	5,070,232
	9,051,102	**1,355,302**	**10,406,404**

Non-current liabilities	9,697,021	5,336,172
Current liabilities	7,045,369	5,070,232
	16,742,390	**10,406,404**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

16. Payables from exchange transactions

Trade payables	4,577,730	34,384,553
13th Cheque accrual	2,049,105	2,007,814
Sundry creditors	8,041,867	4,384,324
Unspent Grants	735,910	3,381,223
	15,404,612	**44,157,914**

17. Taxes and transfers payable (non-exchange)

Refunds arising from non-exchange revenue	2,645,313	-
	2,645,313	**-**

18. VAT payable

Tax refunds payables	3,547,811	2,626,869
	3,547,811	**2,626,869**

19. Consumer deposits

Electricity	2,236,828	2,236,828
Water	709,292	631,398
	2,946,120	**2,868,226**

20. Revenue

Service charges	103,484,141	96,324,150
Income from agency services	2,510,825	5,427,326
Rental income	556,634	570,208
Other income	9,949,117	29,848,762
Interest received - investment	2,347,181	4,649,551
Property rates	18,892,904	15,129,808
Government grants & subsidies	150,930,610	141,468,299
Fines	859,161	853,510
	289,530,573	**294,271,614**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	103,484,141	96,324,150
Income from agency services	2,510,825	5,427,326
Rental income	556,634	570,208
Other income - (rollup)	9,949,117	29,848,762
Interest received - investment	2,347,181	4,649,551
	118,847,898	**136,819,997**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	18,892,904	15,129,808
Transfer revenue		
Government grants & subsidies	150,930,610	141,468,299
Fines	859,161	853,510
	170,682,675	**157,451,617**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

21. Property rates

Rates received

Residential	16,942,575	15,129,808
Commercial	862,783	-
State	495,917	-
Small holdings and farms	591,629	-
	18,892,904	**15,129,808**

Valuations

Residential	1,425,509,800	1,425,509,800
Commercial	732,092,300	732,232,300
State	245,598,500	245,598,500
Municipal	104,907,379	70,096,380
Small holdings and farms	2,185,616,400	2,185,476,400
Vacant Land	71,183,500	71,183,500
Other	461,629,500	461,629,500
	5,226,537,379	**5,191,726,380**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis. The new general valuation will be implemented on 01 July 2013.

22. Service charges

Sale of electricity	79,847,175	72,647,194
Sale of water	11,249,695	12,417,078
Sewerage and sanitation charges	5,649,485	4,925,082
Refuse removal	6,737,786	6,334,796
	103,484,141	**96,324,150**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

23. Government grants and subsidies

Equitable share	99,692,000	81,170,000
Municipal infrastructure grant	45,199,472	56,461,227
Municipal systems improvment grant	713,066	1,453,520
Finance management grant	1,192,386	1,275,757
Human settlement grant	1,512,290	805,827
Local goverment sector education and training authority	674,967	301,968
Expanded Public Works Programme Incentive Grant	1,946,429	-
	150,930,610	**141,468,299**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

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

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	17,758,921	20,088,121
Current-year receipts	59,081,000	48,703,000
Conditions met - transferred to revenue	(44,878,473)	(51,032,200)
	31,961,448	**17,758,921**

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

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	72,390	808,300
Current-year receipts	800,000	790,000
Conditions met - transferred to revenue	(713,404)	(1,525,910)
	158,986	**72,390**

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

Financial Management Grant (FMG)

Current-year receipts	1,500,000	1,250,000
Conditions met - transferred to revenue	(1,192,386)	(1,275,797)
Transferred to trade and other payables due to roll-over application being denied	-	25,797
	307,614	**-**

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

Human Settlement

Conditions met - transferred to revenue	-	(805,827)
Transferred to trade and other payables due to roll-over application being denied	-	805,827
	-	**-**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

23. Government grants and subsidies (continued)

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

Local goverment sector education and training authority

Balance unspent at beginning of year	-	88,702
Current-year receipts	687,070	741,981
Conditions met - transferred to revenue	(674,967)	(390,516)
Transferred to trade and other payables due to roll-over application being denied	-	(440,167)
	12,103	**-**

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

Integrated National Electrification Programme

Balance unspent at beginning of year	3,034,973	-
Current-year receipts	6,536,000	8,464,000
Conditions met - transferred to revenue	(3,229,293)	(5,429,027)
	6,341,680	**3,034,973**

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

Expanded Public Works Programme Incentive Grant

Current-year receipts	1,998,000	942,000
Conditions met - transferred to revenue	(1,946,429)	-
Transferred to trade and other payables due to roll-over application being denied	-	(942,000)
	51,571	**-**

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

24. Other income

Administration costs	14,888	11,436
Advertising	22,020	18,600
Building and clearance certificates	8,283	9,701
Cemetery fees	133,779	119,264
Commission income	108,171	69,240
Debtors recovered money	-	4,800,207
Escourting fees	1,091,246	-
Fund raising	-	16,618,572
Miscellaneous income	226,714	-
Licensing fees	2,274,354	-
Photo copies	147,413	90,476
Sale of refuse bins	128	1,569
Sub-division of stands	5,659	129,302
Sundry income	176,235	1,076,976
Timber sales	5,740,227	6,903,419
	9,949,117	**29,848,762**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

25. General expenses

Advertising	814,789	506,830
Auditors remuneration	2,812,179	2,755,195
Bank charges	878,982	794,614
Cleaning	2,180,844	1,593,599
Community development and training	2,042,296	12,870,653
Consulting and professional fees	24,396,307	9,654,245
Consumables	1,159,529	733,902
Donations	4,474	482,812
Election expenses	816,388	874,787
Electricity	3,629,894	3,122,953
Entertainment	1,288,618	437,976
Insurance	2,799,512	2,613,340
Motor vehicle expenses	20,000	-
Placement fees	-	14,828
Printing and stationery	1,866,279	1,275,739
Protective clothing	856,577	468,600
Security	8,238,253	4,747,411
Slow moving stock items	942	250,037
Subscriptions and membership fees	643,372	488,837
Telephone and fax	2,362,905	1,946,916
Training	793,923	215,266
Transport and freight	8,874,021	8,562,439
Water	1,907,080	1,400,466
	68,387,164	**55,811,445**

Figures in Rand	2013	2012

26. Employee related costs

Acting allowances	1,062,971	1,697,280
Basic	49,332,473	44,201,399
Bonus	4,303,785	4,436,818
Housing benefits and allowances	1,080,538	944,703
Leave pay provision charge	8,772	-
Long-service awards	1,968,456	(360,264)
Medical aid contributions	2,415,515	2,002,382
Overtime payments	5,640,953	4,393,530
Pensionfund contributions	10,925,320	9,261,189
SDL	222,411	-
Travel allowance	1,846,557	2,254,126
Subsistence and other allowances	3,507,997	2,393,540
Unimployment insurance fund contributions	542,503	481,154
	82,858,251	**71,705,857**

Remuneration of municipal manager

Annual Remuneration	640,719	434,313
Travel, motor car, accommodation, subsistence and other allowances	389,120	209,634
Contributions to UIF, Medical and Pension Funds	43,853	94,757
	1,073,692	**738,704**

The Municipal Manager Mr. A.N. Mahlangu served for the full period up to 30 June 2013.

Remuneration of Chief finance officer

Annual Remuneration	499,327	294,231
Travel, motor car, accommodation, subsistence and other allowances	216,967	188,691
Contributions to UIF, Medical and Pension Funds	34,554	5,596
	750,848	**488,518**

The Chief Financial Officer Mr. T.D. Mabuya served for the full period up to 30 June 2013.

General manager - Corporate services

Annual Remuneration	596,979	173,077
Car Allowance	108,000	74,499
Contributions to UIF, Medical and Pension Funds	46,801	48,286
Acting Allowance	-	45,206
	751,780	**341,068**

The General Manager for Corporate Services Mr M.J. Mkhonza served for the full period up to 30 June 2013.

General manager - Technical services

Annual Remuneration	332,645	207,692
Car Allowance	141,197	110,331
Leave Gratuity	70,780	-
Contributions to UIF, Medical and Pension Funds	19,986	49,298
Acting Allowance	-	38,748
	564,608	**406,069**

The General Manager for Technical Services Mr. K.L. Mashile served for the period up to January 2013 therefore his section 57 calculation is only based up to January 2013.

Figures in Rand	2013	2012

26. Employee related costs (continued)

General manager - Community Services

Annual Remuneration	592,485	80,154
Car Allowance	120,000	22,199
Contributions to UIF, Medical and Pension Funds	45,001	16,398
	757,486	**118,751**

The General Manager for Community Services Mr. A.W. Nkonyane served for the full period up to 30 June 2013.

27. Remuneration of councillors

Executive Major	772,135	725,808
Speaker	593,880	540,656
Councillors	10,021,982	6,995,617
Councillors' pension contribution	711,933	-
	12,099,930	**8,262,081**

28. Debt impairment

Debt impairment	-	2,994,750
	-	**2,994,750**

29. Investment revenue

Interest revenue		
Listed financial assets	123,267	-
Bank	2,223,914	4,638,130
Interest charged on trade and other receivables	-	11,421
	2,347,181	**4,649,551**

30. Fair value adjustments

Biological assets - (Fair value model)	(4,286,434)	(2,845,535)
	(4,286,434)	**(2,845,535)**

31. Depreciation and amortisation

Property, plant and equipment	70,501,457	69,551,166
Investment property	619,400	619,400
Intangible assets	376,875	408,082
	71,497,732	**70,578,648**

32. Impairment of assets

Impairments		
Property, plant and equipment	1,917,044	667,432
	1,917,044	**667,432**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

33. Finance costs

Trade and other payables	-	26,485
Current borrowings	1,184,293	2,918,247
Other interest paid	-	737,052
	1,184,293	**3,681,784**

34. Auditors' remuneration

Fees	2,812,179	2,755,195

35. Grants and subsidies paid

Other subsidies		
Equitable share	1,519,468	5,480,142
Expanded Public Works Programme Incentive Grant	1,946,429	-
	3,465,897	**5,480,142**

36. Bulk purchases

Electricity	61,692,867	66,731,918
Water	1,575,499	5,082,246
	63,268,366	**71,814,164**

37. Cash generated from operations

Surplus/(deficit)	(33,522,934)	(9,942,668)
Adjustments for:		
Depreciation and amortisation	71,497,732	70,578,648
Sale of sale of assets and liabilities	(1,392,620)	(1,933,632)
Fair value adjustments	4,286,434	2,845,535
Impairment deficit	1,917,044	667,432
Debt impairment	-	2,994,750
Movements in retirement benefit assets and liabilities	2,771,546	737,052
Movements in provisions	6,335,986	137,004
Changes in working capital:		
Inventories	167,404	(929,982)
Receivables from exchange transactions	1,848,856	(2,548,952)
Consumer debtors	(3,084,434)	(7,469,625)
Payables from exchange transactions	(28,753,303)	6,539,982
VAT	920,942	13,130,918
Taxes and transfers payable (non exchange)	2,645,313	-
Unspent conditional grants and receipts	17,967,118	942,000
Consumer deposits	77,894	124,720
	43,682,978	**75,873,182**

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	-	153,675,549
	-	**153,675,549**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

39. Contingencies

(i) The municipality is being sued for R 1 169 904.40 by Bareki Management Consulting for amounts due and owing, secondly, for an alleged breach of contract by the Municipality. The Municipality is currently waiting for a new court date.

(ii) The municipality is being sued for R 450 000.00 by Busamasi Investment for services rendered and retention money allegedly due and owing by the municipality. A plea on which a special plea was raised was filed at court and served on Plaintiff. This matter is still pending at court.

(iii) The municipality is being sued for R1 396 370.67 by Pomoja Technologies for alleged breach of contract by the Municipality. No further pleading were filed by the plaintiff as it seems the plaintiff is no longer interested to proceed with the claim.

(iv) The municipality is being sued for R 100 000.00 by Dr Van Blerk for injuries sustained due to lack of maintenance of storm water drainage. Pre-trail was held on 4 June 2013. A court date has to be set.

(v) The municipality is being sued for a unknown amount by Mr S Sesele for unfair dismissal by the Municipality.

(vi) The municipality is being sued for R 15 386.73 by Telkom SA for damage to Telkom 50PR UG cable for 210Km from DP94A to manhole at NO10 Huller street by the Municipality. A court date has to be set.

(vii) The municipality is being sued for unknown amount by Mrs N Ndlangamand for unfair dismissal by the Municipality.

(viii) The municipality is being sued for R 70 000.00 by S Mnisi for failure to pay for services rendered at Kwangema Pump station by the municipality. A letter of demand was issued.

(ix) The municipality is being sued for R 306 900.00 by Blobal minds event management for allege that they were appointed by the administrator in 2009 to do the municipality's IT. A court date has to be set for the pre-trail.

(x) The municipality is being sued for a unknown amount by Urban Econ for failure to pay for services rendered by the municipality. An exception in this matter has been served. No further action has been taken.

(xi) The following cases have been opened against municipal employees which is still pending:

- T.G. Tshabalala suspended for fraud
- B.V. Masina suspended for fraud case set for August 2013
- T..P Mdluli suspended for fraud case set for August 2013
- Y. Daphney charged with fraud awaiting court decision.
- M.M. Shongwe suspended for Damage to property awaiting investigation report
- M.M. Sibiya charged with insubordination
- I. Mandiwana charged with Contravening the Code of Conduct case set for August 2013
- S.M. Mkhaliphi charged with Insulting a member of the public case set August 2013

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

40. Related parties

Relationships

Mr A.N. Mahlangu(Accounting Officer)	Refer to accounting officer's report note
Mr M.J. Mkhonza(Corporate Services)	Section 57 Manager
Mr W.T. Nkonyane(Community Services)	Section 57 Manager
Mr T.D. Mabuya(Financial Services CFO)	Section 57 Manager

Councilors

Cllr. A.T. Thwala
Cllr. T.S. Nkosi
Cllr. S.S. Mathebula
Cllr. M.P. Sibanyoni
Cllr. S.N. Nkambule
Cllr. P.S. Nhlabathi
Cllr. J.L.T. Brussow
Cllr. S.P. Kunene
Cllr. N.B. Masuku
Cllr. M.D. Ntuli
Cllr. L.V.A. Mkhwanazi
Cllr. S.R. Sangweni
Cllr. C.G. Mtshali
Cllr. Z.J. Mnisi
Cllr. K.D. Masondo
Cllr. J.S. Mngomezulu
Cllr. M.O. Nkosi
Cllr. M.L. Yende
Cllr. M.E. Phakathi
Cllr. B.J. Vilakazi
Cllr. S.C. Mtshali
Cllr. N.L. Nhlengethwa
Cllr. Z.E. Mthimkhulu
Cllr. N.C. Ndlovu
Cllr. D.M. Thwala
Cllr. V.D. Nkosi
Cllr. S.J. Methula
Cllr. P.C. Langa
Cllr. V.W.Masuku
Cllr. H.P. Sunkel
Cllr. R.J.A. Wilson
Cllr. T.E. Khumalo
Cllr. B.H. Mtshali
Cllr. H.A. Mncube
Cllr. T.G.F. Nhleko
Cllr. T.E. Motha
Cllr. B.T. Mabuza
Cllr. S.J. Nkosi

Figures in Rand	2013	2012

41. Risk management

Price risk

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

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. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the executive mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

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 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.

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

42. Going concern

The unaudited 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.

43. Unauthorised expenditure

	2013	2012
Opening balance	88,958,393	5,558,481
Unauthorised expenditure	43,209,491	83,399,912
Less: Condoned	-	-
	132,167,884	**88,958,393**

Figures in Rand	2013	2012

44. Fruitless and wasteful expenditure

Opening balance	3,312,824	1,758,949
Penalties and interest	5,797,925	36,281
Short bankings	-	1,161,341
Overtime not allowable	-	356,253
Less: Condoned	-	-
	9,110,749	**3,312,824**

The following fruitless and wasteful expenditure occurred during the year:

- South African Revenue Service - Penalties and interest:	R 85,553.27
- Eskom - Interest:	R 357,627.27
- Debt collection - Payments made in vain:	R 5,354,744.74
	R 5,797,925.25

45. Irregular expenditure

Opening balance	12,057,940	11,094,425
Add: Irregular Expenditure - current year	19,230,910	963,515
Less: Amounts condoned	-	-
	31,288,850	**12,057,940**

46. Additional disclosure in terms of Municipal Finance Management Act

Material losses

Electricity losses for the current year amounted to 28% i.e. R 30,374,609.13. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses.
Non revenue water i.e. non billed water amounted to 82% i.e. R 7,657,312.50, 37.56% of these losses can be accounted for it terms of the National Guidelines for nonrevenue water. 25% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed.

Audit fees

Current year subscription / fee	2,728,054	2,755,195
Amount paid - current year	(2,728,054)	(2,755,195)
	-	-

PAYE and UIF

Current year subscription / fee	8,779,914	7,589,007
Amount paid - current year	(8,779,914)	(7,589,007)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	12,491,109	4,660,379
Amount paid - current year	(12,491,109)	(4,660,379)
	-	-

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

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

VAT

	2013	2012
VAT payable	3,547,811	2,626,869
	3,547,811	**2,626,869**

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. P.C. Langa	(349)	-	(349)
Cllr. B.H. Mtshali (Mayor)	661	675	1,336
Cllr. V.D. Nkosi	2,153	-	2,153
Cllr. Z.E. Mthimkhulu	641	(406)	235
Cllr. C. Mtshali	166	-	166
Cllr. R.J.A. Wilson	2,672	-	2,672
Cllr. D.M. Thwala	359	7,341	7,700
Cllr. J.S. Methula	47	-	47
Cllr. S.S. Mathebula	244	560	804
Cllr. T.S. Nkosi	103	6,641	6,744
Cllr. M.D. Ntuli	750	1,081	1,831
Cllr. M.E. Phakathi	140	2,588	2,728
Cllr. S.P. Kunene	292	2,522	2,814
Cllr. S.R. Sangweni	1,974	1,859	3,833
Cllr. N.B. Masuku	281	2,817	3,098
Cllr. L.V.A. Mkhwanazi	1,933	6,347	8,280
Cllr. Z. Mnisi	720	4,971	5,691
Cllr. M.O. Nkosi	416	2,012	2,428
Cllr. H.P. Sunkel	584	1,347	1,931
Cllr. T.E. Motha	707	7,521	8,228
Cllr. J.L.I. Brussow	6,800	25,582	32,382
Cllr. J.M. Phakathi	184	1,568	1,752
	21,478	**75,026**	**96,504**

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. P.C. Langa	851	1,363	2,214
Cllr. P.C. Langa 2	549	-	549
Cllr. B.H. Mtshali (Mayor)	982	-	982
Cllr. V.W. Masuku	565	-	565
Cllr. R.J.A. Wilson	1,335	-	1,335
Cllr. V.D. Nkosi	660	-	660
	4,942	**1,363**	**6,305**

47. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

48. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

49. Deviation from 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 accounting officer and includes a note to the unaudited annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

A register of deviations are kept at the Municipal Manager's office and is available for inspection.