Kgatelopele Local Municipality
Financial statements
for the year ended 30 June 2013
Auditor - General
Registered Auditors

General Information

Legal form of entity	Category B Municipality envirsaged in section 155 (1) (b) of the Constitution (Act no 105 of 1996) and defined by municipality structures Act. (Act no 117 of 1998)
Nature of business and principal activities	Kgatelopele Municipality is a Local Municipality performing the fuction as set out in the Constituition. (Act no. 117 of 1996)
Full Time Mayor	Cllr G Kgoroyana (ANC) - WARD 4
Ward Councillors	Cllr OH Sehularo (ANC) - WARD 1
	Cllr C Joseph (ANC) - WARD 2
	Cllr GP McCarthy (ANC) - WARD 3
Councillors Proprtional	Cllr PM Mgcera (ANC)
	Cllr AJ Visser (COPE)
	Cllr AS Adams (DA)
	Cllr Cornellisen
Grading of local authority	Grade 1
Registrered Office	Bakerstreet Danielskuil 8450
Telephone Number	053 384 8600
E- mail address	admin@kgatelopele.gov.za
Registered address	PO Box 47 Danielskuil 8450
Accounting Officer	M Mostwana
Chief Financial Officer (CFO)	M Kotze (Acting)
Bankers	First National Bank
Auditors	Auditor - General Registered Auditors
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

General Information

Enabling legislation	Local Government Finance Management Act (Act 56 of 2003) Local Government Municipal Systems Act (Act 32 0f 2000) Local Government Municipal Structures Act (Act 117 of 1998) Municipal property Rates Act (Act 6 of 2004) Division of Revenue Act 9Act 6 of 2001) The Inome Tax Act Value Added Tax Act Municpal and Performance Management Regulations Water Service Act (Act no 108 of 1997) Housing Act (Act no 107 of 1997) Electricity Act (Act no 41 of 1987) Skills Development Levies Act (Act no 9 of 1998) Employement Equity Act (Act 55 of 1998) Unemployment Insurance Act (Act no 30 of 1966) Basic Conditions of Employment Act (Act no 75 of 19970 Supply Chain Management Regulations, 2005 Collective Agreement Infrastructure Grant SALBC Leave Regulations
Municipal Manager	Mr. M Motswana 053 384 8600 mm@kgatelopele.gov.za
Head: Finanace	Mr. M Kotze 053 384 8600 cfo@kgatelopele.gov.za

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

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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)
MSIG	Municipal System Improvement Grant (Previosly CMIP)
DWA	Department of Water Affairs
FMG	Financial management 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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that 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 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.

I am responsible for the preparation of these financial statements, whice are set out on page 1 to 59 in terms of section 126 (10 of the Municipal Finance Management Act and whic I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 35 of these financial statements are whitin the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of Public Offi Bearer Act and the Minister of Provincial and Local Government's determination inaccordance with this Act.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The financial statements set out on pages 6 to 59, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Accounting Officer
Designation

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 in engaged in providing municipal service and operates in its own jurisdiction a democated area namely NC 086.

2. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated surplus of 76 285 488 and that the municipality's total liabilities exceed its assets by 76 285 488.

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

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

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 is not aware of any matter of circumstance arisng since the end of the financial year.

5. Accounting Officer

During the year the municipality made use of ZF Mgcawu district municipality staff to act as municipal manager: The municipal manager appointed by council with affect from the 01 July 2013 and manarger at date of this report is Mr. M Motswana

Name	Nationality
M Motswana	RSA

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Receivables from non-exchange transactions	5	4 907 832	3 139 388
VAT receivable		2 355 739	1 286 748
Consumer debtors	6	6 649 129	6 550 189
Cash and cash equivalents	7	9 715 659	9 339 089
		23 628 359	**20 315 414**
Non-Current Assets			
Property, plant and equipment	4	72 301 671	76 675 034
Intangible assets		67 050	-
		72 368 721	**76 675 034**
Total Assets		**95 997 080**	**96 990 448**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	3 304 750	2 399 039
VAT payable	11	-	-
Consumer deposits	12	430 663	272 075
Unspent conditional grants and receipts	8	9 536 080	10 110 509
Provisions	9	1 930 953	1 929 774
Current portion of Borrowings		1 082 520	1 896 293
Prepayments		363 159	959 103
		16 648 125	**17 566 793**
Non-Current Liabilities			
Other financial liabilities		3 063 468	4 235 996
Total Liabilities		**19 711 593**	**21 802 789**
Net Assets		**76 285 487**	**75 187 659**
Accumulated surplus		76 285 488	75 187 659
		76 285 488	75 187 659
Total Net Assets		**76 285 488**	**75 187 659**

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue	13	54 402 148	40 001 138
Other income		3 413 151	1 808 783
Operating expenses		(54 906 298)	(53 947 864)
Operating surplus (deficit)		**2 909 001**	**(12 137 943)**
Investment revenue	22	52 631	241 915
Finance costs	24	(2 232 500)	(1 582 103)
Surplus (deficit) for the year		**729 132**	**(13 478 131)**
Attributable to:			
Owners of the controlling entity		729 132	(13 478 131)

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	**88 665 790**	**88 665 790**
Changes in net assets		
Surplus for the year	(13 478 131)	(13 478 131)
Total changes	(13 478 131)	(13 478 131)
Balance at 01 July 2012	**75 556 356**	**75 556 356**
Changes in net assets		
Surplus for the year	729 132	729 132
Total changes	729 132	729 132
Balance at 30 June 2013	**76 285 488**	**76 285 488**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Interest income		52 631	241 915
Payments			
Finance costs		(2 232 500)	(1 582 103)
Undefined difference compared to the cash generated from operations note		**12 903 040**	**3 109 789**
Net cash flows from operating activities	30	**10 723 171**	**1 769 601**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(9 692 934)	(1 098 317)
Proceeds from sale of other intangible assets		(67 050)	-
Purchases of heritage assets		1 995 628	-
Net cash flows from investing activities		**(7 764 356)**	**(1 098 317)**
Cash flows from financing activities			
Repayment of other financial liabilities		(1 172 528)	-
Prior year correction		(813 773)	-
Movement in other liability 2		(595 944)	-
Finance lease payments		-	(99 463)
Repayments of borrowings		-	(667 088)
Net cash flows from financing activities		**(2 582 245)**	**(766 551)**
Net increase/(decrease) in cash and cash equivalents		**376 570**	**(289 331)**
Cash and cash equivalents at the beginning of the year		9 339 089	9 628 420
Cash and cash equivalents at the end of the year	7	**9 715 659**	**9 339 089**

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

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	5 494 000	514 716	6 008 716	-		6 008 716	6 021 048		12 332	100 %	110 %
Service charges	27 541 836	(1 847 836)	25 694 000	-		25 694 000	24 674 345		(1 019 655)	96 %	90 %
Investment revenue	56 915	(29 133)	27 782	-		27 782	52 631		24 849	189 %	92 %
Transfers recognised - operational	16 159 369	(1 631)	16 157 738	-		16 157 738	11 087 857		(5 069 881)	69 %	69 %
Other own revenue	13 878 487	(671 678)	13 206 809	-		13 206 809	2 784 620		(10 422 189)	21 %	20 %
Total revenue (excluding capital transfers and contributions)	**63 130 607**	**(2 035 562)**	**61 095 045**	**-**		**61 095 045**	**44 620 501**		**(16 474 544)**	**73 %**	**71 %**
Employee costs	(10 191 364)	(2 222 215)	(12 413 579)	-	-	(12 413 579)	(12 380 162)	-	33 417	100 %	121 %
Remuneration of councillors	(2 014 745)	(19 343)	(2 034 088)	-	-	(2 034 088)	(1 989 003)	-	45 085	98 %	99 %
Debt impairment	-	-	-			-	(1 793 331)	-	(1 793 331)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(7 744 570)	-	(7 744 570)			(7 744 570)	(10 645 534)	-	(2 900 964)	137 %	137 %
Finance charges	(565 155)	473 444	(91 711)	-	-	(91 711)	(2 232 500)	-	(2 140 789)	2 434 %	395 %
Materials and bulk purchases	(15 361 128)	555 460	(14 805 668)	-	-	(14 805 668)	(12 263 853)	-	2 541 815	83 %	80 %
Transfers and grants	(5 657 238)	1 809 661	(3 847 577)	-	-	(3 847 577)	(3 982 731)	-	(135 154)	104 %	70 %
Other expenditure	(21 505 420)	1 925 102	(19 580 318)	-	-	(19 580 318)	(11 851 684)	-	7 728 634	61 %	55 %
Total expenditure	**(63 039 620)**	**2 522 109**	**(60 517 511)**	**-**	**-**	**(60 517 511)**	**(57 138 798)**	**-**	**3 378 713**	**94 %**	**91 %**
Surplus/(Deficit)	**90 987**	**486 547**	**577 534**	**-**		**577 534**	**(12 518 297)**		**(13 095 831)**	**(2 168)%**	**(13 758)%**

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
Transfers recognised - capital	-	-	-	-		-	13 247 429		13 247 429	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**90 987**	**486 547**	**577 534**	**-**		**577 534**	**729 132**		**151 598**	**126 %**	**801 %**
Surplus/(Deficit) for the year	**90 987**	**486 547**	**577 534**	**-**		**577 534**	**729 132**		**151 598**	**126 %**	**801 %**

Capital expenditure and funds sources

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
Total capital expenditure	45 397 559	-	45 397 559	-		45 397 559	12 521 245		(32 876 314)	28 %	28 %
Sources of capital funds											
Transfers recognised - capital	40 396 924	-	40 396 924	-		40 396 924	-		(40 396 924)	- %	- %
Borrowing	4 999 635	-	4 999 635	-		4 999 635	-		(4 999 635)	- %	- %
Total sources of capital funds	**45 396 559**	**-**	**45 396 559**	**-**		**45 396 559**	**-**		**(45 396 559)**	**- %**	**- %**

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	(11 637 594)	623 590	(11 014 004)	-		(11 014 004)	10 723 171		21 737 175	(97)%	(92)%
Net cash from (used) investing	-	-	-	-		-	(7 764 356)		(7 764 356)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(2 582 245)		(2 582 245)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**(11 637 594)**	**623 590**	**(11 014 004)**	**-**		**(11 014 004)**	**376 570**		**11 390 574**	**(3)%**	**(3)%**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	9 339 089		9 339 089	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**(11 637 594)**	**623 590**	**(11 014 004)**	**-**		**(11 014 004)**	**9 715 659**		**(20 729 663)**	**(88)%**	**(83)%**

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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.

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 9 - Provisions.

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.

1.1 Significant judgements and sources of estimation uncertainty (continued)

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 .

Allowance for doubtful debts

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

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

Where investment property is acquired through a non-exchange transaction, 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.

1.2 Investment property (continued)

Fair value

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

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

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

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

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

1.3 Property, plant and equipment (continued)

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

1.3 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	**Average useful life**
Buildings	
• Buildings	30 Years
Infrastructure	
• Roads and paving	30 years
• Electricity	20-30 years
• Water	15-20 years
• Sewerage	15-20 years
• Housing	30 years
Community	
• Improvement	30 years
• Recreational facilities	20-30 years
• Security	5 years
Other property, plant and equipment	
• Specialist vehicles	10 years
• Other vehicles	5 years
• Office Equipment	3-7 years
• Furniture and Fittings	7-10 Years
• Bins and containers	5 years
• Specialized plant and equipment	2-5 years
• Other plant and equipment	2-5 years
• Landfill sites	15 years
• Lease hold property	3-5 years

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at .

1.4 Financial instruments (continued)

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Accounting Policies

1.4 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.5 Leases

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

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

Finance leases - lessor

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

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

1.5 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - 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.

1.6 Inventories

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

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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.6 Inventories (continued)

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

1.7 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

1.7 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

Accounting Policies

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

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

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

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

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

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

Identification

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

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

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.9 Share capital / contributed capital

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

1.10 Employee benefits

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

1.11 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating surplus.

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 arrangement.

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

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

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.11 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7 and 1.8.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.12 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.

1.12 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

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

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

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

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 or similar distributions 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 similar distributions 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.

1.13 Revenue from non-exchange transactions

1.14 Investment income

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

1.15 Borrowing costs

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure 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.

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

1.20 Offsetting

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

1.21 Conditional grants and receipts

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

1.22 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.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The 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 Statement of comparison of budget and actual amounts.

1.23 Related parties

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

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

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 Financial Statements

2. Changes in accounting policy

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

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 30 June 2012 is as follows:

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

[If retrospective application is impracticable for a particular prior period, or for periods before those presented, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

The municipality has not applied the new [name the standard or interpretation] issued, and effective for periods commencing . [Describe the new required treatment and the current treatment.] The estimated impact of the implementation of the new standard on the 2013 financial statements is as follows:

Notes to the Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Standard / Interpretation	Effective date: Year beginning on or after	Expected Impact
GRAP 21: Impairment of Non-cash-generating assets	01 April 2012	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 25: Employee Benefits	01 April 2012	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 21: Impairment of Non-cash-generating assets	01 April 2012	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 26: Impairment of Cash-generated assets	01 April 2012	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 1 (As revised 2012): Presentation of Financial Statements	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 3 (As revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 7 (As revised 2012): Investment in Associates	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual

Notes to the Financial Statements

3. New standards and interpretations (continued)

		financial statements.
GRAP 9 (As revised 2012): Revenue from Exchange Transaction	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 12 (As revised 2012): Inventories	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 13 (As revised 2012): Leases	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 16 (As revised 2012): Investment Property	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 17 (As revised 2012): Property, Plant and Equipment	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 31 (As revised 2012): Intangible Assets (Replace GRAP 102)	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 104: Financial Instruments	01 April 2012	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
IGRAP 1 (As revised 2012): Applying the probability test on initial recognition of revenue	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
IGRAP 16: Intangible assets website costs	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**

Notes to the Financial Statements

3. New standards and interpretations (continued)

3.2 Standards and Interpretations early adopted

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

3.3 Standards and interpretations issued, but not yet effective

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

Standard / Interpretation	Effective date: Year beginning on or after	Expected Impact
GRAP 18: Segment Reporting	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 20: Related Parties	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.

Notes to the Financial Statements

3. New standards and interpretations (continued)

3.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

Standard / Interpretation	Effective date: Year beginning on or after	Expected Impact
GRAP 6 (As revised 2010): Consolidated and Separate Financial Statements	01 April 2014	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 8 (As revised): Interest in Joint Ventures	01 April 2014	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 27 (As revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 103: Heritage Assets	01 April 2012	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 105: Transfers of function between entities under common control	01 April 2014	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 106: Transfers of functiona between entities not under common control	01 April 2014	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
GRAP 107: Mergers	01 April 2014	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
IGRAP 11: Consolidation - Special purpose entities	01 April 2014	It is unlikely that the standards will have a material impact on the municipality's annual financial statements.
IGRAP 12: Jointly controlled entities - Non-monetary contributions by ventures	01 April 2014	It is unlikely that the standards will have a material impact on the municipality's annual

Notes to the Financial Statements

3. New standards and interpretations (continued)

financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

Notes to the Financial Statements

Figures in Rand	2013	2012

4. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	12 460 659	-	12 460 659	11 949 245	-	11 949 245
Infrastructure	59 315 586	-	59 315 586	205 108 680	(141 163 592)	63 945 088
Community	335 004	-	335 004	335 004	-	335 004
Other property, plant and equipment	10 835 956	(10 645 534)	190 422	3 338 981	(2 893 284)	445 697
Total	**82 947 205**	**(10 645 534)**	**72 301 671**	**220 731 910**	**(144 056 876)**	**76 675 034**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Total
Buildings	11 949 245	9 632 348	-	12 460 659
Infrastructure	63 945 088	-	-	59 315 586
Community	335 004	-	-	335 004
Other property, plant and equipment	445 697	60 586	(10 645 534)	190 422
	76 675 034	**9 692 934**	**(10 645 534)**	**72 301 671**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Depreciation	Total
Buildings	11 949 245	-	11 949 245
Infrastructure	118 176 358	(141 163 592)	63 945 088
Community	335 004	-	335 004
Other property, plant and equipment	3 465 962	(2 893 284)	445 697
	133 926 569	**(144 056 876)**	**76 675 034**

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. Receivables from non-exchange transactions

Impairment - Other taxes	(1 080 092)	(1 339 373)
Impairment - Other taxes	348 485	-
Other taxes	5 639 439	4 478 761
	4 907 832	**3 139 388**

6. Consumer debtors

Gross balances		
Electricity	1 885 760	1 876 920
Water	8 354 992	6 780 739
Sewerage	2 782 424	2 385 467
Refuse	2 228 889	1 951 844
Housing rental	5 894	-
Other (specify)	328 136	589 865
	15 586 095	**13 584 835**

Figures in Rand	2013	2012

6. Consumer debtors (continued)

Less: Allowance for impairment		
Electricity	(448 703)	(305 616)
Water	(5 779 187)	(4 397 873)
Refuse	(1 163 985)	(891 655)
Business services levies	(1 349 225)	(1 196 678)
Other (specify)	(195 866)	(242 824)
	(8 936 966)	**(7 034 646)**

Net balance		
Electricity	1 437 057	1 571 304
Water	2 575 805	2 382 866
Sewerage	2 782 424	2 385 467
Refuse	1 064 904	1 060 189
Business service levies	(1 349 225)	(1 196 678)
Housing rental	5 894	-
Other (specify)	132 270	347 041
	6 649 129	**6 550 189**

Rates		
Current (0 -30 days)	484 016	318 485
31 - 60 days	409 935	209 930
61 - 90 days	390 112	186 007
91 - 120 days	327 873	179 613
121 - 365 days	5 230 551	3 584 725
	6 842 487	**4 478 760**

Electricity		
Current (0 -30 days)	459 513	434 441
31 - 60 days	209 878	275 652
61 - 90 days	93 549	220 550
91 - 120 days	73 802	153 312
121 - 365 days	1 014 850	792 965
	1 851 592	**1 876 920**

Water		
Current (0 -30 days)	350 188	163 619
31 - 60 days	308 007	345 861
61 - 90 days	239 016	195 101
91 - 120 days	259 714	226 079
121 - 365 days	7 269 212	5 850 079
	8 426 137	**6 780 739**

Sewerage		
Current (0 -30 days)	115 847	105 961
31 - 60 days	80 513	91 582
61 - 90 days	105 671	79 180
91 - 120 days	66 161	238 637
121 - 365 days	2 519 390	1 870 107
> 365 days	-	2 592 406
Undefined Difference	**-**	**(2 592 406)**
	2 887 582	**2 385 467**

Notes to the Financial Statements

Figures in Rand	2013	2012

6. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	118 149	182 271
31 - 60 days	88 562	98 454
61 - 90 days	103 989	87 055
91 - 120 days	66 229	165 655
121 - 365 days	2 003 627	1 418 409
	2 380 556	**1 951 844**

Business service levies		
Current (0 -30 days)	232 596	1 196 678
31 - 60 days	140 728	-
61 - 90 days	69 589	-
91 - 120 days	43 741	-
121 - 365 days	356 111	-
	842 765	**1 196 678**

Other (specify)		
Current (0 -30 days)	418	264 301
31 - 60 days	511	1 050
61 - 90 days	263	1 482
91 - 120 days	209	1 050
121 - 365 days	6 617	321 982
	8 018	**589 865**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(7 034 646)	(10 100 464)
Contributions to allowance	(8 374 019)	(5 151 474)
Debt impairment written off against allowance	-	8 217 292
Reversal of allowance	-	-
Debtors to the value of R 8 217 292 has been written off during the year under review	**-**	**-**
	(15 408 665)	**(7 034 646)**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	9 715 659	9 339 089

Notes to the Financial Statements

Figures in Rand	2013	2012

7. Cash and cash equivalents (continued)

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
First National BANK - Branch: Danielskuil Account Number; 62067443582	1 034	1 000	70 232	1 034	1 000	70 232
First National BANK - Branch: Danielskuil Account Number; 62021476313	8 084 806	7 925 456	4 383 527	8 084 806	7 925 456	3 383 527
First National BANK - Branch: Danielskuil Account Number; 620288354562	1 000	1 000	4 017	1 000	1 000	4 017
First National BANK - Branch: Danielskuil Account Number; 62070625016	1 000	993 548	1 179 445	1 000	993 548	4 017
First National BANK - Branch: Danielskuil Account Number; 62076024571	1 000	1 000	288 964	1 000	1 000	288 964
First National BANK - Branch: Danielskuil Account Number; 62260630829	939	1 000	4 804	1 000	1 000	4 808
First National BANK - Branch: Danielskuil Account Number; 62260631918	1 000	1 000	1 613 381	1 000	1 000	1 613 381
First National BANK - Branch: Danielskuil Account Number; 62289228548	1 000	257 778	251 671	1 000	257 778	251 671
First National BANK - Branch: Danielskuil Account Number; 62289233547	1 000	1 000	350 682	1 000	1 000	350 682
First National BANK - Branch: Danielskuil Account Number; 62289312094	1 000	54 278	1 006	1 000	54 278	1 006
First National BANK - Branch: Danielskuil Account Number; 62289352727	1 000	1 000	1 006	1 000	1 000	10 006
First National Bank - Branch: Danielskuil Account Number; 52003878794	1 601 111	189 062	-	(394 388)	101 029	-
Total	**9 695 890**	**9 427 122**	**8 148 735**	**7 700 452**	**9 339 089**	**5 982 311**

8. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2013	2012
MIG	9 373 000	9 699 657
INEP	27 454	402 000
Community Lightning	135 626	8 852
	9 536 080	**10 110 509**

Figures in Rand	2013	2012

8. Unspent conditional grants and receipts (continued)

Movement during the year

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

The nature and extent of government grants recognised in the 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 for reconciliation of grants from National/Provincial Government.

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

Notes to the Financial Statements

Figures in Rand	2013	2012

9. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Difference	Total
Bonus and Long service bonus provision	638 075	-	638 075
Landfill site rehabilitation	490 000	-	490 000
Provision 3	-	**1 179**	1 179
Leave provision	801 699	-	801 699
	1 929 774	**1 179**	**1 930 953**

Reconciliation of provisions - 2012

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

The warranty provision represents management's best estimate of the municipality's liability under one period warranties granted on (electrical) (products), based on (prior experience) (and) (industry averages for defective products).

There is no expected reimbursement (from the manufacturer) in respect of this provision.

The restructuring provision relates to redundancy costs incurred on the disposal of. At , approximately -% of the staff had been retrenched. The remainder departed in .

The municipality moved from its previous leased premises. The lease in non-cancellable and the lease continue for the next - years. The municipality cannot find a lessee to occupy the premises.

Provision 1

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Employee benefit cost provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Notes to the Financial Statements

Figures in Rand	2013	2012

10. Payables from exchange transactions

Trade payables	2 783 324	2 237 923
Prepaid electricity sold not utilized	124 799	124 799
Deposits received	396 627	36 317
	3 304 750	**2 399 039**

11. VAT payable

12. Consumer deposits

Electricity	281 441	269 543
Housing rental	149 222	2 532
	430 663	**272 075**

13. Revenue

Service charges	24 674 345	22 354 204
Fees earned	878 842	573 260
Commissions received	275 950	1 806
Rental income	278 962	98 139
Other income - (rollup)	1 336 397	1 135 578
Government grants	643 000	-
Interest received - investment	52 631	241 915
Direct taxes (Income tax, estate duty)	14 469	15 796
Property rates	6 021 048	3 324 415
Government grants & subsidies	23 692 286	14 306 723
	57 867 930	**42 051 836**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	24 674 345	22 354 204
Vehicle registrations	878 842	573 260
Commissions received	275 950	1 806
Other income - (rollup)	1 336 397	1 135 578
Rental income	278 962	98 139
Government grants	643 000	-
Interest received - investment	52 631	241 915
	28 140 127	**24 404 902**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Direct taxes (Income tax, estate duty)	14 469	15 796
Property rates	6 021 048	3 324 415
Transfer revenue		
Government grants & subsidies	23 692 286	14 306 723
	29 727 803	**17 646 934**

Figures in Rand	2013	2012

14. Property rates

Rates received

	2013	2012
Residential	6 019 118	331 920
Small holdings and farms	-	2 989 547
Re-zoning	1 930	2 948
	6 021 048	**3 324 415**

Valuations

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2013.

15. Service charges

	2013	2012
Sale of electricity	12 351 240	11 477 343
Sale of water	5 178 138	4 253 563
Solid waste	4 041 124	3 703 084
Sewerage and sanitation charges	3 103 843	2 920 214
	24 674 345	**22 354 204**

Figures in Rand	2013	2012

16. Government grants and subsidies

Operating grants		
Equitable share	14 376 763	14 438 763
Income Forgone	(3 931 906)	(3 966 121)
	10 444 857	10 472 642
Capital grants		
MSIG	673 226	790 000
FMG	1 500 000	1 500 000
MIG	9 699 657	1 252 081
INEP	374 546	292 000
EPWP	1 000 000	-
	13 247 429	3 834 081
	23 692 286	**14 306 723**

Equitable Share

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

All registered indigents receive a monthly subsidy of - (2013: -), which is funded from the grant.
During the year an amount of R3 600 000,00 was offset for unspent MIG 2010/11 however the amount of R1 800 000,00 was paid back to the municipality and were deducted from July 2014 equitable share.

Municipal Infrastructure Grant

Balance unspent at beginning of year	9 699 657	3 195 270
Current-year receipts	9 373 000	7 756 468
Conditions met - transferred to revenue	(9 699 657)	(1 252 081)
	9 373 000	**9 699 657**

Conditions still to be met - remain liabilities (see note 8).

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

Rollover were requested for the year 2013/14.

INEP

Balance unspent at beginning of year	402 000	402 000
Conditions met - transferred to revenue	(374 546)	-
	27 454	**402 000**

Conditions still to be met - remain liabilities (see note 8).

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

Municipal Systems Improvement Grant

Balance unspent at beginning of year	8 852	8 852
Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(673 226)	(790 000)
	135 626	**8 852**

Conditions still to be met - remain liabilities (see note 8).

Figures in Rand	2013	2012

16. Government grants and subsidies (continued)

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act, and related Legislation, policies and the local government turnaround strategy. Amount commited for valuation roll to be paid out once all apeals are dealt with.

Finance Management Grant (FMG)

Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 500 000)	(1 500 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 8).

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

Library Grant

Current-year receipts	-	292 000
Conditions met - transferred to revenue	-	(292 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 8).

The grant is to be utilised for the programme cost of the the library and other costs as per the library proposa

EPWP

Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 000 000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 8).

The grant is to be utilised for salary expenses in regards to the expanded Public Works Program. The grant is in regards to a national cleaning campaig

17. Other income

Sundry income	14 131	43 384
Salary income	92 129	230 321
Insurance Claim Paid	882 947	53 397
General income	224 012	160 719
Blue Drop Reimbursement	-	364 579
Camp Hire	123 178	283 178
	1 336 397	**1 135 578**

Notes to the Financial Statements

Figures in Rand	2013	2012

18. General expenses

Advertising	30 331	38 613
Auditors remuneration	-	633 627
Bank charges	203 150	125 867
Consulting and professional fees	1 761 046	1 403 775
Donations	-	2 000
Entertainment	2 253	63 511
Insurance	342 109	348 455
Community development and training	342 313	195 241
Conferences and seminars	-	23 858
IT expenses	28 304	30 650
Lease rentals on operating lease	63 758	39 504
Promotions and sponsorships	463 234	168 973
Medical expenses	9 955	3 419
Packaging	-	44 700
Fuel and oil	637 355	490 548
Postage and courier	166 121	13 874
Printing and stationery	224 994	236 583
Protective clothing	2 669	21 250
Subscriptions and membership fees	500 000	108 316
Telephone and fax	282 374	317 023
Training	94 877	69 388
Travel - local	958 697	710 534
Other Expenses	88 316	-
Other Expenses	319 871	256 993
Workman Compensation	-	113 699
Capital Replacement Fund	(22 929)	371 072
Expense 10	(30 406)	-
Chemicals	609 505	882 188
	7 077 897	**6 713 661**

Figures in Rand	2013	2012

19. Employee related costs

Basic	8 240 869	7 202 094
Bonus	559 318	538 210
Medical aid - company contributions	604 555	516 611
UIF	81 350	75 882
SDL	93 608	94 668
Other payroll levies	5 219	3 870
Leave pay provision charge	20 626	21 001
Group Insurance	12 565	11 214
Standby Allowances	95 321	103 508
Staff Insurances	-	3 397
Post-employment benefits - Pension - Defined contribution plan	1 195 713	1 154 777
Travel, motor car, accommodation, subsistence and other allowances	394 631	650 959
Overtime payments	842 265	739 558
Long-service awards	20 190	-
Acting allowances	92 588	206 964
Housing benefits and allowances	17 020	19 077
Cellphone allowance	104 324	101 076
Other Employee Related Benefits	-	2 592
	12 380 162	**11 445 458**

Remuneration of municipal manager

Annual Remuneration	128 279	412 057
Car Allowance	65 575	170 830
Performance Bonuses	-	6 302
Contributions to UIF, Medical and Pension Funds	-	1 806
	193 854	**590 995**

Remuneration of chief finance officer

Annual Remuneration	375 293	362 731
Car Allowance	124 992	65 861
Performance Bonuses	-	41 192
Contributions to UIF, Medical and Pension Funds	1 712	5 455
	501 997	**475 239**

Remuneration of Manager Corporate Services

Annual Remuneration	369 293	247 706
Car Allowance	119 807	134 133
Performance Bonuses	26 122	21 407
Contributions to UIF, Medical and Pension Funds	101 150	78 955
	616 372	**482 201**

20. Remuneration of councillors

Councillors Allowance	4 954	8 320
Councillors	1 984 049	1 908 936
	1 989 003	**1 917 256**

Notes to the Financial Statements

Figures in Rand	2013	2012

20. Remuneration of councillors (continued)

In-kind benefits

The Mayor is full time is p

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

The Mayor has the use of separate Council owned vehicles for official duties.

The Mayor has a full-time driver.

21. Debt impairment

Contributions to debt impairment provision	1 793 331	5 151 474

22. Investment revenue

Interest revenue		
Bank	52 631	241 915

The amount included in Investment revenue arising from exchange transactions amounted to -.

The amount included in Investment revenue arising from non-exchange transactions amounted to -.

23. Depreciation and amortisation

Depreciation charges	10 645 534	10 710 316

24. Finance costs

Current borrowings	2 232 500	1 582 103

25. Auditors' remuneration

Fees	-	633 627

26. Operating lease

Describe the lessee's significant leasing arrangements which include:
- basis on which contingent rent payable is determined.
- the existence and terms of renewal or purchases options and escalation clauses; and
- restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends or similar distributions, additional debt and further leasing.

27. Contracted services

Other Contractors	2 924 346	2 609 445

Notes to the Financial Statements

Figures in Rand	2013	2012

28. Grants and subsidies paid

Other subsidies		
Municipal Systems Improvement Grant (MSIG)	815 811	790 000
Finance Management Grant (FMG)	1 452 371	1 500 000
Group co ID 14	133 367	-
Library Grant	-	131 293
Group co ID 16	1 073 893	-
Group co ID 17	507 289	-
	3 982 731	**2 421 293**

29. Bulk purchases

Electricity	12 263 853	10 555 930

30. Cash generated from operations

Surplus (deficit)	729 132	(13 478 131)
Adjustments for:		
Depreciation and amortisation	10 645 534	10 710 316
Gain on sale of assets and liabilities	-	126 981
Fair value adjustments	-	57 251 535
Interest income	-	(241 915)
Finance costs	-	1 582 103
Debt impairment	1 793 331	5 151 474
Movements in provisions	1 179	1 204 099
Other non-cash items	-	(62 176 993)
Changes in working capital:		
Other receivables from non-exchange transactions	(1 768 444)	2 621 260
Consumer debtors	(98 440)	-
Prior year adjustment	-	(1 870 113)
Payables from exchange transactions	905 711	(5 275 928)
VAT	(1 068 991)	(351 812)
Unspent conditional grants and receipts	(574 429)	6 504 387
Consumer deposits	158 588	12 338
	10 723 171	**1 769 601**

Notes to the Financial Statements

Figures in Rand	2013	2012

31. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	-	7 539 485

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

Investment properties

The municipality has entered into a maintenance contract for the investment properties. Commitments regarding the maintenance are as follows.

Operating leases - as lessee (expense)

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

Operating leases - as lessor (income)

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of -% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

32. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Controlled entities	Refer to note
Joint ventures	Refer to note
Associates	Refer to note
Shareholder with significant influence	Name (Proprietary) Limited
Shareholder with joint control	Name (Proprietary) Limited
Close family member of key management	Name
Joint venture of key management	Name (Proprietary) Limited of [Mr key management]
Associate of close family member of key management	Name (Proprietary) Limited of [Mr key management]
Post employment benefit plan for employees of entity and/or other related parties	Name Share Trust of Entity Name Share Trust of [Related party 1] Name Share Trust of Entity[Related party 1]
Post employment benefit plan for employees of a related party of a close family member of key management	Name Share Trust of [Mr key management]
Members of key management	Name Name

33. Change in estimate

Property, plant and equipment

The useful life of certain plant was estimated in 2004 to be 15 years. In the current period management have revised their estimate to 10 years. The effect of this revision has increased the depreciation charges for the current and future periods by -

The impact on tax is………………..

The impact on the cash flow statement is

34. Prior period errors

Property, Plant and Equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)

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

35. Risk management

Liquidity risk

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

Credit risk

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

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

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

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

36. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

37. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

38. Unauthorised expenditure

	2013	2012
Unauthorised expenditure	-	8 017 144

39. Irregular expenditure

	2013	2012
Add: Irregular Expenditure - current year	-	1 318 230

40. Leases (Effects of transitional provisions)

In accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework, the municipality need not comply with the standard on Leases, until such time as the measurement period in the transitional provision for any of the following Standards of GRAP have expire:

40. Leases (Effects of transitional provisions) (continued)

- Construction Contracts
- Inventories
- Investment Property
- Property Plant and Equipments
- Provisions, Contingent Liabilities and Contingent Assets
- Agriculture
- Intangible Assets
- Heritage assets

41. Reconciliation between budget and statement of financial performance

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

	2013	2012
Net surplus (deficit) per the statement of financial performance	729 132	(13 478 131)

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Audit fees

	2013	2012
Opening balance	1 633 872	289 545
Current year subscription / fee	-	1 977 954
Amount paid - current year	-	(633 627)
	1 633 872	**1 633 872**

PAYE and UIF

Pension and Medical Aid Deductions

VAT

	2013	2012
VAT receivable	2 355 739	1 286 748

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

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

Figures in Rand	2013	2012

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

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	Outstanding more than 90 days	Total
Councillor WH Cornellisen	1 179	-	1 179
Councillor PM Mncera	522	-	522
Councillor OH Sehularo	661	-	661
Councillor AS Adams	1 918	-	1 918
	4 280	**-**	**4 280**

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

43. Actual operating expenditure versus budgeted operating expenditure

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

44. Actual capital expenditure versus budgeted capital expenditure

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

45. 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 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.

46. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

47. Distribution losses

48. Decommissioning, restoration and environmental rehabilitation funds

The municipality is a contributor to the following fund(s): Fund 1 and Fund 2.

Notes to the Financial Statements

Figures in Rand	2013	2012

49. Budget differences

Detailed Income statement

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	15	24 674 345	22 354 204
Fees earned		878 842	573 260
Commissions received		275 950	1 806
Rental income		278 962	98 139
Other income	17	1 336 397	1 135 578
Government grants		643 000	-
Interest received - investment		52 631	241 915
Direct taxes (Income tax, estate duty)		14 469	15 796
Property rates	14	6 021 048	3 324 415
Government grants & subsidies	16	23 692 286	14 306 723
Total revenue		**57 867 930**	**42 051 836**
Expenditure			
Personnel	19	(12 380 162)	(11 445 458)
Remuneration of councillors	20	(1 989 003)	(1 917 256)
Depreciation and amortisation	23	(10 645 534)	(10 710 316)
Finance costs	24	(2 232 500)	(1 582 103)
Debt impairment	21	(1 793 331)	(5 151 474)
Contributions to Provision for Leave/bonus		-	(1 204 099)
Repairs and maintenance		(1 849 441)	(1 091 951)
Bulk purchases	29	(12 263 853)	(10 555 930)
Contracted services	27	(2 924 346)	(2 609 445)
Grants and subsidies paid	28	(3 982 731)	(2 421 293)
General Expenses	18	(7 077 897)	(6 713 661)
Total expenditure		**(57 138 798)**	**(55 402 986)**
Operating surplus (deficit)		**729 132**	**(13 351 150)**
Loss on disposal of assets and liabilities		-	(126 981)
Surplus (deficit) for the year		**729 132**	**(13 478 131)**
Attributable to:			
Owners of the controlling entity		729 132	(13 478 131)