MAGARENG MUNICIPALITY
Demarcation Code NC093
Financial statements
for the year ended 30 June 2013

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Local municipality performing the functions as set out in the Constitution, Act no 105 of 1996)
Mayoral committee	
Executive Mayor	Mrs GE Manopole
Councillors	Mrs OM Majola
	Mr J Louw
	Mrs BV Ximba
	Mr MR Moleko
	Mr WJ Potgieter
	Mr SP Mnqathula
	Mrs EM Hans
	Mr WD Jones
Grading of local authority	Low Capacity (B)
Chief Finance Officer (CFO)	H Oberholzer
Accounting Officer	JTF Leeuw
Registered office	Magrieta Prinsloo Street Warrenton 8530
Business address	Magrieta Prinsloo Street Warrenton 8530
Postal address	PO Box 10 Warrenton 8530
Bankers	First National Bank, Warrenton
Auditors	The Auditor-General of South Africa
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Municipal Finance Management Act (Act 56 of 2003)

General Information

Relevant Legislation	Municipal Finance Management Act (Act no 56 of 2003) Division of Revenue Act (Act No 5 of 2012) The Income Tax Act (Act No 28 of 1997) Value Added Tax Act (Act No 89 of 1991) Municipal Structures Act (Act no 117 of 1998) Municipal Systems Act (Act no32 of 2000) Municipal Planning and Performance Management Regulations Water Services Act (Act no 108 of 1997) Housing Act (Act no 107 of 1997) Electricity Act (Act no 41 of 1987) Municipal Property Rates Act (Act No 6 of 2004) Employment Equity Act (Act no 55 of 1998) Skills Development Act (Act no 9 of 1999) Unemployment Insurance Act (Act no 30 of 1966) Basic Conditions of Employment Act (Act no 75 of 1997) Supply Chain Management Regulations, 2005 Collective Agreements Infrastructure Grants SALBC Leave Regulations

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

Abbreviations

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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 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.

The municipality is partly dependent on the Frances Baard District Municipality for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Frances Baard District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the financial department 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 5.

The financial statements set out on pages 6 to 56, which have been prepared on the going concern basis, were approved by the Accounting Officer on 01 October 2013 and were signed by:

Accounting Officer **Mr JTF Leeuw**	**Mr H Oberholzer (Chief Financial Officer)**

Warrenton

01 October 2013

Report of the Auditor General

To the Provincial Legislature of MAGARENG MUNICIPALITY

Report on the financial statements

The Auditor-General of South Africa **01 October 2013**

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Cash and cash equivalents	3	125 860	1 089 135
Consumer debtors	4	4 614 552	2 253 405
Inventories	5	701 521	34 465
Receivables from exchange transactions	6	63 778	62 570
Receivables from non-exchange transactions	7	265 399	429 485
VAT receivable	8	12 272 698	9 477 537
		18 043 808	**13 346 597**
Non-Current Assets			
Intangible assets	9	762 743	554 247
Investment property	10	6 858 644	6 805 174
Operating lease asset	11	18 710	13 453
Property, plant and equipment	12	234 262 394	157 487 893
		241 902 491	**164 860 767**
Total Assets		**259 946 299**	**178 207 364**
Liabilities			
Current Liabilities			
Bank overdraft	3	-	420 637
Consumer deposits	13	584 370	567 846
Payables from exchange transactions	14	46 879 924	37 867 046
Unspent conditional grants and receipts	15	11 740 631	11 203 037
		59 204 925	**50 058 566**
Non-Current Liabilities			
Finance lease obligation	16	556 984	-
Provisions	17	2 335 336	-
Retirement benefit obligation	18	7 882 615	7 110 781
		10 774 935	**7 110 781**
Total Liabilities		**69 979 860**	**57 169 347**
Net Assets		**189 966 439**	**121 038 017**
Accumulated surplus		189 966 439	121 038 017

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	21	20 855 453	17 847 186
Rental of facilities and equipment	23	46 261	61 311
Licences and permits		429 492	362 879
Miscellaneous other revenue		891 297	346 380
Interest received - investment		6 138 722	6 623 238
Property rates	23	3 616 610	3 530 073
Government grants & subsidies	30	52 004 770	42 468 294
Fines		874 662	160 172
Total revenue		**84 857 267**	**71 399 533**
Expenditure			
Personnel	24	(25 251 895)	(22 429 794)
Remuneration of councillors	25	(2 593 869)	(2 395 903)
Depreciation and amortisation	26	(5 375 246)	(10 504 607)
Finance costs		(1 001 671)	(1 016 705)
Debt impairment	27	(13 202 444)	(50 833 202)
Repairs and maintenance		(4 989 832)	(1 434 514)
Bulk purchases	28	(15 911 794)	(13 797 776)
Contracted services	29	(522 859)	(570 822)
Grants and subsidies paid	34	(5 397 482)	(9 099 896)
General Expenses	31	(8 880 150)	(10 911 166)
Total expenditure		**(83 127 242)**	**(122 994 385)**
Operating surplus (deficit)		**1 730 025**	**(51 594 852)**
Actuarial Gain		195 663	178 110
Surplus (deficit) for the year		**1 925 688**	**(51 416 742)**
Attributable to:			
Owners of the controlling entity		1 925 688	(51 416 742)

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	173 903 315	173 903 315
Adjustments		
Correction of errors	(1 448 556)	(1 448 556)
Balance at 01 July 2011 as restated	**172 454 759**	**172 454 759**
Changes in net assets		
Surplus for the year	(51 416 742)	(51 416 742)
Total changes	(51 416 742)	(51 416 742)
Opening balance as previously reported	161 569 385	161 569 385
Adjustments		
Prior year adjustments	(40 531 365)	(40 531 365)
Balance at 01 July 2012 as restated	**121 038 020**	**121 038 020**
Changes in net assets		
Assets not previously included in Asset Register	67 002 731	67 002 731
Net surplus (deficit) recognised directly in net assets	67 002 731	67 002 731
Surplus for the year	1 925 688	1 925 688
Total recognised income and expenses for the year	68 928 419	68 928 419
Total changes	68 928 419	68 928 419
Balance at 30 June 2013	**189 966 439**	**189 966 439**

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		8 512 644	2 876 592
Grants		52 542 364	45 559 345
Interest income		6 138 722	6 623 238
		67 193 730	55 059 175
Payments			
Employee costs		(27 719 348)	(24 825 697)
Suppliers		(24 163 351)	(27 904 490)
Finance costs		(1 001 671)	(1 016 705)
		(52 884 370)	(53 746 892)
Net cash flows from operating activities	35	**14 309 360**	**1 312 283**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(14 843 375)	(5 839 535)
Purchase of financial assets		-	5 402 659
Net cash flows from investing activities		**(14 843 375)**	**(436 876)**
Cash flows from financing activities			
Finance lease payments		(8 623)	-
Net increase/(decrease) in cash and cash equivalents		**(542 638)**	**875 407**
Cash and cash equivalents at the beginning of the year		668 498	(206 909)
Cash and cash equivalents at the end of the year	3	**125 860**	**668 498**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	21 028 695	2 413 044	**23 441 739**	20 855 453	**(2 586 286)**	
Rental of facilities and equipment	45 000	-	**45 000**	46 261	**1 261**	
Income from agency services	13 250	-	**13 250**	-	**(13 250)**	
Licences and permits	425 750	-	**425 750**	429 492	**3 742**	
Miscellaneous other revenue	64 803	2	**64 805**	891 297	**826 492**	
Interest received - investment	7 252 500	-	**7 252 500**	6 138 722	**(1 113 778)**	
Total revenue from exchange transactions	**28 829 998**	**2 413 046**	**31 243 044**	**28 361 225**	**(2 881 819)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	4 269 402	-	**4 269 402**	3 616 610	**(652 792)**	
Government grants & subsidies	48 211 000	-	**48 211 000**	52 004 770	**3 793 770**	
Transfer revenue						
Fines	750 250	-	**750 250**	874 662	**124 412**	
Total revenue from non-exchange transactions	**53 230 652**	**-**	**53 230 652**	**56 496 042**	**3 265 390**	
Total revenue	**82 060 650**	**2 413 046**	**84 473 696**	**84 857 267**	**383 571**	
Expenditure						
Personnel	(25 457 503)	(2 378 512)	**(27 836 015)**	(25 251 895)	**2 584 120**	
Remuneration of councillors	(3 256 274)	(222 054)	**(3 478 328)**	(2 593 869)	**884 459**	
Depreciation and amortisation	(10 274 888)	(5 335)	**(10 280 223)**	(5 375 246)	**4 904 977**	
Finance costs	(160 000)	-	**(160 000)**	(1 001 671)	**(841 671)**	
Debt impairment	(54 395 986)	-	**(54 395 986)**	(13 202 444)	**41 193 542**	
Repairs and maintenance	(1 335 000)	(4 611 646)	**(5 946 646)**	(4 989 832)	**956 814**	
Bulk purchases	(15 278 741)	-	**(15 278 741)**	(15 911 794)	**(633 053)**	
Contracted Services	(600 000)	24 000	**(576 000)**	(522 859)	**53 141**	
Grants and subsidies paid	(3 808 000)	(13 099 000)	**(16 907 000)**	(5 397 482)	**11 509 518**	
General Expenses	(18 537 650)	(15 512 047)	**(34 049 697)**	(8 880 150)	**25 169 547**	
Total expenditure	**(133 104 042)**	**(35 804 594)**	**(168 908 636)**	**(83 127 242)**	**85 781 394**	
Operating surplus	**(51 043 392)**	**(33 391 548)**	**(84 434 940)**	**1 730 025**	**86 164 965**	
Actuarial Gain	-	-	**-**	195 663	**195 663**	
Surplus before taxation	**(51 043 392)**	**(33 391 548)**	**(84 434 940)**	**1 925 688**	**86 360 628**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(51 043 392)**	**(33 391 548)**	**(84 434 940)**	**1 925 688**	**86 360 628**	
Reconcilation						

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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

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.

Accounting Policies

1.2 Investment property (continued)

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.

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

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.

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Item	**Average useful life**
Land	Indefinite
Buildings	30 Years
Furniture and fixtures	2 - 30 Years
Motor vehicles	
• Specialised Vehicles	3 - 60 Years
• Other Vehicles	3 - 30 Years
Office equipment	3 - 25 Years
IT equipment	3 - 20 Years
Computer software	
• Software cost	10 years
• Software Licences	1 Year
Infrastructure	
• Roads and Paving	5 - 100 Years
• Electricity , Water & Sewerage	10 - 100 Years
Community	
• Buildings	10 - 100 Years
• Recreational Facilities	20 - 100 Years
• Other Assets	10 - 100 Years
Leased Assets	3 Years

1.4 Intangible assets

An asset is identified as an intangible asset when it:

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

Accounting Policies

1.4 Intangible assets (continued)

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

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

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

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

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

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

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

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

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

Computer software, other	10 years

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

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

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Held-to-maturity investment
- Loans and receivables
- 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.

Accounting Policies

1.5 Financial instruments (continued)

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 settlement date.

Subsequent measurement

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

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

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.

1.5 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

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.

Trade and other receivables are classified as loans and receivables.

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.

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.

Accounting Policies

1.5 Financial instruments (continued)

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.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment'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 investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue 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.

Accounting Policies

1.6 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straightline basis over the lease term where the lease amount is predetermined. Where lease amounts are not known in advance the lease income is recognised when it is received or determinable..

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.

1.7 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.

Accounting Policies

1.7 Inventories (continued)

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.

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.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.8 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.9 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.

Accounting Policies

1.9 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

1.9 Provisions and contingencies (continued)

- 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.

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 and .

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.

1.10 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.

1.10 Revenue from exchange transactions (continued)

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

Measurement

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

Sale of goods

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

Rendering of services

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 surveys of work 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.

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

1.11 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

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.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue 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.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.12 Investment income

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

1.13 Borrowing costs

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

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

1.14 Comparative figures

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

1.15 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.

1.16 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.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA 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.

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.

1.18 Use of estimates

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

1.19 Presentation of currency

These financial statements are presented in South African Rand.

1.20 Offsetting

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

Accounting Policies

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 01/07/2012 to 30/06/2013.

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 national sphere of government are considered to be related parties.

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

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

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

2. New standards and interpretations

2.1 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: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	Significant
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Significant
• GRAP 103: Heritage Assets	01 April 2012	Low/None
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Low
• GRAP 26: Impairment of cash-generating assets	01 April 2012	Low
• GRAP 104: Financial Instruments	01 April 2012	Significant

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	Significant
• GRAP 25: Employee benefits	01 April 2013	Significant
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Low
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Low
• GRAP 107: Mergers	01 April 2014	Low
• GRAP 20: Related parties	01 April 2013	Significant
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	Low
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	Low
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	Low
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	Low
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	Low
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Significant
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Significant
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	Low
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Significant
• GRAP 12 (as revised 2012): Inventories	01 April 2013	Significant
• GRAP 13 (as revised 2012): Leases	01 April 2013	Significant
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	Significant
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Significant
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	Low
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Significant
• IGRAP16: Intangible assets website costs	01 April 2013	Significant
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	Significant

Notes to the Financial Statements

Figures in Rand	2013	2012

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 000	1 000
Bank balances	124 860	1 088 135
Bank overdraft	-	(420 637)
	125 860	**668 498**

Current assets	125 860	1 089 135
Current liabilities	-	(420 637)
	125 860	**668 498**

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
BAA(1)	124 860	1 088 135

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**
FNB - Current Account 62314181075	124 860	856 971	-	124 860	(420 637)	-
ABSA BANK - Current Account 2290000036	-	241 491	1 540 152	-	1 088 135	(207 909)
Total	**124 860**	**1 098 462**	**1 540 152**	**124 860**	**667 498**	**(207 909)**

4. Consumer debtors

Gross balances		
Rates	10 303 885	12 451 080
Electricity	10 910 885	7 789 710
Water	13 836 857	17 785 784
Sewerage	10 490 412	13 025 568
Refuse	9 756 372	12 016 002
Housing rental	15 757	13 884
Other (specify)	23 723 280	23 533 539
	79 037 448	**86 615 567**

Less: Allowance for impairment		
Rates	(10 037 509)	(12 127 150)
Electricity	(8 300 372)	(7 587 053)
Water	(13 439 811)	(17 323 066)
Sewerage	(10 330 757)	(12 686 693)
Refuse	(9 574 481)	(11 703 392)
Housing rental	(5 323)	(13 522)
Interest, VAT & Sundry	(22 734 643)	(22 921 286)
	(74 422 896)	**(84 362 162)**

Figures in Rand	2013	2012

4. Consumer debtors (continued)

Net balance		
Rates	266 376	323 930
Electricity	2 610 513	202 657
Water	397 046	462 718
Sewerage	159 655	338 875
Refuse	181 891	312 610
Housing rental	10 434	362
Interest, VAT & Sundry	988 637	612 253
	4 614 552	**2 253 405**

Included in above is receivables from exchange transactions		
Electricity	2 610 513	202 657
Water	397 046	462 718
Sewerage	159 655	338 875
Refuse	181 891	312 610
Housing rental	10 434	362
	3 359 539	**1 317 222**

Included in above is receivables from non-exchange transactions (taxes and tansfers)		
Rates	266 376	323 930
Interest, VAT & Sundry	988 637	612 253
	1 255 013	**936 183**

Net balance	**4 614 552**	**2 253 405**

Rates		
Current (0 -30 days)	266 376	323 930

Electricity		
Current (0 -30 days)	2 188 503	202 657
31 - 60 days	422 010	-
	2 610 513	**202 657**

Water		
Current (0 -30 days)	397 046	462 718

Sewerage		
Current (0 -30 days)	159 655	328 550
31 - 60 days	-	10 325
	159 655	**338 875**

Refuse		
Current (0 -30 days)	181 891	312 610

Housing rental		
Current (0 -30 days)	10 434	362

Notes to the Financial Statements

Figures in Rand	2013	2012

4. Consumer debtors (continued)

Interest, VAT & Sundry		
Current (0 -30 days)	729 872	612 253
31 - 60 days	56 860	-
61 - 90 days	87 346	-
91 - 120 days	8 603	-
121 - 365 days	105 956	-
	988 637	**612 253**

Notes to the Financial Statements

Figures in Rand	2013	2012

4. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	3 912 450	2 058 865
31 - 60 days	1 996 518	1 417 855
61 - 90 days	1 984 777	1 378 656
91 - 120 days	1 710 671	1 322 802
121 - 365 days	13 490 720	11 836 752
> 365 days	51 112 536	64 883 959
	74 207 672	82 898 889
Less: Allowance for impairment	(70 285 572)	(80 975 689)
	3 922 100	**1 923 200**

Industrial/ commercial		
Current (0 -30 days)	430 885	323 104
31 - 60 days	205 854	160 154
61 - 90 days	163 891	134 875
91 - 120 days	174 368	137 216
121 - 365 days	727 181	495 457
> 365 days	1 278 640	1 114 952
	2 980 819	2 365 758
Less: Allowance for impairment	(2 515 960)	(2 070 381)
	464 859	**295 377**

National and provincial government		
Current (0 -30 days)	146 861	120 111
31 - 60 days	146 156	100 550
61 - 90 days	120 696	89 627
91 - 120 days	109 858	69 822
121 - 365 days	747 386	514 541
> 365 days	578 000	456 268
	1 848 957	1 350 919
Less: Allowance for impairment	(1 621 364)	(1 316 092)
	227 593	**34 827**

Total		
Current (0 -30 days)	4 490 196	2 502 080
31 - 60 days	2 348 528	1 678 560
61 - 90 days	2 269 364	1 603 158
91 - 120 days	1 994 897	1 529 841
121 - 365 days	14 965 287	12 846 749
> 365 days	52 969 176	66 455 179
	79 037 448	86 615 567
Less: Allowance for impairment	(74 422 896)	(84 362 162)
	4 614 552	**2 253 405**

Less: Allowance for impairment		
Impairment based on the provisions of IAS39	(74 422 896)	(84 362 162)

Notes to the Financial Statements

Figures in Rand	2013	2012

4. Consumer debtors (continued)

Reconciliation of allowance for impairment

	2013	2012
Balance at beginning of the year	(84 362 162)	(30 368 470)
Contributions to allowance	-	(53 993 692)
Reversal of allowance	9 939 266	-
	(74 422 896)	**(84 362 162)**

5. Inventories

	2013	2012
Maintenance materials	599 345	-
Water	25 348	34 465
Stores, materials and fuels	76 828	-
	701 521	**34 465**

Inventory was not fully counted in previous years and thus no comparitive could be provided for Maintenance material and Chemical Stock.

6. Receivables from exchange transactions

	2013	2012
Trade debtors	11 651	-
Deposits	52 127	62 570
	63 778	**62 570**

7. Receivables from non-exchange transactions

	2013	2012
Other receivables from non-exchange revenue	265 399	429 485

8. VAT receivable

	2013	2012
VAT	12 272 698	9 477 537

The input VAT in various periods have been queried by SARS and as a result has not been paid out. The municplaity is currently in a process to compile all the necessary supporting documentation in order to resolve the matter and get the refunds paid out. The oldest query goes back as far as 2010.

9. Intangible assets

	2013			2012		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1 079 115	(316 372)	762 743	791 472	(237 225)	554 247

Reconciliation of intangible assets - 2013

	Opening balance	Other changes, movements	Amortisation	Total
Computer software, other	554 247	287 643	(79 147)	762 743

Notes to the Financial Statements

Figures in Rand	2013	2012

9. Intangible assets (continued)

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software, other	633 394	(79 147)	554 247

Pledged as security

No intangible assets pledged as security:

10. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	7 067 551	(208 907)	6 858 644	6 972 351	(167 177)	6 805 174

Reconciliation of investment property - 2013

	Opening balance	Transfers	Other changes, movements	Depreciation	Total
Investment property	6 805 174	-	95 200	(41 730)	6 858 644

Reconciliation of investment property - 2012

	Opening balance	Transfers	Depreciation	Total
Investment property	-	6 846 904	(41 730)	6 805 174

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.

11. Operating lease asset (accrual)

	2013	2012
Non-current assets	18 710	13 453
	18 710	**13 453**

This relates to a 10 year lease agreement with MTN as Lessee for land on which a cell phone tower was erected. This lease commenced in October 2010 and escalates at 8% per year.

Notes to the Financial Statements

Figures in Rand	2013	2012

12. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	9 290 884	-	9 290 884	9 290 884	-	9 290 884
Buildings	6 239 575	(1 046 656)	5 192 919	6 239 575	(810 684)	5 428 891
Infrastructure	289 316 450	(78 046 407)	211 270 043	304 554 479	(168 200 532)	136 353 947
Community	4 322 218	(377 753)	3 944 465	4 074 558	(279 571)	3 794 987
Other property, plant and equipment	9 419 446	(5 401 380)	4 018 066	6 930 651	(4 311 467)	2 619 184
Leased Assets	565 607	(19 590)	546 017	-	-	-
Total	**319 154 180**	**(84 891 786)**	**234 262 394**	**331 090 147**	**(173 602 254)**	**157 487 893**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Transfers**	**Other changes, movements**	**Depreciation**	**Total**
Land	9 290 884	-	-	-	-	9 290 884
Buildings	5 428 891	-	-	-	(235 972)	5 192 919
Infrastructure	136 353 947	13 063 044	-	65 663 765	(3 810 713)	211 270 043
Community	3 794 987	-	-	247 660	(98 182)	3 944 465
Other property, plant and equipment	2 619 184	1 780 331	-	708 464	(1 089 913)	4 018 066
Leased Assets	-	565 607	-	-	(19 590)	546 017
	157 487 893	**15 408 982**	**-**	**66 619 889**	**(5 254 370)**	**234 262 394**

Reconciliation of property, plant and equipment - 2012

	Opening balance	**Additions**	**Transfers**	**Other changes, movements**	**Depreciation**	**Total**
Land	16 282 834	-	(6 990 950)	(1 000)	-	9 290 884
Buildings	9 974 397	54 661	(3 532 970)	(852 334)	(214 863)	5 428 891
Infrastructure	141 265 558	5 394 350	(149 137)	(932 307)	(9 224 517)	136 353 947
Community	-	-	3 826 153	-	(31 166)	3 794 987
Other property, plant and equipment	4 411 375	390 524	-	(1 336 547)	(846 168)	2 619 184
	171 934 164	**5 839 535**	**(6 846 904)**	**(3 122 188)**	**(10 316 714)**	**157 487 893**

Pledged as security

No assets were pledged as security.

Assets subject to finance lease (Net carrying amount)

Leased Assets	546 017	-

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

Notes to the Financial Statements

Figures in Rand	2013	2012

13. Consumer deposits

Electricity	84 467	74 635
Water	499 903	493 211
	584 370	**567 846**

14. Payables from exchange transactions

Trade payables	39 098 493	32 090 900
Payments received in advanced from consumer debtors	1 676 192	1 594 062
Accrued leave pay	2 868 963	2 105 032
Accrued bonus	678 441	616 790
Deposits received	16 809	13 666
Salary deductions and unknown deposits on bank statements	2 480 966	1 446 596
Outstanding cheques transferred from cash book	60 060	-
	46 879 924	**37 867 046**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	6 545 114	5 048 917
Frances Baard District Muncipality Grant	578 726	578 726
Provincial Infrastructure Grant	3 005 723	3 005 723
Library Development Grant	441 129	411 817
Expanded Public Works Program (EPWP) Grant	1 169 939	2 157 854
	11 740 631	**11 203 037**

Movement during the year

Balance at the beginning of the year	11 203 037	8 899 743
Additions during the year	52 542 364	45 559 345
Income recognition during the year	(52 004 770)	(43 256 051)
	11 740 631	**11 203 037**

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 30 for reconciliation of grants from National/Provincial Government.

These amounts are not invested in a ring-fenced investment until utilised as the cash flow position of the municipality has prevented this.

Notes to the Financial Statements

Figures in Rand	2013	2012

16. Finance lease obligation

Minimum lease payments due		
- within one year	156 100	-
- in second to fifth year inclusive	501 888	-
	657 988	-
less: future finance charges	(101 004)	-
Present value of minimum lease payments	**556 984**	**-**

Present value of minimum lease payments due		
- within one year	111 391	-
- in second to fifth year inclusive	445 593	-
	556 984	**-**

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2012: -%).

Interest rates are 8.5% at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	556 984	-

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note .

The fair value of finance lease liabilities approximates their carrying amounts.

17. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	-	2 335 336	2 335 336

Reconciliation of provisions - 2012

Environmental rehabilitation provision

During the year the landfill site that the municipality uses was transferred back to it from the Francis Baard District Municipality. This meant that the responsibility to rehabilitate the land at the end of the useful life of the landfill site will vest in the municipality. A provision for the estimated cost in today's terms has been made and this provision will be annually reviewed after providing an annual interest factor. It is expected that this liability will be settled in 15 years' time.

Notes to the Financial Statements

Figures in Rand	2013	2012

18. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by ARCH Actuarial Consulting CC. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

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

Carrying value		
Present value of the defined benefit obligation - Wholly unfunded	(7 882 615)	(7 110 781)

The fair value of plan assets includes:

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

Opening balance	7 110 781	6 263 737
Benefits paid	(183 197)	(188 176)
Net expense recognised in the statement of financial performance	955 031	1 035 220
	7 882 615	**7 110 781**

Net expense recognised in the statement of financial performance

Current service cost	614 333	566 180
Interest cost	536 361	647 150
Actuarial (gains) losses	(195 663)	(178 110)
	955 031	**1 035 220**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(195 663)	(178 110)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.03 %	8.03 %
Expected increase in healthcare costs	6.99 %	6.99 %

18. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	6 850 000	4 900 000

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its permanet employees. A number of defined contribution pension funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

Cape Joint Pension Fund

The reason why sufficient information is not available to enable the municipality to account for the plan as a defined benefit plan is that the fund administrator claim that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Other defined contribution plans

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

19. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	63 778	63 778
Other receivables from non-exchange transactions	265 399	265 399
Consumer debtors	4 614 552	4 614 552
Cash and cash equivalents	125 860	125 860
	5 069 589	**5 069 589**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	46 614 642	46 614 642

Notes to the Financial Statements

Figures in Rand	2013	2012
Taxes and transfers payable (non-exchange)	11 740 631	11 740 631
Consumer Deposits	584 370	584 370
	58 939 643	**58 939 643**

2012

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	62 570	62 570
Other receivables from non-exchange transactions	429 485	429 485
Consumer debtors	2 253 404	2 253 404
Cash and cash equivalents	1 089 135	1 089 135
	3 834 594	**3 834 594**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	37 824 131	37 824 131
Taxes and transfers payable (non-exchange)	11 203 037	11 203 037
Bank overdraft	420 637	420 637
Consumer Deposits	567 846	567 846
	50 015 651	**50 015 651**

Financial instruments in Statement of financial performance

2013

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	220 468	220 468
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(460 802)	(460 802)
Interest income on impaired financial assets	5 918 254	5 918 254
Impairment loss	(13 202 444)	(13 202 444)
	(7 524 524)	**(7 524 524)**

2012

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	290 809	290 809
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(369 555)	(369 555)
Interest income on impaired financial assets	6 332 428	6 332 428
Impairment loss	(50 833 202)	(50 833 202)
	(44 579 520)	**(44 579 520)**

Notes to the Financial Statements

Figures in Rand	2013	2012

20. Revenue

	2013	2012
Service charges	20 855 453	17 847 186
Rental of facilities and equipment	46 261	61 311
Licences and permits	429 492	362 879
Miscellaneous other revenue	891 297	346 380
Interest received - investment & consumer debtors	6 138 722	6 623 238
Property rates	3 616 610	3 530 073
Government grants & subsidies	52 004 770	42 468 294
Fines	874 662	160 172
	84 857 267	**71 399 533**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2013	2012
Service charges	20 855 453	17 847 186
Rental of facilities and equipment	46 261	61 311
Licences and permits	429 492	362 879
Miscellaneous other revenue	891 297	346 380
Interest received - investment & consumer debtors	6 138 722	6 623 238
	28 361 225	**25 240 994**

The amount included in revenue arising from non-exchange transactions is as follows:

	2013	2012
Taxation revenue		
Property rates	3 616 610	3 530 073
Transfer revenue		
Government grants & subsidies	52 004 770	42 468 294
Fines	874 662	160 172
	56 496 042	**46 158 539**

21. Service charges

	2013	2012
Sale of electricity	13 905 200	9 804 504
Sale of water	3 822 720	3 749 209
Sewerage and sanitation charges	3 278 119	3 332 460
Refuse removal	3 164 717	2 993 793
Less: Income Foregone	(3 315 303)	(2 032 780)
	20 855 453	**17 847 186**

22. Rental of facilities and equipment

	2013	2012
Premises		
Premises	23 927	29 293
Venue hire	22 334	32 018
	46 261	**61 311**

Notes to the Financial Statements

Figures in Rand	2013	2012

23. Property rates

Rates received

Residential	2 664 669	2 594 335
Commercial	878 079	863 228
State	453 384	431 729
Other	254 125	244 206
Less: Income forgone	(633 647)	(603 425)
	3 616 610	**3 530 073**

Valuations

Residential	277 183 500	277 183 500
Commercial	57 787 900	57 787 900
State	27 178 900	27 178 900
Municipal	7 385 340	7 385 340
Small holdings and farms	619 816 575	619 816 575
	989 352 215	**989 352 215**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2010. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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

24. Employee related costs

Post-employment benefits - Pension - Defined contribution plan	614 333	566 180

Remuneration of municipal manager

Annual Remuneration	198 999	411 386
Car Allowance	43 683	45 000
Contributions to UIF, Medical and Pension Funds	2 934	5 152
Cell phone	-	9 000
Leave pay	-	80 078
	245 616	**550 616**

Remuneration of chief finance officer

Annual Remuneration	546 863	528 271
Contributions to UIF, Medical and Pension Funds	5 701	5 301
Cell Phone	9 000	9 000
	561 564	**542 572**

25. Remuneration of councillors

Executive Major	627 783	599 948
Councillors	1 560 443	1 481 554
Other salaries	405 643	314 401
	2 593 869	**2 395 903**

Notes to the Financial Statements

Figures in Rand	2013	2012

25. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor is full-time. She is provided with an office and secretarial support at the cost of the Council.

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

26. Depreciation and amortisation

Property, plant and equipment	5 375 246	10 504 607

27. Debt impairment

Contributions to debt impairment provision	(8 945 712)	50 833 202
Debts impaired	22 148 156	-
	13 202 444	**50 833 202**

28. Bulk purchases

Electricity	11 674 660	9 860 870
Water	4 237 134	3 936 906
	15 911 794	**13 797 776**

29. Contracted services

Information Technology Services	422 139	547 920
Fleet Services	2 342	8 363
Specialist Services	98 378	14 539
	522 859	**570 822**

Notes to the Financial Statements

Figures in Rand	2013	2012

30. Government grants and subsidies

Operating grants		
Equitable share	28 704 000	25 546 000
Municipal Systems Improvement Grant	800 000	790 000
Finance Management Grant	1 500 000	1 500 000
Frances Baard	7 460 365	512 249
Department of Water & Forestry	-	332 418
Department of Water & Forestry (2)	126 000	-
Expanded Public Works Program Grant (EPWP)	1 987 915	-
	40 578 280	28 680 667
Capital grants		
Municipal Infrastructure Grant	11 201 802	6 149 559
Provincial Infrastructure Grant	-	7 195 317
Library Development Grant	224 688	265 249
Department of Economic Affairs	-	177 502
	11 426 490	13 787 627
	52 004 770	**42 468 294**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	23 300 770	16 922 294
Unconditional grants received	28 704 000	25 546 000
	52 004 770	**42 468 294**

Equitable Share

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

Finance Managment Grant

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 15).

Municipal Infrastructure Grant

Balance unspent at beginning of year	5 048 917	400 476
Current-year receipts	13 099 000	10 798 000
Conditions met - transferred to revenue	(11 201 803)	(6 149 559)
Forfeited to National Revenue Fund	(401 000)	-
	6 545 114	**5 048 917**

Conditions still to be met - remain liabilities (see note 15).

These projects were not completed by yearend and will continue in 2013/14.

Frances Baard District Municipalty

Balance unspent at beginning of year	578 726	990 549
Current-year receipts	7 460 365	100 425

Notes to the Financial Statements

Figures in Rand	2013	2012

30. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(7 460 365)	(512 248)
	578 726	**578 726**

Conditions still to be met - remain liabilities (see note 15).

This outstanding amount has to be taken up with Frances Baard to determine the nature of conditions still to be met.

Provincial Infrastructure Grant

Balance unspent at beginning of year	3 005 723	4 270 040
Current-year receipts	-	5 931 000
Conditions met - transferred to revenue	-	(7 195 317)
	3 005 723	**3 005 723**

Conditions still to be met - remain liabilities (see note 15).

New projects need to be identified on which these funds can be spend.

Library Development Grant

Balance unspent at beginning of year	411 817	293 066
Current-year receipts	254 000	384 000
Conditions met - transferred to revenue	(224 688)	(265 249)
	441 129	**411 817**

Conditions still to be met - remain liabilities (see note 15).

This grant is given to develop the library. Projects are continuously run to this end and continued into the 2013/14 year.

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	2 157 854	2 157 854
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 987 915)	-
	1 169 939	**2 157 854**

Conditions still to be met - remain liabilities (see note 15).

A continous project is run from this funding to alleviate unemployment in Magareng. It is anticipated that these funds will be utilised in the 2013/14 year on this project .

Various Grants

Balance unspent at beginning of year	-	787 758
Written off to various accounts	-	(787 758)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Sundry grants were carried over from as far back as 2004 relating to the Peanut Oil Project and Taxi Rank. Furthermore the amount included expenditure that should have been capitalised in previous years. As no future outflow of funds were anticipated on the funds anymore, the liability was derecognised and the costs were capitalised.

Changes in level of government grants

Notes to the Financial Statements

Figures in Rand	2013	2012

30. Government grants and subsidies (continued)

Based on the allocations set out in the Division of Revenue Act, (Act 2 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

31. General expenses

Advertising	57 142	155 350
Auditors remuneration	958 904	1 961 303
Bank charges	151 877	106 537
Chemicals	440 425	624 220
Cleaning	36 377	26 173
Consulting and professional fees	1 156 194	475 023
Debt collection	61 302	-
Electricity	591 316	598 876
Entertainment	131 758	116 496
Fines and penalties	785 384	106 790
Fleet	838 091	777 439
IT expenses	92 274	-
Insurance	492 056	531 130
Lease rentals on operating lease	43 678	-
Postage and courier	8 197	37 984
Printing and stationery	184 681	247 351
Protective clothing	50 493	104 589
Sebata	-	65 991
Special Programs	389 331	2 794 031
Subscriptions and membership fees	400 000	167 000
Sundry Expenses	215 334	286 979
Telephone and fax	968 159	877 810
Training	233 441	230 507
Travel - local	593 736	619 587
	8 880 150	**10 911 166**

32. Investment revenue

Interest revenue		
Bank	216 471	288 343
Interest charged on trade and other receivables	5 918 254	6 332 430
Interest received - Eskom	3 997	2 465
	6 138 722	**6 623 238**

33. Auditors' remuneration

Fees	958 904	1 961 303

34. Grants and subsidies paid

Operational Grant Expenditure		
Municipal Systems Improvement Grant	973 243	724 036
Frances Baard	631 008	512 249
Financial Management Grant	1 500 000	1 500 000
Library Grant Expenditure	194 790	210 589
Group co ID 5	-	6 153 022
DWAF	110 526	-
EPWP	1 987 915	-
	5 397 482	**9 099 896**

Notes to the Financial Statements

Figures in Rand	2013	2012

35. Cash generated from operations

Surplus (deficit)	1 925 688	(51 416 742)
Adjustments for:		
Depreciation and amortisation	5 375 246	10 504 607
Actuarial (Gains) /Losses	(195 663)	(178 110)
Debt impairment	13 202 444	50 833 202
Movements in operating lease assets and accruals	(5 257)	(13 453)
Movements in retirement benefit assets and liabilities	967 497	1 196 725
Movements in provisions	2 335 336	-
Movement in Bonus & Employee Provision	-	(51 213)
Changes in working capital:		
Inventories	(667 056)	(10 479)
Receivables from exchange transactions	(1 208)	(16 152 683)
Other receivables from non-exchange transactions	164 086	(1 464 659)
Consumer debtors	(15 563 591)	5 007 865
Payables from exchange transactions	9 012 881	4 701 462
VAT	(2 795 161)	(4 772 940)
Unspent conditional grants and receipts	537 594	3 091 052
Consumer deposits	16 524	37 649
	14 309 360	**1 312 283**

36. Commitments

Authorised expenditure

Already contracted for but not provided for		
• Property, plant and equipment	23 500 000	30 671 245
• Compilation of GRAP compliant Financial Statements	1 486 793	-
	24 986 793	**30 671 245**

Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	33 655 736	6 900 000

This committed expenditure relates to Property, Plant and Equipment and will be financed from Government Grants.

37. Related parties

Relationships

Accounting Officer - Remuneration per note 24	JTF Leeuw
Members of key management - Remuneration per note 24	H Oberholzer (CFO)
Mayor - Remuneration per note 25	GA Manopole
Council Members - Remuneration per note 25	L Louw
	LM Moleko
	EV Hans
	BV Ximba
	SP Mnqathula
	OM Maloja
	WD Jones
	WJ Potgieter

All transactions conducted with related parties were at arm's length and thus no additional information are disclosed.

38. Prior period errors

1) A creditor relating to Property Plant and Equipment was not provided.

2) Debtors' Impairment were increased.

38. Prior period errors (continued)

3) VAT treatment of various transactions were corrected.

4) Municipality's own electricity use was separated from Bulk Purchases.

5) Old expenditure relating to sport stadium and hospital road were capitalised to PPE.

6) Various balances of creditors were adjusted for June 2012.

7) The straighline lease debtor for MTN was raised.

8) Actuarial Gain was recalculated after adjusting for omitted payments and receipts in respect of the Post Retirement Medical Aid Liability.

9) Outstanding interest and penalties in respect of late payments of SARS for PAYE, UIF and SDL were raised.

10) Stale cheques in respect of of PAYE, UIF and SDL were reversed against the bank account.

11) Deposits held by Eskom in favour of the municipality was raised to reflect in the books of account.

12) Investment Property has been seperated from Property, Plant & Equipment and disclosed seperately.

13) Cost prices and Depreciation of Property, Plant and Euipment have been restated after updating the Fixed Asset Register.

14) Unspent MG for 2009/10 was corrected.

15) Oustanding account of Salga was corrected

16) Infrastructure that was handed over to the receipients were written off

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

	2013	2012
Statement of financial position		
Property, plant and equipment	-	(20 938 010)
VAT	-	(612 570)
Debtors	-	(35 538 480)
Creditors	-	(1 706 253)
Unspent Grants	-	(6 985 162)
Opening Accumulated Surplus or Deficit	-	(1 448 557)
Bank	-	1 047 653
Straightline lease debtor	-	13 453
Investment Property	-	6 805 174

Notes to the Financial Statements

Figures in Rand	2013	2012

38. Prior period errors (continued)

Statement of Financial Performance

Debtors Impairment	-	34 018 384
Interest Paid	-	369 555
Salaries	-	(245 845)
Actuarial Gain	-	(133 921)
Interest Received	-	2 465
Sundry Income	-	67 506
Rental of Facilities Income	-	29 293
Bulk Purchases	-	(1 751 916)
General Expenses	-	700 988
Repairs and Maintenance	-	2 516
Services Revenue	-	(18 058)
Depreciation	-	(259 525)
Grant Expenditure	-	6 153 022
Organised government contributions	-	42 914

39. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern in spite of the substantial deficit it has had in the preceding year. This basis presumes that sufficient funds will be available from National -, Provincial- and District Municipality grants 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.

40. Unauthorised expenditure

Unauthorised expenditure	1 474 724	34 671 462

41. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	565 302	476 064

42. Irregular expenditure

Opening balance	229 601	229 601
Add: Irregular Expenditure - current year	2 257 054	-
	2 486 655	**229 601**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Various contraventions of procurement prescripts	None	2 257 053

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	42 914	-
Current year subscription / fee	400 000	167 000
Amount paid - current year	(200 000)	(124 086)
	242 914	**42 914**

Notes to the Financial Statements

Figures in Rand	2013	2012

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

Audit fees

Opening balance	1 944 120	1 715 502
Current year subscription / fee	1 034 243	1 027 831
Amount paid - previous years	(1 192 617)	(799 213)
	1 785 746	**1 944 120**

PAYE and UIF

Current year subscription / fee	2 759 383	2 612 304
Amount paid - current year	(2 304 503)	(2 612 304)
	454 880	**-**

Outstanding balance was paid in July 2013

Pension and Medical Aid Deductions

Opening balance	23 184	-
Current year subscription / fee	6 064 134	5 394 909
Amount paid - current year	(5 022 630)	(5 371 725)
	1 064 688	**23 184**

Outstanding balance was paid in July 2013

VAT

VAT receivable	12 272 698	9 477 537

SARS has raised queries in respect of Input VAT of variious periods and have withheld these refunds. The municipality is in the process to compile the required documentation in order to have to queries resolved.

All VAT returns have not been submitted by the due date throughout the year.

43. 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 R	Outstanding more than 90 days R	Total R
G.A. Manopole	(454)	-	(454)
L. Louw	1 305	108	1 413
L.M. Moleko	752	1 858	2 610
E.V. Hans	1 036	11 897	12 933
B.V. Ximba	1 257	9 924	11 181
S.P. Mnqathula	1 912	30 413	32 325
O.M. Maloja	(1 132)	-	(1 132)
W.D. Jones	207	435	642
W.J. Potgieter	1 955	-	1 955
	6 838	**54 635**	**61 473**

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
G.A. Manopole	(26)	-	(26)
L. Louw	1 227	1 875	3 102
L.M. Moleko	817	6 263	7 080
E.V. Hans	981	10 842	11 823
B.V. Ximba	1 170	9 184	10 354
S.P. Mnqathula	1 714	24 878	26 592
Late H.O. Kgadiete	898	18 527	19 425
O.M. Maloja	(270)	-	(270)
W.J. Potgieter	429	-	429
	6 940	**71 569**	**78 509**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2013	Highest outstanding amount	Aging (in days)
L. Louw	3 493	330
L.M. Moleko	7 002	1 020
E.V. Hans	12 932	1 500
B.V. Ximba	11 401	1 080
S.P. Mnqathula	32 325	2 040
W.D. Jones	642	390
Late H.O. Kgadiete	19 739	1 950
	87 534	**8 310**

30 June 2012	Highest outstanding amount	Aging (in days)
L. Louw	4 043	420
L.M. Moleko	7 080	1 050
E.V. Hans	11 823	1 440
B.V. Ximba	10 355	1 080

Notes to the Financial Statements

Figures in Rand	2013	2012

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

S.P. Mnqathula	26 592	1 860
Late H.O. Kgadiete	20 036	2 550
	79 929	**8 400**

Notes to the Financial Statements

Figures in Rand

44. Statement of comparative and actual information

2013

	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
Financial Performance											
Property rates	4 269 402	-	4 269 402	-		4 269 402	3 616 610		(652 792)	85 %	85 %
Service charges	21 028 695	2 413 044	23 441 739	-		23 441 739	20 855 453		(2 586 286)	89 %	99 %
Investment revenue	7 252 500	-	7 252 500	-		7 252 500	6 138 722		(1 113 778)	85 %	85 %
Transfers recognised - operational	48 211 000	-	48 211 000	-		48 211 000	52 004 770		3 793 770	108 %	108 %
Other own revenue	1 299 053	2	1 299 055	-		1 299 055	2 241 712		942 657	173 %	173 %
Total revenue (excluding capital transfers and contributions)	**82 060 650**	**2 413 046**	**84 473 696**	**-**		**84 473 696**	**84 857 267**		**383 571**	**100 %**	**103 %**
Employee costs	(25 457 503)	(2 378 512)	(27 836 015)	-	-	(27 836 015)	(25 251 895)	-	2 584 120	91 %	99 %
Remuneration of councillors	(3 256 274)	(222 054)	(3 478 328)	-	-	(3 478 328)	(2 593 869)	-	884 459	75 %	80 %
Debt impairment	(54 395 986)	-	(54 395 986)			(54 395 986)	(13 202 444)	-	41 193 542	24 %	24 %
Depreciation and asset impairment	(10 274 888)	(5 335)	(10 280 223)			(10 280 223)	(5 375 246)	-	4 904 977	52 %	52 %
Finance charges	(160 000)	-	(160 000)	-	-	(160 000)	(1 001 671)	(841 672)	(841 671)	626 %	626 %
Materials and bulk purchases	(15 278 741)	-	(15 278 741)	-	-	(15 278 741)	(15 911 794)	(633 053)	(633 053)	104 %	104 %
Transfers and grants	(3 808 000)	(13 099 000)	(16 907 000)	-	-	(16 907 000)	(5 397 482)	-	11 509 518	32 %	142 %
Other expenditure	(20 472 650)	192 854	(20 279 796)	-	-	(20 279 796)	(14 392 841)	-	5 886 955	71 %	70 %
Total expenditure	**(133 104 042)**	**(15 512 047)**	**(148 616 089)**	**-**	**-**	**(148 616 089)**	**(83 127 242)**	**(1 474 725)**	**65 488 847**	**56 %**	**62 %**
Surplus/(Deficit)	**(51 043 392)**	**(13 099 001)**	**(64 142 393)**	**-**		**(64 142 393)**	**1 730 025**		**65 872 418**	**(3)%**	**(3)%**

Notes to the Financial Statements

Figures in Rand

44. Statement of comparative and actual information (continued)

Notes to the Financial Statements

Figures in Rand

44. Statement of comparative and actual information (continued)

	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
Actuarial Gain	-	-	-	-		-	195 663		195 663	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(51 043 392)**	**(13 099 001)**	**(64 142 393)**	**-**		**(64 142 393)**	**1 925 688**		**66 068 081**	**(3)%**	**(4)%**
Surplus/(Deficit) for the year	**(51 043 392)**	**(13 099 001)**	**(64 142 393)**	**-**		**(64 142 393)**	**1 925 688**		**66 068 081**	**(3)%**	**(4)%**

45. Risk management

Financial risk management

45. Risk management (continued)

Liquidity risk

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

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

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance Leases	156 100	156 100	345 788	-
Trade and other payables	46 614 642	-	-	-

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	37 824 131	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents 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:

Financial instrument	2013	2012
Bank	125 860	1 089 135
Accounts Receivable	4 943 729	2 745 459

Market risk

Interest rate risk

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	13.00 %	4 614 552	-	-	-	-
Cash in current banking institutions	5.00 %	125 860	-	-	-	-

46. Events after the reporting date

There are no adjusting events after reporting date to report on, except for equitable share witheld but relating to the 2012/2013 financial year.

Appendix A
June 2013

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Lease liability								
Mercedes Benz Financial Services			-	565 607	8 623	556 984	546 017	-
			-	**565 607**	**8 623**	**556 984**	**546 017**	**-**

Appendix B
June 2013

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

	Cost/Revaluation						Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Other changes, movements Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings											
Land	9 290 884	-	-	-	**-**	**9 290 884**	-	-	-	**-**	9 290 884
Buildings	6 239 575	-	-	-	**-**	**6 239 575**	(810 684)	-	(235 972)	**(1 046 656)**	5 192 919
	15 530 459	**-**	**-**	**-**	**-**	**15 530 459**	**(810 684)**	**-**	**(235 972)**	**(1 046 656)**	**14 483 803**
Infrastructure											
Roads	175 384 562	-	(2 320 691)	-	**(73 318 802)**	**99 745 069**	(96 559 689)	93 964 837	(990 164)	**(3 585 016)**	96 160 053
Sewerage	37 571 218	-	-	-	**7 600 000**	**45 171 218**	(17 554 301)	-	(809 524)	**(18 363 825)**	26 807 393
Electrical	15 788 961	-	-	-	**36 231 628**	**52 020 589**	(9 472 331)	-	(448 826)	**(9 921 157)**	42 099 432
Water	72 617 554	-	2 320 691	-	**1 186 104**	**76 124 349**	(44 614 211)	-	(1 562 198)	**(46 176 409)**	29 947 940
Capital Work in Progress	3 192 184	13 063 041	-	-	**-**	**16 255 225**	-	-	-	**-**	16 255 225
	304 554 479	**13 063 041**	**-**	**-**	**(28 301 070)**	**289 316 450**	**(168 200 532)**	**93 964 837**	**(3 810 712)**	**(78 046 407)**	**211 270 043**
Community Assets											
Land	1 284 938	-	-	-	**-**	**1 284 938**	-	-	-	**-**	1 284 938
Buildings	2 010 477	-	-	-	**-**	**2 010 477**	(248 405)	-	(67 017)	**(315 422)**	1 695 055
Recreational facilities	779 143	-	-	247 660	**-**	**1 026 803**	(31 166)	-	(31 165)	**(62 331)**	964 472
	4 074 558	**-**	**-**	**247 660**	**-**	**4 322 218**	**(279 571)**	**-**	**(98 182)**	**(377 753)**	**3 944 465**

Appendix B
June 2013

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

	Cost/Revaluation						Accumulated depreciation				
	Opening Balance **Rand**	**Additions** **Rand**	**Transfers** **Rand**	**Revaluations** **Rand**	**Other changes, movements** **Rand**	**Closing Balance** **Rand**	**Opening Balance** **Rand**	**Other changes, movements** **Rand**	**Depreciation** **Rand**	**Closing Balance** **Rand**	**Carrying value** **Rand**
Finance Lease Assets											
Motor Vehicles	-	565 607	-	-	**-**	**565 607**	-	-	(19 590)	**(19 590)**	546 017
	-	**565 607**	**-**	**-**	**-**	**565 607**	**-**	**-**	**(19 590)**	**(19 590)**	**546 017**
Specialised vehicles											
Refuse	1 324 101	1 600 000	-	-	**-**	**2 924 101**	(1 021 449)	-	(281 504)	**(1 302 953)**	1 621 148
	1 324 101	**1 600 000**	**-**	**-**	**-**	**2 924 101**	**(1 021 449)**	**-**	**(281 504)**	**(1 302 953)**	**1 621 148**
Other assets											
General vehicles	2 747 838	108 000	-	-	**301 990**	**3 157 828**	(1 710 716)	-	(392 494)	**(2 103 210)**	1 054 618
Plant & equipment	-	-	-	-	**12 559**	**12 559**	-	-	-	**-**	12 559
Computer Equipment	792 383	12 885	-	-	**164 015**	**969 283**	(561 036)	-	(169 785)	**(730 821)**	238 462
Furniture & Fittings	580 975	29 897	-	-	**55 557**	**666 429**	(429 879)	-	(85 394)	**(515 273)**	151 156
Office Equipment	-	29 548	-	-	**20 321**	**49 869**	-	-	(5 586)	**(5 586)**	44 283
Machinery & Equipment	1 485 355	-	-	-	**37 188**	**1 522 543**	(588 387)	-	(155 150)	**(743 537)**	779 006
Fixtures to Buildings	-	-	-	-	**116 834**	**116 834**	-	-	-	**-**	116 834
	5 606 551	**180 330**	**-**	**-**	**708 464**	**6 495 345**	**(3 290 018)**	**-**	**(808 409)**	**(4 098 427)**	**2 396 918**

Appendix B

June 2013

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

	Cost/Revaluation						Accumulated depreciation				
	Opening Balance	Additions	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Other changes, movements	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment											
Land and buildings	15 530 459	-	-	-	-	15 530 459	(810 684)	-	(235 972)	(1 046 656)	14 483 803
Infrastructure	304 554 479	13 063 041	-	-	(28 301 070)	289 316 450	(168 200 532)	93 964 837	(3 810 712)	(78 046 407)	211 270 043
Community Assets	4 074 558	-	-	247 660	-	4 322 218	(279 571)	-	(98 182)	(377 753)	3 944 465
Finance Lease Assets	-	565 607	-	-	-	565 607	-	-	(19 590)	(19 590)	546 017
Specialised vehicles	1 324 101	1 600 000	-	-	-	2 924 101	(1 021 449)	-	(281 504)	(1 302 953)	1 621 148
Other assets	5 606 551	180 330	-	-	708 464	6 495 345	(3 290 018)	-	(808 409)	(4 098 427)	2 396 918
	331 090 148	15 408 978	-	247 660	(27 592 606)	319 154 180	(173 602 254)	93 964 837	(5 254 369)	(84 891 786)	234 262 394
Intangible assets											
Computers - software & programming	791 472	-	-	-	287 643	1 079 115	(237 225)	-	(79 147)	(316 372)	762 743
	791 472	-	-	-	287 643	1 079 115	(237 225)	-	(79 147)	(316 372)	762 743
Investment properties											
Investment property	6 972 351	-	-	-	95 200	7 067 551	(167 177)	-	(41 730)	(208 907)	6 858 644
	6 972 351	-	-	-	95 200	7 067 551	(167 177)	-	(41 730)	(208 907)	6 858 644
Total											
Land and buildings	15 530 459	-	-	-	-	15 530 459	(810 684)	-	(235 972)	(1 046 656)	14 483 803
Infrastructure	304 554 479	13 063 041	-	-	(28 301 070)	289 316 450	(168 200 532)	93 964 837	(3 810 712)	(78 046 407)	211 270 043
Community Assets	4 074 558	-	-	247 660	-	4 322 218	(279 571)	-	(98 182)	(377 753)	3 944 465
Finance Lease Assets	-	565 607	-	-	-	565 607	-	-	(19 590)	(19 590)	546 017
Specialised vehicles	1 324 101	1 600 000	-	-	-	2 924 101	(1 021 449)	-	(281 504)	(1 302 953)	1 621 148
Other assets	5 606 551	180 330	-	-	708 464	6 495 345	(3 290 018)	-	(808 409)	(4 098 427)	2 396 918
Intangible assets	791 472	-	-	-	287 643	1 079 115	(237 225)	-	(79 147)	(316 372)	762 743
Investment properties	6 972 351	-	-	-	95 200	7 067 551	(167 177)	-	(41 730)	(208 907)	6 858 644
	338 853 971	15 408 978	-	247 660	(27 209 763)	327 300 846	(174 006 656)	93 964 837	(5 375 246)	(85 417 065)	241 883 781

Appendix D
June 2013

Segmental Statement of Financial Performance for the year ended

30 June 2012				30 June 2013		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
27 684 940	22 106 485	5 578 455	Executive & Council/Mayor and Council	31 769 407	38 164 854	(6 395 447)
8 304 226	33 698 969	(25 394 743)	Finance & Admin/Finance	15 647 091	9 580 256	6 066 835
177 502	2 861 678	(2 684 176)	Planning and Development/Economic Development/Plan	-	2 558 683	(2 558 683)
296 884	826 946	(530 062)	Comm. & Social/Libraries and archives	258 382	870 977	(612 595)
765 662	2 429 231	(1 663 569)	Public Safety/Police	1 304 244	2 813 245	(1 509 001)
74 844	654 496	(579 652)	Sport and Recreation	22 087	356 284	(334 197)
4 211 192	8 834 732	(4 623 540)	Environmental Protection/Pollution Control	4 307 353	2 395 005	1 912 348
11 854 544	16 433 137	(4 578 593)	Waste Water Management/Sewerage	1 203 526	(394 987)	1 598 513
6 715 411	3 892 400	2 823 011	Road Transport/Roads	11 271 535	5 697 510	5 574 025
4 282 602	16 435 510	(12 152 908)	Water/Water Distribution	4 075 373	4 453 174	(377 801)
10 511 955	15 883 771	(5 371 816)	Electricity /Electricity Distribution	14 798 162	13 887 644	910 518
-	2 239 149	(2 239 149)	Other/Air Transport	395 770	2 744 597	(2 348 827)
74 879 762	**126 296 504**	**(51 416 742)**		**85 052 930**	**83 127 242**	**1 925 688**
			Other charges			
74 879 762	126 296 504	(51 416 742)	Municipality	85 052 930	83 127 242	1 925 688
74 879 762	**126 296 504**	**(51 416 742)**	**Total**	**85 052 930**	**83 127 242**	**1 925 688**

Appendix E(1)
June 2013

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

	Current year 2012 Act. Bal. Rand	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	3 616 610	4 269 402	(652 792)	(15.3)	Income foregone was not budgeted for
Service charges	20 855 453	23 441 739	(2 586 286)	(11.0)	Inaccurate meter readings
Rental of facilities and equipment	46 261	45 000	1 261	2.8	
Income from agency services	-	13 250	(13 250)	(100.0)	Misallocation of Revenue
Licences and permits	429 492	425 750	3 742	0.9	
Miscellaneous other revenue	891 297	64 805	826 492	275.4	Unallocated receipts written off to revenue.
Fines	874 662	750 250	124 412	16.6	Collection of traffic fines exceeded expectation
Government grants	52 004 770	48 211 000	3 793 770	7.9	
Interest received - investment	6 134 725	7 252 500	(1 117 775)	(15.4)	Old debtors written off which were included in the Interest Budget
Interest received - other	3 997	-	3 997	-	
	84 857 267	84 473 696	383 571	0.5	
Expenses					
Personnel	(25 251 897)	(27 836 015)	2 584 118	(9.3)	Key posts not filled for the whole year
Remuneration of councillors	(2 593 869)	(3 478 328)	884 459	(25.4)	Contracted salaries less than anticipated.
Depreciation	(5 375 246)	(10 280 223)	4 904 977	(47.7)	Life expancies adjusted in Fixed Asset Register
Finance costs	(1 001 672)	(160 000)	(841 672)	526.0	Actuarial interest not provided for.
Debt impairment	(13 202 444)	(54 395 986)	41 193 542	(75.7)	Impairment reduced due to debtors physically written off
Repairs and maintenance - General	(4 989 832)	(5 946 646)	956 814	(16.1)	Less repairs than anticipated.
Bulk purchases	(15 911 794)	(15 278 741)	(633 053)	4.1	
Contracted Services	(522 859)	(576 000)	53 141	(9.2)	
Grants and subsidies paid	(5 397 481)	(16 907 000)	11 509 519	(68.1)	Capital budget was included.
General Expenses	(8 880 148)	(13 757 150)	4 877 002	(35.5)	Less expenses incurred due to cash flow constraints
	(83 127 242)	(148 616 089)	65 488 847	(44.1)	
Other revenue and costs					
Actuarial Gain	195 663	-	195 663	-	
	195 663	-	195 663	-	
Net surplus/ (deficit) for the year	1 925 688	(64 142 393)	66 068 081	(103.0)	

Appendix E(2)
June 2013

Budget Analysis of Capital Expenditure as at 30 June 2013

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Road Transport/Roads	9 829 264	3 099 000	3 269 736	**25**	Contractor removed from site. New contractor to be appointed
	9 829 264	**3 099 000**	**3 269 736**	**25**	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2013

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts	Quarterly Expenditure	Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
						Yes/ No	
Financial Management Grant	National Treasury	00 000	00 000	-		Yes	
Equitable Share	National Treasury	04 000	04 000	-		Yes	
Municipal Infrastructure Grant		99 000	01 802	97 198	Contractor removed from site. New contractor to be appointed.	No	Contractor removed from site. New contractor to be appointed. Funds thus not spent.
Municipal Systems Improvement Grant	National Treasury	00 000	00 000	-		Yes	
Expanded Public Works Program	National Treasury	00 000	00 000	-		Yes	
DWAF	Northern Cape Provincial Government	25 999	25 999	-		Yes	
Library Development Fund	Northen Cape Provincial Government	54 000	24 688	29 312		No	Insufficient number of projects was done for the year.
Frances Baard Districit Muncipality Grant	Frances Baard District Municipality	60 364	60 364	-		Yes	
		-	-	-			
		-	-	-			
		43 363	16 853	26 510			