JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

General Information

Legal form of entity	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).
Nature of business and principal activities	John Taolo Gaetsewe Municipality is a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996).
Jurisdiction	The John Taolo Gaetsewe Municipality includes the municipal areas of Gamagara Municipality, Ga-segonyana Municipality and Joe Morolong Municipality
Mayoral committee	
Executive Mayor	S. Mosikatsi
Speaker	S.B. Gaobusiwe
Executive Councillors	G.C. Assegaai
	O.E. Hantise
	O.C. Mogodi
	M.E. Mochwari
Part Time Councillors	J Rakoi
	V Makoke
	A Mwembo
	A van der Westhuizen
	O.H. Kgopodithata
	V Jordan
	J Freeman
	M.G. Sephekolo
	M.M. Nhlapo
	B Mosegedi
	T.T. Tlholenyane
	M.A.P. Brink
	J.C. Kaars
	G Phetlhu
Chief Finance Officer	G.P. Moroane - Appointed 11 February 2013
	S.S. French-Sulliman - Resigned 30 November 2012
Accounting Officer	M.P. Bokgwathile
Registered office	P.O. Box 1480
	Kuruman
	8460
Business address	4 Federale Mynbou Street
	Kuruman
	8460
Bankers	ABSA Bank Limited
	Standard Bank Limited
Auditors	Auditor-General

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

Abbreviations

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

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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 69, which have been prepared on the going concern basis, were approved by the accounting officer on 28 August 2013 and were signed on its behalf by:

M.P. Bokgwathile
Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged as a district municipality performing the functions as set out in the constitution (act no 105 of 1996) and operates principally in South Africa.

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

Net deficit of the municipality was R 1 956 943 (2012: deficit R 55 832 351).

2. Going concern

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year. There is an on going investigation by the public protector and visitations occurred in August and September.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

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

Name
M.P. Bokgwathile

6. Auditors

Auditor-General will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Receivables from exchange transactions	11	3 012 479	5 055 011
Receivables from non-exchange transactions	12	152 503	1 354 197
Cash and cash equivalents	13	37 658 659	32 837 791
		40 823 641	**39 246 999**
Non-Current Assets			
Biological assets that form part of an agricultural activity	4	3 234 500	-
Investment property	5	5 730 000	5 600 000
Property, plant and equipment	6	75 856 570	49 170 641
Intangible assets	7	397 906	412 213
Heritage assets	8	19 750	19 750
Investments	9	-	5 246
		85 238 726	**55 207 850**
Non-current assets held for sale and assets of disposal groups	14	540 139	540 139
Total Assets		**126 602 506**	**94 994 988**
Liabilities			
Current Liabilities			
Long-term liabilities	19	167 493	216 056
Payables from exchange transactions	22	3 722 149	6 078 199
VAT payable	23	1 312 632	751 428
Unspent conditional government grants and receipts	20	9 276 469	7 182 887
Provisions	21	1 385 651	1 566 900
		15 864 394	**15 795 470**
Non-Current Liabilities			
Long-term liabilities	19	2 413 747	2 353 050
Retirement benefit obligation	10	20 921 944	19 286 434
		23 335 691	**21 639 484**
Total Liabilities		**39 200 085**	**37 434 954**
Net Assets		**87 402 421**	**57 560 034**
Reserves			
Revaluation reserve	15	41 970 148	10 170 812
Capital replacement reserve	16	-	573 636
Donations and public contributions	17	-	17 875 239
Insurance reserve	18	-	1 250 000
Accumulated surplus		45 432 273	27 690 347
Total Net Assets		**87 402 421**	**57 560 034**

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment		76 628	118 484
Interest received (trading)		1 847 640	1 782 736
Administration and management fees received		3 836 812	4 235 158
Total revenue from exchange transactions		**5 761 080**	**6 136 378**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies		60 785 003	60 041 003
Contributed property, plant and equipment		-	19 513 714
Total revenue from non-exchange transactions		**60 785 003**	**79 554 717**
Total revenue	25	**66 546 083**	**85 691 095**
Expenditure			
Personnel	28	43 164 341	36 916 051
Remuneration of councillors	29	3 747 470	3 566 662
Depreciation and amortisation	34	2 968 922	3 092 587
Finance costs	35	1 737 982	1 729 689
Debt impairment	31	4 604 236	100 000
Repairs and maintenance		1 232 405	1 025 037
Grants and subsidies paid	36	4 990	76 626 158
General Expenses	27	7 091 863	8 665 733
Acturial losses	10	162 411	340 504
Project cost		4 012 713	10 483 132
Total expenditure		**68 727 333**	**142 545 553**
Operating deficit		**(2 181 250)**	**(56 854 458)**
Gain (loss) on disposal of assets and liabilities		71 481	(1 339 552)
Fair value adjustments	33	130 000	2 318 480
(Loss) gain on biological assets		(8 561)	40 439
		192 920	**1 019 367**
Deficit for the year from continuing operations		**(1 988 330)**	**(55 835 091)**
Discontinued operations	14	31 387	2 740
Deficit for the year		**(1 956 943)**	**(55 832 351)**

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Capital replacement reserve	Donations and public contributions	Insurance reserve	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2011	**10 170 812**	**275 373**	**66 167 116**	**1 100 000**	**77 713 301**	**35 679 083**	**113 392 384**
Changes in net assets							
Surplus for the year	-	-	-	-	-	(55 832 351)	(55 832 351)
Transfer to/from capital replacement reserve	-	1 505 308	-	-	1 505 308	(1 505 308)	-
Transfer to/from insurance reserve	-	-	-	150 000	150 000	(150 000)	-
Property, plant and equipment purchased	-	(1 207 045)	19 513 714	-	18 306 669	(18 306 668)	1
Offsetting of depreciation	-	-	(1 638 475)	-	(1 638 475)	1 638 475	-
Assets transferred to other municipalities	-	-	(66 167 116)	-	(66 167 116)	66 167 116	-
Total changes	-	298 263	(48 291 877)	150 000	(47 843 614)	(7 988 736)	(55 832 350)
Opening balance as previously reported	10 170 812	573 636	17 875 239	1 250 000	29 869 687	27 155 382	57 025 069
Adjustments							
Prior year adjustments	-	-	-	-	-	534 959	534 959
Balance at 01 July 2012 as restated	**10 170 812**	**573 636**	**17 875 239**	**1 250 000**	**29 869 687**	**27 690 341**	**57 560 028**
Changes in net assets							
Surplus for the year	-	-	-	-	-	(1 956 943)	(1 956 943)
Changes in revaluation surplus arising from changes in valuation of property, plant and equipment	31 799 336	-	-	-	31 799 336	-	31 799 336
Transfer of IMFO fund reserves to accumulated surplus	-	(573 636)	(17 875 239)	(1 250 000)	(19 698 875)	19 698 875	-
Total changes	31 799 336	(573 636)	(17 875 239)	(1 250 000)	12 100 461	17 741 932	29 842 393
Balance at 30 June 2013	**41 970 148**	**-**	**-**	**-**	**41 970 148**	**45 432 273**	**87 402 421**
Note(s)	15	16	17	18			

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Taxation		-	305 396
Grants		62 729 382	60 064 131
Other receipts		2 832 895	3 166 240
Investment income		1 847 640	1 782 736
		67 409 917	65 318 503
Payments			
Employee costs		(46 923 305)	(40 200 572)
Suppliers		(14 311 227)	(17 109 751)
Finance costs		(182 017)	(164 176)
		(61 416 549)	(57 474 499)
Net cash flows from operating activities	37	**5 993 368**	**7 844 004**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1 128 203)	(1 298 332)
Proceeds from sale of property, plant and equipment	6	-	113 171
Purchase of other intangible assets	7	(90 024)	-
Proceeds from sale of financial assets		5 250	-
Proceeds from sale of biological assets that form part of an agricultural activity	4	75 439	40 439
Non-current investments		-	(173)
Non-current assets held for sale		-	(225 002)
Net cash flows from investing activities		**(1 137 538)**	**(1 369 897)**
Cash flows from financing activities			
New loans raised		432 491	91 286
Loans repaid		(467 453)	(1 847 413)
Net cash flows from financing activities		**(34 962)**	**(1 756 127)**
Net increase/(decrease) in cash and cash equivalents		**4 820 868**	**4 717 980**
Cash and cash equivalents at the beginning of the year		32 837 791	28 119 811
Cash and cash equivalents at the end of the year	13	**37 658 659**	**32 837 791**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial Performance											
Investment revenue	1 300 000	(1 000 000)	300 000	-		300 000	-		(300 000)	- %	- %
Transfers recognised - operational	60 961 000	3 243 000	64 204 000	-		64 204 000	60 785 003		(3 418 997)	95 %	100 %
Other own revenue	5 848 000	20 000	5 868 000	-		5 868 000	6 069 670		201 670	103 %	104 %
Total revenue (excluding capital transfers and contributions)	**68 109 000**	**2 263 000**	**70 372 000**	**-**		**70 372 000**	**66 854 673**		**(3 517 327)**	**95 %**	**98 %**
Employee costs	(43 013 000)	(442 000)	(43 455 000)	-	-	(43 455 000)	(43 164 341)	-	290 659	99 %	100 %
Remuneration of councillors	(3 900 000)	(347 000)	(4 247 000)	-	-	(4 247 000)	(3 747 470)	-	499 530	88 %	96 %
Debt impairment	-	-	-			-	(4 604 236)	-	(4 604 236)	(100)%	(100)%
Depreciation and asset impairment	(1 847 000)	841 000	(1 006 000)			(1 006 000)	(2 968 922)	-	(1 962 922)	295 %	161 %
Finance charges	(250 000)	-	(250 000)	-	-	(250 000)	(1 737 982)	-	(1 487 982)	695 %	695 %
Transfers and grants	-	-	-	-	-	-	(4 990)	-	(4 990)	(100)%	(100)%
Other expenditure	(15 220 000)	3 606 000	(11 614 000)	-	-	(11 614 000)	(12 583 675)	-	(969 675)	108 %	83 %
Total expenditure	**(64 230 000)**	**3 658 000**	**(60 572 000)**	**-**	**-**	**(60 572 000)**	**(68 811 616)**	**-**	**(8 239 616)**	**114 %**	**107 %**
Surplus/(Deficit)	**3 879 000**	**5 921 000**	**9 800 000**	**-**		**9 800 000**	**(1 956 943)**		**(11 756 943)**	**(20)%**	**(50)%**
Surplus/(Deficit) for the year	**3 879 000**	**5 921 000**	**9 800 000**	**-**		**9 800 000**	**(1 956 943)**		**(11 756 943)**	**(20)%**	**(50)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	1 309 228		1 309 228	DIV/0 %	DIV/0 %
Sources of capital funds											
Transfers recognised - capital	-	3 886 000	3 886 000	-		3 886 000	1 445 818		(2 440 182)	37 %	(100)%
Internally generated funds	1 000 000	20 000	1 020 000	-		1 020 000	-		(1 020 000)	- %	- %
Total sources of capital funds	**1 000 000**	**3 906 000**	**4 906 000**	**-**		**4 906 000**	**1 445 818**		**(3 460 182)**	**29 %**	**145 %**
Cash flows											
Net cash from (used) operating	352 000	3 126 000	3 478 000	-		3 478 000	5 993 368		2 515 368	172 %	1 703 %
Net cash from (used) investing	(700 000)	-	(700 000)	-		(700 000)	(1 137 538)		(437 538)	163 %	163 %
Net cash from (used) financing	(220 000)	-	(220 000)	-		(220 000)	(34 962)		185 038	16 %	16 %
Net increase/(decrease) in cash and cash equivalents	**(568 000)**	**3 126 000**	**2 558 000**	**-**		**2 558 000**	**4 820 868**		**2 262 868**	**188 %**	**(849)%**
Cash and cash equivalents at the beginning of the year	21 617 000	3 126 000	24 743 000	-		24 743 000	32 837 791		8 094 791	133 %	152 %
Cash and cash equivalents at year end	**21 049 000**	**6 252 000**	**27 301 000**	**-**		**27 301 000**	**37 658 659**		**(10 357 659)**	**138 %**	**179 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2012				
Financial Performance				
Transfers recognised - operational				60 041 003
Other own revenue				28 009 011
Total revenue (excluding capital transfers and contributions)				**88 050 014**
Employee costs	-	-	-	(36 916 051)
Remuneration of councillors	-	-	-	(3 566 662)
Debt impairment	-	-	-	(100 000)
Depreciation and asset impairment	-	-	-	(3 092 587)
Finance charges	-	-	-	(1 729 689)
Transfers and grants	-	-	-	(76 626 158)
Other expenditure	-	-	-	(21 853 958)
Total expenditure	**-**	**-**	**-**	**(143 885 105)**
Surplus/(Deficit)				**(55 835 091)**
Surplus/(Deficit) for the year				**(55 835 091)**
Capital expenditure and funds sources				
Total capital expenditure				20 812 046
Cash flows				
Net cash from (used) operating				7 844 004
Net cash from (used) investing				(1 369 897)
Net cash from (used) financing				(1 756 127)
Net increase/(decrease) in cash and cash equivalents				**4 717 980**
Cash and cash equivalents at year end				**4 717 980**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Impairment of Receivables

The municipality assesses its trade 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.

Impairment testing

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

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 21 - Provisions.

Useful lives of waste and water network and other assets

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

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 10.

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.

Accounting Policies

1.2 Biological assets that form part of an agricultural activity

An entity shall recognise a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

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

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

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.3 Investment property

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

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

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

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

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

Where investment property is acquired 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.

Accounting Policies

1.3 Investment property (continued)

Fair value

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

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

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

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

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

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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 except for Land and Buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

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

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

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**
Landfill sites	20 years
Buildings	30 years
Community	
• Buildings	30 years
• Recreational Facilities	20-30 years
• Security	5 years
• Halls	20-30 years
• Libraries	20-30 years
• Parks and Gardens	20-30 years
• Other assets	15-20 years
Equipment	2-5 years
Furniture and fixtures	5-30 years
Emergency equipment	5-15 years
Office equipment	3-30 years
IT equipment	3-30 years
Finance lease assets	
• Office equipment	3 years
• Cell phones	2 years
Infrastructure	
• Roads and Paving	10-30 years
• Pedestrian Malls	20 years
• Electricity	20-30 years
• Water	15-20 years
• Sewerage	15-20 years
• Housing	30 years

1.4 Property, plant and equipment (continued)

Other plant and equipment	2-22 years
Bins and containers	5-10 years
Other vehicles	3-20 years
Specialised vehicles	5-15 years
Watercraft	15 years
Quarries	25 years

1.5 Intangible assets

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

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

Intangible assets are initially recognised at cost.

An intangible asset acquired 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:

Item	Useful life
Computer software	5-10 years
Computer software licences	5 years

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

Accounting Policies

1.5 Intangible assets (continued)

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.

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset’s remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

1.6 Heritage assets (continued)

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

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

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

1.7 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

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

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

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

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

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

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Reclassification

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Accounting Policies

1.7 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

1.8 Leases

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

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

Finance leases - lessor

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

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

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 - lessee

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

1.9 Non-current assets held for sale and disposal groups

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

1.9 Non-current assets held for sale and disposal groups (continued)

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

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

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

1.10 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Accounting Policies

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

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.12 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.

Accounting Policies

1.12 Employee benefits (continued)

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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.

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

1.13 Provisions and contingencies (continued)

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 38.

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

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

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

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

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

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

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

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

1.15 Revenue from non-exchange transactions

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

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

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

1.15 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Investment income

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

1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.10 and 1.11. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Accounting Policies

1.18 Borrowing costs (continued)

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

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

1.19 Comparative figures

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

1.20 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.

1.21 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.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

Accounting Policies

1.22 Irregular expenditure (continued)

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.

1.23 Use of estimates

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

1.24 Presentation of currency

These annual financial statements are presented in South African Rand.

1.25 Offsetting

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

1.26 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Capitalisation reserve

On the implementation of GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

Accounting Policies

1.26 Internal reserves (continued)

Self insurance reserve

In order to finance the insurance expenditure of computer equipment and radios in future, funds are transferred from accumulated surplus to the self insurance reserve. The self insurance reserve is reduced and the accumulated surplus/deficit are credited by a corresponding amount when the amounts in the CRR are utilized.

1.27 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.28 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

1.29 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.

1.30 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 2012/07/01 to 2013/06/30.

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

Accounting Policies

1.31 Related parties

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

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

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

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

Notes to the Annual Financial Statements

2. Changes in accounting policy

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

Useful lives of intangible assets and property, plant and equipment

During the year, the municipality changed its accounting policy with respect to the estimated useful lives of intangible assets and property, plant and equipment. As it was identified that assets are being used for longer periods than expected it was appropriate to increase the accounting policy to allow for certain assets to be depreciated over a longer period. The changes are as follows:

Asset category	Original useful life	Revised useful life
Computer software	5 years	5-10 years
IT equipment	3-5 years	3-30 years
Office equipment	3-7 years	3-30 years
Furniture and Fittings	7-10 years	5-30 years
Other property, plant and equipment	2-5 years	2-22 years

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

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

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:
- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

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

The impact of the standard is not material.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

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

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

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

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

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

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

The impact of the standard is not material.

GRAP 26: Impairment of cash-generating assets

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

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

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

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

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

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

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

The impact of the standard is not material.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:
- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:
- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:
- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

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

The impact of the amendment is not material.

3.2 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	None
• GRAP 25: Employee benefits	01 April 2013	Not material
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Not material
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Not material
• GRAP 107: Mergers	01 April 2014	None
• GRAP 20: Related parties	01 April 2013	Not material
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	Not material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	None
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	None
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	None
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	None
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	None
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Not material
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	None
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Not material
• GRAP 13 (as revised 2012): Leases	01 April 2013	Not material
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	Not material
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Not material
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	Not material
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Not material
• IGRAP16: Intangible assets website costs	01 April 2013	None

3.3 Standards and interpretations not yet effective or relevant

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 12 (as revised 2012): Inventories	01 April 2013	None

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue — 01 April 2013 — Not material

4. Biological assets that form part of an agricultural activity

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - Game	3 234 500	-	3 234 500	-	-	-

Reconciliation of biological assets that form part of an agricultural activity - 2013

	Opening balance	Disposals	Transfers	Total
Biological assets - Game	-	(84 000)	3 318 500	3 234 500

Non - Financial information

Quantities of each biological asset as at 30 June 2013

Gemsbok - adults	255
Gemsbok - young	40
Blouwildebees - adults	320
Blouwildebees - young	50
Eland - adults	95
Eland - young	20
Rooi Hartebeest - adults	72
Rooi Hartebeest - young	10
Springbok	28
Blesbok	56
Koedoe	1
Zebra	19
Ostrich - adults	25
Ostrich - young	15

Methods and assumptions used in determining fair value

The market price represents the fair value for biological assets that are traded on active liquid markets in the Northern Cape at standardised terms and conditions

Figures in Rand	2013	2012

5. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 730 000	-	5 730 000	5 600 000	-	5 600 000

Reconciliation of investment property - 2013

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	5 600 000	-	130 000	5 730 000

Reconciliation of investment property - 2012

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	1 682 000	1 599 520	2 318 480	5 600 000

	2013	2012
Fair value of investment properties	5 730 000	5 600 000

Details of property

Erf 2617 - Kuruman Campus
Freehold ownership property in the Kuruman registration division. Site area is 1190m². Title deed No. T504/1947. Registration date is 15 June 1978 with conditions and servitudes in accordance with erf 2617 which is a consolidation of erven 1105 and 1106.

	2013	2012
- Valuation since purchase	2 090 000	2 400 000

Erf 938 and 940 Kuruman
Property in the Northern Cape province with title deed number T416/1996. Site area is 2023m².

	2013	2012
- Purchase price: 5 March 1996	310 000	310 000
- Additions since purchase or valuation	3 330 000	2 890 000
	3 640 000	**3 200 000**

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

Details of valuation

The effective date of the revaluations was 20 August 2013. Revaluations were performed by an independent valuer, Mr PF de Klerk, of Valudata. Valudata are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

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

6. 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	6 212 413	-	6 212 413	2 230 000	-	2 230 000
Buildings	13 862 587	-	13 862 587	8 049 843	(3 076 471)	4 973 372
Community	34 400 000	-	34 400 000	18 846 000	(55 208)	18 790 792
Leased assets	136 027	(84 534)	51 493	153 773	(83 375)	70 398
Other property, plant and equipment	30 947 063	(9 616 986)	21 330 077	30 580 153	(7 474 074)	23 106 079
Total	**85 558 090**	**(9 701 520)**	**75 856 570**	**59 859 769**	**(10 689 128)**	**49 170 641**

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	2 230 000	-	-	-	3 982 413	-	6 212 413
Buildings	4 973 372	-	-	-	8 889 215	-	13 862 587
Community	18 790 792	-	-	(3 318 500)	18 927 708	-	34 400 000
Leased assets	70 398	42 701	(4 605)	-	-	(57 001)	51 493
Other property, plant and equipment	23 106 079	1 085 502	(53 630)	-	-	(2 807 874)	21 330 077
	49 170 641	**1 128 203**	**(58 235)**	**(3 318 500)**	**31 799 336**	**(2 864 875)**	**75 856 570**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	3 092 300	-	(97 300)	(765 000)	-	-	2 230 000
Buildings	7 374 563	-	(1 343 564)	(866 520)	-	(191 107)	4 973 372
Infrastructure	73 270 560	-	(73 269 416)	-	-	(1 144)	-
Community	21 041 621	-	(2 237 000)	-	-	(13 829)	18 790 792
Leased assets	23 930	91 286	-	-	-	(44 870)	70 346
Other property, plant and equipment	5 839 887	20 720 760	(662 501)	-	-	(2 792 015)	23 106 131
	110 642 861	**20 812 046**	**(77 609 781)**	**(1 631 520)**	**-**	**(3 042 965)**	**49 170 641**

Revaluations

The effective date of the revaluations was 19 August 2013. Revaluations were performed by independent valuer, Mr PF de Klerk, of Valudata. Valudata are not connected to the municipality.

Land and buildings are re-valued independently every 5 years.

Assumptions used to determine fair value was by reference to observable prices in the active market or recent market transactions on arm's length terms.

These assumptions were based on current market conditions.

Details of properties

Farm Surprise No. 33

Figures in Rand	2013	2012

6. Property, plant and equipment (continued)

Surprise 33/0 in extent 3102,0849 hectares, Kuruman RD, Northern Cape Province. Title Deed T2848/2007.

The farm is situated in the John Taolo Municipal District, adjacent to the town Van Zyls Rus.

- Purchase price: 19 July 2007	4 243 652	4 243 652
- Additions since purchase or valuation	4 756 348	445 993
	9 000 000	**4 689 645**

Farm Ptn 70 of Kalahari-Oos no. 410

Farm Ptn 70 of Kalahari-Oos no. 410 in extent 6808,2158 hectares, Kuruman RD, Northern Cape Province. Title Deed T4150/2005.

The farm is situated in the John Taolo Municipal District, about 40km from Van Zyls Rus towards Hotazel and Kuruman.

- Purchase price: 25 June 2005	6 834 000	6 834 000
- Additions since purchase or valuation	14 366 000	5 574 318
	21 200 000	**12 408 318**

Erf 1973 - District Municipal Workshop

Freehold ownership property in the Kuruman registration division. Site area is 8565m². Title deed No. T504/1947. Registration date is 4 June 1947 with conditions and servitudes in accordance with I454/1956C.

- Additions since purchase or valuation	4 250 000	1 248 979

Farm of Chakwana no. 200

Farm of Chakwana no. 200 in extent 959,5054 hectares, Kuruman RD, Northern Cape Province. Title Deed T3507/2002.

The farm is situated in Kuruman Rural District, about 80km from Kuruman towards Vryburg.

- Purchase price is 17 December 2002	609 286	609 286
- Additions since purchase or valuation	3 590 714	2 521 000
	4 200 000	**3 130 286**

Erf 4471 - District Municipal Offices

Freehold ownership property in the Kuruman registration division. Site area is 4760m². Title deed No. T4295/2005. Registration date is 9 September 2005 with conditions and servitudes in accordance with erf 4471 which is a consolidation of erven 943 and 2595.

- Additions since purchase or valuation	15 825 000	5 353 311

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

7. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	947 609	(549 703)	397 906	969 164	(556 951)	412 213

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	412 213	90 024	(283)	(104 048)	397 906

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	484 104	-	(22 269)	(49 622)	412 213

8. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Council regalia	19 750	-	19 750	19 750	-	19 750

Reconciliation of heritage assets 2013

	Opening balance	Total
Council regalia	19 750	19 750

Reconciliation of heritage assets 2012

	Opening balance	Total
Council regalia	19 750	19 750

9. Investments

	2013	2012
Residual interest at cost		
Long term deposits	-	5 246
At amortised cost		
Long term deposits	-	5 246
Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance. The investment was reclassified to cash and cash equivalents during the financial year.		
Total other financial assets	**-**	**10 492**
Non-current assets		
Residual interest at cost	-	5 246

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

10. Employee benefit obligations

Other long-term employee benefits obligation

The plan is a post retirement health care benefit plan.

Post retirement health care benefits

Balance 1 July	20 100 046	18 453 163
Contribution for the year	2 327 475	2 155 595
Expenditure for the year	(813 612)	(849 216)
Actuarial Loss/(Gain)	162 411	340 504
Total provision 30 June	21 776 320	20 100 046
Less: Current portion	(854 376)	(813 612)
	20 921 944	**19 286 434**

The members of the post retirement health care benefit plan are made up as follows:

In-service members	58	62
Continuation members (e.g. Retirees, widows, orphans)	24	24
	82	**86**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
Fed Health
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The current-service cost for the ensuing year is estimated to be R910,304, whereas the interest cost for the next year is estimated to be R1,763,677.

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

Carrying value		
Present value at the beginning of the year	19 286 434	17 603 947
Reversal of prior year current portion	813 612	849 216
Net actuarial gains or losses not recognised	162 411	340 504
Current cost	773 785	590 088
Interest Cost	1 553 690	1 565 507
Benefits Paid	(813 612)	(849 216)
Current portion	(854 376)	(813 612)
	20 921 944	**19 286 434**

Sensitivity Analysis on the Accrued Liability

Assumption	**In-service members liability (Rm)**	**Continuation members liability (Rm)**	**Total liability (Rm)**
Central Assumptions	9.357	12.419	21.776

The effect of movements in the assumptions are as follows:

Assumption	**Change**	**In-service members liability (Rm)**	**Continuation members liability (Rm)**	**Total liability (Rm)**	**% change**
Health care inflation	1%	11.673	13.817	25.490	17%
Health care inflation	-1%	7.569	11.217	18.786	-14%
Post-retirement mortality	-1 yr	9.705	12.945	22.650	4%
Average retirement age	-1 yr	10.177	12.419	22.596	4%
Withdrawal Rate	-50%	10.548	12.419	22.967	5%

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

10. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2013	2012
Discount rates used	8.26 %	7.89 %
Health Care Cost Inflation Rate	7.84 %	7.29 %
Net Effective Discount Rate	0.39 %	0.56 %

Mortality rates is determined by the PA 90 ultimate table, rated down by 1 year of age used by the actuaries.

The normal retirement age for employees of the municipality is 63 years.

Other assumptions

The liability in respect of the current and previous four years are as follows:

	2013 R	2012 R	2011 R	2010 R	2009 R
In-service members	9 357 089	7 822 664	7 042 263	5 601 924	5 113 000
Continuation members	12 419 231	12 277 382	11 410 900	8 743 813	8 157 952

Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were 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.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

Defined contribution funds

Council contribute to the Municipal Council Pension 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 remuneraton paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance:

	2013	2012
Municipal councillors pension fund	1 125 585	423 645

Cape Joint Pension Fund

The contribution rate payable by the members and the council is 9% and 18% respectively.

	2013	2012
Contributions paid recognised in the Statement of Financial Performance	44 914	41 226

Cape Joint Retirement Fund

The contribution rate payable by the members and the council is 9% and 18% respectively.

	2013	2012
Contributions paid recognised in the Statement of Financial Performance	4 047 003	3 178 624

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

11. Receivables from exchange transactions

Deposits	608	-
Other arrears	3 011 871	5 055 011
	3 012 479	**5 055 011**

Consumer debtors are are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

Other: Ageing	**2013**	**2012**
Current (0 - 30 days)	2 978 631	2 684 972
31 - 60 Days	27 946	147 534
61 - 90 Days	4 607	152 272
+ 90 Days	4 186 632	2 776 966
	7 197 816	**5 761 744**

Summary of Debtors by Customer Classification **30 June 2013**	**Residential**	**National and Provincial Government**	**Total**
Current (0 - 30 days)	13 405	2 965 255	2 978 660
31 - 60 Days	2 749	25 257	28 006
61 - 90 Days	12 743	3 314	16 057
+ 90 Days	46 822	4 128 271	4 175 093
	75 719	**7 122 097**	**7 197 816**

Summary of Debtors by Customer Classification **30 June 2012**	**Residential**	**National and Provincial Government**	**Total**
Current (0 - 30 days)	19 085	2 665 887	2 684 972
31 - 60 Days	7 661	139 873	147 534
61 - 90 Days	24 800	127 473	152 273
+ 90 Days	47 835	2 729 130	2 776 965
	99 381	**5 662 363**	**5 761 744**

Trade and other receivables impaired

The amount of the provision was R 4 186 220 as of 30 June 2013 (2012: R 706 734).

Reconciliation of provision for impairment of trade and other receivables

Opening balance	706 733	606 733
Provision for impairment	3 479 486	100 000
	4 186 219	**706 733**

12. Receivables from non-exchange transactions

Unpaid conditional government grants and receipts	149 203	546 162
Commonage Tshwane	-	804 735
Tranquility Trust	3 300	3 300
	152 503	**1 354 197**

Rates debtors are are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 750	1 750
Bank balances	1 330 443	6 095 626
Short-term deposits	36 326 466	26 740 415
	37 658 659	**32 837 791**

Cash and cash equivalents comprise of cash held and short term deposits. The carrying amount of these assets approximates their value

Call investment deposits to an amount of R9,276,469 are held to fund the Unspent Conditional Grants (2012: R7,182,887).

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2013	Bank statement balances 30 June 2012	Bank statement balances 30 June 2011	Cash book balances 30 June 2013	Cash book balances 30 June 2012	Cash book balances 30 June 2011
ABSA Bank Limited - Current Account - 960-000-099	237 695	6 108 559	1 613 937	233 868	6 095 626	1 582 135
Standard Bank Limited - Current account - 024-0923-804	1 097 601	-	-	1 097 601	-	-
First National Bank - Call Account - 62016341208	3 954 470	3 820 828	3 674 134	3 954 470	3 820 828	3 674 134
First National Bank - Call Account - 62047254272	3 542	3 423	3 292	3 542	3 423	3 292
ABSA Bank Limited - Call Account - 92-3663-0418	1 476 054	1 436 149	1 046 716	1 476 054	1 436 149	1 046 716
ABSA Bank Limited - Call Account - 92-3663-0125	1 526 315	1 485 052	200 000	1 526 315	1 485 052	200 000
ABSA Bank Limited - Call Account - 92-4823-0606	-	2 205 889	1 695 006	-	2 205 889	1 695 006
ABSA Bank Limited - Call Account - 92-6474-7807	6 666 433	-	-	6 666 433	-	-
ABSA Bank Limited - Call Account - 92-2896-9110	247 895	241 653	4 195 324	247 895	195 324	4 195 324
ABSA Bank Limited - Call Account - 92-2735-1378	-	-	808 548	-	-	808 548
ABSA Bank Limited - Call Account - 92-6852-5079	30 045	30 018	-	30 045	30 018	-
ABSA Bank Limited - Call Account - 92-6852-4918	134 376	133 899	-	134 376	133 899	-
Standard Bank Limited - Call Account - 048596582-001	-	-	6 263 830	-	-	6 263 830
Standard Bank Limited - Call Account - 048596582-002	-	-	1 075	-	-	1 075
Standard Bank Limited - Call Account - 048596582-003	898 037	8 789 251	5 319 566	898 037	8 789 251	5 319 566
Standard Bank Limited - Call Account - 048596582-004	3 961 554	8 640 583	3 328 435	3 961 554	8 640 583	3 328 435
Standard Bank Limited - Call Account - 508871603-001	2 053 456	-	-	2 053 456	-	-
Standard Bank Limited - Call Account - 508871603-002	5 170 829	-	-	5 170 829	-	-
Standard Bank Limited - Call Account - 508864410-003	74 781	-	-	74 781	-	-
Standard Bank Limited - Call Account - 508872952-001	5 019 290	-	-	5 019 290	-	-
Nedbank Limited - Call Account - 03-7881102918-000013	1 008 308	-	-	1 008 308	-	-
Nedbank Limited - Call Account - 03-7881102918-000003	2 017 713	-	-	2 017 713	-	-
Nedbank Limited - Call Account - 03-7881102918-000015	424 497	-	-	424 497	-	-
Nedbank Limited - Call Account - 03-7881102918-000016	393 240	-	-	393 240	-	-
Nedbank Limited - Call Account - 03-7881102918-000014	1 260 384	-	-	1 260 384	-	-
First National Bank - Call Account - 7100-2746-116	5 246	5 246	-	5 246	5 246	-
Total	**37 661 761**	**32 900 550**	**28 149 863**	**37 657 934**	**32 841 288**	**28 118 061**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

14. Discontinued operations or disposal groups or non-current assets held for sale

John Taolo Gaetsewe District Municipality provided services to District Management Areas under there control. These areas were transferred by a section 12 notice by the MEC of Cooperative Governance and Transitional Affairs to Local B-Municipalities. Since 30 June 2011, John Taolo Gaetsewe District Municipality has no longer control over these District Management Areas and provide no longer any services to these areas. The assets and liabilities of the disposal group are set out below.

The non-current assets are to be sold piecemeal.

The disposal are expected to be completed by 2013/08/30.

Surplus / Deficit

Other income	31 384	2 740

Assets and liabilities

Non-current assets held for sale		
Property, plant and equipment	540 139	540 139

15. Revaluation reserve

Revaluation surplus relating to property, plant and equipment	10 170 812	10 170 812
Change during the year	31 799 336	-
	41 970 148	**10 170 812**

The revaluation reserve is created by surplus arising from the revaluation of property, plant and equipment and is not distributable.

16. Capital replacement reserve

The capital replacement reserve is used to finance future capital expenditure from own funds.

Capital Replacement Reserve	573 636	573 636
	(573 636)	-
	-	**573 636**

17. Donations and public contributions

The donations and public contributions reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The donations and public contributions reserve ensures consumer equity and is not cash backed.

Donations and Public Contribution Reserve	17 875 239	17 875 239
	(17 875 239)	-
	-	**17 875 239**

18. Insurance reserve

The self insurance reserve is used to finance future insurance claims.

Self Insurance Reserve	1 250 000	1 250 000
	(1 250 000)	-
	-	**1 250 000**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

19. Long-term liabilities

Minimum lease payments due		
- within one year	399 124	344 692
- in second to fifth year inclusive	1 596 496	1 529 349
- later than five years	1 727 514	2 111 291
	3 723 134	3 985 332
less: future finance charges	(1 184 595)	(1 416 226)
Present value of minimum lease payments	**2 538 539**	**2 569 106**

Non-current liabilities	2 413 747	2 353 050
Current liabilities	167 493	216 056
	2 581 240	**2 569 106**

The period of the loan is 15 years and the average effective borrowing rate was 9.64% (2012: 9.64%) compounded bi-annually.

Interest rates are fixed at the contract date. All leases have fixed repayments every 6 months and no arrangements have been entered into for contingent rent.

20. Unspent conditional government grants and receipts

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National government grants	2 124 282	1 311 444
Provincial government grants	7 152 187	5 647 813
Other sources	-	223 630
	9 276 469	**7 182 887**

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See note 26 for reconciliation of grants and reasons for grants not spent at year end.

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

21. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Reversed during the year	Total
Bonuses	1 566 900	(181 249)	1 385 651

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Bonuses	1 291 584	275 316	1 566 900

Provision of performance bonuses for November 2013 after year end. The provision has been made for all employees, including section 57 employees.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

22. Payables from exchange transactions

	2013	2012
Trade payables	327 196	2 906 423
Payments received in advanced - contract in process	112 027	299 372
Compensation for injuries on duty contribution	724 000	524 000
Current portion of employee benefits	854 376	813 612
Accrued leave pay	1 704 550	1 534 792
	3 722 149	**6 078 199**

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

All payables are unsecured.

23. VAT payable

	2013	2012
VAT payable	1 312 632	751 428

24. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	3 012 479	3 012 479
Other receivables from non-exchange transactions	1 203 244	1 203 244
Cash and cash equivalents	37 657 659	37 657 659
	41 873 382	**41 873 382**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	558 130	558 130
Long-term liabilities	2 371 046	2 371 046
Payments received in advance	112 027	112 027
	3 041 203	**3 041 203**

2012

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	5 761 744	5 761 744
Cash and cash equivalents	32 837 791	32 837 791
	38 599 535	**38 599 535**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	2 882 572	2 882 572
Long-term liabilities	2 498 751	2 498 751
Payments received in advance	299 372	299 372
	5 680 695	**5 680 695**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

25. Revenue

Rental of facilities and equipment	76 628	118 484
Interest received (trading)	1 847 640	1 782 736
Administration and management fees received	3 836 812	4 235 158
Government grants & subsidies	60 785 003	60 041 003
Contributed property, plant and equipment	-	19 513 714
	66 546 083	**85 691 095**

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

Rental of facilities and equipment	76 628	118 484
Interest received (trading)	1 847 640	1 782 736
Administration and management fees received	3 836 812	4 235 158
	5 761 080	**6 136 378**

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

Transfer revenue		
Government grants & subsidies	60 785 003	60 041 003
Contributed property, plant and equipment	-	19 513 714
	60 785 003	**79 554 717**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies

Government grant (operating)	60 785 003	60 041 003

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Equitable share	55 361 000	45 856 000
Executive & Council	456 512	590 180
Budget & Treasury	980 650	1 085 095
Corporate Services	177 194	192 000
Community & Social Services	543 553	223 274
Housing	3 266 094	3 669 305
Public Safety	-	905 808
Road Transport	-	7 557 282
Water	-	707 232
	60 785 003	**60 786 176**

Equitable Share

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

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Equity share

Current-year receipts	55 361 000	45 856 000
Conditions met - transferred to revenue	(55 361 000)	(45 856 000)
Net of unspent/(unpaid) grants	**-**	**-**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Local Government Financial Management Grant (FMG)

Balance unspent at beginning of year	211 311	41 736
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(980 650)	(1 080 425)
Net of unspent/(unpaid) grants	**480 661**	**211 311**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

There are commitments for the balance of R480,661 which will be utilised within the next financial quarter through training and salaries for interns.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	1 100 133	900 313
Current-year receipts	1 000 000	790 000
Conditions met - transferred to revenue	(456 512)	(590 180)
Net of unspent/(unpaid) grants	**1 643 621**	**1 100 133**

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

R873,000 of the unspent portion is for the upgrade of the accounting system, including IT requirements, which has not yet been billed by the service provider and is expected to be within the next quarter. The grant received for in-house training was received in February 2013 and is expected to be completed by June 2014, the amount of R770,621 reflected in the unspent portion is to be utilised for this in-house training.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	707 232
Conditions met - transferred to revenue	-	(707 232)
Net of unspent/(unpaid) grants	**-**	**-**

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

Housing Accreditation

Balance unspent at beginning of year	1 350 407	1 076 520
Current-year receipts	-	1 883 333
Conditions met - transferred to revenue	-	(1 614 116)
Other	-	4 670
Net of unspent/(unpaid) grants	**1 350 407**	**1 350 407**

The Housing grant was utilised for the development of erven and the erection of top structures.

Department of Water Affairs (Green and Blue Drop)

Balance unspent at beginning of year	-	(400 000)
Current-year receipts	-	400 000
Net of unspent/(unpaid) grants	**-**	**-**

The grant was used for Green and Blue Drop Studies.

Library Grant

Current-year receipts	102 000	192 000
Conditions met - transferred to revenue	(177 194)	(192 000)
Net of unspent/(unpaid) grants	**(75 194)**	**-**

The Library grant was used to finance library activities.

Near Grant

Current-year receipts	421 000	391 000
Conditions met - transferred to revenue	(207 047)	(391 000)
Net of unspent/(unpaid) grants	**213 953**	**-**

The grant is used to maintain the disaster management centre. The project is ongoing and the remaining amount is expected to be spent.

Fire Grant

Balance unspent at beginning of year	-	143 808
Current-year receipts	390 000	371 000
Conditions met - transferred to revenue	-	(514 808)
Net of unspent/(unpaid) grants	**390 000**	**-**

Kuruman is prone to natural disasters, mainly fires. This grant is to assist local municipalities to upgrade and render a fire service. This amount was received close to year end at the end of March 2013, therefore the amount was not yet utilised as at year end.

School Sanitation

Balance unspent at beginning of year	-	(89 770)
Current-year receipts	-	89 770
Net of unspent/(unpaid) grants	**-**	**-**

The grant was used for sanitation at schools.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

Fencing of Roads: Candel & Bendel

Balance unspent at beginning of year	-	(1 282 436)
Current-year receipts	-	1 282 436
Net of unspent/(unpaid) grants	**-**	**-**

This grant was established to make provision for fencing next to public roads.

Housing Project: Vanzylsrus

Balance unspent at beginning of year	1 697 869	1 757 647
Current-year receipts	2 664 082	1 927 041
Conditions met - transferred to revenue	(2 192 192)	(1 986 819)
Net of unspent/(unpaid) grants	**2 169 759**	**1 697 869**

The grant was used for a housing project in Vanzylsrus. Challenges are being faced that it is a time consuming process to perform the relevant procedures in order to get beneficiaries and to obtain consent forms for the tendering and building of the houses.

Taxi Ranks

Balance unspent at beginning of year	-	(257 974)
Current-year receipts	-	257 974
Net of unspent/(unpaid) grants	**-**	**-**

The grant was used for upgrades of taxi ranks.

EPWP Incentive Grant

Balance unspent at beginning of year	(226 147)	65 000
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 074 009)	(291 147)
Other	226 147	-
Net of unspent/(unpaid) grants	**(74 009)**	**(226 147)**

This grant service to establish work in local communities.

Batlharos Paving

Balance unspent at beginning of year	343 994	343 994

The grant was used to pave roads. Challenges are being faced with the project plan.

Transport

Balance unspent at beginning of year	-	(1 006 688)
Current-year receipts	-	1 006 688
Net of unspent/(unpaid) grants	**-**	**-**

This is the allocation by the Department of Transport in the Northern Cape to maintain the roads function on behalf of the Department of Transport.

Rural Transport

Balance unspent at beginning of year	1 503 894	1 503 894
Recovered by National Treasury	(1 503 894)	-
Net of unspent/(unpaid) grants	**-**	**1 503 894**

Vanzylsrus Sportfield

Balance unspent at beginning of year	751 650	-
Current-year receipts	-	7 000 000

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(271 688)	(6 248 350)
Net of unspent/(unpaid) grants	**479 962**	**751 650**

The grant was used to build a sportfield at Vanzylsrus. The unspent portion is for maintenance and is ongoing.

HIV AIDS Council

Balance unspent at beginning of year	151 363	165 013
Conditions met - transferred to revenue	(53 268)	(13 650)
Net of unspent/(unpaid) grants	**98 095**	**151 363**

The grant was used for HIV Aids awareness. A number of local aids councils are not functioning and therefore the money allocated to those councils have not yet been utilised.

Commonage Farms

Balance unspent at beginning of year	(320 015)	(96 741)
Conditions met - transferred to revenue	-	(223 274)
Other - written off	320 015	-
Net of unspent/(unpaid) grants	**-**	**(320 015)**

The grant was used to assist commonage farms.

Joe Morolong Water Monitoring

Balance unspent at beginning of year	72 267	5 181
Current-year receipts	45 300	399 088
Conditions met - transferred to revenue	(11 550)	(332 002)
Net of unspent/(unpaid) grants	**106 017**	**72 267**

The grant was used for water monitoring in Joe Morolong Municipality. This is an on going process where samples are taken monthly to measure the acidity and quality of the water, provision was made for the possibility of higher costs to be incurred.

Infrastructure Skill Development

Current-year receipts	2 000 000	-

The grant will be used to employ interns for training in civil engineering, building inspections and town planning. The amount was received late during the financial year and has therefore not yet been utilised.

Total Grants

Balance unspent at beginning of year	6 636 726	3 576 729
Current-year receipts	64 233 382	63 096 330
Conditions met - transferred to revenue	(60 785 110)	(60 041 003)
Other	(957 732)	4 670
Net of unspent/(unpaid) grants	**9 127 266**	**6 636 726**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

27. General expenses

Advertising	167 673	163 557
Assessment rates & municipal charges	109 580	145 836
Auditors remuneration	2 164 516	3 060 854
Bank charges	54 222	38 347
Capacity building	297 850	222 784
Catering	153 961	124 273
Communications	95 677	161 310
Community development and training	102 112	123 250
Conferences and seminars	31 110	53 282
Consulting and professional fees	183 561	32 631
Contribution to SSME Development	-	10 430
Disaster assistance	-	101 691
Electricity	448 819	506 374
Exhibitions	75 525	34 300
Fines and penalties	57 696	-
Fuel and oil	267 116	469 205
HIV/Aids council	53 268	13 650
Health and occupational awareness	90 134	27 579
Household expenditure	86 868	142 026
ISRDP/IMBIZO events	54 482	92 761
Insurance	538 199	465 278
Library usage	6 915	16 316
Magazines, books and periodicals	6 646	92 740
Membership Fees	53 174	448 935
Pest control	588	15 855
Postage and courier	9 173	5 884
Printing and stationery	217 002	139 169
Records management	9 231	1 680
Security services	507 773	239 333
Staff welfare	16 343	-
Telephone and fax	874 861	863 288
Tourism events	91 448	230 929
Training	203 720	553 314
Uniforms	7 377	9 635
Water	55 243	42 594
Water quality	-	16 644
	7 091 863	**8 665 734**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

28. Employee related costs

Basic	25 113 420	21 985 366
Bonus	1 168 113	1 340 681
Medical aid - company contributions	3 961 897	1 963 112
UIF	545 938	225 983
SDL	31 745	232 571
Leave pay provision charge	1 153 747	1 562 479
Travel, motor car, accommodation, subsistence and other allowances	6 315 004	5 508 499
Nightshift Allowance	23 981	26 222
Housing benefits and allowances	1 546 688	896 576
Contribution Provident Fund/Group	243 636	188 210
Contribution Pension Fund	3 094 007	2 393 120
Contribution Industrial Council	5 992	3 144
Contribution to provision - Post Retirement Medical	(39 827)	590 088
	43 164 341	**36 916 051**

Remuneration of municipal manager

Annual Remuneration	861 000	75 000
Car Allowance	112 800	2 400
Contributions to UIF, Medical and Pension Funds	11 370	-
Acting allowance	16 711	-
	1 001 881	**77 400**

Remuneration of chief finance officer

Annual Remuneration	664 396	-
Car Allowance	101 825	-
Contributions to UIF, Medical and Pension Funds	9 115	-
Housing allowance	18 600	-
Acting allowance	27 476	-
	821 412	**-**

The chief finance officer position was vacant during the financial year from 1 December 2012 to 11 February 2013.

Remuneration of director: Infrastructure

Annual Remuneration	296 160	-
Car Allowance	74 400	-
Contributions to UIF, Medical and Pension Funds	4 449	-
	375 009	**-**

Remuneration of head of internal audit

Annual Remuneration	747 132	-
Car Allowance	129 600	-
	876 732	**-**

Remuneration of director: Community Services

Annual Remuneration	761 577	745 452
Car Allowance	129 600	28 800
Contributions to UIF, Medical and Pension Funds	8 653	61 887
Telephone allowance	-	78 555
Acting allowance	4 428	-
	904 258	**914 694**

Finance and economics development

Annual Remuneration	468 966	772 860
Car Allowance	169 764	28 800
Performance Bonuses	40 790	-
Contributions to UIF, Medical and Pension Funds	44 058	-
Leave Payments	-	25 390

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

28. Employee related costs (continued)

Housing allowance	9 132	-
Acting allowance	86 151	-
	818 861	**827 050**

29. Remuneration of councillors

Executive Major	698 026	673 095
Speaker	546 863	527 114
Councillors	834 414	759 582
Chairpersons of committees	1 668 167	1 606 871
	3 747 470	**3 566 662**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

30. Administration fees received

Admin Private Jobs	997 416	968 908
Clearance Sertificates	-	600
Product Related Services	2 642 469	2 828 489
Sundries	91 503	79 378
Telephone Private	210 021	219 297
Training	12 445	178 927
	3 953 854	**4 275 599**

31. Debt impairment

Debt impairment	1 124 750	-
Contributions to debt impairment provision	3 479 486	100 000
	4 604 236	**100 000**

A provision for doubtful debt was recorded for long outstanding debt at year end.

32. Investment revenue

Interest revenue		
Bank	1 847 640	1 782 563
Interest received - other	-	173
	1 847 640	**1 782 736**

The amount included in Investment revenue arising from exchange transactions amounted to R 1 847 640 (2012: R 1,782,736).

33. Fair value adjustments

Investment property (Fair value model)	130 000	2 318 480

34. Depreciation and amortisation

Property, plant and equipment	2 864 875	3 042 965
Intangible assets	104 048	49 622
	2 968 923	**3 092 587**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

35. Finance costs

Late payment of tax	1 666	-
Long-term liabilities	180 351	164 182
Non-current employee benefits	1 555 965	1 565 507
	1 737 982	**1 729 689**

36. Grants and subsidies paid

Other subsidies		
Institutions	4 990	26 790
Local Municipalities and Provincial Departments	-	76 599 368
	4 990	**76 626 158**

37. Cash generated from operations

Deficit	(1 956 943)	(55 832 351)
Adjustments for:		
Depreciation and amortisation	2 968 922	3 092 587
(Loss) gain on sale of assets and liabilities	(62 920)	1 299 113
Fair value adjustments	(130 000)	(2 318 480)
Debt impairment	4 604 236	100 000
Movements in provisions	(181 249)	-
Grants and subsidies paid - Transfer of assets	4 990	76 324 498
Contribution from/to provisions - Non-current employee benefits	1 635 510	1 341 983
Contribution from/to provisions - Non-current employee benefits - Actuarial losses	162 411	340 504
Contributed property, plant and equipment	-	(19 513 714)
Changes in working capital:		
Inventories	-	34 719
Receivables from exchange transactions	(1 436 955)	(507 089)
Other receivables from non-exchange transactions	-	(374 916)
Consumer deposits	-	(6 733)
Payables from exchange transactions	(3 076 901)	783 132
Taxes and transfers payable	561 204	2 571 813
Unspent conditional government grants and receipts	2 093 582	472 549
Employee Benefits	410 522	582 551
Unpaid conditional government grants and receipts	396 959	(546 162)
	5 993 368	**7 844 004**

38. Contingencies

A former employee of the municipality, BM Olivier, has accused the municipality of breaching the terms of the employment agreement with regard to the termination benefits.

The municipality owed a former employee, KW Molete, salary arrears. The employee did not wish to proceed with the matter.

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

	2013	**2012**
Severance Benefit - BM Olivier	6 761 291	6 000 000
Arrear Salary - KW Molete	-	53 141
	6 761 291	**6 053 141**

39. Related parties

Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

40. Change in estimate

Property, plant and equipment

The useful life and residual values of certain property, plant and equipment was increased in the current financial year. In accordance with the annual revision required of GRAP, management has revised their estimate for useful lives and residual values for all property, plant and equipment. The effect of this revision has decreased the depreciation charges for the current and future periods by R 400 400.

Intangible assets

The useful life of computer software was estimated in 2012 to be 5 years. In the current period management have revised their estimate to 5-10 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 25 012

41. Prior period errors

The useful lives and residual values for intangible assets and property, plant and equipment were not correctly revised annually in prior years in accordance with the requirements of GRAP 17 and GRAP 102. The non revision of useful lives and residual values has resulted in assets still in use with a zero carrying amount and the depreciation expense being overstated and the carrying amounts of assets being understated.

Accordingly assets that were fully depreciated in the beginning of the year have been reviewed which resulted in an increase in useful lives and residual values. Depreciation has therefore been added back for the overstated depreciation recorded in prior periods.

Expenditure against the Rural Transport grant recorded in prior periods was not captured correctly and has been written back to the value of R745,173. National Treasury recovered the unspent portion during the current financial year to the amount of R1,504,000. The unspent portion recorded in the beginning of the current financial was in error at R758,827 and therefore needed to be increased by R745,173.

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

Statement of financial position		
Property, plant and equipment	-	1 193 407
Intangible assets	-	86 725
Unspent conditional government grants and receipts	-	(745 173)
Opening Accumulated Surplus or Deficit	-	(534 959)
Statement of Financial Performance		
Government grants & subsidies	-	745 173
Depreciation expense	-	(1 280 132)
Operating deficit	-	534 959

Figures in Rand	2013	2012

42. Comparative figures

Certain comparative figures have been reclassified.

There is uncertainty with the regard to the amount recognised for bonuses at year end due to appointments, terminations and performance ratings, therefore bonuses to the value of R1,566,900 disclosed in current employee benefits have been reclassified to provisions as the nature of the balance meets the definition of a provision in accordance with GRAP.

The remaining current employee benefits of R2,872,404 has been reclassified from current employee benefits to payables from exchange transactions.

Council regalia to the value of R19,750, was reclassified from property, plant and equipment to heritage assets in accordance with GRAP requirements.

Proceeds from the sale of biological assets in the prior year was reclassified from administrative and management fees received to (loss) gain on biological assets.

The effects of the reclassification are as follows:

Statement of financial position		
Payables from exchange transactions	-	(2 872 404)
Provisions	-	(1 566 900)
Current employee benefits	-	4 439 304
Property, plant and equipment	-	(19 750)
Heritage assets	-	19 750
Statement of Financial Performance		
Administration and management fees received	-	40 439
(Loss) gain on biological assets	-	(40 439)

Commitments dislcosed in the prior year financial statements of R6,466,553 have been omitted as further investigation of those balances has determined that there were in fact no commitments for the current and prior financial years and the R6,466,553 was disclosed in error.

43. Risk management

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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
Long-term liabilities	399 124	399 124	1 197 372	1 727 514
Trade and other payables	670 156	-	-	-
Unspent conditional grants and receipts	6 903 174	-	-	-

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term liabilities	344 692	399 124	1 130 225	2 111 291
Trade and other payables	3 205 799	-	-	-
Unspent conditional grants and receipts	6 437 714	-	-	-

43. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2013	2012
Receivables from exchange transactions	7 198 091	5 761 744
Receivables from non-exchange transactions	808 035	808 035
Cash and cash equivalents	37 657 659	32 836 041
Unpaid conditional grants and subsidies	395 209	546 162
Deposits	608	-

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments. During 2013 and 2012, the municipality's borrowings at variable rate were denominated in the Rand.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax surplus of a 1% shift would be a maximum increase of R 212 698 (2012: R 302 722) or decrease of R 212 698 (2012: R 302 722), respectively. The simulation is done on a quarterly basis to verify that the maximum deficit potential is within the limit given by the management.

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

The municipality is not exposed to price risk.

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

44. Going concern

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

45. Events after the reporting date

The Municipality is not aware of any events after the reporting date. There is an on going investigation by the public protector and visitations occurred in August and September.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

46. Unauthorised expenditure

Opening balance	5 587 123	7 513 495
Unauthorised expenditure current year - operational	385 206	75 267 720
Approved by Council or condoned	-	(77 194 092)
	5 972 329	**5 587 123**

Unauthorised expenditure is a result from over expenditure of the approved budget and no disciplinary steps or criminal proceedings have been undertaken.

Unauthorised expenditure condoned is as per council resolution 6.1

47. Fruitless and wasteful expenditure

Reconciliaton of unauthorised expenditure:

Opening balance	766 435	766 435
Fruitless and wasteful expenditure current year - operational	103 669	-
	870 104	**766 435**

48. Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	61 024 225	61 024 225
Add: Irregular Expenditure - current year	48 463	465 828
Less: Amounts condoned	-	(465 828)
	61 072 688	**61 024 225**

Analysis of expenditure awaiting condonation per age classification

Current year	48 463	-
Prior years	61 024 225	-
	61 072 688	**-**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
No contract in place or no contract issued	Ongoing investigations are taking place	48 463

49. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

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

The items referred to above are as follows:
- Mayoral vehicle
- Twin stage davy pump and fire nozzle
- Electrician from Ronville
- Repair of air conditioner at council chambers
- Repair of earth leakages, plugs and light fittings at the main building
- Accomodation for the director of corporate services
- Specialised electrical cables
- Training and support on the municipality's accounting system
- Accomodation for the skills development officer
- Roof repair
- Painting of the Municipal Manager's office
- Installation of ceiling, tiles and electrical work in the Municipal Manager's office
- Power supply of the Municipal Manager's office
- GRAP training
- HRM Indaba
- Audit risk Indaba
- Exhibition fees for the skills development officer
- Bacteriological samples
- Training for communicators
- Testing of milk samples
- Light fittings
- Office furniture for the Municipal Manager
- Office accessories
- Aircon the Municipal Manager's laptop
- Accomodation for Tourism Indaba
- Accomodation for the Municipal Manager
- Installation of intercom at the disaster management centre
- MFMP training
- Water samples
- Groceries
- A4 laser pay slips
- Paint and catering for volunteers for Peremonkie Pre-School
- Dr Maigurirra for the facilitation of two strategic workshops
- Accomodation at various hotels
- Repair of laptops at Acer Africa
- Technical assistance for 2011/12 queries
- Servicing and repairs of vehicles
- Cecil nurse business furniture
- Coloured skin pillows
- Advertisement for the senior IT officer and other positions
- Tender advertisements
- Installation of radios at the tourism centre
- Transportation and catering for Youth Day

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2013

	2013/2012												2012/2011		
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Revenue - Standard															
Governance and administration	**64 553 440**	**(23 574 835)**	**40 978 605**	**-**		**40 978 605**	**63 793 278**		**22 814 673**	**156 %**	**99 %**				**74 437 749**
Executive and council	8 595 940	9 802 700	18 398 640	-		18 398 640	5 221 618		(13 177 022)	28 %	61 %				24 330 843
Budget and treasury office	55 493 500	(46 234 065)	9 259 435	-		9 259 435	5 185 178		(4 074 257)	56 %	9 %				23 028 341
Corporate services	464 000	12 856 530	13 320 530	-		13 320 530	53 386 482		40 065 952	401 %	11 506 %				27 078 565
Community and public safety	**16 500**	**16 583 665**	**16 600 165**	**-**		**16 600 165**	**2 661 701**		**(13 938 464)**	**16 %**	**16 132 %**				**7 375 439**
Community and social services	13 000	7 320 767	7 333 767	-		7 333 767	341 062		(6 992 705)	5 %	2 624 %				7 361 789
Public safety	-	3 333 050	3 333 050	-		3 333 050	22 092		(3 310 958)	1 %	DIV/0 %				13 650
Housing	3 500	5 929 848	5 933 348	-		5 933 348	2 298 547		(3 634 801)	39 %	65 673 %				-
Economic and environmental services	**376 000**	**6 379 783**	**6 755 783**	**-**		**6 755 783**	**13 056**		**(6 742 727)**	**- %**	**3 %**				**4 663 512**
Planning and development	376 000	6 379 783	6 755 783	-		6 755 783	13 056		(6 742 727)	- %	3 %				4 663 512
Total Revenue - Standard	**64 945 940**	**(611 387)**	**64 334 553**	**-**		**64 334 553**	**66 468 035**		**2 133 482**	**103 %**	**102 %**				**86 476 700**

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2013

	2013/2012											2012/2011			
	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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**38 328 890**	**(3 615 216)**	**34 713 674**	**-**	**-**	**34 713 674**	**43 822 501**	**197 433**	**9 108 827**	**126 %**	**114 %**	**-**	**-**	**-**	**116 533 669**
Executive and council	19 089 130	(4 891 421)	14 197 709	-	-	14 197 709	18 222 304	-	4 024 595	128 %	95 %	-	-	-	94 035 926
Budget and treasury office	7 031 521	1 127 914	8 159 435	-	-	8 159 435	11 379 352	197 433	3 219 917	139 %	162 %	-	-	-	10 282 200
Corporate services	12 208 239	148 291	12 356 530	-	-	12 356 530	14 220 845	-	1 864 315	115 %	116 %	-	-	-	12 215 543
Community and public safety	**12 898 814**	**(238 822)**	**12 659 992**	**-**	**-**	**12 659 992**	**18 536 565**	**187 773**	**5 876 573**	**146 %**	**144 %**	**-**	**-**	**-**	**23 415 176**
Community and social services	7 648 612	(378 845)	7 269 767	-	-	7 269 767	8 046 945	187 773	777 178	111 %	105 %	-	-	-	12 451 433
Public safety	3 107 473	(164 423)	2 943 050	-	-	2 943 050	-	-	(2 943 050)	- %	- %	-	-	-	-
Housing	2 142 729	304 446	2 447 175	-	-	2 447 175	10 489 620	-	8 042 445	429 %	490 %	-	-	-	10 963 743
Economic and environmental services	**7 027 353**	**(271 570)**	**6 755 783**	**-**	**-**	**6 755 783**	**5 560 675**	**-**	**(1 195 108)**	**82 %**	**79 %**	**-**	**-**	**-**	**3 876 827**
Planning and development	7 027 353	(271 570)	6 755 783	-	-	6 755 783	5 560 675	-	(1 195 108)	82 %	79 %	-	-	-	3 876 827
Total Expenditure - Standard	**58 255 057**	**(4 125 608)**	**54 129 449**	**-**	**-**	**54 129 449**	**67 919 741**	**385 206**	**13 790 292**	**125 %**	**117 %**	**-**	**-**	**-**	**143 825 672**
Surplus/(Deficit) for the year	**6 690 883**	**3 514 221**	**10 205 104**	**-**		**10 205 104**	**(1 451 706)**		**(11 656 810)**	**(14)%**	**(22)%**				**(57 348 972)**

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2013

	2013/2012														2012/2011
	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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Office of Municipal Manager	5 969 940	3 739 937	9 709 877	-		9 709 877	2 623 689		(7 086 188)	27 %	44 %				21 805 454
Office of the Executive Mayor	2 626 000	6 062 764	8 688 764	-		8 688 764	2 597 971		(6 090 793)	30 %	99 %				2 525 389
Budget and Treasury Office	55 493 500	(46 234 065)	9 259 435	-		9 259 435	22 519 697		13 260 262	243 %	41 %				23 028 341
HR and Corporate Services	464 000	12 856 530	13 320 530	-		13 320 530	30 866 785		17 546 255	232 %	6 652 %				27 078 565
Community Development Services	13 000	7 320 767	7 333 767	-		7 333 767	75 401		(7 258 366)	1 %	580 %				13 650
Basic Services and Infrastructure	1 004 700	10 966 268	11 970 968	-		11 970 968	5 388 420		(6 582 548)	45 %	536 %				7 361 789
Development and Planning	376 000	6 379 783	6 755 783	-		6 755 783	2 396 070		(4 359 713)	35 %	637 %				4 663 512
Total Revenue by Vote	**65 947 140**	**1 091 984**	**67 039 124**	**-**		**67 039 124**	**66 468 033**		**(571 091)**	**99 %**	**101 %**				**86 476 700**
Expenditure by Vote to be appropriated															
Office of Municipal Manager	9 809 877	(5 508 945)	4 300 932	-	-	4 300 932	13 017 423	-	8 716 491	303 %	133 %	-	-	-	89 353 018
Office of the Executive Mayor	9 279 253	(590 489)	8 688 764	-	-	8 688 764	5 204 881	-	(3 483 883)	60 %	56 %	-	-	-	4 682 908
Budget and Treasury Office	7 333 371	447 001	7 780 372	-	-	7 780 372	11 379 352	197 433	3 598 980	146 %	155 %	-	-	-	10 282 200
HR and Corporate Services	12 400 239	148 291	12 548 530	-	-	12 548 530	14 220 845	-	1 672 315	113 %	115 %	-	-	-	12 215 543
Community Development Services	9 688 216	239 577	9 927 793	-	-	9 927 793	8 046 345	187 773	(1 881 448)	81 %	83 %	-	-	-	12 451 443
Basic Services and Infrastructure	5 374 860	3 109 935	8 484 795	-	-	8 484 795	10 489 620	-	2 004 825	124 %	195 %	-	-	-	10 963 743
Development and Planning	7 027 353	(20 604)	7 006 749	-	-	7 006 749	5 560 675	-	(1 446 074)	79 %	79 %	-	-	-	3 876 827
Total Expenditure by Vote	**60 913 169**	**(2 175 234)**	**58 737 935**	**-**	**-**	**58 737 935**	**67 919 141**	**385 206**	**9 181 206**	**116 %**	**112 %**	**-**	**-**	**-**	**143 825 682**
Surplus/(Deficit) for the year	**5 033 971**	**3 267 218**	**8 301 189**	**-**		**8 301 189**	**(1 451 108)**		**(9 752 297)**	**(17)%**	**(29)%**				**(57 348 982)**

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

	2013/2012														2012/2011
	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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Interest earned - external investments	1 300 000	(1 000 000)	300 000	-		300 000	1 847 640		1 547 640	616 %	142 %				1 782 736
Transfers recognised - operational	60 961 440	3 242 733	64 204 173	-		64 204 173	64 543 768		339 595	101 %	106 %				65 061 773
Other revenue	5 848 000	(1 080 000)	4 768 000	-		4 768 000	76 628		(4 691 372)	2 %	1 %				118 484
Gains on disposal of PPE	-	1 100 000	1 100 000	-		1 100 000	-		(1 100 000)	- %	DIV/0 %				19 513 714
Total Revenue (excluding capital transfers and contributions)	**68 109 440**	**2 262 733**	**70 372 173**	**-**		**70 372 173**	**66 468 036**		**(3 904 137)**	**94 %**	**98 %**				**86 476 707**

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

	2013/2012														2012/2011
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Expenditure By Type															
Employee related costs	43 013 000	442 000	43 455 000	-	-	43 455 000	43 164 341	-	(290 659)	99 %	100 %	-	-	-	36 916 051
Remuneration of councillors	3 900 000	347 203	4 247 203	-	-	4 247 203	3 747 470	-	(499 733)	88 %	96 %	-	-	-	3 566 662
Debt impairment	-	-	-		-	-	3 479 486	-	3 479 486	DIV/0 %	DIV/0 %	-	-	-	100 000
Depreciation & asset impairment	1 847 000	(841 338)	1 005 662		-	1 005 662	3 261 110	-	2 255 448	324 %	177 %	-	-	-	4 372 719
Finance charges	250 000	-	250 000	-	-	250 000	1 736 316	-	1 486 316	695 %	695 %	-	-	-	1 729 689
Contracted services	1 000 000	-	1 000 000	-	-	1 000 000	-	-	(1 000 000)	- %	- %	-	-	-	-
Transfers and grants	786 000	(242 000)	544 000	-	-	544 000	4 990	-	(539 010)	1 %	1 %	-	-	-	76 626 158
Other expenditure	13 434 000	(3 364 000)	10 070 000	-	-	10 070 000	12 525 431	-	2 455 431	124 %	93 %	-	-	-	20 514 406
Total Expenditure	**64 230 000**	**(3 658 135)**	**60 571 865**	**-**	**-**	**60 571 865**	**67 919 144**	**-**	**7 347 279**	**112 %**	**106 %**	**-**	**-**	**-**	**143 825 685**
Surplus/(Deficit)	**3 879 440**	**5 920 868**	**9 800 308**	**-**		**9 800 308**	**(1 451 108)**		**(11 251 416)**	**(15)%**	**(37)%**				**(57 348 978)**

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013

	2013/2012											2012/2011			
	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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Single-year expenditure															
Office Municipal Manager	80 000	30 000	110 000	-	-	110 000	697 302	-	587 302	634 %	872 %	-	-	-	-
Office of the Executive Major	550 000	160 000	710 000	-	-	710 000	261 152	-	(448 848)	37 %	47 %	-	-	-	269 556
Budget and Treasury Office	50 000	(30 000)	20 000	-	-	20 000	176 756	-	156 756	884 %	354 %	-	-	-	735 566
HR and Corporate Services	235 000	415 000	650 000	-	-	650 000	156 766	-	(493 234)	24 %	67 %	-	-	-	-
Community Development Services	85 000	(55 000)	30 000	-	-	30 000	-	-	(30 000)	- %	- %	-	-	-	19 668 453
Basic Services and Infrastructure	-	3 386 173	3 386 173	-	-	3 386 173	2 392	-	(3 383 781)	- %	DIV/0 %	-	-	-	138 471
Capital single-year expenditure sub-total	**1 000 000**	**3 906 173**	**4 906 173**	**-**	**-**	**4 906 173**	**1 294 368**	**-**	**(3 611 805)**	**26 %**	**129 %**	**-**	**-**	**-**	**-**
Total Capital Expenditure - Vote	**1 000 000**	**3 906 173**	**4 906 173**	**-**	**-**	**4 906 173**	**1 294 368**	**-**	**(3 611 805)**	**26 %**	**129 %**	**-**	**-**	**-**	**-**

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013

	2013/2012											2012/2011			
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Capital Expenditure - Standard															
Governance and administration	**915 000**	**575 000**	**1 490 000**	**-**	**-**	**1 490 000**	**1 291 976**	**-**	**(198 024)**	**87 %**	**141 %**	**-**	**-**	**-**	**1 005 122**
Executive and council	630 000	190 000	820 000	-	-	820 000	958 454	-	138 454	117 %	152 %	-	-	-	269 556
Budget and treasury office	50 000	470 000	520 000	-	-	520 000	176 756	-	(343 244)	34 %	354 %	-	-	-	735 566
Corporate services	235 000	(85 000)	150 000	-	-	150 000	156 766	-	6 766	105 %	67 %	-	-	-	-
Community and public safety	**85 000**	**3 331 173**	**3 416 173**	**-**	**-**	**3 416 173**	**2 392**	**-**	**(3 413 781)**	**- %**	**3 %**	**-**	**-**	**-**	**19 668 453**
Community and social services	85 000	(55 000)	30 000	-	-	30 000	2 392	-	(27 608)	8 %	3 %	-	-	-	19 668 453
Housing	-	3 386 173	3 386 173	-	-	3 386 173	-	-	(3 386 173)	- %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Standard	**1 000 000**	**3 906 173**	**4 906 173**	**-**	**-**	**4 906 173**	**1 294 368**	**-**	**(3 611 805)**	**26 %**	**129 %**	**-**	**-**	**-**	**20 812 046**
Total Capital Funding	**1 000 000**	**3 906 173**	**4 906 173**	**-**		**4 906 173**	**-**		**(4 906 173)**	**- %**	**- %**				**-**

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2013

	2013/2012								2012
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Final Budget Rand	Actual Outcome Rand	Variance Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Restated Audited Outcome Rand
Cash flow from operating activities									
Ratepayers and other	5 500 000	-	5 500 000	5 500 000	-	(5 500 000)	- %	- %	-
Government - operating	64 114 000	8 126 000	72 240 000	72 240 000	67 367 476	(4 872 524)	93 %	105 %	65 358 942
Government - capital	488 000	-	488 000	488 000	-	(488 000)	- %	- %	-
Interest	1 000 000	-	1 000 000	1 000 000	-	(1 000 000)	- %	- %	-
Suppliers and employees	(58 000 000)	(5 000 000)	(63 000 000)	(63 000 000)	(58 534 127)	4 465 873	93 %	101 %	(57 310 323)
Finance charges	(250 000)	-	(250 000)	(250 000)	(180 351)	69 649	72 %	72 %	(164 176)
Transfers and Grants	(12 500 000)	-	(12 500 000)	(12 500 000)	(2 642 444)	9 857 556	21 %	21 %	-
Net cash flow from/used operating activities	**352 000**	**3 126 000**	**3 478 000**	**3 478 000**	**6 010 554**	**2 532 554**	**173 %**	**1 708 %**	**7 884 443**
Cash flow from investing activities									
Proceeds on disposal of PPE	200 000	-	200 000	200 000	135 250	(64 750)	68 %	68 %	113 171
Capital assets	(900 000)	-	(900 000)	(900 000)	(1 294 369)	(394 369)	144 %	144 %	(1 523 507)
Net cash flow from/used investing activities	**(700 000)**	**-**	**(700 000)**	**(700 000)**	**(1 159 119)**	**(459 119)**	**166 %**	**166 %**	**(1 410 336)**
Cash flow from financing activities									
Short term loans	-	-	-	-	436 886	436 886	DIV/0 %	DIV/0 %	91 286
Repayment of borrowing	(220 000)	-	(220 000)	(220 000)	(467 453)	(247 453)	212 %	212 %	(1 847 413)
Net cash flow from/used financing activities	**(220 000)**	**-**	**(220 000)**	**(220 000)**	**(30 567)**	**189 433**	**14 %**	**14 %**	**(1 756 127)**
Net increase/(decrease) in cash held	**(568 000)**	**3 126 000**	**2 558 000**	**2 558 000**	**4 820 868**	**2 262 868**	**188 %**	**(849)%**	**4 717 980**
Cash/cash equivalents at the year end:	**(568 000)**	**3 126 000**	**2 558 000**	**2 558 000**	**4 820 868**	**2 262 868**	**188 %**	**(849)%**	