Greater Giyani Municipality
Unaudited Annual financial statements
for the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality
Executive committee	MP HLungwani (Mayor)
	NM Maswanganye
	JT Chavalala
	XJ Baloyi
	N Khabdlela
	GA Maluleke
	KA Manganyi
	NPH Ndhaba
	MR Rikhotso
	NM Rikhotso
	MA Makamu
Councillors	DE Baloyi
	HI Baloyi
	TE Baloyi
	W Baloyi
	JH Bilankulu
	WW Mlongo
	SH FUela
	B Gaveni
	MD Hlungwani
	MP Hlungwani
	NR Khandlhela
	BM Khosa
	GE Mabasa
	MA Mabunda
	MJ Makamu
	BM Makhubela
	HH Makhubele
	MP Makhubele
	PP Makhubele
	Makhubele
	S Makhubele
	TA Makhubele
	GA Maluleke
	TR Maluleke
	HJ Manganye
	KA Manganyi
	TC Manganyi
	MS Maswanganye
	SS Maswanganyi
	ZR Maswanganyi
	MY Mathebula
	SS Mathebula
	PY Matukane
	TN Mavasa
	NP Mhlongo
	WW Mhlongo
	PP MKhari

General Information

	TJ Moshwana AM Mthombeni NHP Ndaba MJ Ndlovu AM Ngobeni HB Ntimana A Rikhotso MQ Rikhotos MR Rikhotso NM Rikhotso MT Sambo MI Shimange HD Shivambu HR Shivambu M Shiviti GE Sithole XJ Valoyi SH Vukeya TC Zitha
Grading of local authority	Grade 3
Speaker	MN Maswanganyi
Chief Whip	JT Chabalala
Accounting Officer	GI Masingi
Chief Financial Officer	RH Maluleke
Business address	BA 59 Civic centre CBD Giyani
Postal address	Private X9559 GIYANI 0826
Bankers	ABSA Giyani Branch
Auditors	Auditor General of South Africa
Rounding off	Nearest Rand
Provincial Treasury	M Maeta
Website	www.greatergiyani.gov.za
Enabling legislation	The Division of Revenue Act of 2011 The Constitution of the Republic of South Africa The Municipal Finance Management Act 56 of 2003 The Municipal Systems Act 32 of 2000

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The reports and statements set out below comprise the unaudited annual financial statements presented to the Greater Giyani Municipality:

The following supplementary information does not form part of the unaudited annual financial statements and is unaudited:

Appendixes:

Abbreviations

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund
MDM	Mopane District Municipality

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 responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). 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 he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or loss 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 loss.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the service charges and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Greater Giyani Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The Accounting Officer further certifies that the remuneration of councillors are disclosed in the relevant note to the financial statements is in accordance with the Public Office Bearers Act (Act 20 of 1998) and the Minister of Co-operative Governance and Traditional Affairs' s determination of upper limits of the salaries, allowances and benefits as promulgated annually.

The unaudited annual financial statements set out on pages 5 to 50, which have been prepared on the going concern basis, were approved by the accounting officer on 13 September 2013 and were signed on behalf of the municipality by:

GI Masingi
Accounting Officer
Greater Giyani Municipality

13 September 2013

Accounting Officer's Report

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

The Financial year 2012/2013 could be regarded as a period for reconstruction of the administration of Greater Giyani Municipality, especially since the Municipality was recovering from operating without some key personnel in the previous year; however, be that as it may, a lot in terms of implementation has been achieved in this period.

Having regard to the developmental nature of the local government, the municipality has continued to put premium value on public participation. The views of the stakeholders are and will always be central in accelerating service delivery. Public Participation was more than listening as it was effecting changes to IDP when such a call was made. It is always important to frequently keep the community abreast of the performance of the municipality against its targets.

The challenges facing the Municipality are therefore to successfully implement its Strategic documents namely the IDP and to improve on the audit status so that we are able to realise the 2014 goal of having clean audit. To realise the above there is a need for more emphasis and implementation of the AGSA`s recommendations and strengthening systems of Internal control.

The Municipality largely depends on grants, with a low revenue base with a wide scale of rural areas with major issues such as poverty, inequality, housing, mobility, crime and unemployment. Greater Giyani remains a remarkable Municipality with incredible natural beauty, places and people, all to the rich tapestry of heritage, history and culture that make Greater Giyani the attraction that is.

The appointment of the Municipal Public Accounts Committee (MPAC) and fully capacitating Internal Audit unit and Risk Management have assisted the Municipality in ensuring that Internal financial management control measures are improved and effective.

The Annual Report highlights the policies, programmes and achievements that brought the Municipality to a point which one can proudly proclaim with confidence that today is better than yesterday and tomorrow looks much brighter than today. Financial statements are prepared in-house and according to GRAP standards.

Statement of Financial Position as at 30 June 2013

Figures in Rand	Notes	2013	2012
Assets			
Current Assets			
Inventories	3	258 660	182 742
Trade and other receivables	4	1 502 139	4 579 681
Consumer debtors	5	11 546 260	8 255 606
Cash and cash equivalents	6	82 971 403	62 000 884
		96 278 462	**75 018 913**
Non-Current Assets			
Property, plant and equipment	7	213 334 996	188 041 419
Total Assets		**309 613 458**	**263 060 332**
Liabilities			
Current Liabilities			
Finance lease obligation	33	1 064 661	-
Trade and other payables (from non-exchange transactions)	8	22 270 641	22 209 417
VAT payable	9	3 425 063	4 047 903
Unspent conditional grants	10	12 227 227	11 028 527
		38 987 592	**37 285 847**
Non-Current Liabilities			
Retirement benefit obligation	11	11 446 599	8 941 107
Total Liabilities		**50 434 191**	**46 226 954**
Net Assets		**259 179 267**	**216 833 378**
Net Assets			
Accumulated surplus	12	259 179 267	216 833 378

Statement of Financial Performance

Figures in Rand	Notes	2013	2012
Revenue from exchange transactions			
Income from agency services		398 433	307 268
Licences and permits		4 098 302	3 858 862
Rental of facilities and equipment	14	773 743	666 707
Service charges	15	3 945 251	3 771 741
		9 215 729	8 604 578
Revenue from non-exchange transactions			
Fines		59 934	133 830
Government grants & subsidies	16	171 303 150	155 008 680
Property rates	17	28 317 885	26 202 474
		199 680 969	181 344 984
Other income	18	1 132 093	1 387 038
Interest received	19	12 711 466	7 167 588
Total Revenue		**222 740 257**	**198 504 188**
Expenditure			
Employee related costs	20	(72 920 332)	(66 539 171)
Remuneration of councillors	21	(16 650 181)	(14 600 498)
Finance costs	22	(277 855)	(440 640)
Depreciation and amortisation	23	(20 375 504)	(18 658 349)
Debt impairment	24	(28 765 852)	(15 206 217)
Repairs and maintenance		(4 173 608)	(3 536 017)
Contracted services	25	(308 095)	(353 687)
General Expenses	26	(36 922 941)	(31 712 070)
Total Expenditure		**(180 394 368)**	**(151 046 649)**
Surplus for the year		**42 345 889**	**47 457 539**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	135 015 603	135 015 603
Adjustments		
Prior year adjustments	485 257	485 257
Balance at 01 July 2011 as restated	**135 500 860**	**135 500 860**
Changes in net assets		
Surplus for the year	47 457 539	47 457 539
Correction of prior period error	33 874 979	33 874 979
Total changes	81 332 518	81 332 518
Balance at 01 July 2012	**216 833 378**	**216 833 378**
Changes in net assets		
Surplus for the year	42 345 889	42 345 889
Total changes	42 345 889	42 345 889
Balance at 30 June 2013	**259 179 267**	**259 179 267**
Note(s)	12	

Cash Flow Statement

Figures in Rand	Notes	2013	2012
Cash flows from operating activities			
Receipts			
Property rates		25 027 231	18 590 748
Sale of goods and services		7 022 793	3 100 545
Grants		172 502 850	152 762 292
Interest income		12 711 466	7 167 588
Other receipts		6 449 600	6 343 235
		223 713 940	187 964 408
Payments			
Employee costs		(70 414 840)	(61 045 839)
Suppliers		(70 808 030)	(47 312 087)
Finance costs		(277 855)	(440 640)
Remuneration of councillors		(16 650 181)	(14 600 498)
		(158 150 906)	(123 399 064)
Net cash flows from operating activities	28	**65 563 034**	**64 565 344**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(45 657 176)	(27 541 524)
Cash flows from financing activities			
Finance lease payments		1 064 661	-
Net increase/(decrease) in cash and cash equivalents		**20 970 519**	**37 023 820**
Cash and cash equivalents at the beginning of the year		62 000 884	24 977 064
Cash and cash equivalents at the end of the year	6	**82 971 403**	**62 000 884**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue	**219 316 931**	**3 629 126**	**222 946 057**	**222 740 257**	**(205 800)**
Revenue					
Service charges	32 500 000	(7 066 861)	**25 433 139**	32 263 136	**6 829 997**
Rental of facilities and equipment	560 500	135 166	**695 666**	773 743	**78 077**
Interest received (trading)	-	22 316	**22 316**	-	**(22 316)**
Income from agency services	1 012 158	(662 158)	**350 000**	398 433	**48 433**
Licences and permits	4 000 000	1 226 874	**5 226 874**	4 098 302	**(1 128 572)**
Traffic fines	200 000	(120 000)	**80 000**	59 934	**(20 066)**
Other income	6 014 897	(3 044 738)	**2 970 159**	1 132 093	**(1 838 066)**
Government grants	172 639 376	11 028 527	**183 667 903**	171 303 150	**(12 364 753)**
Interest received	2 390 000	2 110 000	**4 500 000**	12 711 466	**8 211 466**
Total revenue	**219 316 931**	**3 629 126**	**222 946 057**	**222 740 257**	**(205 800)**
Expenses	**156 958 029**	**10 852 819**	**167 810 848**	**180 394 368**	**12 583 520**
Personnel	68 361 966	7 583 182	**75 945 148**	72 920 332	**(3 024 816)**
Remuneration of Councillors	14 910 021	1 497 240	**16 407 261**	16 650 181	**242 920**
Depreciation and amortisation	18 000 000	-	**18 000 000**	20 375 504	**2 375 504**
Finance costs	170 000	20 000	**190 000**	277 855	**87 855**
Debt impairment	13 090 471	-	**13 090 471**	28 765 852	**15 675 381**
Repairs and maintenance	6 945 025	(228 025)	**6 717 000**	4 173 608	**(2 543 392)**
Contracted services	794 347	(100 000)	**694 347**	308 095	**(386 252)**
General expenses	34 686 199	2 080 422	**36 766 621**	36 922 941	**156 320**
Total expenditure	**156 958 029**	**10 852 819**	**167 810 848**	**180 394 368**	**12 583 520**
Deficit for the year	**376 274 960**	**14 481 945**	**390 756 905**	**403 134 625**	**12 377 720**
Statement of Financial Position					
Assets					
Property, plant and equipment	363 860 000	-	**363 860 000**	213 334 996	**(150 525 004)**
Inventory	2 084 000	116 000	**2 200 000**	258 660	**(1 941 340)**
Consumer debtors	33 111 000	-	**33 111 000**	11 546 260	**(21 564 740)**
Other debtors	39 582 000	2 217 000	**41 799 000**	1 502 139	**(40 296 861)**
Cash and cash equivalents	1 475 600	8 695 527	**10 171 127**	82 971 403	**72 800 276**
Total Assets	**440 112 600**	**11 028 527**	**451 141 127**	**309 613 458**	**(141 527 669)**
Equity and liabilities					
Accumulated surplus/deficit	439 160 600	(473)	**439 160 127**	259 179 267	**(179 980 860)**
Finance lease obligation	-	-	**-**	1 064 661	**1 064 661**
VAT payable	-	-	**-**	3 425 063	**3 425 063**
Trade and other payables	952 000	11 029 000	**11 981 000**	22 270 641	**10 289 641**
Retirement benefit obligation	-	-	**-**	11 446 599	**11 446 599**
Unspent conditional grants and receipts	-	-	**-**	12 227 227	**12 227 227**
Total equity and liabilities	**440 112 600**	**11 028 527**	**451 141 127**	**309 613 458**	**(141 527 669)**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	172 639 376	11 028 527	**183 667 903**	-	**(183 667 903)**	
Interest income	2 390 000	2 132 316	**4 522 316**	-	**(4 522 316)**	
Other receipts	31 288 000	(6 705 000)	**24 583 000**	-	**(24 583 000)**	
On expenditure						
Employee costs	(83 271 987)	(9 080 422)	**(92 352 409)**	-	**92 352 409**	
Suppliers	(47 800 013)	3 621 422	**(44 178 591)**	-	**44 178 591**	
Finance costs	(170 000)	(20 000)	**(190 000)**	-	**190 000**	
	75 075 376	**976 843**	**76 052 219**	**-**	**(76 052 219)**	
Cash flows from investing activities						
Capital assets	73 554 450	(419 240)	**73 135 210**	-	**(73 135 210)**	
Net cash flows from investing activities	**73 554 450**	**(419 240)**	**73 135 210**	**-**	**(73 135 210)**	
Net increase/(decrease) in cash and cash equivalents	**1 520 926**	**1 396 083**	**2 917 009**	**-**	**-**	
Cash and cash equivalents at the beginning of the year	61 707 000	63 227 926	**-**	-	**-**	
Estimate of available cash	**63 227 926**	**64 624 009**	**2 917 009**	**-**	**-**	

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003). These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.1 Significant judgements

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

1.2 Use of estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice 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.

1.3 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

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. 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.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The useful lives of items of property, plant and equipment have been assessed as follows:

Accounting Policies

1.4 Property, plant and equipment (continued)

Item	Average useful life
Buildings	30
Plant and equipment	5 - 15
Motor vehicles	8 - 14
Office equipment	8
IT equipment	6 - 8
Roads, pavement, bridges and storm water	10 - 30
Community halls	30
Security measures	3 - 10
Libraries	30
Car parks, bus terminals and taxi ranks	20
Street lighting	20 - 25
Refuse site	30
Fire services	30
Clinics	30
Cemeteries	30
Park and garden	10 - 30
Street names, signs and parking meters	5
Sport fields	10 - 30
Specialised vehicles	15
Housing	30
Furniture and fittings	8
Office machines	5
Air conditioners	5

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

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

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

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

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

1.5 Financial instruments

Classification

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

Accounting Policies

1.5 Financial instruments (continued)

Trade and other receivables

A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments of all debt outstanding for more than 120 days are considered indicators that the trade receivables are impaired. Bad debts are written off during the year in which they are identified as irrecoverable, which may not be the date on which the provision is raised.

All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Trade and other payables

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

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term investments that are held with registered banking institutions with maturities of 32 days or daily calls. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investment in financial instruments, net of bank overdrafts. Bank overdrafts are recorded on facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Bank overdraft and borrowings

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

Investments held to maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method. Investments which include listed government bonds, unlisted municipal bonds, fixed deposit and short term deposits invested in registered banks are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating institution for safe investment purposes. The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities in excess of 12 months which are classifies as non-current assets.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

1.6 Leases

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

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

Accounting Policies

1.6 Leases (continued)

Operating leases - lessor

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

Income for leases is disclosed under revenue in statement of financial performance.

Recognition

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

Measurement

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments or receipts are recognised on the basis of the actual cash inflows and outflows.

Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Accounting Policies

1.7 Inventories

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

Consumables stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable values. In general, the basis of determining cost is the weighted average of cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold following the municipality's approved disposal strategy. Consumables are written down with regard to age, condition and utility.

Unsold properties are value at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

1.8 Impairment of non-cash-generating assets

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

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 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 the period of time over which an asset is expected to be used by the municipality.

1.9 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

1.9 Employee benefits (continued)

Defined contribution plans

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

Payments made to Municipal Employees Pension Fund, Municipal Gratuity Fund and SAMWU Provident Fund-managed retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit benefit plan. Councillors are members of the Municipal Councillors Pension Fund that was established in terms of the Remuneration of the Public Office Bearers Act 1998 (Act No. 20 of 1998).

Obligations for contributions on defined contribution plans are recognised as an expense in the Statement of Financial performance as incurred.Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the Statement of Financial Performance in the year which they relates as part of cost of employment.

Defined benefit plans

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

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

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

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

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

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

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

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

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

Other post retirement obligations

The entity provides post-retirement health care benefits, 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.

Accounting Policies

1.10 Borrowing costs

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

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.

1.11 Comparative figures

Actual prior year amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed in Note 34.

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

1.12 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 Fruitless and wasteful expenditure

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

1.14 Irregular expenditure

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

1.15 Offsetting

Assets, liabilities, revenue and expenses have not been offset.

1.16 Events after balance sheet date

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements.

1.17 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.

Accounting Policies

1.17 Related parties (continued)

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

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

1.18 Value added tax

Value added tax ("VAT") is payable on the receipts basis. Only once the payment is received from debtors is VAT paid over to SARS.

The Municipality accounts for Value Added Tax on the receipt and payments basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from or payable to, the taxation authority (SARS) is disclosed on the face of the statement of financial position.

1.19 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 raised.

1.20 Provisions and contingencies

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. A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

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 note45.

Accounting Policies

1.21 Revenue from exchange transactions

Service charges relating to water and sewer are transferred to the district municipality as per agreement. 5% on commission is recognized as Agency income form the District Municipality.

Revenue from sale of goods is recognised when the risks and rewards of ownership are passed to purchaser. revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Interest and rentals are recognised on a time proportionate basis. Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met. Where public contribution has been received but municipality has not met the condition, a liability is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Collection charges are recognised when such amounts are legally enforceable.

Fines constitute both spot fines and summons. Revenue from spot fines and summons is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment at the fair value of the consideration received or receivable. Contributed property, plant and equipment is recognised when the deed of transfer is signed or when title of the items of property, plant and equipment is transferred to the Municipality whichever happens first.

1.22 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain..

Revenue comprises the invoiced values of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, rebates and discounts and after eliminated revenue within departments of the Municipality.

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

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

GRAP 18: Segment Reporting

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

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

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

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

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

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

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

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

GRAP 25: Employee benefits

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

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

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

GRAP25 defines, amongst others, the following:

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

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

The standard prescribes recognition and measurement for:

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

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

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

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

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

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

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

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

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106: Transfers of functions between entities not under common control

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

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

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

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

GRAP 107: Mergers

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

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

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

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

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

GRAP 20: Related parties

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

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

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

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

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

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

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

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

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

All amendments to be applied retrospectively.

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

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

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

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

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

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

Amendments were made to Changes in Accounting Policies.

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

The entity does not envisage the adoption of the amendment until such time as it becomes applicable to the 01 April 2013's operations.

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

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

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

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

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

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

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

GRAP 12 (as revised 2012): Inventories

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

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

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

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

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

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 13 (as revised 2012): Leases

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

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

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

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

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

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

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

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

All amendments to be applied prospectively.

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

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

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

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

3. Inventories

Consumable stores	258 660	182 742

Inventory is been valued using the weighted average method.

4. Trade and other receivables

Staff receivables (a)	48 464	48 464
Sundry receivables (b)	3 622 511	3 622 511
Agency fee - MDM (c)	1 502 139	1 103 706
Sundry receivables provision	(3 670 975)	(195 000)
	1 502 139	**4 579 681**

(a) Staff receivables

Staff debtors relate to amounts owed by councillors arising from exceeding cellphone limits on the Vodacom group subscription. A cellphone contract with Vodacom was based on the cellphone allowances of councillors, but the contract was not implemented as agreed by the service provider to ensure that limits are not exceeded. The recovery of the amounts still owing is in process.

(b) Sundry receivables

Gross sales	4 016 500	4 016 500
Cash received	(588 989)	(588 989)
Debtor for faudulant bank transaction	195 000	195 000
	3 622 511	**3 622 511**

The gross sales and cash received of the sundry debtors relates to sale of stands through an auction during 2009. The balance of the funds regarding sale of stands is paid into attorneys trust account. The amount paid into attorneys to date is R1 191 992 and the auction commission fee is R419 919. The balance in this attorneys trust account is unknown. Due to the dispute with the auctioneer, the outstanding amount was never paid to the Municipality and as a result , it was provided for in full based on the credit control policy.

(c) Agency fee - MDM

The agency fee is equals to the 5% of the collection of water and sewer debt as per water service agreement with Mopani District Municipality.

Ageing Analysis per service category

Staff receivables

> 365 days	48 464	48 464

Sundry receivables

> 365	3 622 511	3 622 511

Agency fee-MDM

Current (0 - 30 days)	398 433	307 268
> 365	1 103 706	796 438
	1 502 139	**1 103 706**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

5. Consumer debtors

Classified by service category		
Cemetary charges	393 261	302 156
Housing rental	1 143 516	795 184
Rates	43 834 563	26 884 478
Refuse	10 785 926	8 211 602
Unclassified	44 124 650	44 124 551
Interest	12 518 358	4 456 872
	112 800 274	**84 774 843**
Less: Provision for debt impairment		
Total	(101 254 014)	(76 519 237)
Net balance	**11 546 260**	**8 255 606**

Ageing analysis per service category

Rates		
Current (0 -30 days)	1 903 179	1 084 013
31 - 60 days	1 810 476	1 527 361
61 - 90 days	1 991 513	1 901 044
91 - 120 days	2 233 923	1 135 084
121 - 365 days	9 566 094	9 480 494
> 365 days	26 334 879	11 273 643
	43 840 064	**26 401 639**
Interest		
Current (0 -30 days)	711 323	467 421
31 - 60 days	731 850	481 845
61 - 90 days	700 611	399 976
91 - 120 days	666 202	421 737
121 - 365 days	4 738 414	2 681 557
> 365 days	4 964 859	-
	12 513 259	**4 452 536**
Refuse		
Current (0 -30 days)	118 226	314 292
31 - 60 days	217 351	164 184
61 - 90 days	94 949	103 301
91 - 120 days	328 900	199 386
121 - 365 days	1 814 898	1 606 863
> 365 days	8 211 602	5 823 575
	10 785 926	**8 211 601**
Housing rental		
Current (0 -30 days)	25 106	22 604
31 - 60 days	27 827	22 971
61 - 90 days	29 277	23 876
91 - 120 days	27 729	22 281
121 - 365 days	237 994	172 555
> 365 days	795 184	530 897
	1 143 117	**795 184**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

5. Consumer debtors (continued)

Cemetary charges		
Current (0 -30 days)	4 867	7 541
31 - 60 days	9 079	7 610
61 - 90 days	6 331	7 506
91 - 120 days	6 581	834
121 - 365 days	64 248	59 694
> 365 days	302 154	218 969
	393 260	**302 154**
Unclassified		
> 365 days	44 124 650	44 124 650

Reconciliation of debt impairment provision		
Balance at beginning of the year	76 519 237	61 313 021
Current year contributions to provision	24 734 778	15 206 216
	101 254 015	**76 519 237**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Call investment deposits	48 598 138	46 261 224
Short-term deposits	220 620	207 715
Cashbook balance - primary	35 955 306	15 364 519
Cashbook balance - secondary	(1 802 661)	167 426
	82 971 403	**62 000 884**

The municipality had the following bank accounts

	Bank statement balances		**Cash book balances**	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Current Account - 62024288103 (FNB)	12 367 190	221 601	367 190	221 601
Current Account - 71032635579 (FNB)	218 497	197 245	220 621	207 715
Current Account - 4077078193 (ABSA)	36 087 998	15 158 216	35 588 116	15 142 918
Current Account - 4077078486 (ABSA)	47 543	167 408	(1 802 680)	167 408
Call Deposit - 4078155655 (ABSA)	21 632 329	20 754 833	21 712 339	20 669 888
Call deposit - 4078155744 (ABSA)	26 786 725	25 696 505	26 885 799	25 591 335
Current Account - 62030539764 (FNB)	-	-	18	18
Total	**97 140 282**	**62 195 808**	**82 971 403**	**62 000 883**

7. Property, plant and equipment

	2013			2012		
	Cost Valuation	**/Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost Valuation**	**/Accumulated depreciation and accumulated impairment**	**Carrying value**
Air conditioners	550 265	(258 975)	291 290	506 414	(193 234)	313 180
Buildings - Community	2 343 000	(386 713)	1 956 287	2 343 000	(336 043)	2 006 957
Buildings - Market and industrial	4 942 247	(164 742)	4 777 505	4 942 247	-	4 942 247
Buildings - Municipal and civic	44 366 012	(2 230 930)	42 135 082	25 829 867	(2 020 262)	23 809 605
Finance leased assets	1 121 335	(92 165)	1 029 170	-	-	-
Furniture and fixtures	1 387 310	(509 033)	878 277	1 448 093	(351 664)	1 096 429
IT equipment	2 829 359	(1 248 552)	1 580 807	3 242 861	(532 054)	2 710 807
Motor vehicles	4 463 517	(1 833 317)	2 630 200	3 062 132	(1 501 215)	1 560 917
Office equipment	1 021 068	(774 874)	246 194	965 313	(676 820)	288 493
Other equipment (non-office)	120 973	(41 146)	79 827	144 307	(51 329)	92 978
Plant and machinery	10 438 652	(2 643 865)	7 794 787	8 259 998	(1 890 557)	6 369 441
Road infrastructure	194 787 598	(58 753 610)	136 033 988	172 570 497	(41 621 714)	130 948 783
Sport and recreation facilities	17 773 881	(3 872 299)	13 901 582	17 773 881	(3 872 299)	13 901 582
Total	**286 145 217**	**(72 810 221)**	**213 334 996**	**241 088 610**	**(53 047 191)**	**188 041 419**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Write-off/ Allocation**	**Depreciation**	**Total**
Air conditioners	313 180	43 851	-	(65 741)	291 290
Buildings - Market and industrial	4 942 247	-	-	(164 742)	4 777 505
Buildings - community	2 006 957	-	-	(50 670)	1 956 287
Buildings - municipal and civic	23 809 605	16 906 894	1 629 252	(210 669)	42 135 082
Finance leased assets	-	1 121 335	-	(92 165)	1 029 170
Furniture and fixtures	1 096 429	62 886	(93 839)	(187 199)	878 277
IT equipment	2 710 807	448 409	(1 156 559)	(421 850)	1 580 807
Motor vehicles	1 560 917	1 453 885	(52 501)	(332 101)	2 630 200
Office equipment	288 493	11 200	71 926	(125 425)	246 194
Other equipment (non-office)	92 978	43 348	(40 739)	(15 760)	79 827
Plant and machinery	6 369 441	2 178 655	-	(753 309)	7 794 787
Road infrastructure	130 948 783	22 217 101	-	(17 131 896)	136 033 988
Sport and recreation facilities	13 901 582	1 629 251	(805 273)	(823 978)	13 901 582
	188 041 419	**46 116 815**	**(447 733)**	**(20 375 505)**	**213 334 996**

Figures in Rand	2013	2012

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Air conditioners	376 481	-	(63 301)	313 180
Buildings - community	2 006 957	-	-	2 006 957
Buildings - municipal and civic	18 259 612	6 161 548	(611 555)	23 809 605
Buildings - Market and industrial	4 942 247	-	-	4 942 247
Plant and machinery	5 908 548	615 000	(154 107)	6 369 441
Furniture and fixtures	1 182 190	100 186	(185 947)	1 096 429
IT equipment	2 552 704	366 566	(208 463)	2 710 807
Motor vehicles	1 835 555	-	(274 638)	1 560 917
Office equipment	355 731	55 754	(122 992)	288 493
Other equipment (non-office)	114 200	-	(21 222)	92 978
Roads infrastructure	126 201 361	20 939 569	(16 192 147)	130 948 783
Sport and recreation facilities	14 167 968	557 591	(823 977)	13 901 582
	177 903 554	**28 796 214**	**(18 658 349)**	**188 041 419**

Reconciliation of Work-in-Progress 2013

	Opening balance	Additions	Changes and other movements	Total
Road related infrastructure	1 251 539	22 217 101	(4 020 567)	19 448 073
Land and buildings - Municipal	13 033 147	16 906 894	(12 684 671)	17 255 370
Sport and Recreation facilities	-	1 629 251	-	1 629 251
	14 284 686	**40 753 246**	**(16 705 238)**	**38 332 694**

Reconciliation of Work-in-Progress 2012

	Opening balance	Additions	Changes and other movements	Total
Road related infrastructure	10 549 830	20 939 569	(30 237 860)	1 251 539
Recreation facilities	3 423 237	557 591	(3 980 828)	-
Land and buildings - Municipal	6 871 599	6 161 548	-	13 033 147
	20 844 666	**27 658 708**	**(34 218 688)**	**14 284 686**

During the year (2013) the Municipality conducted the verification of assets. There were redundant assets that were identified and had to be removed from the books of the Municipality. Refer to the table below:

	Cost	Accumulated depreciation	Total
Assets	1 146 456	(698 723)	447 733

8. Trade and other payables (from non-exchange transactions)

Trade payables	6 395 345	8 495 854
Accrued bonus	2 557 180	2 093 231
Payroll creditors	(427 757)	(1 005 715)
Unspecified direct deposits	250 225	584 374
Inter-municipal account (MDM) *	3 891 448	2 495 685
Accrued leave	9 604 200	9 545 988
	22 270 641	**22 209 417**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

8. Trade and other payables (from non-exchange transactions) (continued)

*** Inter-municipal account (MDM)**

The water services function is ringfenced on the account of MDM which is the water services authority. Revenue earned, net of agency fees, and transfers received are credited to the inter-municipal control account, while all expenses incurred are charged to the same control account. The net effect of all the balances arising from water services related transactions is a credit amount of:

Gross revenue - water	(50 685 289)	(40 580 711)
Gross revenue - sewerage	(8 398 854)	(6 144 100)
Gross revenue - Interest	(8 619 635)	(3 740 721)
Overheads - water	53 203 632	38 924 266
Overheads - sewerage	7 626 025	5 877 425
Water debtors ex GGM - Water	30 459 783	25 555 025
Water debtors ex GGM - Sewerage	5 875 920	4 374 085
Water debtors ex GGM - Interest	8 098 451	3 740 721
Trade creditors	(29 115)	(25 821)
Inventory	3 055	129 603
Accrued leave	(560 739)	(560 961)
Accrued bonus	(95 174)	(90 948)
Long service award	(354 429)	(294 139)
Post retirement medical contribution	(313 436)	(290 598)
Provision for bad doubtful debts	(40 101 644)	(29 368 812)
	(3 891 448)	**(2 495 685)**

9. VAT payable

Output vat	7 666 797	4 815 044
Input vat supplies	(10 147 568)	(947 124)
Vat recoveries	5 905 834	179 983
	3 425 063	**4 047 903**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

10. Unspent conditional grants

Municipal Infrastructure Grant (MIG)	11 779 610	10 730 882
Financial Management Grant (FMG)	447 617	297 645
Unspent balance at the end of the year	**12 227 227**	**11 028 527**

10.1 Municipal Infrastructure Grant (MIG)

Opening balance at beginning of year	10 730 882	12 008 075
Current receipts	36 331 000	29 950 000
Conditions met - transferred to income	(35 282 272)	(31 227 193)
Conditions still to be met - transferred to liabilities	**11 779 610**	**10 730 882**

10.2 National Electrification Grant (INEG)

Opening balance at beginning of the year	-	1 265 840
Current receipts	-	4 000 000
Conditions met - transferred to income	-	(5 265 840)
Conditions still to be met - transferred to liabilities	**-**	**-**

10.3 Financial Mangement Grant (FMG)

Opening balance at beginning of the year	297 645	-
Current receipts	1 500 000	1 250 000
Conditions met - transferred to income	(1 350 028)	(952 355)
Conditions still to be met - transferred to liabilities	**447 617**	**297 645**

10.4 MSIG

Opening balance at the beginning of the year	-	-
Current receipts	800 000	790 000
Conditions met - transferred to income	(800 000)	(790 000)
Conditions still to be met - transferred to liabilities	**-**	**-**

Total unspent conditional grants	**12 227 227**	**11 028 527**

11. Retirement benefit obligation

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

Long service award / bonus		
Opening balance	5 338 346	4 560 333
Service costs	399 916	360 279
Interest cost	403 273	381 381
Actuarial gain / loss	(2 069 008)	183 354
Benefit paid	(296 423)	(147 001)
	3 776 104	**5 338 346**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

11. Retirement benefit obligation (continued)

Post retirement benefit obligation

Opening balance	4 187 498	3 447 773
Service cost	357 590	315 458
Interest cost	353 153	263 505
Actuarial gain / loss	3 440 120	160 762
	8 338 361	**4 187 498**
Less: Water and Sewer	(667 866)	(584 737)
Total balance	**11 446 599**	**8 941 107**

The Post-Retirement Healthcare Liability represents the obligation of the municipality to meet the medical aid contributions of retired employees. The amount of the liability is the present value of the obligation less the fair value of any plan assets held in respect of the post-retirement medical scheme. There are no plan assets in this valuation.

The Municipality sourced out the assistance of service provider for the purpose of the valuation. (Arch Actuarial Consulting). The valuation was done for the entire reporting period.

The valuation was done for all the employees attached to Greater Giyani Municipality. The Portion relating to water and sewer employees was transferred to Mopani District Municipality.

12. Accumulated surplus

Balance at the beginning of the year	216 833 378	135 500 860
Prior year adjustments to retained income	-	33 874 979
Surplus / deficit for the year	42 345 889	47 457 539
Balance at the end of the year	**259 179 267**	**216 833 378**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

13. Commitments

Commitments in respect of capital expenditure

Approved and contracted for		
• Giyani section F gravel to tar upgrade	-	207 327
• Khashane and Kheyi road	-	291 382
• Shikhumba access road	-	360 417
• Tourism information centre phase 3	-	3 792 159
• Tourism information centre phase 2	-	563 614
• Muyexe sports centre	-	297 158
• Apollo lights	-	250 000
• Testing station upgrade: B to A	484 018	-
• Civic centre phase 2	5 704 940	-
• Servicing of sites	891 546	-
• Giyani section E gravel to tar	770 881	-
• Regravelling of Mphakane access road	796 556	-
• Ngove tarring of streets	86 585	-
• Maswanganyi access road to grave yard	1 370 397	-
• Nkuri (Zamani) access road	421 848	-
• Sikhunyane access road	245 301	-
• Sec A nyagelani upgrading of streets	1 040 804	-
• Tourism information centre access road	2 151 447	-
• Shivulani sports centre	1 870 749	-
• Palisade fencing of community hall	899 595	-
	16 734 667	**5 762 057**
Approved but not yet contracted		
• Waste disposal site development	-	2 000 000
• Hlaneki and Nshuxi culvert bridge	-	1 000 000
• Rehabilitation of streets CBD phase 3	800 000	-
	800 000	**3 000 000**
Total commitments	**17 534 667**	**8 762 057**

14. Rental of facilities and equipment

Premises		
Rental of facilities - premises	577 208	419 733
Facilities and equipment		
Rental of other facilities and equipment	196 535	246 974
	773 743	**666 707**

15. Service charges

Solid waste	3 945 251	3 771 741

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

16. Government grants and subsidies

Equitable share	132 615 000	116 152 000
Expanded public works	1 000 000	274 000
Finance Management Grant (FMG)	1 350 027	952 355
Infrastructure grant	35 282 273	31 227 193
LGSETA	87 850	347 292
National Electrification Grant (INEG)	-	5 265 840
Systems Improvement Grant (MSIG)	800 000	790 000
PSETA	168 000	-
	171 303 150	**155 008 680**

Equitable Share

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

All registered indigents receive a monthly subsidy of R 6 820 679 (2012: R 5 703 755), which is funded from the grant.

17. Property rates

Rates received

Property rates billed	28 317 885	26 202 474

18. Other revenue

Building plans	86 751	199 928
Clearance certificates	9 717	6 031
Confirmation letters	213 375	162 729
Escort fees	439	167 312
Other income	235 814	536 109
Registration and transfers	80 760	79 547
Registration of suppliers	60 497	27 464
Re-issue of statements	6 556	6 576
Rental income - houses	7 807	23 054
Sale of grave plots	46 370	52 292
Sale of refuse bins	1 597	2 167
Sale of tender documents	329 300	74 136
Sewer unblocking	35 027	32 122
Sewer connection	10 806	6 237
Water connection	7 277	11 334
	1 132 093	**1 387 038**

19. Interest received

Interest revenue		
Interest on investments	5 150 186	2 710 607
Interest on outstanding debtors	7 561 280	4 456 981
	12 711 466	**7 167 588**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

20. Employee related costs

Basic	47 671 595	43 727 008
Bonus	3 490 758	3 005 647
Medical aid - company contributions	1 494 545	1 121 711
UIF	413 247	397 584
SALGA	26 681	10 537
Post retirement benefits	518 156	110 145
Post-employment benefits - Pension / provident	13 316 225	9 777 417
Overtime payments	917 351	543 879
Long-service awards	438 698	3 659 207
Acting allowances	591 707	450 353
Car allowance	2 835 394	2 442 203
Housing benefits and allowances	153 144	113 514
Cellphone allowance	323 250	297 893
Other employee costs	647 865	815 086
Clothing allowance	5 000	7 500
Other allowances	44 766	29 487
Standby allowance	31 950	30 000
	72 920 332	**66 539 171**

Remuneration of Accounting Officer

Basic salary	786 883	766 340
Cellphone allowane	20 628	20 628
Travel allowance	97 500	97 500
UIF	1 713	1 497
	906 724	**885 965**

Remuneration of Chief Finance Officer

Basic salary	572 119	451 092
Cellphone allowance	13 752	6 876
Travel allowance	211 294	86 431
UIF	1 713	757
Medical aid	-	1 761
	798 878	**546 917**

Remuneration of Corporate Services Director

Basic salary	569 389	380 244
Cellphone allowance	13 752	6 876
Travel allowance	174 556	72 185
UIF	1 713	749
Medical aid	-	4 404
	759 410	**464 458**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

20. Employee related costs (continued)

Remuneration of Acting Technical Services Director

Basic salary	323 522	275 003
Travel allowance	70 000	14 000
UIF	1 713	250
Acting allowance	228 692	-
Annual bonus	27 759	-
Cellphone allowance	9 096	-
Pension contribution	72 732	-
Medical aid	19 797	-
	753 311	**289 253**

Remuneration of Acting Community Services Director

Basic salary	330 342	447 998
Cellphone allowance	10 392	12 606
Travel allowance	70 000	154 000
UIF	1 713	1 497
Acting allowance	212 048	-
Long service bonus	33 553	-
Housing assistance	6 132	-
Pension contribution	72 866	-
Medical aid	6 034	-
	743 080	**616 101**

Remuneration of Strategic Planning Director

Basic salary	583 983	453 072
Cellphone allowance	12 996	12 996
Travel allowance	155 813	155 813
Medical aid	-	18 894
UIF	1 713	1 497
	754 505	**642 272**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

21. Remuneration of councillors

Mayor		
Basic remuneration	517 724	464 401
Pension contribution	-	17 103
Travelling allowance	156 479	149 333
UIF	374	1 497
	674 577	**632 334**
Speaker		
Basic remuneration	428 729	360 157
Pension contribution	-	13 682
Travelling allowance	152 031	139 017
UIF	374	1 497
	581 134	**514 353**
Other Councillors		
Basic remuneration	12 116 272	9 944 618
Pension contribution	-	336 500
Travelling allowance	3 257 797	3 092 675
UIF	20 401	80 018
	15 394 470	**13 453 811**

In-kind benefits

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

The Mayor has use of a Council owned house and vehicles for official duties.

22. Finance costs

Bank	277 855	440 640

23. Depreciation

Property, plant and equipment	20 375 504	18 658 349

24. Debt impairment

Contribution to debt impairment provision	28 765 852	15 206 217

All debtors balances aged above 120 days are considered doubtful, and a provision is raised in respect thereof. The provision is raised at cost.

25. Contracted services

Insurance	308 095	266 282
Refuse removal	-	87 405
	308 095	**353 687**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

26. General expenses

Advertising	310 564	385 192
Auditors remuneration	2 056 275	1 912 885
Cellphones	(10 432)	83 650
Consulting and professional fees	7 699 444	2 542 743
Consumables	592 105	813 627
Donations	32 000	25 750
Entertainment	27 315	167 583
IT expenses	542 482	459 054
Lease rentals on operating lease	236 010	223 921
Magazines, books and periodicals	14 967	34 773
Medical expenses	-	1 683
Motor vehicle expenses	1 381 866	1 029 664
Postage and courier	587 554	598 779
Printing and stationery	182 629	146 224
Special programmes	295 685	193 006
Security (Guarding of municipal property)	-	649 474
Other expenses	6 260 037	4 921 160
Subscriptions and membership fees	762 128	543 726
Telephone and fax	980 378	799 682
Training	797 086	870 725
Travel - local	2 563 065	1 699 035
General programmes	1 333 540	1 074 540
Project costs expensed	211 237	5 815 709
Electricity	1 533 172	1 192 665
Sewerage and waste disposal	1 669 354	99 022
Uniforms	208 123	192 728
Free basic services to indigent communities	6 208 624	5 235 070
Fixed assets written off	447 733	-
	36 922 941	**31 712 070**

27. Auditors' remuneration

Fees	2 056 275	1 912 885

28. Cash generated from operations

Surplus	42 345 889	47 457 539
Adjustments for:		
Depreciation	20 375 504	18 658 349
Movements in retirement benefit assets and liabilities	2 505 492	5 493 334
Changes in working capital:		
Inventories	(75 918)	495 433
Trade and other receivables	3 077 542	(671 197)
Consumer debtors	(3 290 654)	(7 611 726)
Trade and other payables (from non-exchange transactions)	61 224	3 500 497
VAT	(622 840)	(500 027)
Unspent conditional grants	1 199 700	(2 246 388)
Short term Investment	(12 905)	(10 470)
	65 563 034	**64 565 344**

Figures in Rand	2013	2012

29. Risk management

Financial risk management

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.

The Council has overall responsibility for the establishment and oversight of the entity’s risk management framework.

The entity’s audit committee oversees the monitoring of compliance with the entity’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The economic entity’s monitors and manages the financial risks relating to the operations of the economic entity through internal risk reports which analyse exposures by degree and magnitude of risks. The entity has exposure to the following financial risks from its use of financial instruments:

- Liquidity risk
- Market risk (including interest rate risk and price risk).
- Credit risk

The economic entity seeks to minimise the effects of these risks in accordance with the economic entity’s policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The economic entity does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The entity's exposure to liquidity risk is a result of the funds available to cover future commitments. The entity manages liquidity risk through ongoing review of commitments.

The economic entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The entity has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

29. Risk management (continued)

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. The entity's exposures to interest rates on financial assets and financial liabilities are detailed below.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call and notice deposits.

The economic entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the economic entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the economic entity to fair value interest rate risk. Economic Entity policy is to make as far as possible use of fixed rate instruments. During 2011 and 2010, the economic entity's borrowings at variable rate were denominated in the Rand

Credit risk

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

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.

Receivables are presented net of an allowance for impairment.

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

Financial instrument	**2013**	**2012**
Cash and cash equivalents	82 971 403	62 000 884
Trade and other receivables	1 502 139	4 579 681

These balances represent the maximum exposure to credit risk.

Figures in Rand	2013	2012

30. Contingencies

Contingent liabilities

The municipality has various claims of legal disputes with suppliers and are subject to mediation or legal process. The maximum potential liability is estimated at R 1 260 000.

The table below indicates the details of claims referred above:

Name of the case	Description	Legal representative	Current status	Litigation amount R
Malakubela construction	Service provider is suing the municipality for services rendered	MC Baloyi Attorneys	Matter removed from the Roll	R 270 000
Knowledge Ngobeni v/s GGM	Plaintiff issued summons against the Municipality for an amount of R900.000.00 for structure demolished at site 1947 and 1948 F	Modjadji-Raphesu	Pre-trial conference held on 22/03/2013. Waiting for trial date	R 900 000
Telkom v/s GGM		MC Baloyi Attorneys	Execution stayed, Judgment against GGM has been rescinded and we now await trial date	R 90 000
				R 1 260 000

31. Fruitless and wasteful expenditure

Opening balance	2 512	966 201
Condoned by Council	-	(1 117 799)
Current year disclosures	38 488	154 110
	41 000	**2 512**

Interest charged on outstanding invoices and penalties and Interest on late payment to SARS.

Irregular expenditure

Opening balance	1 273 482	69 593 106
Condoned by Council	-	(74 210 112)
Current year disclosures	5 827 465	5 890 488
	7 100 947	**1 273 482**

The Irregular Expenditure as disclosed came as a result of the Municipality deviating from normal procurement processes in the year under review**.**

The municipality suffered a loss of R195 000 through a scam involving the use of a fraudulant bank transaction by a fictitious company masquerading as Balaton International in the 2005 / 2006 financial year end. The amount is fully provided for in the financial statements however, Council has rescinded an earlier resolution to write off the amount against the provision in order to allow the investigation of the case to continue.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

32. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

In terms of section 36 / MFMA regulations, any deviation form the SCM policy should be approved or condoned by the accounting officer.

Incident

Disclosures is hereunder made in terms of the MFMA (section 114), in terms whereof if a tender other than the one recommended in the normal course of implementing the SCM policy is approved, the accounting officer must, in writing, notify Auditor-General, the relevant Provincial Treasury and National Treasury of the reasons for deviating from such recommendations. With regards to the current year, the deviations were tabled to Council and the relevant offices duly notified in writing.

SALGA

Current year SALGA deductions	49 825	10 537
Amount paid - current year	(49 825)	(10 537)
	-	-

Pension Fund deductions

Current year payroll deductions	14 714 578	9 328 289
Amount paid - current year	(14 714 578)	(9 328 289)
	-	-

PAYE and UIF

Payable for the current year	12 158 244	9 415 137
Amount paid current year	(12 158 244)	(9 415 137)
	-	-

Medical Aid deductions

Current year medical aid deductions	2 311 775	1 121 711
Amount paid - current year	(2 311 775)	(1 121 711)
	-	-

Figures in Rand	2013	2012

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

Councillors' arrear consumer accounts

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

30 June 2013	**Highest outstanding amount R**	**Highest outstanding amount R**
W Baloyi	-	12 701
HJ Bilankulu	822	4 682
BM Makhubele	-	1 052
GA Maluleke	905	445
KA Manganyi	6 101	20 602
MI Shimange	8 330	-
PP Makhubele	3 605	-
TE Baloyi	654	-
YM Matukane	2 570	-
NM Rikhotso	2 691	-
MA Makamu	764	-
WW Mhlongo	4 545	-
	30 987	**39 482**

33. Finance lease obligation

Minimum lease payments due		
- within one year	599 882	-
- in second to fifth year inclusive	1 049 794	-
	1 649 676	-
less: future finance charges	(585 015)	-
Present value of minimum lease payments	**1 064 661**	**-**

Finance Lease obligation relates to Desktops and Laptops. The lease period is for 3 years (36 months) commencing from 1 April 2013 to 31 March 2016.

34. Prior period errors

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

Property, plant and equipment

Statement of financial position		
Previously reported	-	241 810 990
Adjustments	-	(535 914)
Reinstated amount	**-**	**241 275 076**
Accumulated Depreciation		
Previously reported	-	(53 905 232)
Accumulated surplus adjustments	-	636 547
2012 adjustments	-	35 550
Reinstated amount	-	(53 233 135)
Net Impact to Accummulated Surplus (Increase)	-	**(100 633)**

During 2012 Financial year Municipality identified Assets that were auctioned and never removed from the books,Assets on the floor not on the Assets register (Fair Valued) and Review of useful lifes for PPE. All this requred adjustments to be corrected in terms of GRAP 3.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

34. Prior period errors (continued)

Trade and other receivables

Statement of financial position		
Previously reported	-	3 475 975
Adjustments	-	1 103 716
Reinstated amount	**-**	**4 579 691**
Net Impact to Accummulated Surplus	-	-

During 2012 Financial year the Municipality included the 5% commission fee on water and sewer under the Water Account for MDM. The amount for commission was supposed to be shown in Greater Giyani's book. The correction does not have any impact on Accummulated Surplus.

Inventory

Statement of financial position		
Previously reported	-	312 345
Adjustments	-	(129 603)
Reinstated amount	**-**	**182 742**
Net Impact to Accummulated Surplus	-	-

During 2012 Financial year the Municipality did not remove water related inventory items from their books as required by the Water service Agreement with the District Municipality. The correction was made on the affected balances and the impact on Accummulated surplus is nil.

Consumer debtors

Statement of financial position		
Previously reported	-	87 665 767
Adjustments	-	(2 890 925)

Provision for doubtful debts

Statement of financial position		
Previously reported	-	78 224 001
Adjustments	-	(1 704 764)
Reinstated amount	**-**	**76 504 403**
Net Impact to Accummulated (Increase)	-	**(14 834)**

During 2012 Financial year the Municipality omitted certain transactions wit regard to consumer debtors. The reallocation was done after year end to correct the mistatements. The impact on Accummulated surplus amount to R 14 834**.**

Figures in Rand	2013	2012

34. Prior period errors (continued)

Cash and cash equivalents

Statement of financial position		
Previously reported	-	61 706 711
Adjustments	-	86 458
Reinstated amount	**-**	**59 964 463**
Net Impact to Accummulated Increase	**-**	**(1 828 706)**

During 2012 Financial year the Municipality errounously wrote off the balances on bank suspense account to the Accummulated surplus. The error was picked up after the 2012 audit and the reversal of the journal was done to correct the error. The impact on the Accummulated surplus is R 1 828 706.

Trade payables

Statement of financial position		
Previously reported	-	9 173 584
Adjustments	-	(25 821)
Reinstated amount	**-**	**9 147 763**
Net Impact to Accummulated Surplus	**-**	**-**

During 2012 Financial year the Municipality did not remove water related creditors items from their books as required by the Water service Agreement with the District Municipality. The correction was made on the affected balances and the impact on Accummulated surplus is nil.

Payroll creditors

Previously reported	-	214 644
Adjustments	-	(1 220 359)
Reinstated amount	**-**	**(1 005 715)**
Net Impact to Accummulated Surplus	**-**	**-**

During 2012 Financial year the Municipality errounously wrote off the balances on Payrollsuspense account to the Accummulated surplus. The error was picked up after the 2012 audit and the reversal of the journal was done to correct the error. The impact on the Accummulated surplus is R 1 005 715

Accrued leave		
Previously reported	-	9 545 988
Adjustments	-	(560 961)
Reinstated amount	**-**	**8 985 027**
Net Impact to Accummulated Surplus	**-**	**-**

During 2012 Financial year the Municipality did not trasfer water related acrued leave from their books as required by the Water service Agreement to the District Municipality. The correction was made on the affected balances and the impact on Accummulated surplus is nil.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012
Accrued bonus		
Previously reported	-	2 093 231
Adjustments	-	(90 948)
Reinstated amount	**-**	**2 002 283**
Net Impact to Accummulated Surplus	**-**	**-**

During 2012 Financial year the Municipality did not trasfer water related acrued bonus from their books as required by the Water service Agreement to the District Municipality. The correction was made on the affected balances and the impact on Accummulated surplus is nil.

Unspecified deposits (Unknown)		
Previously reported	-	623 134
Adjustments	-	(38 760)
Reinstated amount	**-**	**584 374**
Net Impact to Accummulated Surplus	**-**	**-**

During 2012 Financial year the Municipality had certain deposits that were lying in the suspense account. Those deposits were later identified and reallocated to their respective accounts. The correction of this account did not have impact on the Accummulated Surplus.

Inter-Municipal Account (MDM)		
Previously reported	-	33 296 927
Adjustments	-	(30 827 065)
Reinstated amount	**-**	**2 469 862**
Net Impact to Accummulated Surplus	**-**	**(31 930 781)**

During 2012 Financial year the Municipality reversed the grant that formed part of the Water and Sewer Account. The Reversal was based on the corespondence with the District Municipality. The Agency income was also taken out of the account to be shown under Greater Giyani Sundry receivable. This corrections have the impact of R 31 930 781 on the Accummulated Surplus.

Post Retirement Medical Benefit		
Previously reported	-	4 187 498
Adjustments	-	(290 598)
Reinstated amount	**-**	**3 896 900**
Net Impact to Accummulated Surplus	**-**	**-**

During 2012 Financial year the Municipality did not trasfer water related Post Retirement Medical Benefit valuation from their books as required by the Water service Agreement to the District Municipality. The correction was made on the affected balances and the impact on Accummulated surplus is nil.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012
Long Service Award		
Previously reported	-	5 338 346
Adjustments	-	(294 139)
Reinstated amount	**-**	**5 044 207**
Net Impact to Accummulated Surplus	**-**	**-**

During 2012 Financial year the Municipality did not trasfer water related Long Service Award valuation from their books as required by the Water service Agreement to the District Municipality. The correction was made on the affected balances and the impact on Accummulated surplus is nil.