Insert Company Logo

Lekwa Teemane Local Municipality
Group Annual Financial Statements
for the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000.
Mayoral committee	
Executive Mayor	Clr R. M. Makodi
Councillors	Clr M. Majikela
	Clr A. Buys
	Clr T. Mokgosi
	Clr K. Palagangwe
	Clr. Segola
	Clr P. Modise
	Clr Ngezi
	Clr Pencil
	Clr Molefe
	Clr Joseph
	Clr Mabala
	Clr Muller
	Clr I M Snyman
Grading of local authority	Grade 5
Chief Finance Officer (CFO)	Mr. E. Le Roux
Accounting Officer	Mr. M. A. Makuapane
Registered office	Cnr Robyn & Dirkie Uys Street Christiana 2680
Business address	Cnr Robyn & Dirkie Uys Street Christiana 2680
Postal address	P. O. Box 13 Christiana 2680
Bankers	ABSA Bank

Index

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grant
CoGTA	Department of Co-operative Governance & Traditional Affairs

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

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

The group 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 economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 group annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

The municipality is dependent on five services that generate revenue namely rates, water, electricity, refuse and sanitation. It also gets equitable share from the government, which constitutes about 20% of its group income. The group annual financial statements are prepared on the basis that the municipality is a going concern and that themunicipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

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

The group annual financial statements set out on pages 4 to 95, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2013 and were signed on its behalf by:

Mr. M. A. Makuapane
Accounting Officer

Accounting Officer's Report

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

1. Incorporation

2. Review of activities

Main business and operations

The economic entity is engaged in provision of municipal services in terms of the municipal finance management act no. 56 of 2003 and municipal systems act no. 32 of 2000. and operates principally in South Africa and [state other countries].

The operating results and state of affairs of the municipality are fully set out in the attached group annual financial statements. In our opinion the comments highlighted below are sufficient to explain the municipality's performance for the year:

Proportion of income and loss attributable to various classes of business:

2013

Type of Income	Proportion of contribution to income	Amount
Service charges	40 %	85,150,429
Grants and subsidies	32 %	68,969,039
Other Income	28 %	59,765,999
Other	- %	-

2012

Classes of business	Proportion of contribution to income	Amount
Service charges	53 %	80,764,962
Grants and subsidies	26 %	39,343,318
Other Income	21 %	32,079,874
Other	- %	-

3. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had a deficits of R28,995,948 (2012: R24,454,274) and current liabilities exceeded current assets by R160,004,844 (2012: R128,676,342). Despite the foregoing, the municipality does not have a going concern challenge and the financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Thus, the municipality's ability to continue as a going concern is dependent on the fact that, inter alia, the accounting officer continue to procure both internal and external funding for the ongoing operations for the municipality.

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

4. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

5. Accounting Officer's interest in contracts

The municipality has a policy relating to declaration of interest in contracts and other related transactions. This was adhered to in that relevant officials with interests in SCM related transactions declared (both potential and existing) declared their interests.

Accounting Officer's Report

6. Accounting policies

The group annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury. These policies are consinsistent with the prior year and are simmilar to the ones used by the subsidiary company.

7. Investments in Subsidiaries

There were no changes our shareholding in the subsdiary company during the year. Further, there were no disposals or acquisitions of new investements during the year under review.

8. Accounting Officer

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

Name	Nationality
Mr. M. A. Makuapane	South Africa

9. Corporate governance

General

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

The economic entity confirms confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a regular basis. Compliance to the King Report is to the extent possible in our municipal environment. Thus we do not comply with the Code in full.

The salient features of the economic entity's adoption of the Code is outlined below:

Board of directors

The Board:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.
- has established a Board directorship continuity programme.

Chair person and chief executive

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Chief Executive Officer is determined by the board of directors..

Accounting Officer's Report

Audit and risk committee

The Chairperson of the audit committee is an independent audit committee member. The committee met on a regular basis during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Dr. Ruth Mompati District Municipality must appoint members of the shared Audit Committee. Thus, more information with regards to the composition of the shared audit committee, its operations and sub-committees will be covered in the district municipality's' annual financial statements..

Internal audit

The municipality has a shared internal audit function, based at the district municipality (as highlighted above). This is in compliance with the Municipal Finance Management Act, 2003, as it is a permitted arrangement..

10. Interest in controlled entities

Name of controlled entity	Country of incorporation	Net surplus for the year
Lekwa Teemane Development Agency (Pty) Ltd	RSA	50,594

The controlled entity is currently in the Establishment Phase. Major operations will commence as soon as the Establishment Phase is complete. However, engagements with the various stakeholders (for various transactions relating to the Agency's operations) are taking place..

Details of the municipality's investment in controlled entities are set out in note 7.

11. Bankers

The municipality's bankers did not change during the current year.

12. Auditors

Auditor-General of South Africa will continue to audit the books of the municipality as it is a Constitutional Mandate for them to do so.in office for the next financial period.

Statement of Financial Position as at 30 June 2013

		Municipality		Group	
Figures in Rand	Note(s)	2013	2012	2013	2012
Assets					
Current Assets					
Inventories	11	940,198	817,837	940,198	817,837
Other financial assets	8	50,048	29,985	50,048	29,985
Receivables from exchange transactions	12	21,209,376	24,516,144	21,209,376	24,516,144
Receivables from non-exchange transactions	13	1,332,281	4,738,241	1,044,701	4,738,241
Consumer debtors	14	13,270,407	40,790,588	13,270,407	40,790,588
Money Market Investments	10	7,099,502	1,423,326	7,099,502	1,423,326
Cash and cash equivalents	15	4,864	7,166	167,555	1,812,208
		43,906,676	**72,323,287**	**43,781,787**	**74,128,329**
Non-Current Assets					
Investment property	4	2,612,284	1,548,000	2,612,284	1,548,000
Property, plant and equipment	5	690,116,094	697,443,822	690,116,094	697,443,822
Intangible assets	6	1,098,249	624,653	1,098,249	624,653
Investments in controlled entities	7	20,100	20,100	-	-
		693,846,727	**699,636,575**	**693,826,627**	**699,616,475**
Total Assets		**737,753,403**	**771,959,862**	**737,608,414**	**773,744,804**
Liabilities					
Current Liabilities					
Other financial liabilities	20	382,424	19,820,361	382,424	19,820,361
Finance lease obligation	18	1,816,639	1,906,208	1,816,639	1,906,208
Payables from exchange transactions	22	174,527,677	149,620,737	174,602,775	149,620,737
VAT payable	23	21,438,550	17,690,960	21,438,550	17,690,960
Consumer deposits	24	1,043,727	1,068,680	1,043,727	1,068,680
Retirement benefit obligation	9	812,000	1,934,000	812,000	1,934,000
Unspent conditional grants and receipts	19	1,899,308	7,698,355	1,899,308	9,538,818
Bank overdraft	15	2,186,195	1,404,907	2,186,195	1,404,907
		204,106,520	**201,144,208**	**204,181,618**	**202,984,671**
Non-Current Liabilities					
Other financial liabilities	20	33,363	4,900,574	33,363	4,900,574
Finance lease obligation	18	912,323	2,263,342	912,323	2,263,342
Retirement benefit obligation	9	15,096,486	15,233,086	15,096,486	15,233,086
Provisions	21	2,101,000	2,152,040	2,101,000	2,152,040
		18,143,172	**24,549,042**	**18,143,172**	**24,549,042**
Total Liabilities		**222,249,692**	**225,693,250**	**222,324,790**	**227,533,713**
Net Assets		**515,503,711**	**546,266,612**	**515,283,624**	**546,211,091**
Accumulated surplus		515,503,711	546,266,612	515,283,624	546,211,091

Statement of Financial Performance

		Municipality		Group	
Figures in Rand	Note(s)	2013	2012	2013	2012
Revenue					
Revenue from exchange transactions					
Service charges	27	85,150,429	80,764,962	85,150,429	80,764,962
Rental of facilities and equipment		545,941	324,469	545,941	324,469
Licences and permits		3,600	3,600	3,600	3,600
Municipal Revenue UD2		-	-	214,200	650,000
Donation - District Municipality		-	3,542,000	-	3,542,000
Vehicle Monies		1,899,848	-	1,899,848	-
Fees earned		611,004	572,264	611,004	572,264
Commissions received		129,930	25,784	129,930	25,784
Interest on debtors		16,698,455	13,950,769	16,698,455	13,950,769
Fair Value Adjustments		1,084,347	-	1,084,347	-
Financial intruments - Fee income		1,090,771	372,478	1,090,771	372,478
Other income		-	-	9,250	-
Interest received - investment	35	247,435	107,492	247,435	107,492
Total revenue from exchange transactions		**107,461,760**	**99,663,818**	**107,685,210**	**100,313,818**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	26	11,886,693	8,644,081	11,886,693	8,644,081
Transfer revenue					
Government grants & subsidies		67,128,576	38,318,316	68,969,039	38,429,718
Fines		1,144,839	3,632,224	1,144,839	3,632,224
Debt Repayment - District Municipality		23,935,830	252,412	23,457,774	(397,588)
Total revenue from non-exchange transactions		**104,095,938**	**50,847,033**	**105,458,345**	**50,308,435**
Total revenue	25	**211,557,698**	**150,510,851**	**213,143,555**	**150,622,253**
Expenditure					
Personnel	32	(37,582,199)	(46,061,557)	(37,904,546)	(46,064,057)
Remuneration of councillors	33	(3,536,111)	(2,987,669)	(3,714,951)	(3,068,508)
Depreciation and amortisation	36	(29,062,884)	(29,977,813)	(29,062,884)	(29,977,813)
Finance costs	37	(460,960)	(2,804,502)	(460,960)	(2,804,502)
Debt impairment	34	(73,169,943)	(6,572,935)	(73,169,943)	(6,572,935)
Repairs and maintenance		(4,922,703)	(3,393,134)	(4,966,783)	(3,393,134)
Bulk purchases	40	(48,970,891)	(44,928,796)	(48,970,891)	(44,928,796)
Contracted services	39	(4,699,320)	(1,612,985)	(4,699,320)	(1,612,985)
General Expenses	30	(38,199,229)	(36,750,213)	(39,404,385)	(36,778,276)
Total expenditure		**(240,604,240)**	**(175,089,604)**	**(242,354,663)**	**(175,201,006)**
Operating deficit	31	**(29,046,542)**	**(24,578,753)**	**(29,211,108)**	**(24,578,753)**
Deficit for the year		**(29,046,542)**	**(24,578,753)**	**(29,211,108)**	**(24,578,753)**
Attributable to:					
Owners of the controlling entity		(29,046,542)	(24,578,753)	(29,211,108)	(24,578,753)

Statement of Changes in Net Assets

Figures in Rand	Fair value adjustment assets-available-for-sale reserve	Government grant reserve	Donations and public contributions	Total reserves	Accumulated surplus	Total net assets
Municipality						
Opening balance as previously reported	29,985	20,307,202	309,524	20,646,711	695,207,574	715,854,285
Adjustments						
Correction of errors	-	(20,307,202)	(309,524)	(20,616,726)	(124,392,194)	(145,008,920)
Change in accounting policy	(29,985)	-	-	(29,985)	29,985	-
Balance at 01 July 2011 as restated	**-**	**-**	**-**	**-**	**570,845,365**	**570,845,365**
Changes in net assets						
Surplus for the year	-	-	-	-	(24,578,753)	(24,578,753)
Total changes	-	-	-	-	(24,578,753)	(24,578,753)
Balance at 01 July 2012	**-**	**-**	**-**	**-**	**546,266,612**	**546,266,612**
Changes in net assets						
Surplus for the year	-	-	-	-	(29,046,542)	(29,046,542)
Other adjustments	-	-	-	-	(1,716,359)	(1,716,359)
Total changes	-	-	-	-	(30,762,901)	(30,762,901)
Balance at 30 June 2013	**-**	**-**	**-**	**-**	**515,503,711**	**515,503,711**
Note(s)	17					
Group						
Opening balance as previously reported	29,985	17,867,583	345,238	18,242,806	695,207,574	713,450,380
Adjustments						
Correction of errors	-	(17,867,583)	(345,238)	(18,212,821)	(124,447,715)	(142,660,536)
Change in accounting policy	(29,985)	-	-	(29,985)	29,985	-
Balance at 01 July 2011 as restated	**-**	**-**	**-**	**-**	**570,789,844**	**570,789,844**
Changes in net assets						
Surplus for the year	-	-	-	-	(24,578,753)	(24,578,753)
Total changes	-	-	-	-	(24,578,753)	(24,578,753)
Balance at 01 July 2012	**-**	**-**	**-**	**-**	**546,211,091**	**546,211,091**
Changes in net assets						
Surplus for the year	-	-	-	-	(29,211,108)	(29,211,108)
Other adjustments	-	-	-	-	(1,716,359)	(1,716,359)
Total changes	-	-	-	-	(30,927,467)	(30,927,467)
Balance at 30 June 2013	**-**	**-**	**-**	**-**	**515,283,624**	**515,283,624**
Note(s)	17					

Cash Flow Statement

		Municipality		Group	
Figures in Rand	Note(s)	2013	2012	2013	2012
Cash flows from operating activities					
Receipts					
Sale of goods and services		71,672,512	65,504,002	71,672,512	65,504,002
Grants		67,128,576	38,318,316	67,128,576	41,183,801
Interest income		247,435	107,492	247,435	107,492
Other receipts		-	-	9,250	2,301
Other cash item		17,560,061	30,556,908	17,774,261	30,631,986
		156,608,584	134,486,718	156,832,034	137,429,582
Payments					
Employee costs		(37,582,199)	(46,384,557)	(37,904,546)	(46,387,057)
Suppliers		(75,702,274)	(91,827,299)	(77,245,728)	(92,962,621)
Finance costs		(460,960)	(2,804,502)	(460,960)	(2,804,502)
Other cash item		(14,234,723)	-	(14,234,723)	-
		(127,980,156)	(141,016,358)	(129,845,957)	(142,154,180)
Net cash flows from operating activities	41	**28,628,428**	**(6,529,640)**	**26,986,077**	**(4,724,598)**
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(21,452,340)	4,582,486	(21,452,340)	4,582,486
Purchase of investment property	4	-	(1,548,000)	-	(1,548,000)
Purchase of other intangible assets	6	(473,596)	73,746	(473,596)	73,746
Purchase of money market investments		(5,676,176)	(85,878)	(5,676,176)	(85,878)
Net cash flows from investing activities		**(27,602,112)**	**3,022,354**	**(27,602,112)**	**3,022,354**
Cash flows from financing activities					
Repayment of other financial liabilities		(369,318)	3,506,849	(369,318)	3,506,849
Finance lease payments		(1,440,588)	(1,553,871)	(1,440,588)	(1,553,871)
Net cash flows from financing activities		**(1,809,906)**	**1,952,978**	**(1,809,906)**	**1,952,978**
Net increase/(decrease) in cash and cash equivalents		**(783,590)**	**(1,554,308)**	**(2,425,941)**	**250,734**
Cash and cash equivalents at the beginning of the year		(1,397,741)	156,567	407,301	156,567
Cash and cash equivalents at the end of the year	15	**(2,181,331)**	**(1,397,741)**	**(2,018,640)**	**407,301**

Accounting Policies

1. Presentation of Group Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

Consolidated group annual financial statements are the group annual financial statements of the economic entity presented as those of a single entity.

The consolidated group annual financial statements incorporate the group annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated group annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The group annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated group annual financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the group annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

1.2 Significant judgements and sources of estimation uncertainty

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

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

The economic entity assesses its trade receivables and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The calculation is primarily based on the collection rate of the amount due per type of debtors, as required by GRAP Standards.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Available-for-sale financial assets

The economic entity follows the guidance of GRAP 104 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the economic entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Impairment testing

The economic entity tests the carrying value of assets for impairment when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply, demand, together with economic factors such as inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Post retirement benefits

The cost of post retirement medical aid benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainity. Any changes in these assumptions will impact on the carrying amount of the post retirement obligations.

Additional information is disclosed in Note 9.

Effective interest rate

The economic entity used the prime interest rate plus a reasonable adjustment to discount future cash flows, where necesary.

in addition to this, where investment certificates were not received, management estimated the amount of interest due or earned on the investment, based on the available data.

Classification of Investment Property

The municipality regularly reviews its property portfolio and determine which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfiling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and the Carrying Value of Items of Property, Plant and Equipment

The estimation of useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements and/or required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of the useful lives, and what their condition will be at that time.

Further, when the municipality fully complied with GRAP 17, to determine the value of the assets where the cost amounts were not available, management used the current market values of similar assets and adjusted that using condition assessment. Condition assessment was based on managements' judgement.Additional text

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Water Inventory and Cost of Purefying Water

Water Inventory: The amount of water in the municipality's reservoirs is based on management judgement. Management make use of engineers to perform these estimates.

Cost of Purefying Water: This is also based on management judgement by reference to the market researches available, adjusted by inflation rates (CPI), if the research was conducted more than a year ago.

1.3 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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 from the date the asset is ready for use.

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

Land is not depreciated, as it is deemed to have an indefinite useful life.

Incomplete construction work is stated at historical cost, as Work In Progress (WIP). Depreciation only commences when the asset is ready for use.

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

Item	**Average useful life**
Land	Not applicable (as it is not depreciated)
Infrastructure	
• Roads and Paving	30
• Electricity	3 - 40
• Housing	30
Community	
• Buildings	30
• Recreational facilities	20 - 35
• Security	5
Other	
• Buildings	30
• Specialist Vehicles	5 - 20
• Other vehicles	5 - 7
• Office equipment	3 - 7
• Furniture and fittings	7 - 10
• Plant and machinery	2 - 7
• Leased Assets	3 - 7

1.5 Site restoration and dismantling cost

The municipality does not has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are borne by the district municipality. As such, no provision is made in our financial statements regarding that provision.

1.6 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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

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

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

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

Item	Useful life
Computer software	3 - 7 years

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

1.7 Investments in controlled entities

Municipality group annual financial statements

The economic entity group annual financial statements include those of the controlling entity and its controlled entities. The revenue and expenses of the controlled entities are included from the effective date of acquisition.

On acquisition the economic entity recognises the controlled entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Group group annual financial statements

In the municipality’s separate group annual financial statements, investments in investments in controlled entities are carried at .

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.8 Financial instruments

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

Classification

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

Class	Category
Trade and Other Receivables (exchange and non-exchange)	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Money Market Instruments	Financial asset measured at amortised cost
Other Financial Assets	Financial asset measured at fair value

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

Class	Category
Trade and Other Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft and borrowings	Financial liability measured at amortised cost

Class	Category

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value..

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

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

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Reclassification

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Accounting Policies

1.8 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Accounting Policies

1.9 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

Inventories, which consists of consumables, water and stands for sale, are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

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

Accounting Policies

1.10 Inventories (continued)

Stands for Sale, Water and Meters

Stands for sale: The municipality measures stands for sale at the lower of cost or cost of conversion and net realisable value. Cost is primarily determined bt reference to the valuation roll or cost of servicing the stands.

Water Inventory: Water is measured at the lower of total purification costs and net realisable value in sofar as it is stored and controlled in reservoirs. Purification costs are determined by reference to the estimated or reserched costs of purifying water within the same sector and/or territory, adjusted by inflation rates (if the research was conducted more than a year back). Net realisable value is determined by reference to the municipality's approved tarrifs of water sales. Readings of water levels are taken at each balance sheet date and quantified at the above values.

Meters: It is the policy of the municipality to account for meters as inventory. When new meters are puchased and put into stores, when they are installed, they are expensed immediately.

1.11 Going Concern Assumptions

The annual financial statements were prepared on a going concern basis, i.e. the assumption that the municipality will continue to operate as a going concern for the next 12 months.

1.12 Non-current assets held for sale and disposal groups

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

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

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Accounting Policies

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Incomplete Construction Work (Work In Progress)

Incomplete construction work is stated at historical costs. Historical costs relates to accumulation of capital amounts incurred to the date of commission. Depreciation will only commence when the asset is available for use, after commissioning.

1.16 Employee benefits

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

Termination benefits are 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.

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

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

Accounting Policies

1.16 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity 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.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the group annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

1.16 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement medical aid benefits.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 municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.17 Provisions and contingencies

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

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

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

Accounting Policies

1.17 Provisions and contingencies (continued)

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 economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Long Service Award

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefits that employees have earned in return for their service in the current and prior periods less an amounts paid during the current period. The ebenfit is discounted to determine its present value once the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly.

Where a fee is received by the economic entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the economic entity considers that an outflow of economic resources is probable, an economic entity recognises the obligation at the higher of:

Accounting Policies

1.17 Provisions and contingencies (continued)

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimated consumption's are made monthly when meters have not been read. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as against or for revenue in the invoicing period. Income from agency services: Income from agency services is recognised on a monthly basis once the income collected/received on behalf of agents has been quantified. The income is recognised in terms of the agency agreement.

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

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

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

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

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

1.20 Value Added Tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.21 Pre-paid electricity

Revenue from the sale of electricity using pre-paid meter cards is recognised based on consumption.

The consumption is determined on the following trend analysis:

- During the winter season (May, June, July and August), the municipality tend to sell more units as the temperatures will be generally low.;
- The municipality calculates the average sales for the four months. The resultant average units are compared to the sales for May and August for reasonableness. If the average sales in units are within a reasonable range or threshold of the May and August sales, the average is deemed reasonable. If it is not within the reasonable range obtained for the two months, reasons for the significant variances are obtained and accounted for in appropriately, which may be in the form of an adjustment to the revenue for pre-paid electricity. Thus, exceptional items are adjusted for
- The resultant reasonable average consumption rate is used as an estimate for the consumption of pre-paid electricity for the month of June. The actual units sold in June are then compared to the estimated consumption for June. If the actual quantity sold is more than the estimated consumption for June, pre-paid electricity revenue sales for June is then based on the estimated consumption units and the excess is deferred to July of the ensuing period. If the actual quantity sold in June is less than the estimated consumption for June, pre-paid electricity for June is then based on the actual units sold.

Accounting Policies

1.22 Finance income and expenses

Finance income is recognised on a time-proportion basis using the effective interest method. It is recognised as it accrues in the surplus or deficit for the year. Dividend income is also recognised in the surplus or deficit on the date the municipality has a right to receive payment, which in the case of quoted shares is the ex-dividend date.Investment income is recognised on a time-proportion basis using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit and loss and impairment losses recognised on financial assets.

1.23 Borrowing costs

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

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.13 and 1.14. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

Extended periods is periods that exceeds X months.

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

When the economic entity 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.

1.24 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

Accounting Policies

1.25 Unauthorised expenditure (continued)

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

Irregular expenditure that is contrary to the Municipal Finance Management Act (Act 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 fopr as an expense in the Statement of Financial Performance and where recovedred, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it it is treated as a receivable until it is written off as irrecoverable.

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

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

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

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

1.28 Use of estimates

The preparation of group annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the economic entity’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the group annual financial statements are disclosed in the relevant sections of the group 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.

1.29 Presentation of currency

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

1.30 Offsetting

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

Accounting Policies

1.31 Internal reserves

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality uses the Workman's Compensation Fund to cover for such challenges.

1.32 Gratuities

The economic entity provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.33 Budget information

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

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

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

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

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

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

1.34 Related parties

The economic entity 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 economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

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

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

1.35 Donations and contributions

Revenue from donations is recognised as revenue when: (1) it is probable that the economic benefits or services potential associated with the transaction will flow to the municipality, (2) the amount of revenue can be measured reliably, (3) any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or recivable which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

1.36 Consumer Deposits

Consumer deposits are charged when new water and/or electricty accounts are opened. The amounts vary per consumer and are approved by Council as part of the tarrif structure.

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

2. Changes in accounting policy

The group annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Other Financial Assets

During the year, the municipality changed its accounting policy with respect to the treatment of Other Financial Assets (Available for sale). In order to conform with the transitional arrangements of GRAP 104, the municipality transferred the balance that was in the Available for Sale Reserve as at the begining of the year to Accumulated surplus. This is against the background that the transitional arangements in the standard requires entities to transfer any balances that existed in the reserve that would have been recognised directly in equity to accumulated surplus or defific. The municipality now accounts for any gains/losses relating to Other Financial Assets in the surplus or deficit for the year.

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 30 June 2012 is as disclosed in the notes to the financial statements and shown below:

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

Statement of financial position

Available for sale reserve				
Previously stated	-	29,985	-	29,985
Adjustment	-	(29,985)	-	(29,985)
	-	**-**	**-**	**-**
Opening retained earnings				
Previously stated	-	695,237,559	-	695,237,559
Adjustment	-	29,985	-	29,985
	-	**695,267,544**	**-**	**695,267,544**

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

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

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

3. New standards and interpretations

3.1 Standards and Interpretations early adopted

The economic entity has chosen not to early adopt standards and interpretations eefective in future.

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

3.2 Standards and interpretations issued, but not yet effective as well as effective and adopted in the current year

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

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

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 economic entity. 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 economic entity'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 economic entity expects to adopt the standard for the first time in the 2014 group annual financial statements.

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

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

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

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

The economic entity has adopted the standard for the first time in the 2013 group annual financial statements.

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

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

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

A comparable basis means that the budget and group annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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

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

The economic entity has adopted the standard for the first time in the 2013 group annual financial statements.

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

GRAP 103: Heritage Assets

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

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

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the economic entity; and
- the cost of fair value of the asset can be measured reliably.

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

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

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

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

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

The economic entity has adopted the standard for the first time in the 2013 group annual financial statements.

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

GRAP 21: Impairment of non-cash-generating assets

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

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

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

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

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

- Service units approach

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

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

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

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

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

The economic entity has adopted the standard for the first time in the 2013 group annual financial statements.

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

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an economic entity 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.

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

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

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

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

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

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

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

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

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

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

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

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

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

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

The economic entity has adopted the standard for the first time in the 2013 group annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the group 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 economic entity 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 economic entity 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 economic entity in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an economic entity 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;
- 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 economic entity 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 economic entity 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;

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

- 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.
- 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 economic entity expects to adopt the standard for the first time in the 2014 group annual financial statements.

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

GRAP 104: Financial Instruments

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

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

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

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

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

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

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

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

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An economic entity measures a financial instrument at fair value if it is:

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

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

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

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

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

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

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

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an economic entity has transferred control of the asset to another economic entity.

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

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

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

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

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

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

The economic entity has adopted the standard for the first time in the 2013 group annual financial statements.

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

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 economic entity expects to adopt the standard for the first time in the 2015 group annual financial statements.

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

GRAP 107: Mergers

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

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 economic entity expects to adopt the standard for the first time in the 2015 group annual financial statements.

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

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's group 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 group annual financial statements.

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

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

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

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

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 economic entity expects to adopt the standard for the first time in the 2014 group annual financial statements.

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

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for group annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The economic entity expects to adopt the amendment for the first time in the 2015 group annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's group 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 economic entity expects to adopt the amendment for the first time in the 2014 group annual financial statements.

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

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

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 economic entity expects to adopt the amendment for the first time in the 2014 group annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's group 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 economic entity expects to adopt the amendment for the first time in the 2014 group annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's group 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 economic entity expects to adopt the amendment for the first time in the 2014 group annual financial statements.

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

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 economic entity expects to adopt the amendment for the first time in the 2014 group annual financial statements.

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

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

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

The economic entity expects to adopt the amendment for the first time in the 2014 group annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's group 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 economic entity expects to adopt the amendment for the first time in the 2014 group annual financial statements.

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

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

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

The economic entity expects to adopt the amendment for the first time in the 2014 group annual financial statements.

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

IGRAP16: Intangible assets website costs

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

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

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.

Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

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

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

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

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

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

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

The economic entity expects to adopt the amendment for the first time in the 2014 group annual financial statements.

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

IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

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

The economic entity expects to adopt the amendment for the first time in the 2014 group annual financial statements.

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

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

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

4. Investment property

Municipality	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,612,284	-	2,612,284	1,548,000	-	1,548,000

Group	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,612,284	-	2,612,284	1,548,000	-	1,548,000

Reconciliation of investment property - Municipality - 2013

	Opening balance	Fair Value Adjustment	Total
Investment property	1,548,000	1,064,284	2,612,284

Reconciliation of investment property - Municipality - 2012

	Opening balance	Additions	Total
Investment property	-	1,548,000	1,548,000

Reconciliation of investment property - Group - 2013

	Opening balance	Fair Value Adjustment	Total
Investment property	1,548,000	1,064,284	2,612,284

Reconciliation of investment property - Controlling entity - 2012

	Opening balance	Additions	Total
Investment property	-	1,548,000	1,548,000

Pledged as security

No investment property was pledged as security:

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

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

4. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2013. Revaluations were performed by an independent valuer, Mr Berend VanZyl [a Professional Valuer, registered with the South African Council for the Property Valuers Profession]. He is not connected to the economic entity and have recent experience in location and category of the investment property being valued.

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

The property is ERF No 745, which is about 2,855 square metres in extent and is being leased out to the Provincial Government.

There are no restrictions on the realisability of investment property or the remittance of revenue generated by investment properties. Valuations were done by an independent sworn appraiser.

5. Property, plant and equipment

Municipality	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	74,107,582	-	74,107,582	74,107,582	-	74,107,582
Buildings	41,150,500	(8,128,168)	33,022,332	41,150,500	(7,584,196)	33,566,304
Machinery	263,915	(81,586)	182,329	199,585	(47,498)	152,087
Furniture and fixtures	1,754,798	(717,397)	1,037,401	1,520,260	(541,987)	978,273
Motor vehicles	13,993,745	(9,748,978)	4,244,767	13,403,844	(7,752,712)	5,651,132
Office equipment	5,682,749	(2,794,210)	2,888,539	5,095,545	(1,396,125)	3,699,420
Computer Equipment	1,015,234	(327,656)	687,578	317,264	(127,830)	189,434
Connections	5,837,250	(983,023)	4,854,227	5,837,250	(737,267)	5,099,983
LV Networks	37,068,298	(9,564,551)	27,503,747	37,068,298	(8,425,834)	28,642,464
MV Networks	42,498,126	(7,190,866)	35,307,260	42,498,126	(5,393,149)	37,104,977
Public Lighting	7,840,732	(1,553,152)	6,287,580	7,840,732	(1,164,864)	6,675,868
Carriage Way	429,986,146	(68,000,223)	361,985,923	421,054,411	(50,784,077)	370,270,334
Road Furniture	42,026	(12,650)	29,376	42,026	(9,488)	32,538
Storm Water Networks	48,101,334	(7,143,490)	40,957,844	48,101,334	(5,357,618)	42,743,716
Structures	88,936,507	(6,671,603)	82,264,904	88,936,507	(5,003,702)	83,932,805
Traffic Management	3,035,898	(837,020)	2,198,878	3,035,898	(627,765)	2,408,133
Work in progress	12,555,827	-	12,555,827	2,188,772	-	2,188,772
Total	**813,870,667**	**(123,754,573)**	**690,116,094**	**792,397,934**	**(94,954,112)**	**697,443,822**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

5. Property, plant and equipment (continued)

Group	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	74,107,582	-	74,107,582	74,107,582	-	74,107,582
Buildings	41,150,500	(8,128,168)	33,022,332	41,150,500	(7,584,196)	33,566,304
Machinery	263,915	(81,586)	182,329	199,585	(47,498)	152,087
Furniture and fixtures	1,754,798	(717,397)	1,037,401	1,520,260	(541,987)	978,273
Motor vehicles	13,993,745	(9,748,978)	4,244,767	13,403,844	(7,752,712)	5,651,132
Office equipment	5,682,749	(2,794,210)	2,888,539	5,095,545	(1,396,125)	3,699,420
Computer equipment	1,015,234	(327,656)	687,578	317,264	(127,830)	189,434
Connections	5,837,250	(983,023)	4,854,227	5,837,250	(737,267)	5,099,983
LV Networks	37,068,298	(9,564,551)	27,503,747	37,068,298	(8,425,834)	28,642,464
MV Networks	42,498,126	(7,190,866)	35,307,260	42,498,126	(5,393,149)	37,104,977
Public Lighting	7,840,732	(1,553,152)	6,287,580	7,840,732	(1,164,864)	6,675,868
Carriage Way	429,986,146	(68,000,223)	361,985,923	421,054,411	(50,784,077)	370,270,334
Road Furniture	42,026	(12,650)	29,376	42,026	(9,488)	32,538
Storm Water Networks	48,101,334	(7,143,490)	40,957,844	48,101,334	(5,357,618)	42,743,716
Structures	88,936,507	(6,671,603)	82,264,904	88,936,507	(5,003,702)	83,932,805
Traffic Management	3,035,898	(837,020)	2,198,878	3,035,898	(627,765)	2,408,133
Work in progress	12,555,827	-	12,555,827	2,188,772	-	2,188,772
Total	**813,870,667**	**(123,754,573)**	**690,116,094**	**792,397,934**	**(94,954,112)**	**697,443,822**

Reconciliation of property, plant and equipment - Municipality - 2013

	Opening balance	Additions	Depreciation	Under Construction	Total
Land	74,107,582	-	-	-	74,107,582
Buildings	33,566,304	-	(543,972)	-	33,022,332
Machinery	152,087	64,330	(34,088)	-	182,329
Furniture and fixtures	978,273	234,537	(175,409)	-	1,037,401
Motor vehicles	5,651,132	589,901	(1,996,266)	-	4,244,767
Office equipment	3,699,420	587,205	(1,398,086)	-	2,888,539
Computer equipment	189,434	697,971	(199,827)	-	687,578
Connections	5,099,983	-	(245,756)	-	4,854,227
LV Networks	28,642,464	-	(1,138,717)	-	27,503,747
MV Networks	37,104,977	-	(1,797,717)	-	35,307,260
Public Lighting	6,675,868	-	(388,288)	-	6,287,580
Carriage way	370,270,334	8,931,735	(17,216,146)	-	361,985,923
Road Furniture	32,538	-	(3,162)	-	29,376
Storm Water Networks	42,743,716	-	(1,785,872)	-	40,957,844
Structures	83,932,805	-	(1,667,901)	-	82,264,904
Traffic Management	2,408,133	-	(209,255)	-	2,198,878
Work In Progress	2,188,772	-	-	10,367,055	12,555,827
	697,443,822	**11,105,679**	**(28,800,462)**	**10,367,055**	**690,116,094**

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2012

	Opening balance	Additions	Other Movemnets	Backlog depreciation	Depreciation	Under Construction (WIP)	Total
Land	77,060,582	-	(2,953,000)	-	-	-	74,107,58
Buildings	43,360,700	-	(2,064,000)	(7,169,224)	(561,172)	-	33,566,30
Machinery	49,514	150,071	-	(19,843)	(27,655)	-	152,08
Furniture and fixtures	1,520,260	-	-	(390,031)	(151,956)	-	978,27
Motor vehicles	13,403,845	-	-	(5,837,878)	(1,914,835)	-	5,651,13
Office equipment	4,900,501	195,044	-	(143,736)	(1,252,389)	-	3,699,42
Computer equipment	227,865	89,399	-	(65,650)	(62,180)	-	189,43
Connections	7,375,978	-	-	(2,030,240)	(245,755)	-	5,099,98
LV Networks	40,963,005	-	-	(11,181,825)	(1,138,716)	-	28,642,46
MV Networks	64,759,984	-	-	(25,857,291)	(1,797,716)	-	37,104,97
Public Lighting	10,008,784	-	-	(2,944,628)	(388,288)	-	6,675,86
Carriage Way	800,023,706	-	-	(412,825,346)	(16,928,026)	-	370,270,33
Road Furniture	47,441	-	-	(11,740)	(3,163)	-	32,53
Storm Water Networks	89,216,964	-	-	(44,687,375)	(1,785,873)	-	42,743,71
Structures	133,432,050	-	-	(47,831,344)	(1,667,901)	-	83,932,80
Traffic Management	3,766,731	-	-	(1,149,343)	(209,255)	-	2,408,13
Work in Progress	-	-	-	-	-	2,188,772	2,188,77
	1,290,117,910	**434,514**	**(5,017,000)**	**(562,145,494)**	**(28,134,880)**	**2,188,772**	**697,443,82**

Reconciliation of property, plant and equipment - Group - 2013

	Opening balance	Additions	Depreciation	Under Construction (WIP)	Total
Land	74,107,582	-	-	-	74,107,582
Buildings	33,566,304	-	(543,972)	-	33,022,332
Machinery	152,087	64,330	(34,088)	-	182,329
Furniture and fixtures	978,273	234,537	(175,409)	-	1,037,401
Motor vehicles	5,651,132	589,901	(1,996,266)	-	4,244,767
Office equipment	3,699,420	587,205	(1,398,086)	-	2,888,539
Computer equipment	189,434	697,971	(199,827)	-	687,578
Connections	5,099,983	-	(245,756)	-	4,854,227
LV Networks	28,642,464	-	(1,138,717)	-	27,503,747
MV Networks	37,104,977	-	(1,797,717)	-	35,307,260
Public Lighting	6,675,868	-	(388,288)	-	6,287,580
Carriage Way	370,270,334	8,931,735	(17,216,146)	-	361,985,923
Road Furniture	32,538	-	(3,162)	-	29,376
Storm Water Networks	42,743,716	-	(1,785,872)	-	40,957,844
Structures	83,932,805	-	(1,667,901)	-	82,264,904
Traffic Management	2,408,133	-	(209,255)	-	2,198,878
Work In Progress	2,188,772	-	-	10,367,055	12,555,827
	697,443,822	**11,105,679**	**(28,800,462)**	**10,367,055**	**690,116,094**

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2012

	Opening balance	Additions	Other Movements	Backlog Depreciation	Depreciation	Under Construction	Total
Land	77,060,582	-	(2,953,000)	-	-	-	74,107,58
Buildings	43,360,700	-	(2,064,000)	(7,169,224)	(561,172)	-	33,566,30
Machinery	49,514	150,071	-	(19,843)	(27,655)	-	152,08
Furniture and fixtures	1,520,260	-	-	(390,031)	(151,956)	-	978,27
Motor vehicles	13,403,845	-	-	(5,837,878)	(1,914,835)	-	5,651,13
Office equipment	4,900,501	195,044	-	(143,736)	(1,252,389)	-	3,699,42
Computer equipment	227,865	89,399	-	(65,650)	(62,180)	-	189,43
Connections	7,375,978	-	-	(2,030,240)	(245,755)	-	5,099,98
LV Networks	40,963,005	-	-	(11,181,825)	(1,138,716)	-	28,642,46
MV Networks	64,759,984	-	-	(25,857,291)	(1,797,716)	-	37,104,97
Public Lighting	10,008,784	-	-	(2,944,628)	(388,288)	-	6,675,86
Carriage Way	800,023,706	-	-	(412,825,346)	(16,928,026)	-	370,270,33
Road Furniture	47,441	-	-	(11,740)	(3,163)	-	32,53
Storm Water Networks	89,216,964	-	-	(44,687,375)	(1,785,873)	-	42,743,71
Struictures	133,432,050	-	-	(47,831,344)	(1,667,901)	-	83,932,80
Traffic Management	3,766,731	-	-	(1,149,343)	(209,255)	-	2,408,13
Work In Progress	-	-	-	-	-	2,188,772	2,188,77
	1,290,117,910	**434,514**	**(5,017,000)**	**(562,145,494)**	**(28,134,880)**	**2,188,772**	**697,443,82**

Pledged as security

Carrying value of assets pledged as security are R3,258,948 (2012:R3,786,830) as disclosed below::

Motor Vehicles These were financed by loans in the form of finance leases. The assets secure the loans.	1,719,201	1,456,285	1,719,201	1,456,285
Office Equipment These were financed in the form of finance lease.	1,539,747	2,330,544	1,539,747	2,330,544

Assets subject to finance lease (Net carrying amount)

Motor vehicles	1,719,201	1,456,286	1,719,201	1,456,286
Office equipment	1,539,747	2,330,544	1,539,747	2,330,544
	3,258,948	**3,786,830**	**3,258,948**	**3,786,830**

Useful lives

The useful lives of the have been reviewed to ensure that they more accurately reflect the actual expected life spans of the assets within the municipality. In all of the cases, the useful lives were not adjusted as they were found to be reasonable.

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

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

6. Intangible assets

Municipality	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,475,888	(377,639)	1,098,249	739,870	(115,217)	624,653

Group	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,475,888	(377,639)	1,098,249	739,870	(115,217)	624,653

Reconciliation of intangible assets - Municipality - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	624,653	736,018	(262,422)	1,098,249

Reconciliation of intangible assets - Municipality - 2012

	Opening balance	Additions	Backlog Amortisation	Amortisation	Total
Computer software	816,425	41,471	(115,217)	(118,026)	624,653

Reconciliation of intangible assets - Group - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	624,653	736,018	(262,422)	1,098,249

Reconciliation of intangible assets - Controlling entity - 2012

	Opening balance	Additions	Backlog amortisation	Amortisation	Total
Computer software	816,425	41,471	(115,217)	(118,026)	624,653

Pledged as security

No intangible assets were pledged as security.

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

7. Investments in controlled entities

Name of company	Held by	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Lekwa Teemane Development Agency (Pty) Ltd	Lekwa Teemane Local Municipality	100.00 %	100.00 %	195,173	144,579

The carrying amounts of controlled entities were not impaired as at the end of 30 June 2013 & 2012. As such there were no impairment losses.

8. Other financial assets

Designated at fair value (Available for sale)				
Listed shares	50,048	29,985	50,048	29,985
Current assets				
Designated at fair value (Sanlam Shares)	50,048	29,985	50,048	29,985

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Listed shares This comprises of 1 088 shares held in Sanlam. The shares were valued based on the market value of the shares as at 28 June 2013, which was R46/share (2012: R27.55)	50,048	29,985	50,048	29,985

9. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth and SAMWUMED medical aid schemes.

The municipality is committed to pay 60% of the members' post employment medical aid contributions up to an amount that is currently capped at R3,557 per month. Under the plan, dependents of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme subsidy were 115 in service members and 24 pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 30 June 2013 by ZAQ Consultants and Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

9. Employee benefit obligations (continued)

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

Carrying value				
Present value of the defined benefit obligation-wholly unfunded	(15,908,486)	(17,167,086)	(15,908,486)	(17,167,086)
Non-current liabilities	(15,096,486)	(15,233,086)	(15,096,486)	(15,233,086)
Current liabilities	(812,000)	(1,934,000)	(812,000)	(1,934,000)
	(15,908,486)	**(17,167,086)**	**(15,908,486)**	**(17,167,086)**

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of IAS19. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets.

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

Opening balance	17,167,086	10,746,686	17,167,086	10,746,686
Transitional provision - recognised during the year	3,363,400	3,363,400	3,363,400	3,363,400
Benefits paid	(726,862)	(1,934,000)	(726,862)	(1,934,000)
Net expense recognised in the statement of financial performance	(3,895,138)	4,991,000	(3,895,138)	4,991,000
	15,908,486	**17,167,086**	**15,908,486**	**17,167,086**

Net expense recognised in the statement of financial performance

Current service cost	704,000	596,000	704,000	596,000
Interest cost	2,041,000	1,737,000	2,041,000	1,737,000
Actuarial (gains) losses	(6,640,138)	2,658,000	(6,640,138)	2,658,000
	(3,895,138)	**4,991,000**	**(3,895,138)**	**4,991,000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(6,640,138)	2,658,000	(6,640,138)	2,658,000

Transitional Provisions (First Time Adoption of IAS 19)

Opening balance (not yet recognised at the beginning of the year)	3,363,400	6,726,800	3,363,400	6,726,800
Amount recognised during the current year (Statement of financial performance)	(3,363,400)	(3,363,400)	(3,363,400)	(3,363,400)
	-	**3,363,400**	**-**	**3,363,400**

The economic entity adopted IAS 19 for the first time on July 2009. Previously, post retirement medical aid benefit obligations or assets were not recognised in the financial statement as it was not a requirement to do under IMFO. When adopting the standard for the first time, the municipality made an irrevocable choice to recognise the opening balance of the liability in the income statement over five years. As a result of this, the foregoing are the key amounts disclosable..

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

9. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.40 %	8.43 %	7.40 %	8.43 %
Consumer price inflation	5.66 %	6.07 %	5.66 %	6.07 %
Expected increases in salaries	6.66 %	7.07 %	6.66 %	7.07 %
Expected increases in healthacre costs	6.66 %	7.09 %	6.66 %	7.09 %

Demographic Assumptions: Normal Retirement Age (65 years); Fully accrued age (63 years); Age between husband and wife (Active members - 4 years, Pensioners - actual age used); Proportion married (Active members - 90%, Pensioners - actual married status used) .

Decrement Assumptions: Mortality [Active members: SA(85 - 90), Pensioners: PA(90 - 92]

Continuation percentages: It was assumed that 100% of the deceased pensioners' spouses will continue with their membership.

Other assumptions - Sensitivity Analysis

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

	1% or 20% point increase	**1% or 20% point decrease**	**1% or 20% point increase**	**1% or 20% point decrease**
Mortality Rates: Effect on defined benefit obligation (20% change)	17,748,000	21,264,000	17,748,000	21,264,000
Medical Aid Inflation: Effect on defined benefit obligation (1% change)	17,748,000	21,264,000	17,748,000	21,264,000

Amounts for the current and previous four years are as shown below. These amounts are before taking into account the transitional provisions adopted by the municipality.

	2013 R	2012 R	2011 R	2010 R	
Defined benefit obligation at end of year	19,310,000	23,932,000	18,183,000	16,817,000	-
Interest costs	2,041,000	1,737,000	1,486,000	1,374,000	-
Current service costs	704,000	596,000	501,000	460,000	-
Expected Employer Benefits Payments	(726,862)	(724,000)	(621,000)	575,000	-

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

9. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the economic entity to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The economic entity is under no obligation to cover any unfunded benefits.

The total economic entity contribution to such schemes	4,588,769	4,145,774	4,588,769	4,145,774
The amount recognised as an expense for defined contribution plans is	2,976,087	2,400,198	2,976,087	2,400,198

Included in defined contribution plan information above, is the Multi-Employer Pension Fund contributions, which due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s), are accounted for as Defined Contribution Plans.

Multi-Employer and State Plans

The following are the defined benefit plans that the municipality's employees belong to:
- SAMWU Provident Fund
- Metropolitan Pension Fund
- South African Local Authorities (SALA) Pension Fund
- Municipal Gratuity Fund

These are not treated as defined benefit plans as defined by IAS 19,but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 paragraph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.An amount of R3,846,531 (2010: R3,607,691) was contributed by council in respect of councillors and employees retirement fund. These contributions have been expensed and are included in employee related costs for the year.

In terms of contributions to the fund, the municipality and employee contributions are as follows:
- SALA Pension Fund - Employee (8.6%); Employer (20.78%);
- SAMWU Pension Fund - Employee (8.6%); Employer (18.6%)
- Metropolitan Pension Fund - Employee (8.6%); Employer (18.06%)
- Municipal Gratuity Fund - Employee (8.6%); Employer (18.6%)

Employee pension fund

Plan Assets

The municipality does not have assets set aside for post employment medical aid benefits fund that qualify as plan assets in terms of the requirements of IAS19. As such no value has been ascribed to the fair value of plan assets.

10. Money Market Investments

This relates to money market placements with various financial services institutions. The money is placed on fixed or call accounts. The investment period averages 60 days. The average interest rates for the current year were 5.45% (2012: 5.65%).

During the current year, the municipality did not have an overdraft facility. However, in the prior period, R844,582 of the Money Market Investments was used as a security for the municipality's unused overdraft facility. See Note 12.

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

11. Inventories

Consumable stores	48,681	128,145	48,681	128,145
Water	232,517	30,692	232,517	30,692
Stands for sale	659,000	659,000	659,000	659,000
	940,198	**817,837**	**940,198**	**817,837**

11.1 Non - Financial information - Quantities of Water (Kilolitres)

Stoordam Stand	8,100	-	8,100	-
Utlwanang	270	-	270	-
Bloemhof Reservoirs	10,625	-	10,625	-
Bloemhof Reservoirs	10,625	-	10,625	-
Tower Reservoirs	900	-	900	-
	30,520	**-**	**30,520**	**-**

Inventory pledged as security

No Inventory was pledged as security during the current and previous year..

12. Receivables from exchange transactions

Trade debtors	20,535,343	16,114,781	20,535,343	16,114,781
Deposits	8,000	8,000	8,000	8,000
Other receivables	666,033	8,393,363	666,033	8,393,363
	21,209,376	**24,516,144**	**21,209,376**	**24,516,144**

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security during the current and prior year..

13. Receivables from non-exchange transactions

Property rates	18,158,024	17,872,103	18,158,024	17,872,103
Government grants and subsidies	-	-	(287,580)	-
Provision for impairment of receivables	(16,825,743)	(13,133,862)	(16,825,743)	(13,133,862)
	1,332,281	**4,738,241**	**1,044,701**	**4,738,241**

Receivables from non-exchange transactions not impaired

Some of the other receivables from non-exchange transactions were not considered to be impaired. At 30 June 2013, R1,332,281 (2012: R4,738,241) were not impaired.

Receivables from non-exchange transactions impaired

As of 30 June 2013, other receivables from non-exchange transactions of R16,825,743 (2012: R13,133,862) were impaired and provided for.

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	13,133,862	3,762,284	13,133,862	3,762,284
Adjustment to provision for impairment	3,691,881	9,371,578	3,691,881	9,371,578
	16,825,743	**13,133,862**	**16,825,743**	**13,133,862**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

14. Consumer debtors

Gross balances				
Electricity	21,320,003	17,724,576	21,320,003	17,724,576
Water	73,222,119	59,052,278	73,222,119	59,052,278
Sewerage	47,880,123	42,530,596	47,880,123	42,530,596
Refuse	38,443,853	34,550,007	38,443,853	34,550,007
Arrangements (all service charges)	-	167	-	167
Interest on debtors (all Service Charges)	39,644,004	24,897,817	39,644,004	24,897,817
Sundry	2,801,463	2,778,980	2,801,463	2,778,980
	223,311,565	**181,534,421**	**223,311,565**	**181,534,421**
Less: Allowance for impairment				
Electricity	(19,755,722)	(13,025,448)	(19,755,722)	(13,025,448)
Water	(67,849,708)	(43,396,377)	(67,849,708)	(43,396,377)
Sewerage	(44,367,088)	(31,254,912)	(44,367,088)	(31,254,912)
Refuse	(35,623,173)	(25,390,132)	(35,623,173)	(25,390,132)
Interest on debtors	(39,644,004)	(24,897,817)	(39,644,004)	(24,897,817)
Sundry	(2,801,463)	(2,778,980)	(2,801,463)	(2,778,980)
	(210,041,158)	**(140,743,666)**	**(210,041,158)**	**(140,743,666)**
Net balance				
Electricity	1,564,281	4,699,128	1,564,281	4,699,128
Water	5,372,411	15,655,901	5,372,411	15,655,901
Sewerage	3,513,035	11,275,684	3,513,035	11,275,684
Refuse	2,820,680	9,159,875	2,820,680	9,159,875
	13,270,407	**40,790,588**	**13,270,407**	**40,790,588**
Electricity				
Current (0 -30 days)	1,564,281	4,624,292	1,564,281	4,624,292
31 - 60 days	-	74,836	-	74,836
	1,564,281	**4,699,128**	**1,564,281**	**4,699,128**
Water				
Current (0 -30 days)	3,811,649	15,655,901	3,811,649	15,655,901
31 - 60 days	1,560,762	-	1,560,762	-
	5,372,411	**15,655,901**	**5,372,411**	**15,655,901**
Sewerage				
Current (0 -30 days)	3,513,035	10,750,350	3,513,035	10,750,350
31 - 60 days	-	525,334	-	525,334
	3,513,035	**11,275,684**	**3,513,035**	**11,275,684**
Refuse				
Current (0 -30 days)	538,950	9,014,000	538,950	9,014,000
31 - 60 days	240,076	145,875	240,076	145,875
61 - 90 days	2,041,654	-	2,041,654	-
	2,820,680	**9,159,875**	**2,820,680**	**9,159,875**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

14. Consumer debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(140,743,833)	(128,560,455)	(140,743,833)	(128,560,455)
Contributions to allowance	(69,478,061)	(12,183,378)	(69,478,061)	(12,183,378)
Debt impairment written off against allowance	180,736	-	180,736	-
	(210,041,158)	**(140,743,833)**	**(210,041,158)**	**(140,743,833)**

Consumer debtors pledged as security

No consumer debtors were pledged as security.

Consumer debtors not impaired

Some consumer debtors were not considered to be impaired. At 30 June 2013, R13,270,407 (2012: R40,790,588) not impaired.

Consumer debtors impaired

As of 30 June 2013, consumer debtors of R210,041,158 (2012: R140,743,833) were impaired and provided for.

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 33). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4,864	7,166	4,864	7,166
Bank balances	-	-	162,691	1,805,042
Bank overdraft	(2,186,195)	(1,404,907)	(2,186,195)	(1,404,907)
	(2,181,331)	**(1,397,741)**	**(2,018,640)**	**407,301**
Current assets	4,864	7,166	167,555	1,812,208
Current liabilities	(2,186,195)	(1,404,907)	(2,186,195)	(1,404,907)
	(2,181,331)	**(1,397,741)**	**(2,018,640)**	**407,301**
Cash and cash equivalents held by the entity that are not available for use by the economic entity	971,613	866,762	971,613	866,762
The total amount of undrawn facilities available for future operating activities and commitments	-	1,000,000	-	1,000,000

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the overdraft facility	971,613	866,762	971,613	866,762

The amount is held in money market placement for as long as the municipality's overdraft facility is in place. The facility was done on an arms length transaction and is renewable annually.

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012		30 June 2013	30 June 2012	
ABSA BANK - Current Account (Account No. 1810000844)	1,050,539	539,593	-	(2,861,399)	(2,264,250)	-
ABSA Bank - Current Account (Account No 181046415)	650,090	644,184	-	650,090	644,184	-
ABSA Bank - Savings Account (Account No 1810147748)	-	2,450	-	-	2,450	-
ABSA Bank - Current Account (Account No 405244467)	25,115	186,296	-	25,115	186,296	-
ABSA Bank - Current Account (Account No. 4053056975)	3,850	2,850	-	3,850	2,850	-
ABSA Bank (Boitumelong Ext 4 : Account No 4063524168)	-	23,563	-	-	23,563	-
FNB - Current Account	162,691	1,813,096	-	162,691	1,813,096	-
Total	**1,892,285**	**3,212,032**	**-**	**(2,019,653)**	**408,189**	**-**

16. Investments in Subsidiaries

17. Fair value adjustment reserve

The fair value adjustment assets reserve represented all fair value adjustments on available-for-sale financial instruments that were recognised in equity. In terms of GRAP 104, on first adoption, all balances that were in the reserve are to be recognised directly in equity, retrospectively. As such the balance as at 30 June 2012 has been reclassified to equity.

Opening balance	-	29,985	-	29,985
Transfer to accumulated surplus (GRAP 104 transitional Requirements)	-	(29,985)	-	(29,985)
	-	**-**	**-**	**-**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

18. Finance lease obligation

Minimum lease payments due				
- within one year	1,987,196	1,155,040	1,987,196	1,155,196
- in second to fifth year inclusive	984,947	4,326,560	984,947	4,326,560
	2,972,143	5,481,600	2,972,143	5,481,756
less: future finance charges	(243,180)	(1,312,050)	(243,180)	(1,312,050)
Present value of minimum lease payments	**2,728,963**	**4,169,550**	**2,728,963**	**4,169,706**
Present value of minimum lease payments due				
- within one year	1,816,639	1,906,210	1,816,639	1,906,210
- in second to fifth year inclusive	912,323	2,263,340	912,323	2,263,340
	2,728,962	**4,169,550**	**2,728,962**	**4,169,550**
Non-current liabilities	912,323	2,263,342	912,323	2,263,342
Current liabilities	1,816,639	1,906,208	1,816,639	1,906,208
	2,728,962	**4,169,550**	**2,728,962**	**4,169,550**

It is municipality policy to lease certain motor vehicles and equipment under finance leases, denominated in the presentation currency (Rand).

The average lease term was 3 - 5 years and the average effective borrowing rate was 10% (2012: 10%).

Interest rates are fixed at the contract date while some increase by a fixed margin. Motor vehicle leases have fixed repayments and no arrangements have been entered into for contingent rent whilst furniture leases have a variable interest rate. The repayments increase by an average of 10% per year over the three year period..

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

Defaults and breaches

During the current year, there were no defaults or breaches of any finance leases agreements.

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand

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

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Industrial Development Corporation	-	-	-	1,840,463
Department of Arts, Sport and Culture (Ultwanang Library)	606,992	2,789,651	606,992	2,789,651
Municipal Infrastructure Grant	578,712	4,795,100	578,712	4,795,100
Integrated National Electricty Programme	113,604	113,604	113,604	113,604
Disaster Management Grant	600,000	-	600,000	-
	1,899,308	**7,698,355**	**1,899,308**	**9,538,818**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

19. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	7,698,355	5,337,483	9,538,818	5,337,483
Additions during the year	19,847,680	20,264,100	19,847,680	23,129,565
Income recognition during the year	(25,646,727)	(17,903,228)	(27,487,190)	(18,928,230)
	1,899,308	**7,698,355**	**1,899,308**	**9,538,818**

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

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

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

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

20. Other financial liabilities

At amortised cost				
Development Bank of South Africa & ABSA The loans carry interest at rates varying between 13,41% and 17,47% per annum and are repayable over periods ranging from 4 years upwards. The last loan were redeemed during the year. As at 30 June 2012 R13,695,769,81 was in arrears and the entire balance has been disclosed as short-term liability. The loans were used to fund the municipality's infrastructure assets. Some of the loans are secured by the municipality's assets. See Note 5 and Appendix A for more information.	382,424	19,820,361	382,424	19,820,361
Development Bank of South Africa The terms and conditions are as disclosed above.	-	4,115,494	-	4,115,494
ABSA Bank Loan The loan was used to finance the renovation of one of the municipality's buildings. The loan carry interest at a floating rate and is repayable over three years. The loan is secured by the building. See note 5 and Appendix A for more information.	33,363	785,080	33,363	785,080
	415,787	**24,720,935**	**415,787**	**24,720,935**
Total other financial liabilities	**415,787**	**24,720,935**	**415,787**	**24,720,935**
Non-current liabilities				
At amortised cost	33,363	4,900,574	33,363	4,900,574
Current liabilities				
At amortised cost	382,424	19,820,361	382,424	19,820,361

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

21. Provisions

Reconciliation of provisions - Municipality - 2013

	Opening Balance	Additions/Actuarial (Gains)/Losses	Interest Costs	Current Service Costs	Expected Benefits ro be Paid	Total
Long Service Award	2,152,040	(229,941)	197,000	207,000	(225,099)	2,101,000

Reconciliation of provisions - Municipality - 2012

	Opening Balance	Additions	Interest Costs	Current Service Costs	Expected Benefits to be paid	Total
Long Service Award	2,049,000	40	184,000	182,000	(263,000)	2,152,040

Reconciliation of provisions - Group - 2013

	Opening Balance	Additions	Interest Costs	Current Service Costs	Expected Benefits to be paid	Total
Long Service Award	2,152,040	(229,941)	197,000	207,000	(225,099)	2,101,000

Reconciliation of provisions - Controlling entity - 2012

	Opening Balance	Additions	Interest costs	Current service costs	Expected benfits to be paid	Total
Long Service Award	2,049,000	40	184,000	182,000	(263,000)	2,152,040

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is supposed to rehabilitate such land upon closure of the dumping site. However, no estimate has been made as this is the responsibility of the district municipality.

Long Service Award Provision

The actuarial valuation of the long service award was performed by Niel Fourie (Fellow of the Actuarial Society of South Africa) and Pieter Wasserfall, on behalf of ZAQEN Actuaries (Pty) Ltd.

The long service bonus award provision consists of an obligation to pay out a bonus to qualifying employees in the year the employee attains the required service period. The obligation represents a liability to Lekwa Teemane Local Municipality and the value is represented by the present value of the long service bonus awards expected to be paid in future. The valuation is thus an estimate of the cost of providing long service awards. The actual cost to the municipality will be dependent on the future levels of assumed variables and the demographic profile of the membership. The municipality is required to pay bonuses to its employees for every 5 years of service completed from 10 years to 45 years. This will be in the form of leave days accumulated, that will be encashed immediately.

Valuation assumptions made include Discount Rate of 7.4% (2012: 8.43%), Consumer Price Inflation of 5.66% (2012: 6.07%), Normal Salary Increase of 6.66% (2012:7.07%) and Net Effective Discount Rate of 0.69% (2012: 1.27%).

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

22. Payables from exchange transactions

Trade payables	145,352,659	123,053,458	145,366,762	123,053,458
Payments received in advance	2,658,467	1,919,624	2,658,467	1,919,624
Unknown deposits	17,951,297	18,732,150	18,012,292	18,732,150
Other payables	2,011,443	686,825	2,011,443	686,825
Accrued leave pay	6,553,811	5,228,680	6,553,811	5,228,680
	174,527,677	**149,620,737**	**174,602,775**	**149,620,737**

23. VAT payable

Tax payable	21,438,550	17,690,960	21,438,550	17,690,960

VAT is payable on a receipt basis. Only once money is received from debtors and payments made to suppliers who are registered vendors is VAT paid over to SARS.

24. Consumer deposits

Electricty and Water	1,043,727	1,068,680	1,043,727	1,068,680

25. Revenue

Service charges	85,150,429	80,764,962	85,150,429	80,764,962
Rental of facilities and equipment	545,941	324,469	545,941	324,469
Licences and permits	3,600	3,600	3,600	3,600
Municipal Revenue UD2	-	-	214,200	650,000
Loan Repayment - District Municipality	-	3,542,000	-	3,542,000
Vehicle Monies	1,899,848	-	1,899,848	-
Fees earned	611,004	572,264	611,004	572,264
Commissions received	129,930	25,784	129,930	25,784
Interest on debtors	16,698,455	13,950,769	16,698,455	13,950,769
Fair Value Adjustments	1,084,347	-	1,084,347	-
Sundry Income	1,090,771	372,478	1,090,771	372,478
Other farming income 1	-	-	9,250	-
Interest received - investment	247,435	107,492	247,435	107,492
Property rates	11,886,693	8,644,081	11,886,693	8,644,081
Government grants & subsidies	67,128,576	38,318,316	68,969,039	38,429,718
Fines	1,144,839	3,632,224	1,144,839	3,632,224
Debt Repayment - District Municipality	23,935,830	252,412	23,457,774	(397,588)
	211,557,698	**150,510,851**	**213,143,555**	**150,622,253**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

25. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	85,150,429	80,764,962	85,150,429	80,764,962
Rental of facilities and equipment	545,941	324,469	545,941	324,469
Licences and permits	3,600	3,600	3,600	3,600
Municipal Revenue UD2	-	-	214,200	650,000
Loan Repayment - District Municipality	-	3,542,000	-	3,542,000
Vehicle Monies	1,899,848	-	1,899,848	-
Fees earned	611,004	572,264	611,004	572,264
Commissions received	129,930	25,784	129,930	25,784
Interest on debtors	16,698,455	13,950,769	16,698,455	13,950,769
Fair Value Adjustment	1,084,347	-	1,084,347	-
Sundry Income	1,090,771	372,478	1,090,771	372,478
Other farming income 1	-	-	9,250	-
Interest received - investment	247,435	107,492	247,435	107,492
	107,461,760	**99,663,818**	**107,685,210**	**100,313,818**

The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Property rates	11,886,693	8,644,081	11,886,693	8,644,081
Transfer revenue				
Government grants & subsidies	67,128,576	38,318,316	68,969,039	38,429,718
Fines	1,144,839	3,632,224	1,144,839	3,632,224
Debt Repayment - District Municipality	23,935,830	252,412	23,457,774	(397,588)
	104,095,938	**50,847,033**	**105,458,345**	**50,308,435**

26. Property rates

Rates received				
Residential, Commercial & Farms	11,886,693	8,644,081	11,886,693	8,644,081
Valuations				
Residential	11,886,693	8,644,081	11,886,693	8,644,081

A general rate of 30cents (2012: 27cents) per Rand value of land is applied to land values to determine assessment rates. No rebates are granted to any type of property or category of property owners.

Rates are levied on a monthly basis and Interest is levied on overdue amounts.

The new general valuation was implemented on 01 July 2011.

27. Service charges

Sale of electricity	37,115,399	33,994,529	37,115,399	33,994,529
Sale of water	22,916,122	23,013,338	22,916,122	23,013,338
Sewerage and sanitation charges	14,957,488	14,109,934	14,957,488	14,109,934
Refuse removal	10,161,420	9,647,161	10,161,420	9,647,161
	85,150,429	**80,764,962**	**85,150,429**	**80,764,962**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

28. Government grants and subsidies

Equitable share	28,303,500	25,021,796	28,303,500	25,021,796
Expanded Public Works Programme (EPWP)	960,680	1,195,596	2,801,143	1,306,998
Finance Management Grant (FMG)	1,500,000	1,500,000	1,500,000	1,500,000
MIG	20,203,388	8,368,350	20,203,388	8,368,350
Library Grant (Department of Arts, Sports and Culture)	2,182,660	1,210,348	2,182,660	1,210,348
District Municipality (Sewer and Water)	13,000,000	-	13,000,000	-
MSIG	800,000	790,000	800,000	790,000
LG Seta	178,348	232,226	178,348	232,226
	67,128,576	**38,318,316**	**68,969,039**	**38,429,718**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	25,825,076	13,064,294	27,665,539	14,089,296
Unconditional grants received	41,303,500	25,254,022	41,303,500	25,254,022
	67,128,576	**38,318,316**	**68,969,039**	**39,343,318**

Equitable Share

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

All registered indigents receive a monthly subsidy of R 120 (2012: R -), which is funded from the grant.

Industrial Development Corporation (IDC)

Balance unspent at beginning of year	-	-	1,840,463	-
Current-year receipts	-	-	-	2,865,465
Conditions met - transferred to revenue	-	-	(1,840,463)	(1,025,002)
	-	**-**	**-**	**1,840,463**

Conditions still to be met - remain liabilities (see note 19).

The amount relates the grant provided by IDC for the pre-establishment and establishment of the agency.

Department of Arts, Sports and Culture (Library Grabt)

Balance unspent at beginning of year	2,789,651	4,000,000	2,789,651	4,000,000
Conditions met - transferred to revenue	(2,182,659)	(1,210,349)	(2,182,659)	(1,210,349)
	606,992	**2,789,651**	**606,992**	**2,789,651**

Conditions still to be met - remain liabilities (see note 19).

The grant was provided for the sole purpose of constructing a library in Ultlwanang. The library has, however, not yet been constructed. The consulting engineers have already been appointed to commence the construction process.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	4,795,100	-	4,795,100	-
Current-year receipts	15,987,000	13,179,000	15,987,000	13,179,000

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

28. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(20,203,388)	(8,383,900)	(20,203,388)	(8,383,900)
	578,712	**4,795,100**	**578,712**	**4,795,100**

Conditions still to be met - remain liabilities (see note 19).

The grant is used for the construction or resealing of road infrastructure within the municipal boundaries.

Integrated National Electricty Programme (INEP)

Balance unspent at beginning of year	113,604	141,887	113,604	141,887
Conditions met - transferred to revenue	-	(28,283)	-	(28,283)
	113,604	**113,604**	**113,604**	**113,604**

Conditions still to be met - remain liabilities (see note 19).

The grant was used to finance electricity related transactions or projects in the municipal areas, mainly for RDP Houses.

Finance Management Grant (FMG)

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

Conditions still to be met - remain liabilities (see note 19).

The grant was used for operational and capital purposes, which included payment of interns salaries and other budgetary reforms.

Disaster Management Grant

Current-year receipts	600,000	-	600,000	-

Conditions still to be met - remain liabilities (see note 19).

LG Seta Grant

Current-year receipts	178,348	232,226	178,348	178,348
Conditions met - transferred to revenue	(178,348)	(232,226)	(178,348)	(178,348)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant is used for operational purposes.

Expanded Public Works Programme (EPWP)

Current-year receipts	960,680	1,195,596	960,680	1,195,596
Conditions met - transferred to revenue	(960,680)	(1,195,596)	(960,680)	(1,195,596)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant was received from the Department of Co-operative Governance and Traditional Affairs (CoGTA) for the cleaning of the municipal surroundings.

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

28. Government grants and subsidies (continued)

Municipal System Improvement Grant (MSIG)

Current-year receipts	800,000	790,000	800,000	790,000
Conditions met - transferred to revenue	(800,000)	(790,000)	(800,000)	(790,000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

The grant was meant for system and policy related projects.

District Municipality

Current-year receipts	13,000,000	-	13,000,000	-
Conditions met - transferred to revenue	(13,000,000)	-	(13,000,000)	-
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

Changes in level of government grants

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

29. Other revenue

Vehicle Monies	1,899,848	-	1,899,848	-
Irrigation Fees earned	611,004	572,264	611,004	572,264
Commissions received	129,930	25,784	129,930	25,784
Interest from debtors	16,698,455	13,950,769	16,698,455	13,950,769
Fair Value Adjustment	1,084,347	-	1,084,347	-
Sundry Income	1,090,771	372,478	1,090,771	372,478
Other farming income	-	-	9,250	-
	21,514,355	**14,921,295**	**21,523,605**	**14,921,295**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

30. General expenses

Accounting fees	-	-	74,784	-
Advertising	82,942	118,472	120,083	118,472
Auditors remuneration	1,828,702	1,336,845	1,828,702	1,336,845
Bank charges	251,182	207,913	255,234	210,786
Cleaning	-	-	(100,023)	-
Commission paid	1,632,882	-	1,632,882	-
Consulting and professional fees	1,881,228	3,056,713	3,110,341	3,056,713
Consumables	48,272	26,781	48,272	26,781
Debt collection	-	5,649	-	5,649
Entertainment	168,472	211,544	168,472	211,544
Insurance	1,361,063	1,130,762	1,361,063	1,130,762
Community development and training	31,460	35,099	31,460	35,099
Bus Diesel	-	-	180,000	-
Lease rentals on operating lease	1,500	3,972	(54,753)	3,972
Magazines, books and periodicals	8,772	7,152	8,772	7,152
Motor vehicle expenses	1,635,865	1,324,293	1,635,865	1,324,293
Pest control	67	17,634	67	17,634
Licensing	161,312	34,120	161,312	34,120
Postage and courier	47,224	251,201	47,224	251,201
Printing and stationery	614,940	414,842	618,262	414,842
Promotions	3,282	93,741	3,282	93,741
Protective clothing	73,024	138,255	73,024	138,255
Indigent Subsidy	15,504,908	13,743,727	15,504,908	13,743,727
Staff welfare	-	-	600	-
Subscriptions and membership fees	469,987	363,544	469,987	363,544
Telephone and fax	677,374	570,378	688,174	575,178
Training	172,047	-	172,047	-
Subsustance and travel	1,760,826	839,169	1,796,646	859,559
Stock Loss	240	-	240	-
Municipal Contribution to the agency	214,200	650,000	-	650,000
Fruitless and Wastefull expenditure (See Note 47)	2,620,894	4,282,084	2,620,894	4,282,084
Strategic Planning Workshops	12,127	416,242	12,127	416,242
Stores and Material	1,449	1,396	1,449	1,396
Chemicals	2,727,447	3,036,970	2,727,447	3,036,970
Municipal charges	237,688	1,805,539	237,688	1,805,539
Other expenses	3,967,853	2,626,176	3,967,853	2,626,176
	38,199,229	**36,750,213**	**39,404,385**	**36,778,276**

31. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges				
Premises				
• Contractual amounts	-	-	(56,253)	-
Lease rentals on operating lease - Other				
• Contractual amounts	1,500	3,972	1,500	3,972
	1,500	**3,972**	**(54,753)**	**3,972**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

31. Operating deficit (continued)

Amortisation on intangible assets	262,422	41,471	262,422	41,471
Depreciation on property, plant and equipment	28,800,462	29,936,342	28,800,462	29,936,342
Employee costs	41,118,310	49,049,226	41,619,497	49,132,565
Amount expensed in respect of retirement benefit plans:	6,018,938	8,281,345	6,018,938	8,281,345
Defined contribution funds	3,846,531	6,108,938	3,846,531	6,108,938
Defined benefit funds	2,172,407	2,172,407	2,172,407	2,172,407

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

32. Employee related costs

Basic	25,437,151	21,117,887	25,455,501	20,799,561
Medical aid - company contributions	-	1,623,835	-	1,623,835
UIF	249,692	220,221	249,692	220,221
Leave pay provision charge	1,568,565	1,490,578	1,568,565	1,490,578
Post-employment benefits - Pension - Defined contribution plan	6,592,489	4,174,017	6,592,489	4,174,017
Overtime payments	1,619,773	3,415,375	1,619,773	3,415,375
Current Sevice Costs	911,000	778,000	911,000	778,000
Housing benefits and allowances	582,916	192,663	582,916	192,663
Transitional Provision - Post Retirement Benefits & Actuarial Gains	(4,573,313)	4,751,961	(4,573,313)	4,751,961
Other	12,501	72,239	12,501	72,239
Telephone allowance	152,800	-	152,800	-
Cash in lieu of leave	89,515	412,776	89,515	412,776
Actuarial (gains)/losses	-	2,658,040	-	2,658,040
Interest Costs - Post Retirement Benefits	2,238,000	1,921,000	2,238,000	1,921,000
	34,881,089	**42,828,592**	**34,899,439**	**42,510,266**

Remuneration of municipal manager

Annual Remuneration	337,500	503,084	337,500	503,084
Acting Allowance	217,500	86,508	217,500	86,508
Vehicle Allowance	153,677	169,961	153,677	169,961
Housing Allowance	45,996	18,000	45,996	18,000
Other	-	18,000	-	18,000
	754,673	**795,553**	**754,673**	**795,553**

Remuneration of chief finance officer

Annual Remuneration	289,150	718,689	289,150	718,689
Car Allowance	64,000	106,368	64,000	106,368
Housing Allowance	114,280	49,525	114,280	49,525
Other	-	13,200	-	13,200
	467,430	**887,782**	**467,430**	**887,782**

Remuneration of corporate services directors

Annual Remuneration	285,833	651,523	285,833	651,523
Car Allowance	80,000	205,170	80,000	205,170
Housing Allowance	99,615	59,994	99,615	59,994
Other	-	13,200	-	13,200
	465,448	**929,887**	**465,448**	**929,887**

Remuneration of technical services directors

Annual Remuneration	323,600	-	323,600	-
Car Allowance	80,000	-	80,000	-
Housing Allowance	131,182	-	131,182	-
	534,782	**-**	**534,782**	**-**

Remuneration of the programme manager (Lekwa Teemane Development Agency (Pty) Ltd

Annual Remuneration	-	-	303,997	320,826

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

32. Employee related costs (continued)

Remuneration of the community services director

Annual Remuneration	288,000	429,100	288,000	429,100
Car Allowance	80,000	14,400	80,000	14,400
Housing Allowances	110,777	176,243	110,777	176,243
	478,777	**619,743**	**478,777**	**619,743**

33. Remuneration of councillors and Board Members (Charged with Governance)

Executive Major	604,459	558,827	604,459	561,627
Board Members Meeting Allowances	-	-	111,700	65,000
Councillors	2,931,652	2,428,842	2,931,652	2,428,842
Board Members - Travel Allowances	-	-	48,597	4,706
Board Members - Cellphone Allownces	-	-	7,800	6,200
Other # 10	-	-	10,743	2,133
	3,536,111	**2,987,669**	**3,714,951**	**3,068,508**

34. Debt impairment

Debt impairment	73,169,943	6,572,935	73,169,943	6,572,935

35. Investment revenue

Interest revenue

Bank	1,371	138	1,371	138
Money Market Investments	246,064	107,354	246,064	107,354
	247,435	**107,492**	**247,435**	**107,492**

36. Depreciation and amortisation

Property, plant and equipment	28,800,462	29,936,342	28,800,462	29,936,342
Intangible assets	262,422	41,471	262,422	41,471
	29,062,884	**29,977,813**	**29,062,884**	**29,977,813**

37. Finance costs

Non-current borrowings	460,960	2,782,425	460,960	2,782,425
Bank	-	22,077	-	22,077
	460,960	**2,804,502**	**460,960**	**2,804,502**

38. Auditors' remuneration

Fees	1,828,702	1,336,845	1,828,702	1,336,845

39. Contracted services

Information Technology Services	-	5,944	-	5,944
Other Contractors	4,699,320	1,607,041	4,699,320	1,607,041
	4,699,320	**1,612,985**	**4,699,320**	**1,612,985**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

40. Bulk purchases

Electricity	37,805,322	34,147,990	37,805,322	34,147,990
Water	11,165,569	10,780,806	11,165,569	10,780,806
	48,970,891	**44,928,796**	**48,970,891**	**44,928,796**

41. Cash generated from (used in) operations

Deficit	(29,046,542)	(24,578,753)	(29,211,108)	(24,578,753)
Adjustments for:				
Depreciation and amortisation	29,062,884	29,977,813	29,062,884	29,977,813
Debt impairment	73,169,943	6,572,935	73,169,943	6,572,935
Movements in retirement benefit assets and liabilities	(1,258,600)	7,592,286	(1,258,600)	7,592,286
Movements in provisions	(51,040)	(147,529)	(51,040)	(147,529)
Other non-cash items	(27,019,352)	(25,842,019)	(27,019,352)	(25,877,440)
Changes in working capital:				
Inventories	(122,361)	11,446	(122,361)	11,446
Receivables from exchange transactions	3,306,768	(20,340,448)	3,306,768	(20,340,448)
Other receivables from non-exchange transactions	3,405,960	7,707,821	3,693,540	7,707,821
Consumer debtors	(45,649,762)	(38,026,191)	(45,649,762)	(38,026,191)
Payables from exchange transactions	24,906,940	38,621,250	24,982,038	38,621,250
VAT	3,747,590	9,440,186	3,747,590	9,440,186
Unspent conditional grants and receipts	(5,799,047)	2,360,872	(7,639,510)	4,201,335
Consumer deposits	(24,953)	120,691	(24,953)	120,691
	28,628,428	**(6,529,640)**	**26,986,077**	**(4,724,598)**

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	4,042,996	14,549,371	4,042,996	14,549,371
Not yet contracted for and authorised by accounting officer				
• Property, plant and equipment	20,266,050	2,744,389	20,366,050	2,744,389

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, existing cash resources, funds internally generated and grants and subsidies.

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

43. Contingencies

(a) The claim results from injuries sustained by the palintiff when she alegedly fell in an open man hole in Bloemhof. The claim i in its early stage and the municipality will defend its case.

(b) The claim relates to the plaintiffs claim that he was involved in an accident as a result of the Stop sign missing. Internal consultations are on going as to whether to settle the clain all in the form of an amount of R6,993 or not.

Contingent liabilities - Environmental Act.

In terms of the Environmental Act, the municipality is responsible for a number of environmental related transactions that may take place in its jurisdiction. This give rise to contingent liabilities. However, the nature of such transactions cannot be estimated both financially and the number of occurrence, if any are to occur. Whilst the municipality is not aware of such liabilities, the following are the key transactions:
- contingent liabilities relating to fines that may be imposed by the Department of Environmental Affairs as a result of illegal dumping by the municipal residents.
- penalties relating to raw sewerage or sewerage not properly treated being released to the nearby rivers or dams.
- penalties relating to lack of proper security at the municipal's dumping site or lack of monitoring waste being dumped there as some waste should be dumped in certain specified ways so as to avoid related healthy hazards e.g. medical waste.

44. Prior Year Errors and Reclassifications

Certain comparatives have been corrected due to errors relating to the previous financial year. The following is an analysis of the errors: Due to the adoption of GRAP 104, the Fair Value Adjustment Reserve was reclassified to equity, retrospectively. The adoption of the standard resulted in the following adjustments:

Statement of financial position				
Increase in Investment Property	-	1,548,000	-	1,548,000
Decrease in Property, Plant and Equipment	-	(147,013,193)	-	(147,013,193)
Increase in Intangible Assets	-	189,042	-	189,042
Increase in Investment in Entities	-	100	-	100
Decrease in Governement Grant Reserve	-	20,307,202	-	20,307,202
Decrease in Provisions	-	240,000	-	240,000
Decrease in Donation and Public Contribution	-	309,524	-	309,524
Increase in Money Market Investments	-	7,131	-	7,131
Decrease in Accumulated Surplus	-	(124,412,194)	-	(124,412,194)

Increase in Investment Property: The municipality erroneously ommited Investment Properties in the prior year. These have recognised in retrospect. .

Decrease in Property, Plant and Equipment: This errors noted as a result of the unbundling exercise performed in the prior year. The errors related to the balances disclosed in the prior year.

Increase in Intangible Assets: This was mainly caused by the ommission of some of the intangible assets purchased in the prior year. .

Increase in Investment in Entities: The municipality's investment in the entity (Lekwa Teemane development Agency) was ommitted in the prior year. The amount relates to the amount contributed to purchase the shares in the entity.

Decrease in Government Grant Reserve and Donation and Public Contribution Reserve: In the prior year (after asset unbundling), the municipality recognised these reserves so as to account for the funding of assets by grants and donations. This is no longer permitted in the standards. As such the reserves have been reversed. The decrease in **Accumulated Surplus** is the net effect of the foregoing.

Decrease in Provisions and Increase in Money Market Investments: The municipality erroneously recognised provision for landfill sites yet it is the District' s responsibility. Regarding Money Market Investments, there was an error on the balance recognised for investments in the prior year. The balance was understated by the amount of the correction.

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

44. Prior Year Errors and Reclassifications (continued)

Statement of Financial Performance				
Decrease in Depreciation Expense	-	(1,510,264)	-	(1,510,264)
Increase in Municipal Contribution	-	327,000	-	-
Decrease in Deficit	-	1,183,264	-	(1,510,264)

Depreciation Expense and Municipal Contributions Expense: This relates to the errors regarding the assets after the unbundling exercise and the amount contributed towards the entity which were erroneously disclosed.

Net Decrease in Net Loss: Residual effect of the depreciation adjustment.

The following is the summarised net reclassifications in the prior year financial statements:.

Statement of Financial Position				
Decrease in Provisions (due to Leave accrual and Town Hall Deposits)	-	(5,239,119)	-	(5,239,119)
Increase in Accruals (trade and other payables)	-	5,228,680	-	5,228,680
Increase in Consumer Deposits	-	10,439	-	10,439
Increase in Trade and Other Receivables	-	(8,195,771)	-	(8,195,771)
Increase in Trade and Other Payables	-	8,195,771	-	8,195,771
	-	-	-	-

State of Financial Performance				
Increase in Donations: District Municipality	-	3,542,000	-	3,542,000
Increase in Financial Instruments Income	-	372,478	-	372,478
Increase in Government Grant and Subsidies	-	3,585,832	-	3,585,832
Decrease in Commision Received	-	(7,500,310)	-	(7,500,310)
Decrease in Personnel Expenditure	-	(2,987,669)	-	(2,987,669)
Increase in Councillor Remuneration	-	2,987,669	-	2,987,669
	-	-	-	-

Decrease in Commssion Received: The amounts related to Donation by the district municipality, Financial Instruments Income and Government Grant and Subsidies.

Increase in Financial Instruments Incomeas well as Government Grant & Subsidies: The prior year figures were reclassified as the amounts had erroneously been disclosed as Comiission received.

Increase in Donations: The prior year balance of assets has been restated as a result of a donation by the District Municipality amounting to R3,542,000 which had been disclosed as Commission Received.

Decrease in Personnel Expenses and Increase in Councillor Remuneration: This relates to Councillor remunerations which were disclosed as part of personnel expenditure in the prior year.

45. Risk management

Financial risk management

Liquidity risk

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

Municipality

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

45. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.This is managed using a number of measures such as restricting water flow at households and termination of services.

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

Market risk

Interest rate risk

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2013 and 2012, the municipality’s borrowings at variable rate were denominated in the Rand.

46. Going concern

We draw attention to the fact that at 30 June 2013, the group's current liabilities exceeded its current assets by R160,004,844 (2012: R128,676,342) and recorded a deficit of R28,995,948 (2012: R24,454,274) during the current year. This poses a greater doubt on the municipality's ability to realise its assets and discharge its liabilities in the normal course of business.

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

This is so because in order to mitigate these negative effects, the municipality is in the process of implementing the following measures, some of which the work has commenced:
- Appointed consultants to perform Revenue Enhancement Strategies and Installation of Pre-paid Automatic Meter Reading, whose results are expected to yield positive results. The consultants have already commenced their work. Further, the appointment of Debt Collectors during the ensuing financial period will further enhance the municipality's mitigating measures regarding these going concern challenges.
- Implementing cost reflective prices and cost cutting measures.;
- Implementation of the new valuation roll from the 1st of July 2012. This will greatly improve the municipality's income stream as property rates will be levied on market values.
- Recognition of the municipality's Investment Properties at the current market values based on the new valuation roll in the ensuing financial period. This will greatly improve the balance as these assets are recognised at normal/historical amounts, some of which were determined more than 15 years ago.
- Unbundling and valuation of infrastructure in the ensuing financial period.
- Continued support from National Treasury and other government departments (national or provincial) as the municipality is a public entity. This will be further coupled by the MISA Programme, which has already commenced.

47. Events after the reporting date

There were no significant events that occured after year end.

48. Unauthorised expenditure

Opening Balance	-	136,760,491	-	105,060,713
Current yeat expenditure	-	-	-	31,699,778
	-	**136,760,491**	**-**	**136,760,491**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

48. Unauthorised expenditure (continued)

Of this amount, R77,788,953 was condoned by Council during the 2011 fincial year. The expenditure mainly related to non-cash transactions which could not be determined at the time of budgeting as infrastructure assets had not been unbundled and that the actuarists' reports were not yet available as at the time of finalising the budget.

49. Fruitless and wasteful expenditure

Opening Balance	4,282,084	-	4,282,084	-
Interest on arrears	-	2,848,076	-	2,848,076
Interest on late payment	2,620,894	1,434,008	2,620,894	1,434,008
	6,902,978	**4,282,084**	**6,902,978**	**4,282,084**

Interest on Late Payment: This relates to interest charged on late payments of VAT to SARS and other creditors. Measures are in place to avoid these charges in future.

The fruitless and wasteful expenditure for the current year will be recommended to Council for approval subsequent to year end. Prior year expenditure was condoned by Council during their meeting held on 2 May 2012.

50. Irregular expenditure

Opening Balance	4,240,345	4,240,345	4,240,345	4,240,345

51. Additional disclosure in terms of Municipal Finance Management Act

Distribution Losses

Distribution losses relates to unaccounted for electricity. This cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. The foregoing costs, which represented 31% (2012: 33%) of the electricity purchases for the year, has been included in bulk purchases. Whilst this is not a desirable feature, the level of the distribution losses are well within the acceptable norms.

The distribution losses for water could not be computed due to the following reasons: (a) there are no bulk purchase meters between the some of the municipality's reservoirs and the main sources of water (dams and rivers). As such, the department uses estimates to compute the municipality's purchases. (b) some of the meters that the department use to determine the municipality's purchases are faulty. Management is of the view that computing water losses in such cases may not be appropriate as it may be misleading.

Audit fees

Opening balance	5,675,010	5,151,007	-	-
Current year subscription / fee	2,084,720	1,524,003	-	-
Amount paid	-	(1,000,000)	-	-
	7,759,730	**5,675,010**	**-**	**-**

PAYE and UIF

Opening balance	5,675,010	5,151,007	5,675,010	5,151,007
Current year subscription / fee	2,084,720	1,524,003	2,084,720	1,524,003
Amount Paid	-	(1,000,000)	-	(1,000,000)
	7,759,730	**5,675,010**	**7,759,730**	**5,675,010**

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

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

Councillors' arrear consumer accounts

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

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor. R. M Makodi (Mayor)	1,299	650	1,949
Councillor I. M. Snyman	1,332	-	1,332
Councillor A. Buys	12,175	112,542	124,717
Councillor G. Pencil	1,859	11,417	13,276
Councillor D J Muller	1,618	-	1,618
Councillor F. Moleta	1,815	26,673	28,488
Councillor A. N. Ngesi	955	13,537	14,492
Councillor J. Segola	1,492	13,144	14,636
Councillor J. Joseph	1,336	14,965	16,301
Councillor M. Majikela	977	14,928	15,905
Councillor P. Modise	1,703	17,330	19,033
Councillor K. Palagangwe	2,111	50,541	52,652
Councillor T. Mokgosi	886	9,224	10,110
Councillor I. Mabala	4,928	15,337	20,265
	34,486	**300,288**	**334,774**

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor R. M. Makodi (Mayor)	1,113	-	1,113
Councillor I. Mabala	1,240	10,118	11,358
Councillor K. Palagangwe	3,985	40,465	44,450
Councillor T. Mogosi	1,051	13,838	14,889
Councillor A. Buys	12,695	52,036	64,731
Councillor G. Pencil	2,458	8,727	11,185
Councillor J. Segola	3,598	18,530	22,128
Councillor D. J. Muller	4,617	-	4,617
Councillor F. Moleta	3,221	17,930	21,151
Councillor A N Ngesi	3,256	21,088	24,344
Councillor J Joseph	3,698	19,233	22,931
Councillor M Majikela	2,415	19,160	21,575
Councillor P. Modise	2,413	17,145	19,558
Councillor Snyman	1,192	-	1,192
	46,952	**238,270**	**285,222**

52. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	415,787	24,720,935	415,787	24,720,935
Used to finance property, plant and equipment	(415,787)	(24,720,935)	(415,787)	(24,720,935)
	-	**-**	**-**	**-**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Due to the municipality's cashflow challenges, no cash has been set aside to repay long-term liabilities.

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

53. Deviation from supply chain management regulations

The municipality entered into a contract with Mhlopha Security Services cc to provide security services to all municipal properties (both in Bloemhoef and Christiana) from the 1st of December 2012 to 30 November 2014. The company will also install security cameras and alarm systems in the main municipal buildings in Christiana and Bloemhoef. The deviation from supply chain management policiy was approved by the Acounting Officer in terms of the MFMA and SCM Guidelines.

54. Key Assumptions and Estimates Used

The key assumptions and estimates used are as follows: (1) Long Service Award: A number of valuation variables were used. Should these valuation assumptions be different from the actual variables, the provision for Long Service Award may be different from the one disclosed. (2) Post Retirement Medical Aid Benefit Obligation: By its nature, estimating the Post Retirement Medical Aid Benefit requires use of estimates and significant judgement. This was the case in the computation of the relevant obligation. The key assumptions used are disclosed in note 9. (3) Amounts based on the transactions or balances relating to those disclosed under Accounting Policy 1.1.

Notes to the Group Annual Financial Statements

Figures in Rand

55. Statement of comparative and actual information

Municipality - 2013

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	10,890,000	996,693	11,886,693	-		11,886,693	11,886,693		-	100 %	109 %
Service charges	104,981,586	(19,831,157)	85,150,429	-		85,150,429	85,150,429		-	100 %	81 %
Investment revenue	64,700	(18,441)	46,259	-		46,259	247,435		201,176	535 %	382 %
Transfers recognised - operational	51,880,000	12,806,904	64,686,904	-		64,686,904	67,128,576		2,441,672	104 %	129 %
Other own revenue	36,475,646	14,238,933	50,714,579	-		50,714,579	47,144,565		(3,570,014)	93 %	129 %
Total revenue (excluding capital transfers and contributions)	**204,291,932**	**8,192,932**	**212,484,864**	**-**		**212,484,864**	**211,557,698**		**(927,166)**	**100 %**	**104 %**
Employee costs	(44,845,417)	7,207,163	(37,638,254)	-	-	(37,638,254)	(37,582,199)	-	56,055	100 %	84 %
Remuneration of councillors	(4,370,543)	834,432	(3,536,111)	-	-	(3,536,111)	(3,536,111)	-	-	100 %	81 %
Debt impairment	(28,545,000)	(44,624,943)	(73,169,943)			(73,169,943)	(73,169,943)	-	-	100 %	256 %
Depreciation and asset impairment	(9,659,470)	(21,044,437)	(30,703,907)			(30,703,907)	(29,062,884)	-	1,641,023	95 %	301 %
Finance charges	(5,468,214)	4,968,214	(500,000)	-	-	(500,000)	(460,960)	-	39,040	92 %	8 %
Materials and bulk purchases	(47,177,480)	(2,000,664)	(49,178,144)	-	-	(49,178,144)	(48,970,891)	-	207,253	100 %	104 %
Other expenditure	(58,088,758)	10,261,108	(47,827,650)	-	-	(47,827,650)	(47,821,252)	-	6,398	100 %	82 %
Total expenditure	**(198,154,882)**	**(44,399,127)**	**(242,554,009)**	**-**	**-**	**(242,554,009)**	**(240,604,240)**	**-**	**1,949,769**	**99 %**	**121 %**
Surplus/(Deficit) for the year	**6,137,050**	**(36,206,195)**	**(30,069,145)**	**-**		**(30,069,145)**	**(29,046,542)**		**1,022,603**	**97 %**	**(473)%**

Notes to the Group Annual Financial Statements

Figures in Rand

55. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	15,537,000	6,849,272	22,386,272	-		22,386,272	22,386,272		-	100 %	144 %
Sources of capital funds											
Transfers recognised - capital	15,537,000	4,090,385	19,627,385	-		19,627,385	19,627,385		-	100 %	126 %
Public contributions and donations	-	20,394	20,394	-		20,394	20,394		-	100 %	DIV/0 %
Borrowing	-	589,901	589,901	-		589,901	589,901		-	100 %	DIV/0 %
Internally generated funds	2,158,284	(9,692)	2,148,592	-		2,148,592	2,148,592		-	100 %	100 %
Total sources of capital funds	**17,695,284**	**4,690,988**	**22,386,272**	**-**		**22,386,272**	**22,386,272**		**-**	**100 %**	**127 %**

Notes to the Group Annual Financial Statements

Figures in Rand

55. Statement of comparative and actual information (continued)

Group - 2013

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	10,890,000	996,693	11,886,693	-		11,886,693	11,886,693		-	100 %	109 %
Service charges	104,981,586	(19,831,157)	85,150,429	-		85,150,429	85,150,429		-	100 %	81 %
Investment revenue	64,700	(18,441)	46,259	-		46,259	247,435		201,176	535 %	382 %
Transfers recognised - operational	53,720,483	12,806,904	66,527,387	-		66,527,387	68,969,059		2,441,672	104 %	128 %
Other own revenue	36,485,646	14,238,933	50,724,579	-		50,724,579	47,153,815		(3,570,764)	93 %	129 %
Total revenue (excluding capital transfers and contributions)	**206,142,415**	**8,192,932**	**214,335,347**	**-**		**214,335,347**	**213,407,431**		**(927,916)**	**100 %**	**104 %**
Employee costs	(44,845,417)	7,207,163	(37,638,254)	-	-	(37,638,254)	(37,904,546)	-	(266,292)	101 %	85 %
Remuneration of councillors & Board of Directors (Charged with Governance)	(4,370,543)	834,432	(3,536,111)	-	-	(3,536,111)	(3,714,951)	-	(178,840)	105 %	85 %
Debt impairment	(28,545,000)	(44,624,943)	(73,169,943)			(73,169,943)	(73,169,943)	-	-	100 %	256 %
Depreciation and asset impairment	(9,659,470)	(21,136,604)	(30,796,074)			(30,796,074)	(29,062,884)	-	1,733,190	94 %	301 %
Finance charges	(5,468,214)	4,968,214	(500,000)	-	-	(500,000)	(460,960)	-	39,040	92 %	8 %
Materials and bulk purchases	(47,177,480)	(2,000,664)	(49,178,144)	-	-	(49,178,144)	(48,970,891)	-	207,253	100 %	104 %
Other expenditure	(58,088,758)	10,261,108	(47,827,650)	-	-	(47,827,650)	(49,070,488)	-	(1,242,838)	103 %	84 %
Total expenditure	**(198,154,882)**	**(44,491,294)**	**(242,646,176)**	**-**	**-**	**(242,646,176)**	**(242,354,663)**	**-**	**291,513**	**100 %**	**122 %**

Notes to the Group Annual Financial Statements

Figures in Rand

55. Statement of comparative and actual information (continued)

Surplus/(Deficit) for the year	**7,987,533**	**(36,298,362)**	**(28,310,829)**	**-**		**(28,310,829)**	**(28,947,232)**		**(636,403)**	**102 %**	**(362)%**

Notes to the Group Annual Financial Statements

Figures in Rand

55. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	15,537,000	6,849,272	22,386,272	-		22,386,272	22,386,272		-	100 %	144 %
Sources of capital funds											
Transfers recognised - capital	15,537,000	4,090,385	19,627,385	-		19,627,385	19,627,385		-	100 %	126 %
Public contributions and donations	-	20,394	20,394	-		20,394	20,394		-	100 %	DIV/0 %
Borrowing	-	589,901	589,901	-		589,901	589,901		-	100 %	DIV/0 %
Internally generated funds	2,158,284	(9,692)	2,148,592	-		2,148,592	2,148,592		-	100 %	100 %
Total sources of capital funds	**17,695,284**	**4,690,988**	**22,386,272**	**-**		**22,386,272**	**22,386,272**		**-**	**100 %**	**127 %**

Refer to note Appendix C for narrative reasons for variances.

56. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Changes from the approved budget to the final budget

Notes to the Group Annual Financial Statements

	Municipality		Group	
Figures in Rand	2013	2012	2013	2012

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to Note 55..

Schedule of external loans as at 30 June 20103

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
Development Bank of South Africa								
			23,935,830	-	23,935,830	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			23,935,830	**-**	**23,935,830**	**-**	**-**	**-**
			-	-	-	-	-	-
Lease Liabilities								
ABSA	80561690		1,319,116	-	321,920	997,196	-	-
FURNITURE ASSETS			2,850,431	-	1,584,280	1,266,151	-	-
ABSA	82846927		-	392,352	86,451	305,901	-	-
ABSA	82846803		-	204,849	45,136	159,713	-	-
			-	-	-	-	-	-
			4,169,547	**597,201**	**2,037,787**	**2,728,961**	**-**	**-**
			-	-	-	-	-	-
Annuity loans								
ABSA	3022397824		766,742	-	350,954	415,788	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-

Schedule of external loans as at 30 June 20103

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	-	-	-	-	-
			766,742	**-**	**350,954**	**415,788**	**-**	**-**
			-	**-**	**-**	**-**	**-**	**-**
Total external loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
Development Bank of South Africa			23,935,830	-	23,935,830	-	-	-
			-	-	-	-	-	-
Lease Liabilities			4,169,547	597,201	2,037,787	2,728,961	-	-
			-	-	-	-	-	-
Annuity loans			766,742	-	350,954	415,788	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			28,872,119	**597,201**	**26,324,571**	**3,144,749**	**-**	**-**

Lekwa Teemane Local Municipality
Lekwa Teemane Local Municipality
Appendix B
June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	74,107,582	-	-	-	-	-	**74,107,582**	-	-	-	-	-	**-**	74,107,582
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Buildings	41,150,500	-	-	-	-	-	**41,150,500**	(7,584,196)	-	-	(543,972)	-	**(8,128,168)**	33,022,332
	115,258,082	**-**	**-**	**-**	**-**	**-**	**115,258,082**	**(7,584,196)**	**-**	**-**	**(543,972)**	**-**	**(8,128,168)**	**107,129,914**
Infrastructure														
Connections	5,837,250	-	-	-	-	-	**5,837,250**	(737,267)	-	-	(245,756)	-	**(983,023)**	4,854,227
LV Networks	37,068,298	-	-	-	-	-	**37,068,298**	(8,425,834)	-	-	(1,138,717)	-	**(9,564,551)**	27,503,747
MV Networks	42,498,126	-	-	-	-	-	**42,498,126**	(5,393,149)	-	-	(1,797,717)	-	**(7,190,866)**	35,307,260
Public Lighting	7,840,732	-	-	-	-	-	**7,840,732**	(1,164,864)	-	-	(388,288)	-	**(1,553,152)**	6,287,580
Carriage Way	421,054,411	8,931,735	-	-	-	-	**429,986,146**	(50,784,077)	-	-	(17,216,146)	-	**(68,000,223)**	361,985,923
Road Furniture	42,026	-	-	-	-	-	**42,026**	(9,488)	-	-	(3,162)	-	**(12,650)**	29,376
Storm Water Networks	48,101,334	-	-	-	-	-	**48,101,334**	(5,357,618)	-	-	(1,785,872)	-	**(7,143,490)**	40,957,844
Structures	88,936,507	-	-	-	-	-	**88,936,507**	(5,003,702)	-	-	(1,667,901)	-	**(6,671,603)**	82,264,904
Traffic Management	3,035,898	-	-	-	-	-	**3,035,898**	(627,765)	-	-	(209,255)	-	**(837,020)**	2,198,878
Work In Progress	2,188,772	10,367,055	-	-	-	-	**12,555,827**	-	-	-	-	-	**-**	12,555,827
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	656,603,354	**19,298,790**	**-**	**-**	**-**	**-**	**675,902,144**	**(77,503,764)**	**-**	**-**	**(24,452,814)**	**-**	**(101,956,578)**	**573,945,566**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Lekwa Teemane Local Municipality
Lekwa Teemane Local Municipality
Appendix B
June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
Motor vehicles	13,403,844	589,901	-	-	-	**-**	**13,993,745**	(7,752,712)	-	-	(1,966,266)	-	**(9,718,978)**	4,274,767
Machinery	199,585	64,330	-	-	-	**-**	**263,915**	(47,498)	-	-	(34,088)	-	**(81,586)**	182,329
Computer Equipment	317,264	697,971	-	-	-	**-**	**1,015,235**	(127,830)	-	-	(199,827)	-	**(327,657)**	687,578
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Furniture & Fittings	1,520,260	234,537	-	-	-	**-**	**1,754,797**	(541,987)	-	-	(175,409)	-	**(717,396)**	1,037,401
Office Equipment	5,095,545	587,205	-	-	-	**-**	**5,682,750**	(13,961,125)	-	-	(1,398,086)	-	**(15,359,211)**	(9,676,461)
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	20,536,498	**2,173,944**	**-**	**-**	**-**	**-**	**22,710,442**	**(22,431,152)**	**-**	**-**	**(3,773,676)**	**-**	**(26,204,828)**	**(3,494,386)**

Lekwa Teemane Local Municipality
Lekwa Teemane Local Municipality
Appendix B
June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	115,258,082	-	-	-	-	-	**115,258,082**	(7,584,196)	-	-	(543,972)	-	**(8,128,168)**	107,129,914
Infrastructure	656,603,354	19,298,790	-	-	-	-	**675,902,144**	(77,503,764)	-	-	(24,452,814)	-	**(101,956,578)**	573,945,566
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	20,536,498	2,173,944	-	-	-	-	**22,710,442**	(22,431,152)	-	-	(3,773,676)	-	**(26,204,828)**	(3,494,386)
	792,397,934	**21,472,734**	**-**	**-**	**-**	**-**	**813,870,668**	**(107,519,112)**	**-**	**-**	**(28,770,462)**	**-**	**(136,289,574)**	**677,581,094**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software	704,653	49,260	-	-	-	-	**753,913**	(200,276)	-	-	(118,026)	-	**(318,302)**	435,611
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	704,653	**49,260**	**-**	**-**	**-**	**-**	**753,913**	**(200,276)**	**-**	**-**	**(118,026)**	**-**	**(318,302)**	**435,611**
Investment properties														
Investment property	1,548,000	-	-	-	-	**1,064,284**	**2,612,284**	-	-	-	-	-	**-**	2,612,284
	1,548,000	**-**	**-**	**-**	**-**	**1,064,284**	**2,612,284**	**-**	**-**	**-**	**-**	**-**	**-**	**2,612,284**
Total														
Land and buildings	115,258,082	-	-	-	-	-	**115,258,082**	(7,584,196)	-	-	(543,972)	-	**(8,128,168)**	107,129,914
Infrastructure	656,603,354	19,298,790	-	-	-	-	**675,902,144**	(77,503,764)	-	-	(24,452,814)	-	**(101,956,578)**	573,945,566
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	20,536,498	2,173,944	-	-	-	-	**22,710,442**	(22,431,152)	-	-	(3,773,676)	-	**(26,204,828)**	(3,494,386)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	704,653	49,260	-	-	-	-	**753,913**	(200,276)	-	-	(118,026)	-	**(318,302)**	435,611
Investment properties	1,548,000	-	-	-	-	**1,064,284**	**2,612,284**	-	-	-	-	-	**-**	2,612,284
	794,650,587	**21,521,994**	**-**	**-**	**-**	**1,064,284**	**817,236,865**	**(107,719,388)**	**-**	**-**	**(28,888,488)**	**-**	**(136,607,876)**	**680,628,989**

Lekwa Teemane Local Municipality
Lekwa Teemane Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	141,619,048	-	-	-	-	-	**141,619,048**	(17,079,804)	-	-	-	-	**(17,079,804)**	124,539,244
	141,619,048	**-**	**-**	**-**	**-**	**-**	**141,619,048**	**(17,079,804)**	**-**	**-**	**-**	**-**	**(17,079,804)**	**124,539,244**
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Lekwa Teemane Local Municipality
Lekwa Teemane Local Municipality
Appendix B
June 2013

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Lekwa Teemane Local Municipality
Lekwa Teemane Local Municipality
Appendix B
June 2013

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	141,619,048	-	-	-	-	-	**141,619,048**	(17,079,804)	-	-	-	-	**(17,079,804)**	124,539,244
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	141,619,048	-	-	-	-	-	**141,619,048**	**(17,079,804)**	-	-	-	-	**(17,079,804)**	**124,539,244**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	739,870	-	-	-	-	-	**739,870**	(115,217)	-	-	-	-	**(115,217)**	624,653
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	739,870	-	-	-	-	-	**739,870**	**(115,217)**	-	-	-	-	**(115,217)**	**624,653**
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	141,619,048	-	-	-	-	-	**141,619,048**	(17,079,804)	-	-	-	-	**(17,079,804)**	124,539,244
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	739,870	-	-	-	-	-	**739,870**	(115,217)	-	-	-	-	**(115,217)**	624,653
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	142,358,918	-	-	-	-	-	**142,358,918**	**(17,195,021)**	-	-	-	-	**(17,195,021)**	**125,163,897**

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
Equitable Share	Treasury	28,304	-	-	-	-	28,304	-	-	-	-	-	-	-	-	-		Yes	
MIG	CoGTA	15,987	-	-	-	-	20,203	-	-	-	-	-	-	-	-	-		Yes	
FMG	Treasury	1,500	-	-	-	-	1,500	-	-	-	-	-	-	-	-	-		Yes	
MSIG	Treasury	800	-	-	-	-	800	-	-	-	-	-	-	-	-	-		Yes	
Other	Various	22,378	-	-	-	-	22,378	-	-	-	-	-	-	-	-	-		Yes	
		68,969	-	-	-	-	73,185	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.