KAGISANO-MOLOPO LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2013

General Information

Legal form of entity	Municipality
Mayoral committee	Cllr. Namusi SKM Speaker
Executive Mayor	Cllr. Mochware OR Mayor
	Cllr. Chichindua BC Exco Member
	Cllr. Dithakgwe BB Exco Member
	Cllr. Modise SR Exco Member
	Cllr. Moreki KS Exco Member
	Cllr. Setae TV Exco Member
Councillors	Cllr. Baakanyang TZ
	Cllr. Baepi KD
	Cllr. Bahumi LM
	Cllr. Bonnet S
	Cllr. Cufa ZMJZ
	Cllr. Diphikwe
	Cllr. Gaobepe LE
	Cllr. Lenner
	Cllr. Loabile LC
	Cllr. Molale
	Cllr. Mathe TA
	Cllr. Miguel MT
	Cllr. Mmereki
	Cllr. Nthebotsenyane
	Cllr. Ntlhaile MJ
	Cllr. Olaotswe TM
	Cllr. Philip OA
	Cllr. Ratshipa IF
	Cllr. Sedumecwe ME
	Cllr. Seeletso MM
	Cllr. Seswai NF
	Cllr. Mothibi
Grading of local authority	Catergory B, Grade 1
Accounting Officer	Ashmar Khuduge
Chief Finance Officer (CFO)	O O Ntsimane
Registered office	Municipal Offices Ganyesa 8613
Business address	Municipal offices Next to Ganyesa Clinic Chief block section 8613
Postal address	Private Bag X522 Ganyesa 8613
Bankers	ABSA

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SDL	Skills Development Levy
GRAP	Generally Recognised Accounting Practice
UIF	Unemployment Insurance Fund
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax
FMG	Financial Management Grant
PAYE	Pay As You Earn

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

The municipality is wholly dependent on the grant funding for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern.

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

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

The annual financial statements set out on pages 4 to 54, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Ashmar Khuduge
Accounting Officer

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

1. Review of activities

Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in . The municipality 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 annual financial statements and do not in our opinion require any further comment.].

Net surplus of the municipality was 32 200 724 (2012: surplus 23 798 136),

2. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated surplus of 1 413 665 258 and that the municipality's total liabilities exceed its assets by 1 413 665 258.

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

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The account officer has no interest in contracts awarded

5. Accounting policies

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

6. Accounting Officer

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

Name
Ashmar Khuduge

7. Corporate governance

General

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

The municipality 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 Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

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

Accounting Officer's Report

Board of directors

The Council:

- 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.

Audit and risk committee

The Shared Audit Committee located at Dr. Ruth Mompati District Municipality serves the municipality..

Internal audit

The Shared Internal Audit Function located at Dr. Ruth Mompati District Municipality performs the internal audit function for the municipality

8. Bankers

The municipality's primary bank account is with ABSA Bank Limited and will continue to bank with the bank in the new financial year

9. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Receivables from exchange transactions	4	11 391 710	2 897 449
Receivables from non-exchange transactions		(201 761)	-
VAT receivable	5	844 168	12 917 807
Cash and cash equivalents	6	70 208 413	50 181 780
		82 242 530	**65 997 036**
Non-Current Assets			
Investment property	2	8 971 892	29 940 672
Property, plant and equipment	3	1 444 865 272	114 063 063
		1 453 837 164	**144 003 735**
Total Assets		**1 536 079 694**	**210 000 771**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	9 284 606	11 529 053
Unspent conditional grants and receipts	8	110 998 849	61 115 648
Provisions	9	166 688	10 320
		120 450 143	**72 655 021**
Non-Current Liabilities			
Provisions	9	(1 964 294)	(285 896)
Total Liabilities		**122 414 437**	**72 940 917**
Net Assets		**1 413 665 257**	**137 059 854**
Accumulated surplus	7	1 413 665 258	137 059 854

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Rental of facilities and equipment	12	1 413 655	955 962
Other income 1		196 573	48 968
Interest received - investment		2 618 115	1 748 436
Property rates	12	2 797 530	1 212 333
Government grants & subsidies	13	84 158 493	70 410 313
Total revenue		**91 184 366**	**74 376 012**
Expenditure			
Employee related costs	16	(19 648 700)	(19 201 482)
Remuneration of councillors	17	(8 107 317)	(7 431 595)
Depreciation	20	-	(4 240 162)
Impairment loss	21	-	(541 762)
Finance costs		(17 924)	-
Repairs and maintenance		(1 951 232)	(644 669)
Contracted services	22	(3 814 063)	(2 174 863)
Grants and subsidies paid	23	(1 218 058)	(603 216)
General Expenses	15	(24 226 348)	(18 391 623)
Total expenditure		**(58 983 642)**	**(53 229 372)**
Operating surplus		**32 200 724**	**21 146 640**
Fair value adjustments	19	-	1 398 948
Surplus for the year		**32 200 724**	**22 545 588**
Attributable to:			
Owners of the controlling entity		32 200 724	22 545 588

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	**114 514 266**	**114 514 266**
Changes in net assets		
Surplus for the year	22 545 588	22 545 588
Total changes	22 545 588	22 545 588
Balance at 01 July 2012	**118 655 328**	**118 655 328**
Revaluation of XXX	1 262 809 206	1 262 809 206
Net income (losses) recognised directly in net assets	1 262 809 206	1 262 809 206
Surplus for the year	32 200 724	32 200 724
Total recognised income and expenses for the year	1 295 009 930	1 295 009 930
Total changes	1 295 009 930	1 295 009 930
Balance at 30 June 2013	**1 413 665 258**	**1 413 665 258**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Taxation		2 618 115	105 468
Rental income		1 610 228	899 462
Grants and other income		114 980 837	126 906 486
Interest income		2 618 115	1 748 436
Other receipts		2 797 530	1 212 333
		124 624 825	130 872 185
Payments			
Employee costs		(7 312 230)	(26 003 583)
Suppliers		(31 209 801)	(21 814 376)
Finance costs		(17 924)	-
		(38 539 955)	(47 817 959)
Undefined difference compared to the cash generated from operations note		**1**	**1**
Net cash flows from operating activities	24	**86 084 871**	**83 054 227**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(72 569 382)	(20 838 485)
Proceeds from sale of property, plant and equipment	3	2 195 613	1 520 918
Purchase of investment property	2	(991 152)	(830 152)
Net cash flows from investing activities		**(71 364 921)**	**(20 147 719)**
Cash flows from financing activities			
Movement in other liability 3		-	(24 247 135)
Other cash item		5 306 684	-
Net cash flows from financing activities		**5 306 684**	**(24 247 135)**
Net increase/(decrease) in cash and cash equivalents		**20 026 634**	**38 659 373**
Cash and cash equivalents at the beginning of the year		50 181 780	11 522 407
Cash and cash equivalents at the end of the year	6	**70 208 414**	**50 181 780**

Accounting Policies

1. Presentation of annual financial statements

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

Effective interest rate

The municipality used the prime interest rate to discount cash flows.

Trade receivables / Trade and other receivables

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

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

Provisions

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

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Useful lives and residual values of property, plant and equipment

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

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.2 Investment property

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

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

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

Investment property is initially recognised at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Accounting Policies

1.2 Investment property (continued)

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.

Investment property is derecognised on disposal disposal of investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fairvalue 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 item of property, plant and equipment is at no cost, or for nominal cost, its cost is its fair value as at the 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 amounts 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.

Accounting Policies

1.3 Property, plant and equipment (continued)

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.

Subsequent to intial measurement Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings, infrastracture and community assets which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Any revaluation surplus is credited to the revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit, in which case, the increase is recognised in surplus or deficit. A revaluation deficit is recognised in surplus or deficit, except to the extent that it offsets an exiting surplus on the same assets recognised in the revaluation reserve.

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.3 Property, plant and equipment (continued)

Subsequent to intial measurement property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values.

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

Item	Average useful life
Infrastracture	10-40 years
• Roads and lights	
Community	
• Buildings	30 years
• Recreation	30 years
• Cementries	30 years
• Hall	30 years
• Libraries	30 years
• Civic buildings	30 years
Other assets	
• Buildings	30 years
• Office equipment	5-7 years
• Furniture and fittings	5-10 years
• Emergency equipment	5 years
• Computer equipment	5 years
• Motor vehicles	7-10 years

1.4 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.

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 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.

Initial recognition

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

Initial measurement

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

Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement

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

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

Reclassification

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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.

Financial assets measured at amortised cost:

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 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:

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

Accounting Policies

1.4 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity :
  - 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.

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.

Financial liabilities

The entity 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.

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 entity 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.

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.

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.

1.5 Leases

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

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

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.

Accounting Policies

1.6 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.7 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

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

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Recognition and measurement (cash-generating unit)

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Reversal of an impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

Accounting Policies

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Accounting Policies

1.8 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 municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.9 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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.

Accounting Policies

1.9 Employee benefits (continued)

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

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

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

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

1.9 Employee benefits (continued)

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

1.9 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 annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

1.9 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

1.9 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.

1.10 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

Accounting Policies

1.10 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.11 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.

Rendering of services

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

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

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

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

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

Accounting Policies

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

1.12 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.

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.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

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.

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.

Rates, including collection charges and penalties interest

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

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

Gifts and donations, including goods and services 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 are not recognised.

1.13 Investment income

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

1.14 Unauthorised expenditure

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

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

1.15 Fruitless and wasteful expenditure

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

Accounting Policies

1.15 Fruitless and wasteful expenditure (continued)

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.

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with:-

(a) a requirement of the MFMA (Act no. 56 of 2003), and which has not be condoned in terms of section 170; or
(b) a requirement of the the municipal systems Act (Act No.32 of 2000), and which has not been condoned in terms of this Act; or
(c) a requirement of the Public Office-Bearer Act, 1998 (Act no.2 of 1998); or
a requirement of the supply chain management policy of the municipality or any of the municipality by-law giving effect to such policy, and which has been condoned in terms of such policy or by-law.

Irregular expenditure is accounted for as expenditure in the statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the statement of Financial Performance.

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.

1.17 Offsetting

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

1.18 Investments

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

1.19 Conditional grants and receipts

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

1.20 Budget information

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

Accounting Policies

1.20 Budget information (continued)

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

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

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

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

The 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.

1.21 Related parties

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

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

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

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

1.22 Offsetting

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

Additional text

Notes to the Annual Financial Statements

2. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	8 971 892	-	8 971 892	30 037 019	(96 347)	29 940 672

Reconciliation of investment property - 2013

	Opening balance	Difference	**Additions**	**Depreciation**	**Total**
Investment property	29 940 672	**(21 951 903)**	991 152	(8 029)	8 971 892

Reconciliation of investment property - 2012

	Opening balance	**Additions**	**Depreciation**	**Total**
Investment property	29 118 549	830 152	(8 029)	29 940 672

Pledged as security

None of the investment property were 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.

Details of valuation

The effective date of the revaluations was 01 July 2012. Revaluations were performed by an independent valuer,Ms Kgaugelo Molema , of TMDG Consulting. TMDG Consulting is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use and is perfomed every 3 years , the next valuation will be perfomed on 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	30 969 621	-	30 969 621	-	-	-
Buildings	5 315 488	(276 770)	5 038 718	10 715 037	(2 599 330)	8 115 707
Plant and machinery	2 004 107	-	2 004 107	-	-	-
Furniture and fittings	1 647 737	(962 443)	685 294	1 482 698	(771 623)	711 075
Motor vehicles	8 763 609	(4 804 572)	3 959 037	7 837 804	(1 820 128)	6 017 676
Office equipment	(121 279)	(182 067)	(303 346)	267 528	(116 227)	151 301
Computer equipment	2 372 996	(1 331 412)	1 041 584	1 501 521	(320 760)	1 180 761
Infrastructure	58 079 140	1 297 217 161	1 355 296 301	12 050 831	(4 443 559)	7 607 272
Community	49 680 901	(10 540 282)	39 140 619	49 680 901	(10 540 282)	39 140 619
Other assets	(60 773)	(1 815 844)	(1 876 617)	1 054 504	(314 388)	740 116
Other property, plant and equipment # 1	9 727 985	-	9 727 985	50 393 619	-	50 393 619
Emergency equipment	-	-	-	31 142	(26 225)	4 917
Other property, plant and equipment # 4	(1 030 731)	212 700	(818 031)	-	-	-
Total	**167 348 801**	**1 277 516 471**	**1 444 865 272**	**135 015 585**	**(20 952 522)**	**114 063 063**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Disposals**	**Revaluations**	**Depreciation**	**Impairment loss**	**Total**
Land	-	-	-	30 969 621	-	-	30 969 62
Buildings	8 115 707	568 211	-	(3 368 430)	(276 770)	-	5 038 71
Machinery and equipment	-	-	-	2 004 107	-	-	2 004 10
Furniture and fittings	711 075	25 233	(862 749)	1 104 650	(279 041)	(13 874)	685 29
Motor vehicles	6 017 676	1 845 954	-	(3 427 653)	(476 940)	-	3 959 03
Office equipment	151 301	27 829	243 903	(625 153)	(95 649)	(5 577)	(303 34
IT equipment	1 180 761	933 044	(370 122)	(480 992)	(218 096)	(3 011)	1 041 58
Infrastructure	7 607 272	46 332 669	-	436 041	1 300 920 319	-	1 355 296 30
Community	39 140 619	14 133 029	-	(12 115 007)	(2 018 022)	-	39 140 61
Other assets	740 116	-	(89 476)	(2 516 269)	(7 593)	(3 395)	(1 876 61
Other property, plant and equipment # 1	50 393 619	8 204 539	-	(48 870 173)	-	-	9 727 98
Emergency equipment	4 917	-	-	(4 917)	-	-	
Other property, plant and equipment # 4	-	498 874	(1 117 169)	(62 942)	(119 621)	(17 173)	(818 03
	114 063 063	**72 569 382**	**(2 195 613)**	**(36 957 117)**	**1 297 428 587**	**(43 030)**	**1 444 865 27**

Figures in Rand	2013	2012

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Buildings	7 824 265	568 211	-	(276 769)	-	8 115 707
Office furniture	996 517	7 473	-	(279 041)	(13 874)	711 075
Motor vehicles	4 648 115	1 845 954	-	(476 393)	-	6 017 676
Office equipment	468 801	27 829	(244 103)	(95 649)	(5 577)	151 301
IT equipment	838 946	933 044	(370 122)	(218 096)	(3 011)	1 180 761
Infrastructure	7 265 226	1 082 447	-	(740 401)	-	7 607 272
Community	40 968 014	190 627	-	(2 018 022)	-	39 140 619
Other property, plant and equipment	1 195 252	498 874	(817 217)	(119 620)	(17 173)	740 116
Other property, plant and equipment # 1	34 709 593	15 684 026	-	-	-	50 393 619
Specialised vehicles	105 381	-	(89 476)	(7 593)	(3 395)	4 917
	99 020 110	**20 838 485**	**(1 520 918)**	**(4 231 584)**	**(43 030)**	**114 063 063**

Pledged as security

None of the Assets are 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.

4. Receivables from exchange transactions

Trade receivables - property rates	1 728 226	999 818
Other spheres of government	5 006 917	-
Other receivables	531 703	223 951
Rental receivables	570 683	624 476
Provision for impairment	(898 369)	(898 369)
Control accounts	4 452 550	1 947 573
	11 391 710	**2 897 449**

Trade and other receivables pledged as security

Trade and other receivables were not pledged as security for overdraft facilities

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables impaired

As of 30 June 2013, trade and other receivables of - (2012: 898 369) were impaired and provided for.

3 to 6 months	-	1 846 955

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

4. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	898 369	2 029 400
Provision for impairment	571 193	617 972
Amounts written off as uncollectible	-	(1 629 762)
Unused amounts reversed	-	(119 241)
	1 469 562	**898 369**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit . Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

5. VAT receivable

VAT	844 168	12 917 807

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	17 714 004	17 476 739
Short-term deposits	52 494 409	32 705 041
	70 208 413	**50 181 780**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
Absa Bank- Current Account- 4053 77 3896	-	14 688	-	-	14 688	-
Absa Bank- Current Account- 4053 77 3896	-	117 213	-	-	117 213	-
Absa Bank- Current Account- 4053 77 3896	17 714 001	17 344 966	-	17 714 001	173 449 660	-
Total	**17 714 001**	**17 476 867**	**-**	**17 714 001**	**173 581 561**	**-**

7. Accumulated surplus

Movement due to merger of municipalities

	Formerly Kagisano Local Municipality	Formerly Molopo Local Municipality	Kagisano Molopo Local Municipality	Total
Opening balance	80 092 396	34 369 481	23 156 995	137 618 872
Undefined difference	**(80 092 396)**	**(34 369 481)**	**(23 156 995)**	**(18 963 544)**
	-	**-**	**-**	**118 655 328**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

8. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal systems improvement grant	(932 066)	982 528
Tax capacity grant	235 585	469 231
Free basic services grant	1 923 238	341 726
Local government development fund	1 774 944	1 774 944
Financial assistance grant	70 821	34 095
Transitional grant	-	690 384
Local economic development grant (charcoal project)	-	106 047
Municipal infrastructure grant	42 333 066	47 032 035
Financial management grant	1 645 645	4 056 839
SASSA conditional grant	-	20 000
Library grant	696 587	679 248
1600 Housing units project	740 562	721 359
DRSMDM - Completion of Ganyesa and Morokwe	1 194 150	1 194 150
National lottery grant	(376 150)	400 433
DSAC - Libraries	167 683	167 683
Bophirma district municipality - Wild Silk	1 647 682	1 647 682
Small enterprise development agency	652 213	652 213
DRSM - Renovation of community halls	-	(3 368)
LGSeta	-	148 419
Unspent grant 21	1 467	-
Unspent grant 22	1 406 857	-
Unspent grant 23	19 033	-
Unspent grant 24	7 774	-
Unspent grant 25	653 477	-
Unspent grant 26	5 268	-
Unspent grant 27	97	-
Unspent grant 28	106 047	-
Unspent grant 29	1 631	-
Unspent grant 30	1 881 373	-
Unspent grant 31	3 930 371	-
Unspent grant 32	670 489	-
Unspent grant 33	148 419	-
Unspent grant 34	362 010	-
Unspent grant 35	230 655	-
Unspent grant 36	49 799 921	-
	110 998 849	**61 115 648**

Movement during the year

Balance at the beginning of the year	-	45 560 447
Additions during the year	-	27 461 514
Income recognition during the year	-	(11 906 313)
Undefined Difference	**110 998 849**	**-**
	110 998 849	**61 115 648**

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

9. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Difference	Additions	Utilised during the year	Total
Long service awards	181 722	(166 688)	-	(10 320)	4 714
Continued medical aid	114 494	166 688	-	-	281 182
Provision 3	-	1 386 264	481 432	(22 610)	1 845 086
	296 216	**1 386 264**	**481 432**	**(32 930)**	**2 130 982**

Reconciliation of provisions - 2012

	Opening Balance Restated	Difference	Additions	Total
Long service awards	482 979	(381 853)	80 596	181 722
Continued medical aid	105 040	-	9 454	114 494
	588 019	**(381 853)**	**90 050**	**296 216**

Non-current liabilities	1 964 294	285 896
Current liabilities	166 688	10 320
	2 130 982	**296 216**

Long service awards

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

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

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

Continued medical aid

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

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

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

10. Payables from exchange transactions

Trade payables	6 294 415	-
Retentions	2 990 191	3 295 071
Other payables	-	4 233 913
Accrued leave	-	1 834 766
Accruals	-	1 934 623
Guarantees	-	230 680
	9 284 606	**11 529 053**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

11. Financial instruments disclosure

12. Property rates

Rates received

Residential	-	11 430
Commercial	7 685	120 866
State	300	163 653
Small holdings and farms	2 788 706	2 700 773
Less: Rebates	839	(1 784 389)
	2 797 530	**1 212 333**

Figures in Rand	2013	2012

13. Government grants and subsidies recognised in surplus

Equitable share	81 156 543	58 504 000
Government grant (operating) 1	3 001 950	11 906 313
	84 158 493	**70 410 313**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Municipal systems improvement grant

Balance unspent at beginning of year	982 528	982 528
Current-year receipts	-	790 000
Conditions met - transferred to revenue	-	(175 167)
Undefined Difference	**(1 914 594)**	**(614 833)**
	(932 066)	**982 528**

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

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

Tax capacity grant

Balance unspent at beginning of year	469 231	469 231
Undefined Difference	**(233 646)**	**-**
	235 585	**469 231**

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

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

Free basic service grant

Balance unspent at beginning of year	341 726	341 726
Conditions met - transferred to revenue	-	(196 836)
Undefined Difference	**1 581 512**	**196 836**
	1 923 238	**341 726**

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

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

Local government development fund

Balance unspent at beginning of year	1 774 944	1 774 944

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

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

Financial assistance grant

Figures in Rand	2013	2012

13. Government grants and subsidies recognised in surplus (continued)

Balance unspent at beginning of year	34 095	34 095
Undefined Difference	**36 726**	**-**
	70 821	**34 095**

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

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

Transitional grant

Balance unspent at beginning of year	690 384	690 384
Undefined Difference	**(690 384)**	**-**
	-	**690 384**

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

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

Local economic development grant (Charcoal project)

Balance unspent at beginning of year	106 047	106 047
Undefined Difference	**(106 047)**	**-**
	-	**106 047**

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

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

Municipal infrastructure grant

Balance unspent at beginning of year	47 032 035	28 430 846
Current-year receipts	-	24 613 000
Conditions met - transferred to revenue	-	(10 977 989)
Undefined Difference	**(4 698 969)**	**4 966 178**
	42 333 066	**47 032 035**

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

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

Financial management grant

Balance unspent at beginning of year	4 056 839	4 056 839
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	-	(437 729)
Undefined Difference	**(2 411 194)**	**(1 562 271)**
	1 645 645	**4 056 839**

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

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

SASSA conditional grant

Balance unspent at beginning of year	20 000	20 000

Figures in Rand	2013	2012

13. Government grants and subsidies recognised in surplus (continued)

Undefined Difference	**(20 000)**	**-**
	-	**20 000**

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

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

Library fund

Balance unspent at beginning of year	679 248	679 248
Conditions met - transferred to revenue	-	(118 593)
Undefined Difference	**17 339**	**118 593**
	696 587	**679 248**

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

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

1600 Housing units project

Balance unspent at beginning of year	721 359	-
Undefined Difference	**19 203**	**721 359**
	740 562	**721 359**

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

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

DRSMDM - Completion of Ganyesa and Morokweng

Balance unspent at beginning of year	1 194 150	1 194 150

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

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

National lottery grant

Balance unspent at beginning of year	400 433	400 433
Undefined Difference	**(776 583)**	**-**
	(376 150)	**400 433**

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

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

Bophirima district municipality

Balance unspent at beginning of year	167 683	167 683

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

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

Bophirima district municipality - Wild silk

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

13. Government grants and subsidies recognised in surplus (continued)

Balance unspent at beginning of year	1 647 682	1 395 663
Undefined Difference	**-**	**252 019**
	1 647 682	**1 647 682**

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

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

Small enterprise development agency

Balance unspent at beginning of year	652 213	652 213

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

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

DRSMDM - Renovation of community halls

Balance unspent at beginning of year	(3 368)	(3 368)
Undefined Difference	**3 368**	**-**
	-	**(3 368)**

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

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

LGSeta

Balance unspent at beginning of year	148 419	148 419
Current-year receipts	-	58 514
Undefined Difference	**(148 419)**	**(58 514)**
	-	**148 419**

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

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

14. Other income

15. General expenses

Advertising and promotions	148 844	71 172
Audit fees	5 644 238	684 528
Audit fees	44 822	140 558
Audit fees	126 000	105 442
Consulting and professional fees	2 093 297	1 030 104
Entertainment	461 481	127 085
Insurance	1 552 392	82 947
Community programmes	-	33 165
Conferences and seminars	14 035	45 190
Lease rentals including operating leases	1 188 832	1 658 884
Sport facilities expenses	658 584	436 514
Motor vehicle expenses	8 350	8 465
Fuel and oil	1 793 117	1 513 731
Postage and courier	43 394	9 421
Printing and stationery	801 024	354 905
Software expenses	6 999	413 122
Mayoral inauguration	140 639	-
Subscriptions and membership fees	424 465	253 202
Telephone, fax and data costs	1 374 294	1 073 622
Training	502 019	42 857
Travel and subsistence	724 662	2 789 601
Loss due to theft of assets	-	1 949 521
Water and Electricity	3 125 557	2 675 604
Water	21	-
Community functions	40 150	130 459
Mayoral outreach programmes	275 566	618 763
Refreshments and meals	1 813 847	1 484 627
Travel and subsistence	1 219 719	658 134
	24 226 348	**18 391 623**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

16. Employee related costs

Basic	836 966	11 162 463
Pension Contributions	-	1 924 800
Bonus	-	667 564
Medical aid contributions	-	875 313
UIF	-	111 270
SDL	-	137 935
Bargaining council contribution	22 112	4 540
Leave pay provision charge	6 072 778	145 549
Telephone	2 804 958	2 351 296
Acting allowances	-	104 839
Housing benefits and allowances	-	419 251
Unpaid leave	9 908 184	897 079
Taxable	3 177	154 000
Telephone	525	244 620
Reimbursive sports	-	963
	19 648 700	**19 201 482**

Remuneration of Mayor

Annual Remuneration	353 222	360 821
Contributions to UIF, Medical and Pension Funds	66 909	63 389
Other	193 214	253 422
Undefined Difference	**(613 345)**	**(677 632)**
	-	**-**

Remuneration of Municipal Manager

Annual Remuneration	863 818	986 744
Contributions to UIF, Medical and Pension Funds	9 461	235 944
Other	-	144 225
Undefined Difference	**(873 279)**	**(1 366 913)**
	-	**-**

Remuneration of Director: Community Services

Annual Remuneration	587 431	1 040 244
Contributions to UIF, Medical and Pension Funds	45 741	144 435
Other	-	201 667
Undefined Difference	**(633 172)**	**(1 386 346)**
	-	**-**

Remuneration of Director: Technical Services

Annual Remuneration	668 019	662 777
Contributions to UIF, Medical and Pension Funds	57 078	134 769
Other	-	430 000
Undefined Difference	**(725 097)**	**(1 227 546)**
	-	**-**

Remuneration of Director: Corporate Services

Annual Remuneration	678 495	876 800
Contributions to UIF, Medical and Pension Funds	45 232	111 026
Other	-	235 400

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

16. Employee related costs (continued)

Undefined Difference	**(723 727)**	**(1 223 226)**
	-	**-**

Remuneration of Director: Technical Services

Annual Remuneration	423 494	853 849
Contributions to UIF, Medical and Pension Funds	18 786	132 563
Other	-	120 000
Undefined Difference	**(442 280)**	**(1 106 412)**
	-	**-**

Remuneration of Chief Financial Officer

Annual Remuneration	-	509 952
Contributions to UIF, Medical and Pension Funds	-	110 473
Other	-	158 400
Undefined Difference	**-**	**(778 825)**
	-	**-**

17. Remuneration of councillors

Executive Mayor	398 578	677 631
Other councillors	7 708 739	6 753 964
	8 107 317	**7 431 595**

In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards . The Deputy Mayor and speaker have two full-time bodyguards.

The Executive Mayor has two full-time bodyguards.

18. Interest received

Interest revenue		
Bank	2 615 056	447 348
Short term deposits	3 059	-
Short term deposits	-	1 301 088
	2 618 115	**1 748 436**

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

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

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

19. Fair value adjustments

Investment property	-	1 398 948

20. Depreciation

Property, plant and equipment	-	4 240 162

21. Impairment of assets

Impairments		
Property, plant and equipment	-	43 031
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Trade and other receivables	-	498 731
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	-	**541 762**

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

22. Contracted services

IT and security services	3 814 063	2 174 863

23. Grants and subsidies paid

Other subsidies		
Local economic development projects	1 177	-
Group co ID 4	7 770	-
SMME Development	16 800	-
SMME Development	-	52 457
Wild Silk Africa Plant	143 669	11 638
Development of LED & Tourism	-	43 934
Donations : Mayors Discretionary Fund	-	1 485
Bursary: Community Members	857 950	363 969
Bursary: Municipal Officials	190 692	129 733
	1 218 058	**603 216**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

24. Cash generated from operations

Surplus	32 200 724	22 545 588
Adjustments for:		
Depreciation and amortisation	-	4 240 162
Fair value adjustments	-	(1 398 948)
Impairment deficit	-	541 762
Movements in provisions	1 834 766	296 216
Other non-cash items	629 488	-
Changes in working capital:		
Receivables from exchange transactions	(8 494 261)	(3 165 040)
Other receivables from non-exchange transactions	201 761	-
Payables from exchange transactions	(2 244 447)	11 796 646
VAT	12 073 639	(12 917 807)
Unspent conditional grants and receipts	49 883 201	61 115 648
	86 084 871	**83 054 227**

25. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	-	35 425 619
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	12 041 000

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

Figures in Rand	2013	2012

26. Contingencies

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims. The total cover extended by the current policy amounts to -.

The municipality has offered termination benefits to all of its employees to encourage early retirement. The municipality has finalised and agreed, with the trade unions, the terms and conditions of the plan. The plan has been implements and will continue for the next nine months. Management are uncertain about the number of employees who will accept the offer. If all employees take the offer the potential financial effect would approximately be -.

There is no reimbursement from any third parties for potential obligations of the municipality.

An associate is been sued for violation of copyrights. The municipality's share of the potential claim amounts to -. The associates lawyers and management are of the opinion that the law suit will be successful but are unable to reliably determine the amount of penalties and damages payable.

The municipality is severally liable for the liabilities of its associate. The associate is profitable and in currently able to meet all of it present obligations.

Litigation is in the process against the a competitor relating to a dispute whereby the competitor has infringed patents and the municipality is seeking damages of -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Contingent assets

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 34, civil proceedings have commenced against the employees concerned to recover an amount of -. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

27. Related parties

Relationships

Members of key management	Name
	Name

28. Change in estimate

Property, plant and equipment

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

The impact on tax is……..

The impact on the cash flow statement is

Other 1

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

The impact on tax is……..

The impact on the cash flow statement is

Figures in Rand	2013	2012

28. Change in estimate (continued)

Other 2

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

The impact on tax is……..

The impact on the cash flow statement is

29. Prior period errors

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

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

Statement of financial position		
Property, plant and equipment	-	(38 622 143)

30. Merger

No comparative figures have been presented as these are the first annual financial statements of the municipality.

The reporting period is longer/shorter than a year, therefore comparative amounts are not comparable to the current balances.

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position		
Item 1	-	232 408
Item 2	-	7 999 544
Item 3	-	8 729 389
Statement of Financial Performance		
Item 1	-	172 668
Item 2	-	845 453
Item 3	-	14 459 402

31. Risk management

Financial risk management

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

Liquidity risk

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

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

Figures in Rand	2013	2012

31. Risk management (continued)

Credit risk

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

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

32. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated surplus of 1 413 665 258 and that the municipality's total liabilities exceed its assets by 1 413 665 258.

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

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

33. Unauthorised expenditure from the formerly Molopo Local Municipality

34. Fruitless and wasteful expenditure from the formerly Molopo Local Municipality

35. Irregular expenditure from the formerly Molopo Local Municipality

Opening balance	-	3 704 248
Add: Irregular Expenditure - current year	-	16 604 490
Less: Amounts condoned	-	(3 342 658)
	-	**16 966 080**

Details of irregular expenditure – Kagisano Molopo (current year)

Incident 2	Text 2	-

36. In-kind donations and assistance

37. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

Opening balance	-	13 738
Current year subscription / fee	-	111 339
Amount paid - current year	-	(111 339)
	-	**13 738**

Pension and Medical Aid Deductions

Current year subscription / fee	-	3 190 142
Amount paid - current year	-	(3 190 142)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

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

VAT

VAT receivable	844 168	12 917 807

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

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

38. Assets subject to restrictions

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

Notes to the Annual Financial Statements

Figures in Rand

39. Statement of comparative and actual information

2013

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	-	-	-	-		-	2 797 530		2 797 530	DIV/0 %	DIV/0 %
Investment revenue	-	-	-	-		-	2 618 115		2 618 115	DIV/0 %	DIV/0 %
Other own revenue	-	-	-	-		-	1 610 228		1 610 228	DIV/0 %	DIV/0 %
Employee costs	-	-	-	-	-	-	(19 648 700)	-	(19 648 700)	DIV/0 %	DIV/0 %
Remuneration of councillors	-	-	-	-	-	-	(8 107 317)	-	(8 107 317)	DIV/0 %	DIV/0 %
Finance charges	-	-	-	-	-	-	(17 924)	-	(17 924)	DIV/0 %	DIV/0 %
Transfers and grants	-	-	-	-	-	-	(1 218 058)	-	(1 218 058)	DIV/0 %	DIV/0 %
Other expenditure	-	-	-	-	-	-	(29 991 643)	-	(29 991 643)	DIV/0 %	DIV/0 %
Total expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**(58 983 642)**	**-**	**(58 983 642)**	**DIV/0 %**	**DIV/0 %**
Surplus/(Deficit) for the year	**-**	**-**	**-**	**-**		**-**	**(51 957 769)**		**(51 957 769)**	**DIV/0 %**	**DIV/0 %**

40. Decommissioning, restoration and environmental rehabilitation funds

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

Figures in Rand	2013	2012

41. Budget differences

Kagisano-Molopo Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013