General Information

Legal form of entity	Msukaligwa Local Municipality is a Grade 8 local authority as per the Government Gazette, published in terms of the Remuneration of Public Office Bearers Act,1998
Nature of business and principal activities	Local Municipality
Grading of local authority	8
Capacity of Municipality	Low Capacity
Municipal Demarcation Code	MP302
Speaker	Vilakazi BM
Chief Whip	Mashinini NG
Mayoral committee	
Executive Mayor	Bongwe JS
Councillors	Madini VCN
	Nkosi MP
Accounting Officer	Dlamini TBW
Chief Finance Officer (CFO)	Lengwate TM
Registered office	Civic Centre C/o Church and Taute Streets (017) 801 3500
Postal address	P.O. Box 48 Ermelo 2350
Bankers	Standard Bank
Auditors	Auditor General - Mpumalanga
Attorneys	Nolte Attorneys

General Information

Ward councillors	Ward 1	Nkosi MP
	Ward 2	Msezane EC
	Ward 3	Malinga MV
	Ward 4	Nkosi ST
	Ward 5	Mabasa FJ
	Ward 6	Malaza TT
	Ward 7	Breydenbach Z
	Ward 8	Swart HF
	Ward 9	Mhlanga MJ
	Ward 10	Nkosi SM
	Ward 11	Mnisi LP
	Ward 12	Dladla KH
	Ward 13	Dhludhlu ZC
	Ward 14	Msibi SJ
	Ward 15	SL Jele
	Ward 16	Nkosi ZJ
	Ward 17	Sibiya BI
	Ward 18	Vilakazi SE
	Ward 19	Sibeko PT

Councillors: Proportional	Blignaut JDA
	Bongwe JS
	Greyling GS
	Mabunda D
	Mabuza BI
	Madini VCN
	Maseko PB
	Mashiane PE
	Mashinini NG
	Mathebula SC
	Msimango GT
	Ngwenya BR
	Ngwenya TC
	Nkosi MS
	Nkosi PB
	Nkosi SJ
	Puwani BS
	Sibanyoni JH
	Vilakazi BM

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

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Statements 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 him 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 2013 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 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 5.

The annual financial statements set out on pages 5 to 82, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:

Accounting Officer
TBW Dlamini
31 August 2012

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2012.

1. Review of activities

Main business and operations

Msukaligwa Local Municipality is a low capacity local municipality and delivers basic services such as water, electricity and refuse removal services to the Ermelo, Breyten, Wesselton, Lake Chrissie, Davel, Lothair, Sheepmoor and Warburton region.

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 R34 053 237 (2011: deficit R 1,527,839).

2. Going concern

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

3. Subsequent events

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

4. Accounting policies

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

5. Auditors

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

Msukaligwa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Inventories	9	25 890 315	24 708 944
Other financial assets	7	9 999 746	32 575
Other receivables from non-exchange transactions	10	18 447 211	16 994 712
Consumer receivables	12	71 189 058	77 624 970
Cash and cash equivalents	13	32 570	32 570
		125 558 900	**119 393 771**
Non-Current Assets			
Investment property	4	4 560 704	4 564 404
Property, plant and equipment	5	303 109 421	271 930 543
Intangible assets	6	749 138	230 445
		308 419 263	**276 725 392**
Non-Current Assets		308 419 263	276 725 392
Current Assets		125 558 900	119 393 771
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**433 978 163**	**396 119 163**
Liabilities			
Current Liabilities			
Other financial liabilities	14	20 138	44 887
Finance lease obligation	15	3 161 868	2 187 852
Payables from exchange transactions	18	44 574 599	39 549 742
VAT payable	19	8 632 465	8 077 046
Consumer deposits	20	7 008 435	6 330 999
Unspent conditional grants and receipts	16	11 902 104	17 802 896
Bank overdraft	13	5 893 625	13 925 408
		81 193 234	**87 918 830**
Non-Current Liabilities			
Other financial liabilities	14	21 640	13 988
Finance lease obligation	15	5 466 705	5 674 523
Retirement benefit obligation	8	30 737 998	18 741 783
Provisions	17	23 874 662	21 704 238
		60 101 005	**46 134 532**
Non-Current Liabilities		60 101 005	46 134 532
Current Liabilities		81 193 234	87 918 830
Liabilities of disposal groups		-	-
Total Liabilities		**141 294 239**	**134 053 362**
Assets		433 978 163	396 119 163
Liabilities		(141 294 239)	(134 053 362)
Net Assets		**292 683 924**	**262 065 801**
Net Assets			
Accumulated surplus		292 683 924	262 065 801

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue	22	380 875 235	310 554 864
Other income	26	2 998 677	4 268 245
Operating expenses (Refer to notes 26, 28, 29, 30, 32, 34 & 35)		(359 805 328)	(323 240 432)
Operating surplus/(deficit)		**24 068 584**	**(8 417 323)**
Investment revenue	31	10 713 229	8 875 336
Finance costs	33	(728 576)	(505 760)
Profit (loss) for the period from continuing operations		34 053 237	(47 747)
Profit (loss) from discontinued operations		-	-
Surplus/(deficit) for the period		**34 053 237**	**(47 747)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2010	**251 495 681**	**251 495 681**
Changes in net assets		
Surplus for the period	(47 747)	(47 747)
Correction of assets	10 617 867	10 617 867
Total changes	10 570 120	10 570 120
Balance at 01 July 2011	**260 603 726**	**260 603 726**
Changes in net assets		
Revaluation of XXX	(1 973 039)	(1 973 039)
Net income (losses) recognised directly in net assets	(1 973 039)	(1 973 039)
Surplus for the period	34 053 237	34 053 237
Total recognised income and expenses for the year	32 080 198	32 080 198
Total changes	32 080 198	32 080 198
Balance at 30 June 2012	**292 683 924**	**292 683 924**

Msukaligwa Local Municipality
Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		167 400 028	189 879 796
Grants		138 548 750	106 896 729
Interest income		10 713 229	9 201 042
Other receipts		18 331 339	1 168 824
Property rates		51 379 021	-
		386 372 367	307 146 391
Payments			
Employee costs		(112 133 530)	(103 684 309)
Suppliers		(183 042 317)	(160 433 693)
Finance costs		(646 695)	(9 535)
Remuneration of councillors		(9 010 147)	(7 464 095)
		-	(13 381 882)
Revauation of assets		734 445	18 862 360
Lease liability		(1 042 319)	-
Other cash item		-	-
		(305 140 563)	(266 111 154)
Total receipts		386 372 367	307 146 391
Total payments		(305 140 563)	(266 111 154)
Net cash flows from operating activities	37	**81 231 804**	**41 035 237**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(62 651 254)	(63 270 993)
Loss from sale of property, plant and equipment	5	(158 160)	-
Purchase of intangible assets	6	(730 748)	(6 159)
Increase in fixed deposits		(9 967 171)	98 104
Other cash item		279 325	9 384 042
Net cash flows from investing activities		**(73 228 008)**	**(53 795 006)**
Cash flows from financing activities			
New loans raised / (repaid)		(17 097)	(15 022)
Increase in consumer deposits		-	646 005
Finance lease payments		45 083	(2 237 153)
Finance costs		-	(496 225)
Net cash flows from financing activities		**27 986**	**(2 102 395)**
Net increase/(decrease) in cash and cash equivalents		**8 031 782**	**(14 862 164)**
Cash and cash equivalents at the beginning of the period		(13 892 838)	969 327
Cash and cash equivalents at the end of the period	13	**(5 861 056)**	**(13 892 837)**

Accounting Policies

1. Presentation of annual financial statements

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

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

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

These accounting policies are consistent with the previous period except for the changes set out in note 2 - Changes in accounting policy.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality 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.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

Provisions

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

Accounting Policies

1.1 Transfer of functions between entities under common control (continued)

Useful lives of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 8 - Employee benefit obligations.

Effective interest rate

The municipality uses the government bond rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

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

- use in the production or supply of goods or services;
- 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 measured at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Accounting Policies

1.2 Investment property (continued)

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

1.3 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 fair value of the item can be measured reliably.

Property, plant and equipment are 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 acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

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

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	**Average useful life**
Infrastructure	
• Roads and motorways	10 - 15 years
• Traffic equipment	5 years
• Storm water drainage	20 years
• Airport infrastructure	20 years
• Solid waste	30 years
• Water and sanitation	20 years
• Major substations: buildings	30 years
• Transformers and related equipment	20 years
• Mains	20 years
• Street lighting	25 years
Community	
• Buildings	30 years
• Recreational facilities	30 years
Other property, plant and equipment	
• Buildings	30 years
• Markets and informal markets	30 years
• Fire engines	20 years
• Landfill sites	5 years
• Car parks	20 years
• Building improvements	30 years
• Heavy and mobile plant	10 - 15 years
• Furniture and fittings	7 - 10 years
• Vehicles	5 - 7 years
• Bins and containers	5 - 10 years
• Plant - general	2 - 5 years
• Security systems	3 years
• Office equipment	3 - 7 years
• Other items of plant and equipment	2 - 5 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

1.3 Property, plant and equipment (continued)

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

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

1.4 Intangible assets

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

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

Intangible assets are initially measured at cost.

Where an intangible asset is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

The amortisation period, residual value, if any, and the amortisation method for intangible assets are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

The useful lives of intangible assets have been assessed as follows:

Item	Useful life
Computer software	5 years

1.4 Intangible assets (continued)

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

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

1.5 Heritage assets

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

Recognition

A heritage asset is recognised when, it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are initially measured at cost.

Where a heritage asset is acquired at no cost or for a nominal cost, or through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Impairment

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

1.6 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.

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

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

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

1.6 Financial instruments (continued)

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

Classification

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

Class	Category
Stand loans	Measured at amortised cost
Consumer debtors	Measured at amortised cost
Cash and cash equivalents	Measured at amortised cost

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement

The municipality measures a financial asset and financial liabilityother than those subsequently measured at fair value, 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.

Except for the concessionery loan agreement, the municipality measures all other financial assets and financial liabilities at its fair value.

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

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

1.6 Financial instruments (continued)

Subsequent measurement

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

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

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

Fair value measurement considerations

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

Reclassification

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

1.6 Financial instruments (continued)

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 directly. 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. 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.

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

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).

1.6 Financial instruments (continued)

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 municipality 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.

1.7 Leases

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

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

Finance leases - lessee

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

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

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

Any contingent rents are recognised separtely as an expense in the period in which they are incurred.

Operating leases - lessor

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

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

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

Any contingent rent is recognised separately as revenue when received or receivable and are not straight-lined over the lease term.

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.

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

Any contingent rent is recognised separately as an expense when paid or payable and are not straight-lined over the lease term.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Accounting Policies

1.8 Inventories (continued)

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

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

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

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

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

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

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

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

1.9 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.

Identification

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.

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.

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

Irrespective of whether there is any indication of impairment, the municipality also tests 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 is tested for impairment before the end of the current reporting period.

Value in use

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

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

1.9 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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.

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.

1.9 Impairment of cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses 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.

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.

1.10 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.

Identification

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.

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

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

Irrespective of whether there is any indication of impairment, the entity also tests 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 is tested for impairment before the end of the current reporting period.

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

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset 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.

Service units approach

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

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.

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 assesses 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.

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.

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

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.

1.11 Employee benefits

Short-term employee benefits

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

- as a liability (accrued expense), after deducting any amount already paid. if the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will be lead to, for example a reduction in future payments or a cash refund; and.
- as an expense, unless anotherstandard of GRAP 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality experts to pay as a result of the unused entitlement that has accumulated at the reporting date.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance, and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative, but to make the payments.

1.11 Employee benefits (continued)

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
When an employee has rendered service to the municipality during a reporting period, the municipality recognizes 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, the municipality recognizes 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 of GRAP 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.Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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 municipality recognizes actuarial gains and losses in surplus or deficit in the reporting period in which they occur.
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 municipality recognizes past service cost as an expense in the reporting period in which the plan is amended.
The amount recognized 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 municipality measures 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 recognized in surplus or deficit.

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

The municipality recognizes the net total of the following amounts in surplus or deficit, except to the extent that another Standard of GRAP 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 municipality 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.

Accounting Policies

1.11 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement medical care benefits upon retirement to some retirees and their legitimate spouses.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The amount recognised in the statement of financial position represents the present value of the defined contribution obligation. The amount is discounted by using the market related interest rate at the reporting date.

1.12 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being located;
  - 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39 - Contingencies.

Accounting Policies

1.13 Revenue from exchange transactions

Exchange transactions are transactions in which the municipality 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.

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends 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.

1.14 Revenue from non-exchange transactions

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.

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.

Conditions on transferred assets are stipulations that limits the purpose of which a transferred asset may be used, but do not specicy that the future economic benefits or service potential is required to be returned to the tranferor if not deployed as speficified .

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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.

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.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municiplaity ha complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have been met, a liability is recognisedt

Impairment

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

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.

Debt forgiveness and assumption of liabilities

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

Revenue arising from debt forgiveness is measured at the fair value of the debt forgiven. Where debt is carried at a value other than fair value, the receivable is recognised at the carrying amount.

Fines

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

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

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

1.14 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

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

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

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.

Levies

Levies are recognised as revenue when:

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

Changes to estiates made when more reliable information become available are processed as an adjustment to levies due.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

1.15 Investment income

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

1.16 Borrowing costs

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

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.15 and 1.16. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Accounting Policies

1.16 Borrowing costs (continued)

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

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

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

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

1.17 Comparative figures

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

1.18 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.

1.19 Irregular expenditure

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

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.Additional text

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 registerAdditional textAdditional

Accounting Policies

1.20 Fruitless and wasteful expenditure

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

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

1.21 Budget information

A reconciliation between the statement of financial performance and the budget has been included in the annual financial statements, as the recommended disclosure as determined by National Treasury, as the annual financial statements and the budget are not on the same basis of accounting. Refer to note 48 - Reconciliation between budget and statement of financial performance.

1.22 Capital commitments

Items are classied as commitments where in the municipality commits itself to future transactions that will normally results in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:.
- approved and contracted commitments;
- where the expenditure has been approved and contract has been awarded at the reporting date;
- where the disclosure is required by a specific standard of GRAP.

1.23 Presentation currency

These annual financial statements are presented in South African Rand.

1.24 Offsetting

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

1.25 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 local 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 entity in accordance with legislation, in instances where they are required to perform such functions.

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

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

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.
- GRAP 104: Financial Instruments

2. Changes in accounting policy (continued)

Financial Instruments

During the year, the municipality changed its accounting policy with respect to the treatment of financial instruments. In order to conform with the benchmark treatment in of GRAP104 – Financial Instruments. The municipality now recognises financial instruments at fair value or amortised cost. The comparative figures have been restated retrospectively.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

3.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

The municipality has early adopted the standard for the first time in the 2012 annual financial statements.

The impact of the standard is not material.

3.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are only mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

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

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

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

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

The municipality has early adopted the standard for the first time in the 2012 annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The impact of the standard is not material.

GRAP 103: Heritage Assets

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

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

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

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

The municipality has early adopted the standard for the first time in the 2012 annual financial statements.

The impact of the standard is not material.

GRAP 21: Impairment of Non-cash-generating Assets

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

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

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

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

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

The municipality has early adopted the standard for the first time in the 2012 annual financial statements.

The impact of the standard is not material.

GRAP 26: Impairment of Cash-generating Assets

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

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

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

The municipality has early adopted the standard for the first time in the 2012 annual financial statements.

The impact of the standard is not material.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality has early adopted the standard for the first time once it becomes effective.

The impact of the standard is not material.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 104: Financial Instruments

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

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

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

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

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

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

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

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality has early adopted the standard for the first time once it becomes effective.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

- recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property, Plant and Equipment (as revised in 2010); and
- recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) .

The interpretation addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for:

- a change in the estimated outflow of resources embodying economic benefits (e.g. cash flows) or service potential required to settle the obligation;
- a change in the current market-based discount rate as defined in paragraph .52 of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) (this includes changes in the time value of money and the risks specific to the liability); and
- an increase that reflects the passage of time (also referred to as the unwinding of the discount).

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 3: Determining Whether an Arrangement Contains a Lease

This Interpretation of the Standards of GRAP does not apply to arrangements that are, or contain, leases excluded from the scope of the Standard of GRAP on Leases (as revised in 2010).

The issues addressed in this Interpretation of the Standards of GRAP are:

- how to determine whether an arrangement is, or contains, a lease as defined in the Standard of GRAP on Leases (as revised in 2010);
- when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made; and
- if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for any other elements in the arrangement.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This Interpretation of the Standards of GRAP applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds that have both of the following features:

The issues addressed in this Interpretation of the Standards of GRAP are:

- the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity); and
- a contributor's right to access the assets is restricted.

A residual interest in a fund that extends beyond a right to reimbursement, such as a right to distributions once all the decommissioning has been completed or on winding up the fund, may be an equity instrument within the scope of the Standard of GRAP on Financial Instruments and is not within the scope of this Interpretation of the Standards of GRAP.

The issues addressed in this Interpretation of the Standards of GRAP are:

- how should a contributor account for its interest in a fund?
- when a contributor has an obligation to make additional contributions, for example, in the event of the liquidation of another contributor, how should that obligation be accounted for?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

This Interpretation of the Standards of GRAP provides guidance on how to apply the requirements of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010) in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010).

The questions addressed in this Interpretation of the Standards of GRAP are:

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- how should the requirement '… stated in terms of the measuring unit current at the reporting date' in paragraph .10 of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010) be interpreted when an entity applies the Standard of GRAP?
- a contributor's right to access the assets is restricted.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 6: Loyalty Programmes

This Interpretation of the Standards of GRAP applies to customer loyalty award credits that:

- an entity grants to its customers as part of a transaction, i.e. a sale of goods, rendering of services, use by a customer of entity assets; and
- subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The issues addressed in this Interpretation of the Standards of GRAP are:

- whether the entity's obligation to provide free or discounted goods or services ('awards') in the future should be recognised and measured by
  - allocating some of the consideration received or receivable from the sales transaction to the award credits and deferring the recognition of revenue (applying the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) and the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers); or
  - providing for the estimated future costs of supplying the awards; and
- if consideration is allocated to the award credits:
  - how much should be allocated to them;
  - when revenue should be recognised; and
  - if a third party supplies the awards, how revenue should be measured.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:

- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits.
- How a minimum funding requirement might affect the availability of reductions in future contributions

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

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

The municipality has early adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions

This Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of assets in exchange transactions directly or through subcontractors. The construction of assets entered into by entities where funding to support the construction activity will be provided by an appropriation or similar allocation of general government revenue or by aid or grant funds are excluded from the scope of this Interpretation of the Standards of GRAP.

Agreements in the scope of this Interpretation of the Standards of GRAP are agreements for the construction of assets in exchange transactions. In addition to the construction of assets in exchange transactions, such agreements may include the delivery of other goods or services.

The Interpretation of the Standards of GRAP addresses two issues:

- Is the agreement within the scope of the Standard of GRAP on Construction Contracts (as revised in 2010) or the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010)?
- When should revenue from the construction of assets in exchange transactions be recognised?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 9: Distributions of Non-cash Assets to Owners

This Interpretation of the Standards of GRAP applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners:

- distributions of non-cash assets (e.g. items of property, plant and equipment, entity combinations as defined in the Standard of GRAP on Entity Combinations, ownership interests in another entity or disposal groups as defined in the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations (as revised in 2010)); and
- distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Interpretation of the Standards of GRAP applies only to distributions in which all owners of the same class of residual interests are treated equally.

This Interpretation of the Standards of GRAP does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.

This Interpretation of the Standards of GRAP does not apply when the non-cash asset is ultimately controlled by the same parties both before and after the distribution. The Standard of GRAP on Entity Combinations states that 'A group of individuals shall be regarded as controlling an entity when, as a result of binding arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities.' Therefore, for a distribution to be outside the scope of this Interpretation of the Standards of GRAP on the basis that the same parties control the asset both before and after the distribution, a group of individual owners receiving the distribution must have, as a result of binding arrangements, such ultimate collective power over the entity making the distribution.

This Interpretation of the Standards of GRAP does not apply when an entity distributes some of its ownership interests in a controlled entity but retains control of the controlled entity. The entity making a distribution that results in the entity recognising a minority interest in its controlled entity accounts for the distribution in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements.

This Interpretation of the Standards of GRAP addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by owners who receive such a distribution.

When an entity declares a dividend or similar distribution and has an obligation to distribute the assets concerned to its owners, it must recognise a liability for the dividend or similar distribution payable. Consequently, this Interpretation of the Standards of GRAP addresses the following issues:

- When should the entity recognise the dividend or similar distribution payable?

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- How should an entity measure the dividend or similar distribution payable?
- When an entity settles the dividend or similar distribution payable, how should it account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend or similar distribution payable?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 10: Assets Received from Customers

This Interpretation of the Standards of GRAP applies to the accounting for the receipt of items of property, plant and equipment by entities that receive such assets from their customers.

Agreements within the scope of this Interpretation of the Standards of GRAP are those in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

This Interpretation of the Standards of GRAP also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

This Interpretation of the Standards of GRAP does not apply to agreements in which the receipt occurs as part of a non-exchange transaction as defined in the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), or infrastructure used in a public-private partnership agreement (see the Guideline on Accounting for Public-private Partnerships), or assets received in a transfer of functions.

The Interpretation of the Standards of GRAP addresses the following issues:

- Is the definition of an asset met?
- If the definition of an asset is met, how should the received item of property, plant and equipment be measured on initial recognition?
- If the item of property, plant and equipment is measured at fair value on initial recognition, how should the resulting credit be accounted for?
- How should the entity account for a receipt of cash from its customer?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 13: Operating Leases – Incentives

In negotiating a new or renewed operating lease, the lessor may provide incentives for the lessee to enter into the agreement. Examples of such incentives are an up-front cash payment to the lessee or the reimbursement or assumption by the lessor of costs of the lessee (such as relocation costs, leasehold improvements and costs associated with a pre-existing lease commitment of the lessee). Alternatively, initial periods of the lease term may be agreed to be rent free or at a reduced rent.

The issue is how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease

An entity may enter into a transaction or a series of structured transactions (an arrangement) with an unrelated party or parties (an investor) that involves the legal form of a lease. For example, an entity may lease assets to an investor and lease the same assets back, or alternatively, legally sell assets and lease the same assets back. The form of each arrangement and its terms and conditions can vary significantly. In the lease and leaseback example, it may be that the arrangement is designed to achieve a tax advantage for the investor that is shared with the entity in the form of a fee, and not to convey the right to use an asset.

When an arrangement with an investor involves the legal form of a lease, the issues are:

- how to determine whether a series of transactions is linked and should be accounted for as one transaction;
- whether the arrangement meets the definition of a lease under the Standard of GRAP on Leases (as revised in 2010); and, if not,
  - whether a separate investment account and lease payment obligations that might exist represent assets and liabilities of the entity;
  - how the entity should account for other obligations resulting from the arrangement; and
  - how the entity should account for a fee it might receive from an investor.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 15: Revenue – Barter Transactions Involving Advertising Services

An entity (seller) may enter into a barter transaction to provide advertising services in exchange for receiving other services from its customer (customer). Advertisements may be displayed on the Internet or poster sites, broadcast on the television or radio, published in magazines or journals, or presented in another medium. An example could be where a municipality offers advertising services to local businesses in its community newsletters in exchange for repairs and maintenance services provided by those businesses. These repair and maintenance services may, for example, take the form of repairing and maintaining office buildings or motor vehicles owned by the municipality.

In some cases, no cash or other consideration is exchanged between the entities. In some other cases, equal or approximately equal amounts of cash or other consideration are also exchanged.

A seller that provides advertising services in the course of its ordinary activities recognises revenue under the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) from a barter transaction involving advertising when, amongst other criteria, the services exchanged are dissimilar in terms of paragraph .18 in the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) and the amount of revenue can be measured reliably in terms of paragraph .20(a) in the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010). This Interpretation of the Standards of GRAP only applies to an exchange of dissimilar services. An exchange of similar advertising services is not a transaction that generates revenue under the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010).

The issue is under what circumstances can a seller reliably measure revenue at the fair value of advertising services received or provided in a barter transaction.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 1 (as revised 2010): Presentation of Financial Statements

The revision resulted in various terminology and definition changes.

Additional commentary has been added, describing the purpose of financial statements in the public sector.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Commentary has been added to explain that where legislation requires a departure from a particular Standard of GRAP and that departure is material, entities cannot claim compliance with the Standards of GRAP.

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 2 (as revised 2010): Cash Flow Statements

The revision resulted in various terminology and definition changes.

Operating cash flows:
- Where an entity is in the business of renting and subsequently selling the same assets, these cash flows should be regarded as operating rather than investing cash flows.

Investing cash flows:
- Only expenditures incurred on a recognised asset qualify to be classified as investing activities in the cash flow statement.

Acquisitions and disposals of controlled entities and other operating units:
- Guidance relating to acquisitions and disposals of entities, particularly those on another basis of accounting, has been deleted.

Disclosure of undrawn borrowing facilities, restricted cash balances and the operating, investing and financing cash flows of jointly controlled entities accounted for using the proportionate consolidation method, now encouraged rather than required.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes.

Paragraphs added to Changes in accounting policies
- A change from one basis of accounting to another basis of accounting is a change in accounting policy.
- A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies
- The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC.
- Commentary on the selection of benchmark and alternative accounting policies has been deleted.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates

Terminology changes:

Where reference has been made to the net realisable values of inventories, current replacement cost has also been included to allow for the appropriate valuation of inventories where they are distributed as part of a non-exchange transaction. Reference to 'trade' receivables has been amended to 'receivables'.

Monetary items:

Paragraph .15 clarifies that child support grants are 'payables', and not just 'obligations' in terms of the current requirements of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19).

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes.

Dividends or similar distributions declared from pre-acquisition surpluses:
Paragraph .36 has been amended to encompass not only securities, but any contributed capital.

Various amendments, deletions and additions to examples included in the appendix.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies

Certain terminology changes:
- The reference to 'current cost' in paragraph .30 has been deleted.
- Where reference has been made to 'net realisable value', 'current replacement cost' has been added.

Net monetary position:
References to 'surplus' or 'deficit' have been changed, throughout the document, to 'gain' or 'loss'.

Interpretations:
Text included in this Standard of GRAP from IFRIC Interpretation 7 on Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies has been deleted.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 11 (as revised 2010): Construction Contracts

The revision resulted in certain terminology changes:

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Other amendments:
- An example has been added to clarify when an entity acts as a contractor in a construction contract arrangement.
- The example in paragraph .11 has been deleted as it is inappropriate for the South African public sector.
- The explanatory text relating to ‘contractors’ has been amended to clarify that an entity can be a contractor if it performs construction related activities itself or through subcontractors.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2010): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:
Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:
Where reference has been made to ‘net realisable value’, ‘current replacement cost’ has been added.

Fair value measurement:
The appendix on how to determine fair value has been deleted.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2010): Leases

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Non-current Assets Held for Sale and Discontinued Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard.

Guidance on accounting for finance leases by lessors:
The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:
The guidance included in the original text on substance over legal form has been deleted.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Classification of leases on land and buildings elements:
The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 14 (as revised 2010): Events After the Reporting Date

Existence of a liability for dividends or similar distributions:
Paragraph .13 of GRAP 14 was amended to clarify that no liability exists at the reporting date for dividends or similar distributions declared after the reporting date.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2010): Investment Property

The revision resulted in various terminology and definition changes.

Recognition of investment property:
- Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property.
- This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.
- The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably.
- Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

Disclosure:
Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount.

Amendments to be applied as follow:
- Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 17 (as revised 2010): Property, Plant and Equipment

The revision resulted in various terminology and definition changes.

Scope:
- The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions.
- Investment properties under construction have been removed from the scope.

Measurement at initial recognition:
Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value.

Depreciable amount and depreciation period:
An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Derecognition:
- The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed.
- Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories.

Disclosures:
- The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used.
- The requirement to disclose the cost basis for revaluated assets was removed.

Amendments to be applied as follow:
- Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets

The revision resulted in certain terminology changes.

Social benefits:
Paragraphs .08 and .16(a) clarify that social benefits due at year end are ‘payables’, as the amounts due are certain in terms of legislation.

Binding agreements for restructurings:
Paragraph .87 has been amended to clarify that restructurings may take place in the public sector in terms of directives, legislation or other means. These alternative means are enforceable and may give rise to an obligation.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Interpretations:
In developing the Standard initially, the Board included relevant text from any Interpretation that had been issued by the International Financial Reporting Interpretations Committee (IFRIC) relating to provisions, contingent liabilities and contingent assets. The Board included selected text from IFRIC 1 on Changes in Decommissioning, Restoration and Similar Liabilities and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds in line with the Board's decisions. The Board concluded at its May 2008 meeting that it would issue any Interpretations as separate documents rather than dispersing the text of the Interpretations across various Standards. As a result, paragraphs .37 to .43, .74 to .80, and Appendix F of the previous version of GRAP 19, have been deleted.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .07 has been added to clarify the application of other Standards of GRAP to assets classified as non-current assets (or disposal groups) held for sale.

Plan to sell the controlling interest in a controlled entity:

- The Standard has been amended to clarify that an entity that is committed to a sales plan involving loss of control in a controlled entity shall classify all the assets and liabilities of that controlled entity as held for sale when the required criteria are met.
- The Standard has been amended to clarify that an entity that is committed to a sales plan involving loss of control of a controlled entity shall disclose the information required when the controlled entity is a disposal group that meets the definition of a discontinued operation.

Examples included in Appendix:
An additional example has been included regarding sale expected to be completed within one year.

Amendments to be applied as follow:
Paragraphs .13 and .42 were added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply the amendments earlier, it shall disclose this fact.

- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 105: Transfers of functions between entities under common control

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

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

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality has adopted the standard for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

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

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

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

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

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

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

GRAP 107: Mergers

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

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

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

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

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

GRAP 20: Related parties

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

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

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

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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

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

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

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

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

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

GRAP 20: Related Party Disclosures

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The municipality has adopted the standard for the first time once it becomes effective.

The impact of the standard is not material.

3.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

4. Investment property

	2012			2011		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	4 606 320	(45 616)	4 560 704	4 606 320	(41 916)	4 564 404

Reconciliation of investment property - 2012

	Opening balance	**Accumulated depreciation and accumulated Impairments**	**Depreciation**	**Total**
Investment property	4 564 404	(41 916)	(3 700)	4 518 788

Reconciliation of investment property - 2011

	Opening balance	**Accumulated depreciationn and accumula ted impairmer ts**	**Depreciation**	**Total**
Opening balance - Leased	4 606 320	(38 216)	(3 700)	4 564 404

Pledged as security

No investment properties were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

4. Investment property (continued)

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment

	2012			2011		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	1 525 550	(126 936)	1 398 614	1 050 550	(95 775)	954 775
Buildings	55 628 535	(11 470 128)	44 158 407	49 946 891	(9 246 858)	40 700 033
Plant and machinery	15 463 088	(11 428 879)	4 034 209	14 940 564	(9 663 955)	5 276 609
Furniture and fixtures	7 896 528	(5 463 033)	2 433 495	7 858 450	(4 426 600)	3 431 850
Motor vehicles	21 003 151	(11 694 252)	9 308 899	17 930 631	(9 970 702)	7 959 929
IT equipment	12 534 615	(10 957 703)	1 576 912	12 080 634	(9 332 114)	2 748 520
Work-in-progress	41 697 166	-	41 697 166	30 027 030	-	30 027 030
Cemetries	5 012 056	(676 836)	4 335 220	4 874 803	(326 083)	4 548 720
Land fill side	23 874 661	(3 026 087)	20 848 574	24 350 340	(2 646 102)	21 704 238
Solid waste	1 157 178	(520 204)	636 974	1 149 636	(409 277)	740 359
Roads	126 916 103	(75 953 389)	50 962 714	114 858 914	(67 616 508)	47 242 406
Wastewater network	70 458 654	(32 593 354)	37 865 300	60 670 697	(29 855 023)	30 815 674
Water network	94 666 848	(36 269 553)	58 397 295	89 784 023	(31 448 925)	58 335 098
Electricity	62 801 498	(37 348 459)	25 453 039	52 240 135	(34 797 501)	17 442 634
Heritage assets	2 798	(195)	2 603	2 798	(130)	2 668
Total	**540 638 429**	**(237 529 008)**	**303 109 421**	**481 766 096**	**(209 835 553)**	**271 930 543**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	954 775	475 000	-	-	(31 161)	1 398 614
Buildings	43 202 138	3 179 538	-	-	(2 223 269)	44 158 407
Plant and machinery	5 496 609	302 524	-	-	(1 764 924)	4 034 209
Furniture and fixtures	3 431 850	38 077	-	-	(1 036 432)	2 433 495
Motor vehicles	7 959 932	3 481 670	(409 150)	-	(1 723 553)	9 308 899
IT equipment	2 748 520	453 981	-	-	(1 625 589)	1 576 912
Work - in- Progress	30 027 030	30 764 927	-	(19 094 791)	-	41 697 166
Cemetries	4 685 973	-	-	-	(350 753)	4 335 220
Land fill sites	19 058 134	2 170 424	-	-	(379 984)	20 848 574
Solid waste disposal	740 359	7 543	-	-	(110 928)	636 974
Roads	48 185 296	11 114 299	-	-	(8 336 881)	50 962 714
Wastewater network	38 638 134	1 965 498	-	-	(2 738 332)	37 865 300
Water network	62 824 372	393 551	-	-	(4 820 628)	58 397 295
Electricity	19 699 775	8 304 222	-	-	(2 550 958)	25 453 039
Heritage assets	2 668	-	-	-	(65)	2 603
	287 655 565	**62 651 254**	**(409 150)**	**(19 094 791)**	**(27 693 457)**	**303 109 421**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Additions through coreection of prior year error	Correction of prior year error	Depreciation	Impairment loss	Total
Land and buildings	1 050 550	-	-	-	(95 775)	-	954 775
Buildings	47 845 053	2 132 998	-	-	(2 097 520)	(7 180 498)	40 700 033
Plant and machinery	14 800 855	139 709	-	-	(1 812 825)	(7 851 130)	5 276 609
Furniture and fixtures	6 509 503	1 348 947	-	-	(1 125 451)	(3 301 149)	3 431 850
Motor vehicles	12 576 688	5 353 943	-	-	(1 721 518)	(8 249 184)	7 959 929
IT equipment	11 393 764	686 870	-	-	(1 928 828)	(7 403 286)	2 748 520
Work-in-Progress	11 170 831	18 856 199	-	-	-	-	30 027 030
Cemetries	3 536 690	1 338 113	-	-	(168 990)	(157 093)	4 548 720
Land fill sites	1 500 000	-	1 973 112	20 905 007	(305 562)	(2 368 319)	21 704 238
Solid waste	940 220	209 416	-	-	(93 693)	(315 584)	740 359
Roads	104 591 762	10 267 152	-	-	(8 450 005)	(59 166 503)	47 242 406
Wastewater network	53 782 837	6 887 860	-	-	(2 660 567)	(27 194 456)	30 815 674
Water network	79 224 364	10 559 660	-	-	(4 797 972)	(26 650 954)	58 335 098
Electricity networks	48 723 121	3 517 014	-	-	(2 403 169)	(32 394 332)	17 442 634
Heritage assets	2 798	-	-	-	(65)	(65)	2 668
	397 649 036	**61 297 881**	**1 973 112**	**20 905 007**	**(27 661 940)**	**(182 232 553)**	**271 930 543**

Pledged as security

No assets were pledged as security.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. Refer to Appendix B for more details on Property, Plant and Equipment.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

6. Intangible assets

	2012			2011		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Intangible assets 1	1 439 442	(690 304)	749 138	708 694	(478 249)	230 445

Reconciliation of intangible assets - 2012

	Opening balance	**Additions**	**Amortisation**	**Total**
Intangible assets 1	230 445	730 748	(212 055)	749 138

Reconciliation of intangible assets - 2011

	Opening balance	**Additions**	**Impairment loss**	**Total**
Computer software	-	-	-	-
Intangible assets 1	702 534	6 159	(478 248)	230 445
	702 534	**6 159**	**(478 248)**	**230 445**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

7. Other financial assets

Held to maturity		
Short - term investment deposits	9 999 746	-
Terms and conditions		
Held at amortised		
Stand loans	-	32 575
	-	-
	-	-
	-	-
	9 999 746	-
	-	32 575
Total other financial assets	**9 999 746**	**32 575**
Current assets		
Held to maturity	9 999 746	-
Held at amortised	-	32 575
	9 999 746	**32 575**
Non-current assets	-	-
Current assets	9 999 746	32 575

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Figures in Rand	2012	2011

8. Employee benefit obligations

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

Post - retirement medical aid benefit liability		
Post - retirement medical aid benefit liability	(18 741 783)	(16 520 682)
Amount to be provided for	(11 996 215)	(2 221 101)
Net liability	**(30 737 998)**	**(18 741 783)**

Key assumptions used

Calculations were made by management to estimate the initial recognition of a post - retirement medical aid benefit contribution to its employees and disclosed as a non - current liability.

Principals for calculation:

Estimated life expectancy - Men: 70 years of age

Estimated life expectancy - Women: 75 years of age

Remaining period for liability: From normal retirement age of 65

For pensioners already reached the age of 70 or 75, one year is added to the calculation of the benefit obligations.

Council contribution: 60% of the total contribution

Initial calculation:	**2012**	**2011**
Post - retirement medical aid benefit liability	30,737,998	18,741,783
Less: Provided during previous years	(18,741,783)	(16,520,682)
Amount to be provided	11,996,215	2,221,101

Defined contribution plan

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

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

9. Inventories

Unsold water	542 652	476 149
Diesel at refuse dump site	75 487	18 498
Diesel at Breyten workshop	250 594	148 296
Consumable stores at cost	21 093 070	19 727 538
Unsold properties held for resale	4 359 290	4 438 290
	26 321 093	24 808 771
Inventories (write-downs)	(430 778)	(99 827)
	25 890 315	**24 708 944**

Inventory pledged as security

No inventory was pledged as security.

10. Other receivables from non-exchange transactions

Fines	(688 063)	-
Sundry debtors	19 135 274	16 994 712
	18 447 211	**16 994 712**

Other receivables from non-exchange transactions pledged as security

10. Other receivables from non-exchange transactions (continued)

No other receivables from non-exchange transactions were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of other receivables from non-exchange transactions

The fair value of other receivables approximates the carrying amount.

11. VAT receivable

VAT is payable on the cash basis and VAT is only paid over to SARS once payment is received.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

12. Consumer receivables

	2012	2011
Gross balances		
Rates and service charges	123 434 074	105 383 801
Electricity	45 909 076	48 076 292
Water	45 253 073	50 415 640
	214 596 223	**203 875 733**
Less: Allowance for bad debt		
Rates and service charges	(82 500 438)	(74 423 553)
Electricity	(39 506 282)	(32 955 434)
Water	(21 400 445)	(18 871 776)
	(143 407 165)	**(126 250 763)**
Net balance		
Rates and service charges	40 933 636	30 960 248
Electricity	6 402 794	15 120 858
Water	23 852 628	31 543 864
	71 189 058	**77 624 970**
Rates and service charges		
Current (0 -30 days)	6 600 937	5 461 163
30 days	3 180 289	2 650 796
60 days	2 469 840	2 074 991
90 days plus	111 183 009	95 196 851
Less: Allowance for bad debt	(82 500 439)	(74 423 553)
	40 933 636	**30 960 248**
Electricity		
Current (0 -30 days)	7 053 932	5 203 017
30 days	2 722 530	2 157 791
60 days	1 166 111	1 399 549
90 days plus	34 966 503	39 315 935
Less: Allowance for bad debt	(39 506 282)	(32 955 434)
	6 402 794	**15 120 858**
Water		
Current (0 -30 days)	1 707 848	3 901 986
30 days	1 269 083	1 180 700
60 days	1 007 966	780 019
90 days plus	41 268 176	44 552 935
Less: Allowance for bad debt	(21 400 445)	(18 871 776)
	23 852 628	**31 543 864**
Reconciliation of allowance for bad debt		
Balance at beginning of the year	(126 250 763)	(110 839 783)
Contributions to allowance	(17 156 402)	(15 410 980)
	(143 407 165)	**(126 250 763)**

Consumer debtors pledged as security

No consumer debtors were pledged as security during the previous or current financial years.

Credit quality of consumer debtors

All of the municipality's trade and other receivables have been reviewed for indicators of impairment. The municipality continuously monitors consumers, identified group, average past payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

12. Consumer receivables (continued)

Fair value of consumer debtors

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2012, R27 178 536 (2011: R24 810 013) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current	15 362 717	14 566 165
30 days	7 171 903	5 989 288
60 days	4 643 917	4 254 560

Consumer debtors impaired

As of 30 June 2012, consumer debtors of R214 596 222(2011: R188 574 842) were impaired and provided for.

The amount of the provision was R17 156 403 as of 30 June 2012 (2011: R15 410 979).

The ageing of these loans is as follows:

90 days	187 417 686	163 764 829

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance.

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.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	32 570	32 570
Bank overdraft	(5 893 625)	(13 925 408)
	(5 861 055)	**(13 892 838)**
Current assets	32 570	32 570
Current liabilities	(5 893 625)	(13 925 408)
	(5 861 055)	**(13 892 838)**

Restriction on the use of cash and cash equivalents

The cash and cash equivalents held by the municipality may only be used in accordance with its mandate; as such no restrictions have been placed on the use of cash and cash equivalents for the operations of the municpality.

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2012	**30 June 2011**	**30 June 2010**	**30 June 2012**	**30 June 2011**	**30 June 2010**
Standard Bank - Operating account - 031-077-110	1 307 076	3 814 542	5 371 077	(5 893 625)	(13 925 408)	947 567
Standard Bank - Marketlink Account - 33-551-552-5	9 999 965	-	-	-	-	-
031087825	465	-	-	-	-	-
Total	**11 307 506**	**3 814 542**	**5 371 077**	**(5 893 625)**	**(13 925 408)**	**947 567**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

14. Other financial liabilities

Held at amortised cost		
Bank loan	41 778	58 875
Annuity loan held at an interest rate of 13.56% from the Development Bank of South Africa.		
	-	-
	41 778	58 875

There were no defaults during the period of principal, interest or redemption terms of loans payable.

Non-current liabilities		
At amortised cost	21 640	13 988
Current liabilities		
At amortised cost	20 138	44 887
	21 640	13 988
	20 138	44 887
	41 778	**58 875**

15. Finance lease obligation

Minimum lease payments due		
- within one year	3 161 868	2 789 858
- in second to fifth year inclusive	5 466 705	6 509 433
- later than five years	917 929	-
	9 546 502	9 299 291
less: future finance charges	(917 929)	(1 436 916)
Present value of minimum lease payments	**8 628 573**	**7 862 375**
Present value of minimum lease payments due		
- within one year	3 161 868	2 187 852
- in second to fifth year inclusive	5 466 705	5 674 523
	8 628 573	**7 862 375**
Non-current liabilities	5 466 705	5 674 523
Current liabilities	3 161 868	2 187 852
	8 628 573	**7 862 375**

It is municipal policy to lease certain motor vehicles and equipment under finance leases.

The average lease term is 3-5 years and the average effective borrowing rate is 10% (2011: 10%).

Interest rates on some contracts are fixed, while others are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

16. Unspent conditional grants and receipts

Movement during the year

Balance at the beginning of the year	17 802 896	7 792 500
Additions during the year	53 101 244	31 693 911
Revenue recognition during the year	(59 002 036)	(21 683 515)
	11 902 104	**17 802 896**

17. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	21 704 238	2 170 424	23 874 662

Reconciliation of provisions - 2011

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	1 500 000	20 204 424	21 704 424

18. Payables from exchange transactions

Trade payables	18 497 592	16 339 255
Payments received in advanced - contract in process	3 816 942	3 975 721
Retentions	7 015 888	4 686 726
Stated benefits	933 105	933 105
Accrued leave pay	8 124 526	8 352 503
Interest accrual	5 149	(5 144)
Accrued 13th cheques	2 538 557	2 334 765
Debtors refunds	299 668	227 923
Salary electronic payments in July	2 004 318	1 688 816
Overtime accrual	795 397	628 770
Pension fund accruals	156 155	-
Insurance claim	387 302	387 302
	44 574 599	**39 549 742**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

19. VAT payable

Tax refunds payables	8 632 465	8 077 046

20. Consumer deposits

Electricity and water	7 008 435	6 330 999

21. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	Total
Other financial liabilities	41 777	41 777
Finance lease obligation	7 586 254	7 586 254
Trade and other payables	43 283 182	43 283 182
	50 911 213	**50 911 213**

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	58 876	58 876
Finance lease obligation	7 862 375	7 862 375
Trade and other payables	31 197 244	31 197 244
	39 118 495	**39 118 495**

22. Revenue

Property rates	51 379 021	42 213 814
Service charges	167 441 149	150 774 507
Rental of facilities & equipment	1 534 697	1 296 424
Income from agency services	4 852 952	3 739 658
Fines	433 715	863 824
Licences and permits	2 284 353	2 048 279
Government grants & subsidies	152 949 348	108 616 129
Unearned finance charges	-	1 002 229
	380 875 235	**310 554 864**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	167 441 149	150 774 507
Rental of facilities & equipment	1 534 697	1 296 424
Income from agency services	4 852 952	3 739 658
Licences and permits	2 284 353	2 048 279
	176 113 151	**157 858 868**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

22. Revenue (continued)

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

Property rates	51 379 021	42 213 814
Fines	433 715	863 824
Government grants & subsidies	152 949 348	108 616 129
Unearned finance charges	-	1 002 229
	204 762 084	**152 695 996**

23. Property rates

Rates received

Assessment rates	54 474 928	45 902 044
Less: Income forgone	(3 095 907)	(3 688 230)
	51 379 021	**42 213 814**

24. Service charges

Sale of electricity	112 553 818	95 281 193
Sale of water	17 959 531	22 442 932
Sewerage and sanitation charges	18 445 924	16 087 432
Refuse removal	15 923 496	14 831 897
Other service charges	2 558 380	2 131 053
	167 441 149	**150 774 507**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

25. Government grants and subsidies

Equitable share	88 975 000	82 967 871
EPWP Grant	585 000	-
Gert Sibande District Grant	11 062 108	-
Municipal Finance Management grant	1 250 000	1 000 000
Municipal infrastructure grant	39 380 198	20 461 951
Municipal Systems Improvement Grant	790 000	750 000
Government grant (capital) 22	8 529 768	-
Training Grant(SITA)	713 024	333 157
Municipal infrustructure grant- operational	1 664 250	3 103 150
	152 949 348	**108 616 129**

Department of Local Government grant

Balance unspent at beginning of year	(243 781)	(639 288)
Current-year receipts	1 807 287	1 897 873
Conditions met - transferred to revenue	(29 961)	(1 502 366)
	1 533 545	**(243 781)**

Conditions still to be met - remain liabilities (see note 16).

Grant is for upgrading of sewer plant.

Sports and recreation grant

Balance unspent at beginning of year	-	300 000
Current-year receipts	264 024	-
Conditions met - transferred to revenue	(264 024)	(300 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Grant is for moveble assets - i.e office machines for libraries.

Department of Water Affairs- Drought Relief

Balance unspent at beginning of year	482 444	220 605
Current-year receipts	1 111 075	2 100 000
Conditions met - transferred to revenue	(1 830 184)	(1 838 161)
	(236 665)	**482 444**

Conditions still to be met - remain liabilities (see note 16).

Grant is for draught relief projects e.g drilling of boreholes in various ares within the municipality.

Integrated National Electrification Grant

Current-year receipts	7 236 000	-
Conditions met - transferred to revenue	(6 484 710)	-
	751 290	**-**

Conditions still to be met - remain liabilities (see note 16).

The grant is for electricication of RDP houses within the municipality.

Municipal Infrastructure Grant

Balance unspent at beginning of year	16 864 233	7 911 183
Current-year receipts	31 620 750	26 291 250
Conditions met - transferred to revenue	(39 331 049)	(17 338 200)

25. Government grants and subsidies (continued)

	9 153 934	**16 864 233**

Conditions still to be met - remain liabilities (see note 16).

this grant is for infrustructure assets still to be completed, that include roads, water purifications, palisade fencing and sewerage treatment plants.

Gert Sibande District Grant

Current-year receipts	11 062 108	-
Conditions met - transferred to revenue	(11 062 108)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Grant is for infrustructure projects and moveble asset e.g motor vehicles.

Sport and Recreation Grant- Lottery

Balance unspent at beginning of year	700 000	700 000

Conditions still to be met - remain liabilities (see note 16).

This grant is a donation received from Lottery for the refurbishment of the swimming pool. more funds still needed to implement the project.

Changes in level of government grants

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

26. Other income

Administration fees	225 897	252 911
Commission on insurance premiums	87 481	77 679
Royalties received	1 510	1 500
Moneys received and forfeited	1 356 209	2 116 599
VAT audit backpayment from SARS	295 004	-
Sundry income	1 032 576	1 819 556
	2 998 677	**4 268 245**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

27. General expenses

Advertising	157 636	570 799
Auditors remuneration	2 261 362	1 695 613
Bank charges	743 133	518 411
Cleaning	306 907	337 412
Computer expenses	592	26 065
Consumables	237 598	180 796
Donations	7 400	38 808
Entertainment	655 432	347 534
Fines and penalties	602 325	434 566
Insurance	1 894 347	2 247 793
Conferences and seminars	1 127 540	1 156 262
Lease expenses	1 487 633	668 330
Levies	942 048	847 234
Magazines, books and periodicals	12 654	67 284
Medical expenses	6 772	5 962
Motor vehicle expenses	7 422 626	5 553 662
Fuel and oil	214 805	161 763
Postage and courier	923 440	890 210
Printing and stationery	726 083	680 104
Promotions	66 980	130 973
Project maintenance costs	195 810	340 887
Research and development costs	185 000	340 105
Subscriptions and membership fees	890 657	541 220
Telephone and fax	582 960	754 785
Training	431 445	630 923
Travel - local	5 292 390	3 801 991
Refuse	105 207	69 411
Electricity	328 825	633 431
Water	173 776	126 898
Uniforms	454 446	407 718
Repairs and maitenance - general	13 317 089	12 210 168
Leave pay provision	10 901 824	9 466 722
Contributions to retirement benefit obligation	11 996 215	2 221 101
Chemicals	1 865 745	1 728 352
Other expenses	(2 649 239)	(2 183 039)
	63 869 463	**47 650 254**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

28. Employee related costs

Salaries and wages	70 091 440	63 401 780
13th Cheques	-	2 334 765
Medical aid contributions	6 840 818	5 834 299
Contributions for UIF	660 697	637 029
Leave pay provision charge	2 609 273	4 040 604
Pension fund contirutions	13 407 342	12 070 836
Group life contributions	1 023 803	896 716
Travel and other allowances	3 743 565	3 076 548
Overtime and relieve payments	9 389 651	9 670 186
Standby and shift allowances	2 015 763	1 748 632
Cell phone allowances	65 050	71 400
	109 847 402	**103 782 795**

Remuneration of municipal manager

Basic	410 720	524 310
Traveling allowance	118 000	100 000
Backpay	10 181	8 348
contribution to UIF	2 995	-
Contribution to medical aid	44 767	-
Contributions to Pension Funds	229 091	138 929
	815 754	**771 587**

Remuneration of chief finance officer

Basic	284 397	441 399
Car allowance	36 000	82 500
Backpay	-	4 045
contribution to UIF	749	3 684
Contribution to medical aid	8 755	42 681
	329 901	**574 309**

Remuneration of the director public safety and security

Basic	410 720	324 448
Car Allowance	118 000	100 000
Backpay	10 181	94 335
contribution to UIF	1 497	-
Contribution to Medical	26 806	-
Contributions to Pension Funds	92 598	-
	659 802	**518 783**

Remuneration of the director corporate services

Basic	399 947	318 778
Car Allowance	120 000	100 000
Back pay	10 181	100 005
contribution to UIF	1 497	-
Contribution to medical aid	37 949	-
Contributions to Pension Funds	90 229	-
	659 803	**518 783**

Remuneration of the director health & community services

Basic	-	344 133
Car allowance	-	74 133
Backpay	-	4 499
contribution to UIF	-	7 012
Contributions to Pension Funds	-	81 619

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

28. Employee related costs (continued)

Leave days taken	-	(29 809)
	-	**481 587**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

29. Remuneration of councillors

Mayor	561 458	570 051
Executive Committee	1 265 814	1 551 147
Speaker	450 293	457 434
Councillors	6 260 211	4 550 987
Cell phone allowances	472 371	334 476
	9 010 147	**7 464 095**

In-kind benefits

The Mayor, Speaker and full-time councillors are provided with office space.

The Mayor has use of a council owned vehicle and driver for official duties.

The Mayor and Speaker has the support of a personal assistants.

30. Allowance for bad debt

Debt impairment	17 844 467	15 410 979

31. Investment revenue

Interest revenue		
Bank	589 142	740 818
Interest charged on trade and other receivables	10 124 087	8 134 518
	10 713 229	**8 875 336**
	-	-
	10 713 229	8 875 336

32. Depreciation and amortisation

Property, plant and equipment	27 909 212	27 997 095

33. Finance costs

Non-current borrowings	7 461	9 535
Finance leases	721 115	496 225
	728 576	**505 760**

34. Auditors' remuneration

Fees	2 261 362	1 695 613

35. Contracted services

Information technology services	6 073 445	5 921 259
Specialist services	10 448 752	11 633 789
Other contractors	3 678 359	3 420 775
	20 200 556	**20 975 823**

36. Bulk purchases

Electricity	107 162 186	90 364 942
Water	1 019 164	1 563 628
	108 181 350	**91 928 570**

Figures in Rand	2012	2011

37. Cash generated from operations

Surplus (deficit)	34 053 237	(47 747)
Adjustments for:		
Depreciation and amortisation	27 909 212	27 997 095
Loss on sale of assets and liabilities	309 150	4 946 634
Finance costs - finance leases	721 115	496 225
correction of prior year error on assets	-	223 320
Finance costs	-	19 125 901
Contribution to doubtful debt allowance	17 844 467	15 410 979
Contribution to medical aid provision: Non-current	11 996 215	2 221 101
Movements in provisions	2 170 424	1 380 592
other non cash item	(86 505)	6 703 224
Changes in working capital:		
Inventories	(1 181 371)	(13 291 045)
Other receivables from non-exchange transactions	(1 452 499)	(3 099 421)
Consumer debtors	(11 408 555)	(40 943 794)
Payables from exchange transactions	5 024 851	(1 327 752)
VAT	555 419	10 583 524
Unspent conditional grants and receipts	(5 900 792)	10 010 396
Previous year appropriation	677 436	646 005
	81 231 804	**41 035 237**

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	9 298 361	-

The municipality had outstanding orders to the amount of R443,946 at year end. This committed expenditure will be financed by available bank facilities, retained surpluses and existing cash resources.
.

39. Contingencies

Litigation is in the process against the municipality relating to a dispute on unfair dismissal, cancelation of contracts, servitudes, lease contracts, improper sal of land, negligence, unauthorised lease of property, defrauding motor scheme and undue payment of R 3 027 153. The municipality's attorneys consider the estimate to be reasonable, although subject to a number of variables.

There is currently a dispute with the Department of Water Affairs on invoices to the amount of R2,930,760, which has not been paid by the municipality. These invoices were for water consumed by mines within the Msukaligwa Local Municipality's jurisdiction. The municipality were invoiced instead of the individual mines.

There exists a contingent asset of R6 173 148 as an insurance amount may be receivable from Alexander Forbes. The construction of an elevated tank for Wesselton had collapsed.

Figures in Rand	2012	2011

40. Prior period errors

Property, Plant and Equipment have increased. Land fill sites were revalued.)

Property plant and equipment was overstated with and amount equal to R708 524.

Provision for land fill sites also increased due the revaulautio from R1 500 000 to R21 704 238(2011), R23 874 662(2012)

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

Trade and payables were misclassified as sundry debtors amounting to R1 517 987.

Sundry debtors increase with amount equal to R 1 632 039 due misclassification of trade payables as sundry debtors.

	2012	2011
Statement of financial position		
Property, plant and equipment	-	19 973 794
Provisions for land fill sites	-	(20 204 238)
Sundry debtors	-	1 632 039
Accumulated depreciation	-	(2 688 019)
Trade and payables	-	(10 041 683)
Inventotires	-	(99 827)
Other financial liabilities(loan) short term portion	-	(28 379)
Other financial liabilities(loan) long term portion	-	28 379
current liabilities- provisions(leave)	-	8 352 503
Statement of Financial Performance		
Depreciation expense	-	2 646 103
Interest charged	-	325 706

41. Risk management

Liquidity risk

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

Budgeted cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. Surplus cash are held as short term deposits to assist in settling future commitments.

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

At 30 June 2012	Within 1 year	In second to fifth year inclusive	After 5 years	Carrying value
Annuity loans	20 138	21 640	-	41 778
Finance lease obligations	3 161 868	5 466 705	-	8 628 573
Trade and other payables	62 485 917	-	-	62 485 917
Consumer deposits	-	-	7 008 435	7 008 435
Retentions	6 923 553	-	-	6 923 553

At 30 June 2011	Within 1 year	In second to fifth year inclusive	After 5 years	Carrying value
Annuity loans	13 988	44 887	-	58 876
Finance lease obligations	2 187 852	5 674 523	-	7 862 375
Trade and other payables	53 957 791	-	-	53 957 791
Consumer deposits	-	-	6 330 999	6 330 999
Retentions	4 145 644	-	-	4 145 644

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

41. Risk management (continued)

Interest rate risk

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

At year end, financial instruments exposed to interest rate risk were as follows: Balances with banks.

Credit risk

Credit risk consists mainly of cash deposits, staff loans, cash equivalents, trade receivables and other receivables. 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 evaluates 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 consumers are settled mainly in cash. Management makes use of an independant attorney to assist in debt collection.

The municipality establishes an allowance for doubtful debt that represents its estimate of incurred credit losses in respect of trade and other receivables. All of the municipality's consumers were reviewed for indications of impairment and certain receivables were found to be impaired and an allowance for credit loss was provided for.

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

Financial instrument	**2012**	**2011**
Cash and cash equivalents	32 570	32 570
Consumer debtors	89 028 806	79 679 295
Loans receivable	-	32 575

42. Going concern

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

43. Events after the reporting date

The management of the municipality are not aware of any significant matter or circumstances arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosure in the annual financial statements.

44. Unauthorised expenditure

	2012	2011
Opening balance	17 802 896	-
Add: Unauthorised expenditure - current year	-	17 802 896
Less: Amounts not recoverable (but condoned)	(17 802 896)	-
	-	**17 802 896**

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2012	2011
Current year subscription	890 657	534 636
Amount paid - current year	(890 657)	(534 636)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

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

Audit fees

Current year fee	2 261 362	1 695 613
Amount paid - current year	(2 261 362)	(1 695 613)
	-	-

PAYE and UIF

Current year payroll deductions	13 188 785	12 083 926
Amount paid - current year	(13 188 785)	(12 083 926)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions and council contributions	22 918 372	18 865 591
Amount paid - current year	(22 918 372)	(18 865 591)
	-	-

VAT

VAT payable	8 632 465	8 077 046

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

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

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding at 30 June 2012:

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
KH Dladla (1)	177	4 372	4 549
BI Sibiya (1)	656	-	656
BI Sibiya (2)	769	8 366	9 135
BI Sibiya (3)	-	14 556	14 556
CVN Madini	-	656	656
SM Nkosi	214	4 383	4 597
FJ Mabasa	-	10 447	10 447
TT Malaza	86	7 105	7 191
TT Malaza	42	3 418	3 460
HF Swart	1 531	-	1 531
EC Msezane	-	461	461
JDA Blignaut	-	797	797
	3 475	**54 561**	**58 036**

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
MJ Blose	254	3 659	3 913
JS Bongwe	418	-	418
NC Gininda	574	-	574
GS Greyling	364	-	364
KJ Makhubu	340	5	345
TT Malaza	1 163	-	1 163
S Marsh	117	-	117
BA Maseko	141	6 631	6 772
J Mashinini	290	-	290
MJ Mkhonza	161	-	161
MS Nkosi	48	2 268	2 316
Z Nkosi	1 502	-	1 502
GB Prinsloo	3 083	-	3 083
FT Yende	449	-	449
WE Ritson	521	-	521
ZS Zwane	1 045	65	1 110
ZPG Mthimunye	85	-	85
HF Swart	2 218	1 011	3 229
GA Vilakazi	3 694	-	3 694
MS Vilakazi	438	4 334	4 772
NS Xaba	109	-	109
MMI Zikhali	342	-	342
PA Zulu	838	1 080	1 918
BC Sibeko	2 589	693	3 282
BM Vilakazi	1 280	-	1 280
	22 063	**19 746**	**41 809**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

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

Supply chain management regulations

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

In terms of section 36 of the Municipal Supply Chain Management Regulations various deviations from the Supply Chain Management Policy has been approved and submitted to Council on a monthly report in terms of subsection 36(2) of the policy and approved accordingly. Details are as follows:

NAME OF SUPPLIER	AMOUNT	REASON
DIMAG	R4 007.85	Test and repair submersible sewage pump over weekend at Ext 32 due to the fact that own Electricians were busy with other call-outs.
TWENTY FOUR MOTORS	R1 648.00	Ford Bantam registered BXP 616 MP is taken to Agents to repair road sensor value. The vehicle is still under warranty at 42 000 kilometer.
SIZANAYE ELECTRICAL	R72 728.00	There was a breakdown in Lothair, more than 100 households were without electricity. Sizanaye Electrical was the only supplier that could deliver within 48 hours. Quotations from other suppliers quoted they could deliver within 2 weeks.
WERNER PUMPS SOUTH AFRICA	R131 265.00	Werner high pressure pump registered DBD 339 MP is broken. The pump can only be repaired by the Agents Werner Pumps. It is a strip and quote.
BELL EQUIPMENT SALES	R20 247.90	Oil tester for Bell trailer registered DKV 024 MP is only supplied by the agents Bell Equipment sales.
MTSWENI / ELS CONSTRUCTION	R86 585.00	To rectify sewer network in ext 32 in order to prevent sewer spillages inside the surrounding dwellings and to reduce the amount of sewer blockages in this area.
ALTIMAX	R372 500.00	Request to deviate from following the normal procurement processes of advertising for 21 days and to go on close tender to the suppliers on Council's database to compile GRAP compliant Annual Financial Statements.
BABCOCK EQUIPMENT	R6 405.36	Service kit for Grader Volvo registered DND 134 MP is supplied by Agents only.
BABCOCK EQUIPMENT	R19 131 15	Service kit for TLB Volvo registered DDL 750 MP is only available at the Agents only. Teeth and lock are also supplied by the Agents only.
BABCOCK EQUIPMENT	R24 541.00	Turbo charger and seals for Volvo TLB registered DDL 780 MP are only supplied by the Agents Babcock Equipment.
BABCOCK EQUIPMENT	R3 533.99	Service kit for payloader Volvo registered DSJ092 MP is only available at the Agents only.
BREYTEN UNDERTAKERS	R1 500.00	Burial of pauper that have been staying in a mortuary for more than 21 days without identification according to the pauper and indigent policy of Msukaligwa – LM1075/03/2011.
WORKSHOP ELECTRONICS	R14 596.06	Workshop electronics is the sole supplier as prescribed by SANS 10216.
WORKSHOP ELECTRONICS	R8 327.20	Workshop electronics is the sole supplier as prescribed by SANS 10216.
BOTJHENG WATER	R34 016.46	Water pressure too high for mechanical rake at sewage plant and must be reduced. Botjheng did the installation of rake and upgrading of plant. Pressure reducing valve was not in the scope of work.
BGM SECURITY PRINTERS	R6 559.45	Blank cheques were ordered from council bankers and they requested that we pay their printers directly. They also mentioned that they use only one printer for all their water mark cheques.
ACSU SECURITY	R2 740.00	Repair of the alarms system of Library and Acsu is having contract with the Municipality. They are monitoring the alarm system within our Municipality.
KONKE-KULUNGILE PROJECTS	R145 800.00	Urgent repairs to the galvanized pipeline at the reservoir as the leaks constantly damages the

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

		computer network infrastructure.
THE BADGE COMPANY	R1 561.80	The Badge company is the sole manufacturer and supplier of emblems and logo's. Sole provider.
DRAGGER SA	R3 612.66	Dragger S.A. is the sole provider for repairs, maintenance and calibrations of the Dragger 7110.
SPRAY AIR SERVICES	R5 488.08	The Paint Machine that is used by Council is the product of Spray Air Services and they are the only company that repairs their products and keeps spares. There is no other supplier that can repair spray air machines.
ERMELO NISSAN	R1 569.02	The vehicle was taken to Nissan who is the only agent in Ermelo to give a quote to repair it. The vehicle was stripped by the agent to establish what needs to be serviced and repaired. If a second quote must be obtained Council will have to pay for the labour for stripping and assembling, this will result in additional costs to be paid. Vehicle: NISSAN LDV – CTD599MP – FLEET#F202006
SOUTHERN FAULT LOCATION	R26 505.00	The cable locator machine is damaged, an analog seism phone with a microphone is required to repair this machine. Southern Africa Fault Location is the only company that has this equipment available as they are the manufactures.
MARCE FIRE FIGHTING TECHNOLOGY	R1 798.41	Marce Fire Fighting Technology is the official and sole dealer for E-One Fire engines in Africa. See attached letter.Vehicle: E-One GMC, BKP 681 MP, Fleet # F202002, Km 63124
OTIS	R281 074.00	OTIS is the installer and the servicer of the elevator used in the Ermelo Civic Centre since the lift was installed in 1976. The lift is urgently needed to ensure accessibility to other levels of the building by the elderly and disabled persons. Heavy cleaning machines are transported by the lift to other levels of the Civic Centre.
COMBO BUILDING SUPPLIES	R74 287.60	This material is urgently needed as there is no stock at the Municipal stores.
BABCOCK EQUIPMENT	R12 735.14	Wheel bearings for Grader Volvo registration DND 134 MP are only supplied by Volvo BABCOCK Equipment.
TWENTY FOUR MOTORS	R988.24	Car went for the 75 000 km service at Twenty Four Motors Ermelo. Car registration number is DXP 619 MP. Finance department. Vehicle make: Ford Bantam 1.3. Vehicle is still under guarantee, therefore the dealer must service the vehicle.
BABCOCK EQUIPMENT	R15 849.12	Manifold gaskets for Grader Volvo registered DND 134 MP are only supplied by BABCOCK Equipment, they are the only Agents for Volvo plant.
E S RESEARCH & TRAINING	R30 000.00	This is the only quotation we have received and the supplier will render the services as we had per specification. The service will include the following: • Facilitation of the summit • Compiling a consolidated report
CQS	R140 160.72	Prior year financial statements were prepared with the same system. To address Auditor-General audit queries in enabling Municipality to prepare AFS internally without consultants. Sole supplier of system.
ERMELO TOYOTA	R3680.19	Wiring on charging and fault finding, oil seal and no 4 coil pack was discovered faulty after stripping. The first quotation was used, it's for the Toyota RAV 4 Registration CNN 126 MP. Ermelo Toyota is the Agent.
BABCOCK	R6 102.76	The service kit for Volvo Grader, registered DND 134 MP can only be supplied by BABCOCK equipment. BABCOCK is the only agents for Volvo

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

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

		machines.
ERMELO ELECTRO MOTOR SERVICES	R42 960.90	Urgent repairs to the pump that supplies water in Davel since the stand-by pump can not cope with the demand and the community is without water.
P M SAND	R2 599.20	The TLB of the Municipality was broken on the afternoon of Friday 24 February 2012 on its way to open graves at Ermelo cemetery. Three quotations were requested. Two supplier's TLB machines were not available. PM Sand's TLB machine was available and willing to assist immediately.
i-CON ENTERPRISES	R2 850.00	Davel residents have been without electricity for five days, we require crane-truck service and the Department's vehicle is in the workshop for repairs. i-CON Enterprises is the only company available for this service as this is an emergency.
GUNNEBO S.A.	R15 315.57	Gunnebo S.A. is the only supplier of repairs and installation of safe doors.

46. Utilisation of Long-term liabilities reconciliation

	2012	2011
Long-term liabilities raised	41 778	58 875

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Figures in Rand		2012	2011

47. Statistical information

		2012	2011
Electricity			
Purchase cost		107 693 466	90 364 941
Total cost (include streetlighting)		108 957 606	95 508 071
Sales income		112 553 938	95 281 192
Purchased units	kWh	202 587 479	194 766 149
Sold units	kWh	110 768 406	108 485 912
Units loss in distribution	kWh	91 819 073	86 280 237
Cost of loss in distribution		48 810 096	40 034 030
Loss in distribution		45.32%	44.30%
Benchmark norm for distribution losses		10.00%	10%
Nett loss in distribution		35.32%	34.30%
Cost per unit based on purchase cost		0.5316	0.4640
Cost per unit based on total cost		0.5378	0.4904
Income per unit		1.0161	0.8783
Nett loss in distribution above the benchmark losses	kWh	71 560 325	66 803 886
Nett cost of loss in distribution above the benchmark losses		**38 040 749**	**30 997 003**

		2012	2011
Water			
Purchase cost		1 020 856	1 561 780
Total cost		29 947 941	29 947 941
Sales income		20 185 431	20 336 117
Purchased kiloliters	Kl	591 699	563 988
Own resources kiloliters	Kl	3 548 518	3 445 644
Total purified water kiloliters	Kl	4 140 217	4 009 632
Sold kiloliters plus additional provision as calculated	Kl	3 396 089	3 594 427
Kl loss in distribution	Kl	744 128	415 205
Cost of loss in distribution		5 382 593	3 101 166
Loss in distribution		17.97%	10.36%
Benchmark norm for distribution losses		10.00%	10.00%
Nett loss in distribution		7.97%	0.36%
Cost per kiloliter purified		7.233	7.469
Cost per kiloliter sold		8.8184	8.3318
Income per kiloliter		5.9437	5.6577
Nett loss in distribution above the benchmark losses	Kl	330 106	14 428
Net cost of loss in distribution above the benchmark losses		2 387 799	107 763
		71 675 435	**67 098 133**

		2012	2011
Calculation: Water utilised in provision to communities			
Kiloliters sold	Kl	3 292 289	3 582 474
Calculation: Water unmetered, utilised from purified water		-	-
Unmetered communities with standpipe provision	Kl	20 000	-
Water provision by tankers	Kl	63 800	11 953
Unmetered new development housing projects	Kl	20 000	-
		3 396 089	**3 594 427**

Notes to the Annual Financial Statements

Figures in Rand

48. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	49 391 300	45 449 900	45 449 900	51 379 021	(5 929 121)	113 %	104 %
Service charges	179 076 300	185 878 245	185 878 245	167 441 149	18 437 096	90 %	94 %
Investment revenue	7 600 000	8 601 500	8 601 500	10 713 229	(2 111 729)	125 %	141 %
Transfers recognised - operational	96 846 000	96 218 000	96 218 000	92 805 116	3 412 884	96 %	96 %
Other own revenue	36 964 867	-	-	12 104 394	(12 104 394)	DIV/0 %	33 %
Total revenue (excluding capital transfers and contributions)	**369 878 467**	**336 147 645**	**336 147 645**	**334 442 909**	**1 704 736**	**99 %**	**90 %**
Employee costs	(120 131 052)	(114 864 967)	(114 864 967)	(112 312 662)	(2 552 305)	98 %	93 %
Remuneration of councillors	(9 054 970)	(9 054 970)	(9 054 970)	(9 010 147)	(44 823)	100 %	100 %
Debt impairment	(15 460 770)	(15 460 770)	(15 460 770)	(17 844 467)	2 383 697	115 %	115 %
Depreciation and asset impairment	(28 481 716)	(25 481 716)	(25 481 716)	(27 909 212)	2 427 496	110 %	98 %
Finance charges	(647 165)	(650 000)	(650 000)	(663 828)	13 828	102 %	103 %
Materials and bulk purchases	(127 349 878)	(127 349 878)	(127 349 878)	(108 181 350)	(19 168 528)	85 %	85 %
Other expenditure	(99 628 400)	(99 990 929)	(99 990 929)	(85 686 707)	(14 304 222)	86 %	86 %
Total expenditure	**(400 753 951)**	**(392 853 230)**	**(392 853 230)**	**(361 608 373)**	**(31 244 857)**	**92 %**	**90 %**
Total revenue (excluding capital transfers and contributions)	369 878 467	336 147 645	336 147 645	334 442 909	1 704 736	99 %	90 %
Total expenditure	(400 753 951)	(392 853 230)	(392 853 230)	(361 608 373)	(31 244 857)	92 %	90 %
Surplus/(Deficit)	**(30 875 484)**	**(56 705 585)**	**(56 705 585)**	**(27 165 464)**	**(29 540 121)**	**48 %**	**88 %**

Notes to the Annual Financial Statements

Figures in Rand

48. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	68 920 685	68 920 685	68 920 685	(70 144 232)	139 064 917	(102)%	(102)%
Contributions recognised - capital and contributed assets	-	(68 920 685)	(68 920 685)	62 724 974	(131 645 659)	(91)%	DIV/0 %
Surplus/(Deficit)	(30 875 484)	(56 705 585)	(56 705 585)	(27 165 464)	(29 540 121)	48 %	88 %
Capital transfers and contributions	68 920 685	-	-	-	-	DIV/0 %	- %
Surplus (Deficit) after capital transfers and contributions	**38 045 201**	**(56 705 585)**	**(56 705 585)**	**(27 165 464)**	**(29 540 121)**	**48 %**	**(71)%**
Surplus (Deficit) after capital transfers and contributions	38 045 201	(56 705 585)	(56 705 585)	(27 165 464)	(29 540 121)	48 %	(71)%
Surplus/(Deficit) for the year	**38 045 201**	**(56 705 585)**	**(56 705 585)**	**(27 165 464)**	**(29 540 121)**	**48 %**	**(71)%**
Capital expenditure and funds sources							
Sources of capital funds							
Transfers recognised - capital	-	-	-	59 002 036	(59 002 036)	DIV/0 %	DIV/0 %
Internally generated funds	-	-	-	3 722 938	(3 722 938)	DIV/0 %	DIV/0 %
Total sources of capital funds	**-**	**-**	**-**	**62 724 974**	**(62 724 974)**	**DIV/0 %**	**DIV/0 %**

Detailed Income statement

Figures in Rand	Note(s)	2012	2011
Revenue			
Rendering of services		-	-
Property rates	23	51 379 021	42 213 814
Service charges	24	167 441 149	150 774 507
Rental of facilities and equipment		1 534 697	1 296 424
Income from agency services		4 852 952	3 739 658
Fines		433 715	863 824
Licences and permits		2 284 353	2 048 279
Government grants & subsidies	25	152 949 348	108 616 129
Unearned finance charges		-	1 002 229
Administration fees		225 897	252 911
Commission on insurance premiums		87 481	77 679
Royalties received		1 510	1 500
Moneys received unallocated		1 356 209	2 116 599
VAT backpayment from SARS		295 004	-
Other income		1 032 576	1 819 556
Interest earned	31	10 713 229	8 875 336
Total Revenue		**394 587 141**	**323 698 445**
Expenditure			
Employee related costs	28	(112 312 662)	(106 647 844)
Remuneration of councillors	29	(9 010 147)	(7 464 095)
Depreciation and amortisation	32	(27 909 212)	(27 997 095)
Finance costs	33	(728 576)	(505 760)
Debt impairment	30	(17 844 467)	(15 410 979)
Collection costs		(168 321)	(219 138)
Bulk purchases	36	(108 181 350)	(91 928 570)
Contracted services	35	(20 200 556)	(20 975 823)
Loss on disposal of assets		(309 150)	(4 946 634)
General expenses	27	(63 869 463)	(47 650 254)
Total Expenditure		**(360 533 904)**	**(323 746 192)**
Revenue		394 587 141	323 698 445
Expenditure		(360 533 904)	(323 746 192)
Other		-	-
Surplus/(deficit) for the period		**34 053 237**	**(47 747)**

Appendix A

Schedule of external loans as at 30 June 2012

	Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
DEVELOPMENT BANK OF SOUTH AFRICA								
DBSA loan 13.56%	12600	30 Jun 2014	28 379	-	2 323	26 056	12 175	-
	12181	30 Jun 2014	30 496	-	2 496	28 000	13 083	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			58 875	**-**	**4 819**	**54 056**	**25 258**	**-**
ANNUITY LOANS								
Stannic Loans	68195249-0003	1 Jul 2010	-	-	-	-	-	-
	68195249-0004	1 Aug 2010	-	-	-	-	-	-
	68195249-0007	1 Dec 2011	17 891	-	17 891	-	-	283
	68195249-0008	1 Dec2011	17 891	-	17 891	-	-	283
	68195249-0009	1 Jan 2012	43 507	-	43 507	-	-	799
	68195249-0010	1 Jan 2012	43 507	-	43 507	-	-	799
	68195249-0011	1 Feb 2012	67 591	-	67 591	-	-	1 631
	68195249-0012	1 Mar 2012	26 821	-	26 821	-	-	678
	68195249-0013	1 Jun 2012	47 276	-	47 276	-	-	1 561
	68195249-0014	1 Jun 2012	47 204	-	47 204	-	-	1 543
	68195249-0015	1 Jul 2013	72 335	-	33 117	39 218	36 078	4 683

Appendix A

Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
68195249-0016	1 Jul 2013	72 335	-	33 117	39 218	36 078	4 683
68195249-0017	1 Jul 2013	105 673	-	48 379	57 294	52 704	6 841
68195249-0018	1 Jul 2013	46 822	-	21 437	25 385	23 353	3 031
68195249-0019	1 Jul 2013	98 179	-	44 949	53 230	48 968	6 356
68195249-0020	1 Jul 2013	98 179	-	44 949	53 230	48 968	6 356
68195249-0021	1 Jul 2013	46 699	-	21 380	25 319	23 292	3 023
68195249-0023	1 Jul 2013	192 573	-	88 166	104 407	96 048	12 467
68195249-0024	1 Aug 2013	177 913	-	78 034	99 879	85 028	11 674
68195249-0025	1 Aug 2013	67 345	-	29 545	37 800	32 180	4 398
68195249-0026	1 Aug 2013	67 328	-	29 538	37 790	32 172	4 397
68195249-0027	1 Aug 2013	91 243	-	40 029	51 214	43 599	5 958
68195249-0028	1 Aug 2013	91 451	-	40 121	51 330	43 700	5 972
68195249-0030	1 Oct 2013	47 923	-	19 380	28 543	21 118	3 204
68195249-0031	1 Oct 2013	46 819	-	18 934	27 885	20 632	3 130
68195249-0032	1 Oct 2013	47 927	-	19 379	28 548	21 117	3 205
68195249-0033	1 Oct 2013	47 923	-	19 380	28 543	21 118	3 204
68195249-0034	1 Oct 2013	72 930	-	29 493	43 437	32 138	4 876

Appendix A

Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
68195249-0035	1 Oct 2013	47 901	-	19 371	28 530	21 108	3 203
68195249-0036	1 Apr 2014	193 803	-	60 426	133 377	68 824	21 094
68195249-0038	1 Oct 2014	86 596	-	23 178	63 418	25 565	7 037
68195249-0039	1 Oct 2014	86 596	-	23 178	63 418	25 565	7 037
68195249-0040	1 Sep 2014	87 294	-	23 364	63 930	25 771	7 094
68195249-0041	2 Oct 2014	56 401	-	15 547	40 854	17 145	4 560
68195249-0042	1 May 2015	84 992	-	18 936	66 056	20 826	6 760
68195249-0043	1 May 2015	84 992	-	18 936	66 056	20 826	6 760
68195249-0044	1 May 2015	148 265	-	33 033	115 232	36 330	11 793
68195249-0045	1 Jun 2015	338 393	-	73 530	264 863	80 885	27 005
68195249-0047	1 Jul 2015	203 055	-	43 049	160 006	47 367	16 256
68195249-0048	1 Jul 2015	226 947	-	49 313	177 634	54 268	18 462
68195249-0050	1 Mar 2016	3 139 315	-	559 750	2 579 565	613 931	242 146
68195249-0051	1 Apr 2016	108 046	-	18 744	89 302	20 485	8 653
68195249-0052	1 Apr 2016	289 303	-	50 189	239 114	55 228	23 169
68195249-0053	1 Apr 2016	167 260	-	29 017	138 243	31 930	13 395
68195249-0054	1 Apr 2016	108 046	-	18 744	89 302	20 626	8 653

Appendix A

Schedule of external loans as at 30 June 2012

	Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
	68195249-0055	1 Apr 2016	175 717	-	30 484	145 233	33 544	14 073
	68195249-0057	1 Apr 2016	175 717	-	30 484	145 233	33 544	14 073
	68195249-0058	1 Apr 2016	167 260	-	29 017	138 243	31 930	13 395
	68195249-0060		-	506 623	164 329	342 294	106 549	37 185
			7 779 184	**506 623**	**2 303 634**	**5 982 173**	**2 110 538**	**616 838**
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans								
DEVELOPMENT BANK OF SOUTH AFRICA			58 875	-	4 819	54 056	25 258	-
ANNUITY LOANS			7 779 184	506 623	2 303 634	5 982 173	2 110 538	616 838
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2012

	Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			7 838 059	**506 623**	**2 308 453**	**6 036 229**	**2 135 796**	**616 838**

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Dwellings	1 866 524	-	-	-	-	**-**	**1 866 524**	(373 677)	-	-	28 413	-	**(345 264)**	345 264
Non - residential structures	51 309 210	3 179 538	(274 295)	-	23 874 662	**-**	**78 089 115**	(36 428 538)	-	-	5 220 944	-	**(31 207 594)**	31 207 594
Land	1 050 550	475 000	-	-	-	**-**	**1 525 550**	(879 432)	-	-	31 306	-	**(848 126)**	848 126
	54 226 284	**3 654 538**	**(274 295)**	**-**	**23 874 662**	**-**	**81 481 189**	**(37 681 647)**	**-**	**-**	**5 280 663**	**-**	**(32 400 984)**	**32 400 984**
Infrastructure														
Electricity	54 497 275	8 304 222	-	-	-	**170 810**	**62 972 307**	(27 808 008)	-	-	2 550 958	-	**(25 257 050)**	25 257 050
Roads	114 621 621	11 114 299	-	-	-	**11 721 317**	**137 457 237**	(58 765 369)	-	-	8 336 882	-	**(50 428 487)**	50 428 487
Water	103 904 927	393 551	-	-	-	**15 171 041**	**119 469 519**	(62 903 960)	-	-	4 820 628	-	**(58 083 332)**	58 083 332
Sewerage	70 970 884	1 965 497	-	-	-	**3 472 362**	**76 408 743**	(40 272 114)	-	-	2 740 645	-	**(37 531 469)**	37 531 469
Solid waste disposal	1 149 635	7 542	-	-	-	**-**	**1 157 177**	(747 901)	-	-	110 928	-	**(636 973)**	636 973
Other infrastructure	5 012 057	-	-	-	-	**-**	**5 012 057**	(3 345 193)	-	-	350 753	-	**(2 994 440)**	2 994 440
Water purification	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	350 156 399	**21 785 111**	**-**	**-**	**-**	**30 535 530**	**402 477 040**	**(193 842 545)**	**-**	**-**	**18 910 794**	**-**	**(174 931 751)**	**174 931 751**
Community Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Areas of land of historic or specific significance	2 732	-	-	-	-	-	**2 732**	(132)	-	-	(65)	-	**(197)**	197
	2 732	**-**	**-**	**-**	**-**	**-**	**2 732**	**(132)**	**-**	**-**	**(65)**	**-**	**(197)**	**197**
Specialised vehicles	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
Machinery and Equipment	15 160 563	302 524	229 396	-	-	-	**15 692 483**	(5 797 782)	-	(8 748)	(1 754 826)	-	**(7 561 356)**	7 561 356
Furniture and Office equipment	7 858 450	38 078	-	-	-	-	**7 896 528**	(3 475 595)	-	(2 435)	(1 037 890)	-	**(4 515 920)**	4 515 920
Computer Equipment	12 080 634	453 981	-	-	-	-	**12 534 615**	(3 197 335)	-	(30 731)	(1 592 245)	-	**(4 820 311)**	4 820 311
Transport assets	17 930 631	3 481 670	-	(409 150)	-	-	**21 003 151**	(7 905 188)	258 161	(95 666)	(1 886 048)	-	**(9 628 741)**	9 628 741
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	53 030 278	**4 276 253**	**229 396**	**(409 150)**	**-**	**-**	**57 126 777**	**(20 375 900)**	**258 161**	**(137 580)**	**(6 271 009)**	**-**	**(26 526 328)**	**26 526 328**
Total property plant and equipment														
Land and buildings	54 226 284	3 654 538	(274 295)	-	23 874 662	-	**81 481 189**	(37 681 647)	-	-	5 280 663	-	**(32 400 984)**	32 400 984
Infrastructure	350 156 399	21 785 111	-	-	-	**30 535 530**	**402 477 040**	(193 842 545)	-	-	18 910 794	-	**(174 931 751)**	174 931 751
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	2 732	-	-	-	-	-	**2 732**	(132)	-	-	(65)	-	**(197)**	197
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	53 030 278	4 276 253	229 396	(409 150)	-	-	**57 126 777**	(20 375 900)	258 161	(137 580)	(6 271 009)	-	**(26 526 328)**	26 526 328
	457 415 693	**29 715 902**	**(44 899)**	**(409 150)**	**23 874 662**	**30 535 530**	**541 087 738**	**(251 900 224)**	**258 161**	**(137 580)**	**17 920 383**	**-**	**(233 859 260)**	**233 859 260**
Agricultural/Biological assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	708 693	730 748	230	-	-	-	**1 439 671**	(961 193)	-	-	212 055	-	**(749 138)**	749 138
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	708 693	**730 748**	**230**	**-**	**-**	**-**	**1 439 671**	**(961 193)**	**-**	**-**	**212 055**	**-**	**(749 138)**	**749 138**
Investment properties														
Investment property	4 564 404	-	(42)	-	-	-	**4 564 362**	(69 993)	(42)	-	3 700	-	**(66 335)**	66 293
	4 564 404	**-**	**(42)**	**-**	**-**	**-**	**4 564 362**	**(69 993)**	**(42)**	**-**	**3 700**	**-**	**(66 335)**	**66 293**

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total														
Land and buildings	54 226 284	3 654 538	(274 295)	-	23 874 662	**-**	**81 481 189**	(37 681 647)	-	-	5 280 663	-	**(32 400 984)**	32 400 984
Infrastructure	350 156 399	21 785 111	-	-	-	**30 535 530**	**402 477 040**	(193 842 545)	-	-	18 910 794	-	**(174 931 751)**	174 931 751
Community Assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Heritage assets	2 732	-	-	-	-	**-**	**2 732**	(132)	-	-	(65)	-	**(197)**	197
Specialised vehicles	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other assets	53 030 278	4 276 253	229 396	(409 150)	-	**-**	**57 126 777**	(20 375 900)	258 161	(137 580)	(6 271 009)	-	**(26 526 328)**	26 526 328
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Agricultural/Biological assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Intangible assets	708 693	730 748	230	-	-	**-**	**1 439 671**	(961 193)	-	-	212 055	-	**(749 138)**	749 138
Investment properties	4 564 404	-	(42)	-	-	**-**	**4 564 362**	(69 993)	(42)	-	3 700	-	**(66 335)**	66 293
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	462 688 790	**30 446 650**	**(44 711)**	**(409 150)**	**23 874 662**	**30 535 530**	**547 091 771**	**(252 931 410)**	**258 119**	**(137 580)**	**18 136 138**	**-**	**(234 674 733)**	**234 674 691**

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Director Town Engineer	119 920	-	-	-	-	-	**119 920**	(66 082)	-	-	-	-	**(66 082)**	53 838
Public Works	117 642 824	26 221 037	-	-	-	-	**143 863 861**	(59 644 810)	-	-	-	-	**(59 644 810)**	84 219 051
Town Planning and building	762 611	-	-	-	-	-	**762 611**	(1 269 668)	-	-	-	-	**(1 269 668)**	(507 057)
Street lights	1 628 113	-	-	-	-	-	**1 628 113**	(185 267)	-	-	-	-	**(185 267)**	1 442 846
PMU	23 310	-	-	-	-	-	**23 310**	(31 881 706)	-	-	-	-	**(31 881 706)**	(31 858 396)
Airport	1 088 979	-	-	-	-	-	**1 088 979**	(402 931)	-	-	-	-	**(402 931)**	686 048
Sewerage Network	76 039 475	8 313 919	-	-	-	-	**84 353 394**	(26 750 153)	-	-	-	-	**(26 750 153)**	57 603 241
Sewerage Purification	3 849 329	275 937	-	-	-	-	**4 125 266**	(723 942)	-	-	-	-	**(723 942)**	3 401 324
Water Network	103 940 151	15 714 179	-	-	-	-	**119 654 330**	(32 610 393)	-	-	-	-	**(32 610 393)**	87 043 937
Water Purification	9 145 470	176 057	-	-	-	-	**9 321 527**	(62 326)	-	-	-	-	**(62 326)**	9 259 201
Electricity	55 206 750	8 324 174	-	-	-	-	**63 530 924**	(2 036 853)	-	-	-	-	**(2 036 853)**	61 494 071
Director Public Safety	145 679	-	-	-	-	-	**145 679**	(8 476)	-	-	-	-	**(8 476)**	137 203
Fire Brigade Services	7 654 288	-	-	-	-	-	**7 654 288**	(344 235)	-	-	-	-	**(344 235)**	7 310 053
Disaster Management	62 471	-	-	-	-	-	**62 471**	(615 513)	-	-	-	-	**(615 513)**	(553 042)
Safety and Security	449 220	-	-	-	-	-	**449 220**	(1 252 351)	-	-	-	-	**(1 252 351)**	(803 131)
Licensing	1 585 382	-	-	-	-	-	**1 585 382**	(40 020)	-	-	-	-	**(40 020)**	1 545 362
Traffic	2 020 203	-	-	-	-	-	**2 020 203**	(518 827)	-	-	-	-	**(518 827)**	1 501 376
Director Comm. Services	76 614	26 174	-	-	-	-	**102 788**	(1 197 089)	-	-	-	-	**(1 197 089)**	(1 094 301)
Cemetaries	4 662 454	150 585	-	-	-	-	**4 813 039**	(421 810)	-	-	-	-	**(421 810)**	4 391 229
Parks and Grounds	4 807 011	-	-	-	21 704 000	-	**26 511 011**	(132 193)	-	-	-	-	**(132 193)**	26 378 818
Libraries	2 482 813	264 024	-	-	-	-	**2 746 837**	(2 996 548)	-	-	-	-	**(2 996 548)**	(249 711)
Swimming pool	1 000 072	-	-	-	-	-	**1 000 072**	(454 908)	-	-	-	-	**(454 908)**	545 164
Sports and recreation	633 838	-	-	-	-	-	**633 838**	(391 225)	-	-	-	-	**(391 225)**	242 613
Sports fiels general	8 000 246	-	-	-	-	-	**8 000 246**	(111 971)	-	-	-	-	**(111 971)**	7 888 275
Glf Course	1 369 309	-	-	-	-	-	**1 369 309**	(7 024)	-	-	-	-	**(7 024)**	1 362 285
Health	2 402 396	-	-	-	-	-	**2 402 396**	(3 009 809)	-	-	-	-	**(3 009 809)**	(607 413)
Clinics	1 980 010	-	-	-	-	-	**1 980 010**	(778 987)	-	-	-	-	**(778 987)**	1 201 023
Tubercolosis Hospital	334 541	-	-	-	-	-	**334 541**	(34 355)	-	-	-	-	**(34 355)**	300 186
Welfare	19 266	-	-	-	-	-	**19 266**	(312 055)	-	-	-	-	**(312 055)**	(292 789)
Refuse/Sanitary	6 266 764	-	-	-	-	-	**6 266 764**	(294 632)	-	-	-	-	**(294 632)**	5 972 132
Housing	9 174 445	502 540	-	-	-	-	**9 676 985**	(595 102)	-	-	-	-	**(595 102)**	9 081 883
Staff Flats	1 031 362	-	-	-	-	-	**1 031 362**	(5 185 885)	-	-	-	-	**(5 185 885)**	(4 154 523)
Director Corporate Services	584 921	678 106	-	-	-	-	**1 263 027**	(238 403)	-	-	-	-	**(238 403)**	1 024 624
Marketing and Communication	407 612	-	-	-	-	-	**407 612**	(319 794)	-	-	-	-	**(319 794)**	87 818
Town Planning	55 210	-	-	-	-	-	**55 210**	(258 626)	-	-	-	-	**(258 626)**	(203 416)
Local Economic Development	44 146	-	-	-	-	-	**44 146**	(19 796)	-	-	-	-	**(19 796)**	24 350
Mechanical workshop	1 422 311	-	-	-	-	-	**1 422 311**	(33 888)	-	-	-	-	**(33 888)**	1 388 423
Civic Centre	9 133 833	38 500	-	-	-	-	**9 172 333**	(1 763 963)	-	-	-	-	**(1 763 963)**	7 408 370
Administration	7 781 056	-	-	-	-	-	**7 781 056**	(648 350)	-	-	-	-	**(648 350)**	7 132 706
Human Resources	420 245	-	-	-	-	-	**420 245**	(135 638)	-	-	-	-	**(135 638)**	284 607
Occupational Health	2 982	-	-	-	-	-	**2 982**	(113 716)	-	-	-	-	**(113 716)**	(110 734)
Municipal Manager	876 694	-	-	-	-	-	**876 694**	(1 652 725)	-	-	-	-	**(1 652 725)**	(776 031)
Intergrated Management I	367 742	-	-	-	-	-	**367 742**	(45 130)	-	-	-	-	**(45 130)**	322 612
Local Economic Development	102 671	-	-	-	-	-	**102 671**	(445 184)	-	-	-	-	**(445 184)**	(342 513)
IDP and internal audit	70 345	-	-	-	-	-	**70 345**	(118 960)	-	-	-	-	**(118 960)**	(48 615)
Council general	10 531 739	-	-	-	-	-	**10 531 739**	(1 037 969)	-	-	-	-	**(1 037 969)**	9 493 770
Councillors	1 125 321	506 623	-	-	-	-	**1 631 944**	(779 390)	-	-	-	-	**(779 390)**	852 554
Director Finance	253 032	-	-	-	-	-	**253 032**	(1 835)	-	-	-	-	**(1 835)**	251 197
Municipal Stores	556 078	-	-	-	-	-	**556 078**	-	-	-	-	-	**-**	556 078
Finance	3 347 602	19 446	-	-	-	-	**3 367 048**	(760 866)	-	-	-	-	**(760 866)**	2 606 182
	462 688 856	**61 211 301**	**-**	**-**	**21 704 000**	**-**	**545 604 157**	**(183 211 565)**	**-**	**-**	**-**	**-**	**(183 211 565)**	**362 392 592**

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Total														
Municipality	462 688 856	61 211 301	-	-	21 704 000	-	**545 604 157**	(183 211 565)	-	-	-	-	**(183 211 565)**	362 392 592
	462 688 856	**61 211 301**	**-**	**-**	**21 704 000**	**-**	**545 604 157**	**(183 211 565)**	**-**	**-**	**-**	**-**	**(183 211 565)**	**362 392 592**

Appendix D

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
69 124 848	37 343 060	31 781 788	Executive & Council/Mayor and Council	-	-	-
49 443 283	44 531 339	4 911 944	Finance & Admin/Finance	-	-	-
1 157 665	3 968 196	(2 810 531)	Planning and Development/Economic Development/Plan	-	-	-
-	558 377	(558 377)	Health/Clinics	-	-	-
2 157 991	8 119 863	(5 961 872)	Comm. & Social/Libraries and archives	-	-	-
1 804 129	1 801 689	2 440	Housing	-	-	-
1 921 678	11 178 376	(9 256 698)	Public Safety/Police	-	-	-
3 279 924	8 977 491	(5 697 567)	Sport and Recreation	-	-	-
-	-	-	Environmental Protection/Pollution Control	-	-	-
35 663 912	33 267 021	2 396 891	Waste Water Management/Sewerage	-	-	-
11 821 917	15 961 246	(4 139 329)	Road Transport/Roads	-	-	-
40 963 689	29 949 476	11 014 213	Water/Water Distribution	-	-	-
86 843 849	92 515 268	(5 671 419)	Electricity /Electricity Distribution	-	-	-
65 880	56 086	9 794	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
304 248 765	**288 227 488**	**16 021 277**		**-**	**-**	**-**
			Municipal Owned Entities			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
			Other charges			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
304 248 765	288 227 488	16 021 277	Municipality	-	-	-
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

Appendix D

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
304 248 765	**288 227 488**	**16 021 277**	**Total**	**-**	**-**	**-**

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2012 Act. Bal. Rand	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	51 379 021	45 449 000	5 930 021	13.0	
Service charges	167 441 149	185 878 245	(18 437 096)	(9.9)	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	1 534 697	2 031 285	(496 588)	(24.4)	
Interest received (trading)	-	-	-	-	
Dividends received	-	-	-	-	
Income from agency services	4 852 952	3 000 000	1 852 952	61.8	
Public contributions and donations	-	-	-	-	
Fines	433 715	1 656 285	(1 222 570)	(73.8)	
Licences and permits	2 284 353	2 097 375	186 978	8.9	
Government grants & subsidies	152 949 348	165 053 731	(12 104 383)	(7.3)	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	225 897	300 000	(74 103)	(24.7)	
Fees earned	-	-	-	-	
Commissions received	87 481	10 000	77 481	774.8	
Royalties received	1 510	1 970	(460)	(23.4)	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	295 004	9 000 000	(8 704 996)	(96.7)	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	-	-	-	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Moneys received unallocated	1 356 209	100	1 356 109	109.0	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Other income	1 032 576	24 436 160	(23 403 584)	(95.8)	
Interest earned	10 713 229	8 601 500	2 111 729	24.6	
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	394 587 141	447 515 651	(52 928 510)	(11.8)	
Expenses					
Employee related costs	(112 312 662)	(114 864 967)	2 552 305	(2.2)	

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Manufacturing - Employee costs	-	-	-	-	
Remuneration of councillors	(9 010 147)	(9 254 970)	244 823	(2.6)	
Administration	-	-	-	-	
Transfer payments	-	-	-	-	
Depreciation	(30 815 864)	(25 481 716)	(5 334 148)	20.9	
Impairment	-	-	-	-	
Amortisation	-	-	-	-	
Impairments	-	-	-	-	
Reversal of impairments	-	-	-	-	
Finance costs	(663 828)	(650 000)	(13 828)	2.1	
Debt impairment	(17 844 467)	(15 460 770)	(2 383 697)	15.4	
Collection costs	(168 321)	(250 000)	81 679	(32.7)	
Repairs and maintenance - Manufacturing expenses	-	-	-	-	
Repairs and maintenance - General	-	-	-	-	
Repairs and maintenance - General	-	-	-	-	
Bulk purchases	(108 181 350)	(107 769 920)	(411 430)	0.4	
Contracted Services	(20 200 556)	(21 435 546)	1 234 990	(5.8)	
Grants and subsidies paid	-	-	-	-	
Cost of housing sold	-	-	-	-	
General Expenses	(65 008 680)	(97 685 341)	32 676 661	(33.5)	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
	(364 205 875)	(392 853 230)	28 647 355	(7.3)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(309 150)	(2 100 000)	1 790 850	(85.3)	
Gain or loss on exchange differences	-	-	-	-	
Fair value adjustments	-	-	-	-	
Gains or losses on biological assets and agricultural produce	-	-	-	-	
Income from equity accounted investments	-	-	-	-	
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-	
Taxation	-	-	-	-	
Discontinued operations	-	-	-	-	
	(309 150)	(2 100 000)	1 790 850	(85.3)	
Net surplus/ (deficit) for the year	30 072 116	52 562 421	(22 490 305)	(42.8)	

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
																		Yes/ No	
Municipal Gyatems Improvement grant	Dept. Local Gov & Housing	790	-	-	-	-	-	-	541	-	249	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Municipal Fiancne Management Grant	National Treasury	1 250	-	-	-	-	-	109	109	58	974	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Municipal Infrustructure Grant	National Treasury	16 643	11 982	4 660	-	-	-	510	3 926	4 986	14 053	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Intergrated National Electrification Grant	National Treasury	5 270	1 966	-	-	-	-	95	1 555	2 231	2 555	-	-	-	-	-		Yes	
Department of Water Affairs	Department of Water Affair	-	-	713	1 069	-	-	-	-	-	1 782	-	-	-	-	-		Yes	
		23 953	13 948	5 373	1 069	-	-	714	6 131	7 275	19 613	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.