Ngwathe Local Municipality
Annual Financial Statements
for the year ended 30 June 2013
Auditor-General of South Africa

General Information

Legal form of entity	An organ of state within the local sphere of government exercising legislative and executive authority
Municipal demarcation code	FS203
Nature of business and principal activities	Services delivery
Mayoral committee	
Executive Mayor	Mochela MJ
Speaker	Ndayi PR
Chief Whip	Vandisi TL
Councillors	Bocibo CN Choni PS De Beer V Hlpana ML Khumalo KJ Magashule ME Mandelstam GP Masike RI Masooa J Mbele A
Grading of local authority	Grade 3
Capacity of local authority	Medium capacity
Accounting Officer	Mokoena TS (Adv)
Chief Finance Officer (CFO)	Leeuw OL
Registered office	12 Liebenbergs trek Parys 9585
Business address	12 Liebenbergs trek Parys 9585
Postal address	PO Box 359 Parys 9585
Bankers	ABSA
Auditors	Auditor-General of South Africa
Attorneys	Utilise attorneys in the Municipal area (detail list available at municipal offices)

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

Abbreviations

GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The accounting officer is primarily responsible for the financial affairs of the municipality.

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

The annual financial statements set out on pages 4 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on his behalf by:

Municipal Manager
Mokoena TS (Adv)

31 August 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	2013	2012
Assets		
Current assets		
Cash and cash equivalents	46 652 605	29 900 012
Other financial assets	430 776	410 532
Inventories	503 577	597 195
Sundry debtors	106 193 419	106 065 251
Receivables from non-exchange transactions	65 557 568	50 705 363
Consumer receivables from exchange transactions	140 450 950	74 048 573
VAT receivable	6 406 867	-
	366 195 762	**261 726 926**
Non-Current assets		
Investment property	152 718 000	152 718 000
Property, plant and equipment	1 030 118 359	1 125 971 550
Other financial assets	809 402	724 308
	1 183 645 761	**1 279 413 858**
Total assets	**1 549 841 523**	**1 541 140 784**
Liabilities		
Current liabilities		
Payables from exchange transactions	260 091 982	204 718 316
VAT payable	-	4 099 230
Consumer deposits	4 077 106	3 778 459
Retirement benefit obligation	1 709 350	1 709 350
Unspent conditional grants and receipts	35 632 115	34 693 774
Provisions	35 846 599	22 754 810
	337 357 152	**271 753 939**
Non-Current liabilities		
Other financial liabilities	20 919 863	22 951 719
Retirement benefit obligation	56 103 650	40 796 650
Long service awards	10 478 000	7 173 000
	87 501 513	**70 921 369**
Total liabilities	**424 858 665**	**342 675 308**
Net assets	**1 124 982 858**	**1 198 465 476**
Accumulated surplus	1 124 982 858	1 198 465 476

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	22	227 192 297	154 865 847
Rental of facilities and equipment		2 290 614	252 285
Other income	23	1 727 771	2 136 544
Interest received	24	21 442 747	17 678 084
Property rates	25	77 688 011	68 562 318
Government grants & subsidies	26	202 198 672	163 319 177
Fines		1 096 771	774 907
Total revenue		**533 636 883**	**407 589 162**
Expenditure			
Employee related costs	27	(177 184 026)	(119 272 827)
Remuneration of councillors	28	(9 046 834)	(8 615 034)
Depreciation and amortisation	29	(97 194 922)	(98 144 384)
Impairment loss	30	-	(49 058 191)
Finance costs	31	(3 273 815)	(8 994 567)
Repairs and maintenance		(18 581 748)	(11 325 826)
Bulk purchases	32	(128 865 523)	(114 069 463)
Contracted services	33	(8 506 519)	(9 880 093)
General expenses	34	(164 575 396)	(83 511 330)
Total expenditure		**(607 228 783)**	**(502 871 715)**
Operating deficit		**(73 591 900)**	**(95 282 553)**
Fair value adjustments		105 339	(7 800 879)
Deficit for the year		**(73 486 561)**	**(103 083 432)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 341 356 929	1 341 356 929
Adjustments		
Correction of errors	(38 827 538)	(38 827 538)
Balance at 01 July 2011 as restated	**1 302 529 391**	**1 302 529 391**
Changes in net assets		
Fair value gains, net of tax: Land and buildings	(980 483)	(980 483)
Net surpluses (deficits) recognised directly in net assets	(980 483)	(980 483)
Surplus for the year	(103 083 432)	(103 083 432)
Total recognised income and expenses for the year	(104 063 915)	(104 063 915)
Total changes	(104 063 915)	(104 063 915)
Balance at 01 July 2012	**1 198 465 473**	**1 198 465 473**
Changes in net assets		
Surplus for the year	(73 482 615)	(73 482 615)
Total changes	(73 482 615)	(73 482 615)
Balance at 30 June 2013	**1 124 982 858**	**1 124 982 858**

Cash Flow Statement

Figures in Rand	2013	2012
Cash flows from operating activities		
Receipts		
Grants	203 137 013	182 819 517
Interest income	21 442 747	17 678 084
Services	223 625 726	155 398 966
Other receipts	5 007 232	(5 259 017)
	453 212 718	350 637 550
Payments		
Employee costs	(154 798 866)	(166 169 163)
Suppliers	(274 949 004)	(170 209 962)
Finance costs	(3 273 815)	(8 994 567)
	(433 021 685)	(345 373 692)
Net cash flows from operating activities	**20 191 033**	**5 263 858**
Cash flows from investing activities		
Purchase of property, plant and equipment	(1 341 734)	(9 256 607)
Proceeds from sale of financial assets	(64 850)	7 842 094
Net cash flows from investing activities	**(1 406 584)**	**(1 414 513)**
Cash flows from financing activities		
Repayment of other financial liabilities	(2 031 856)	22 951 719
Net cash flows from financing activities	**(2 031 856)**	**22 951 719**
Net increase / (decrease) in cash and cash equivalents	**16 752 593**	**26 801 064**
Cash and cash equivalents at the beginning of the year	29 900 012	3 098 948
Cash and cash equivalents at the end of the year	**46 652 605**	**29 900 012**

Ngwathe Local Municipality
Annual Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	195 777 699	886 000	**196 663 699**	227 192 297	**30 528 598**
Rental of facilities and equipment	3 898 380	(243 181)	**3 655 199**	2 290 614	**(1 364 585)**
Other income	5 794 050	36 816	**5 830 866**	1 727 771	**(4 103 095)**
Interest received	10 480 947	(4 999 000)	**5 481 947**	21 442 747	**15 960 800**
Total revenue from exchange transactions	**215 951 076**	**(4 319 365)**	**211 631 711**	**252 653 429**	**41 021 718**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	41 149 507	-	**41 149 507**	77 688 011	**36 538 504**
Government grants & subsidies	152 233 973	50 000	**152 283 973**	202 198 672	**49 914 699**
Transfer revenue					
Fines	1 500 000	(300 000)	**1 200 000**	1 096 771	**(103 229)**
Total revenue from non-exchange transactions	**194 883 480**	**(250 000)**	**194 633 480**	**280 983 454**	**86 349 974**
Total revenue	**410 834 556**	**(4 569 365)**	**406 265 191**	**533 636 883**	**127 371 692**
Expenditure					
Personnel	(125 646 019)	(621 421)	**(126 267 440)**	(177 184 026)	**(50 916 586)**
Remuneration of councillors	(9 666 428)	600 000	**(9 066 428)**	(9 046 834)	**19 594**
Depreciation and amortisation	(2 118 000)	-	**(2 118 000)**	(97 194 922)	**(95 076 922)**
Finance costs	(3 759 450)	-	**(3 759 450)**	(3 273 815)	**485 635**
Repairs and maintenance	(16 976 927)	(3 091 137)	**(20 068 064)**	(18 581 748)	**1 486 316**
Bulk purchases	(142 202 622)	-	**(142 202 622)**	(128 865 523)	**13 337 099**
Contracted services	(13 037 597)	3 100 000	**(9 937 597)**	(8 506 519)	**1 431 078**
General expenses	(103 585 657)	3 853 460	**(99 732 197)**	(164 575 396)	**(64 843 199)**
Total expenditure	**(416 992 700)**	**3 840 902**	**(413 151 798)**	**(607 228 783)**	**(194 076 985)**
Operating deficit	**(6 158 144)**	**(728 463)**	**(6 886 607)**	**(73 591 900)**	**(66 705 293)**
Fair value adjustments	-	-	**-**	105 339	**105 339**
Surplus	**(6 158 144)**	**(728 463)**	**(6 886 607)**	**(73 486 561)**	**(66 599 954)**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(6 158 144)**	**(728 463)**	**(6 886 607)**	**(73 486 561)**	**(66 599 954)**
Reconcilation					

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with theStandards 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 are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 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 is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the 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 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 balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

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

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 supply demand together with economic factors.

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.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for property, plant and equipment and other 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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15 - Employee benefit obligations.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for impairment

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 receivables' 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; or
- administrative purposes; or
- sale in the ordinary course of operations.

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

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

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 instalments over the useful life of the property, which is as follows:

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.

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

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 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.

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Item	**Average useful life**
Land	
Buildings	5 to 30
Plant and machinery	3 to 30
Furniture and fixtures	3 to 15
Motor vehicles	4 to 15
Office equipment	3 to 15
Landfill site	30
Infrastructure	5 to 100
Equipment	5 to 10
Airport	5 to 20
Computer equipment	3 to 15

1.3 Property, plant and equipment (continued)

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

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

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

The gain or loss 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. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 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, excluding rights granted by statue, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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.

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; 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 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 intangibile assets amortisation is provided on a straight line basis over their useful lives.

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

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

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

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

Item	Useful life
Computer software	3 years

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 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.

1.6 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

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

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note - Heritage assets.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

1.6 Heritage assets (continued)

Impairment

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

Derecognition

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

1.7 Financial instruments

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

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
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at fair value

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
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost
Payables from non-exchange transactions	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 municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality measures all other financial assets and financial liabilities initially at its fair value.

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

1.7 Financial instruments (continued)

- 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.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

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 rate 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 uncollectability in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, 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.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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.

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 OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.7 Financial instruments (continued)

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

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 financial 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:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is 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.

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

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).

1.8 Leases

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

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

Finance leases - lessee

1.8 Leases (continued)

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 separately as an expense in the period in which they are incurred.

Operating leases - lessee

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

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

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

1.9 Inventories

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

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

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

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

Current replacement cost is the cost the 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 weighted average cost 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Non-current assets held for sale and disposal groups

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

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

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

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

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

1.11 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.

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

Identification

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

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. The recoverable amount of a cash generating asset or cash generating unit is the highest of its fair value less cost to sell and its fair value.

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 was tested for impairment before the end of the current reporting period.

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

1.11 Impairment of cash-generating assets (continued)

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 uses 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 municipality 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.

Reversal of 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 municipality 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:

1.11 Impairment of cash-generating assets (continued)

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

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

1.12 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

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

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. The recoverable service amout of a non-cash-generating asset is the higher of its fair value less cost to sell and its in use.

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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.

1.12 Impairment of non-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 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.

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

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

When an employee has rendered services to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

Accounting Policies

1.13 Employee benefits (continued)

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

Post-employment benefits: 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 services to the municipality during a reporting period, the municipality recognises 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related services, they are discounted.

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

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

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- 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.

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

1.13 Employee benefits (continued)

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

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

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

Long term service awards

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality’s liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

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

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

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.14 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 finance cost.

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

Provisions are not recognised for future operating expenditure.

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

Decommissioning, restoration and similar liability

1.14 Provisions and contingencies (continued)

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Revenue from exchange transactions

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

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

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.

1.15 Revenue from exchange transactions (continued)

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

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

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

Interest

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

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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 municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

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

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

Transfers

1.16 Revenue from non-exchange transactions (continued)

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

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

Fines

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

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

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

Rates, including collection charges and penalties

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
- to the extent that 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 in-kind

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

Services in-kind

Services in-kind are not recognised.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

Accounting Policies

1.17 Borrowing costs (continued)

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

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

1.18 Comparative figures

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

1.19 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.

1.20 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 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.

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

1.22 Budget information

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

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

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconcilation between the statement of financial performance and the budget for the reporting period have been included in the statement of comparison of budget and actual amounts.

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

1.23 Related parties (continued)

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

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

1.24 Commitments

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

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 the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.25 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

1.26 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 23: Revenue from Non-exchange Transactions

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

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

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As 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 adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

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

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

GRAP 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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The standard requires judgement in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the notes to the financial statements.

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

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

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

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

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

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

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

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

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

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

The impact of the standard is set out in note - Changes in accounting policy.

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 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.

2. New standards and interpretations (continued)

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; or
- Service units approach.

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

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.

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

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

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

The impact of the standard is set out in note - Changes in accounting policy.

GRAP 26: 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.

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

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

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, 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 uses 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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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 municipality estimates the recoverable amount of that asset.

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

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

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

The impact of the standard is set out in note - Changes in Accounting Policy.

GRAP 104: Financial Instruments

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

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

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.

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. 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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

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

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

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

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

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

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

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

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.

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

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

The impact of the standard is set out in note - Changes in accounting policy.

2.2 Standards and Interpretations early adopted

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

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

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments are to be applied retrospectively.

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

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

The impact of the amendment is not material.

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

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

The impact of the amendment is not material.

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

Amendments were made to the scope and definitions.

All amendments are to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments are to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments are to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments are to be applied prospectively.

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

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

The impact of the amendment is not material.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are to be applied prospectively.

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

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

The impact of the amendment is not material.

GRAP 27 (as revised 2012): Agriculture (replaces GRAP 101)

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

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

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

The impact of the standard is not material.

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

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

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

- consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31;
- the deletion of guidance and examples from interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102; and
- changes to ensure consistency between the Standards of GRAP, or to clarify existing principles.

All amendments are to be applied retrospectively.

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

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

The impact of the standard is not material.

IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

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 2013 annual financial statements.

The impact of the interpretation is not material.

2.3 Standards and interpretations issued, but not yet effective

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

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

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

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

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

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 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.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between entities under common control.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The impact of the standard is currently being assessed.

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.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

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 expects to adopt the standard for the first time once it becomed effective.

The impact of the standard is currently being assessed.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, no acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

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

The impact of the standard is currently being assessed.

GRAP 20: Related Parties

The objective of this standard is to ensure that the 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.

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:

2. New standards and interpretations (continued)

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

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

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

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

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 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.

2.4 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 2013 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 the municipality 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 the municipality within a particular region.

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 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.

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

The impact of this interpretation is currently being assessed.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	14 603	14 603
Bank balances	46 638 002	29 885 409
	46 652 605	**29 900 012**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank LTD - Cheque account - 4052707733	814 727	757 648	1 475 468	(94 508)	645 543	(3 283 114)
ABSA BANK LTD - CALL ACCOUNT - 9253832988	482 959	465 907	1 531 151	482 959	465 907	1 531 151
ABSA BANK LTD - CALL ACCOUNT - 9253833502	36 365 971	20 212 013	4 953 439	36 365 971	20 212 013	4 953 439
ABSA BANK LTD - CALL ACCOUNT - 9253833764	2 083 941	1 045 669	1 008 650	2 083 941	1 045 669	1 008 650
ABSA BANK LTD - CALL ACCOUNT - 9253535643	3 652 279	33 745	44 766	3 652 279	33 745	44 766
ABSA BANK LTD - CHEQUE ACCOUNT - 1130000041	4 147 360	7 482 532	603 389	4 147 360	7 482 532	603 389
Total	**47 547 237**	**29 997 514**	**9 616 863**	**46 638 002**	**29 885 409**	**4 858 281**

4. Other financial assets

At fair value		
Senwes shares 6 682 shares @ R10.50 trading value (2012: R9)	45 455	38 961
Senwesbel shares 4 329 shares @ R5 trading value (2012: R5)	33 200	33 200
Sanlam shares 6 640 shares at R46 trading value (R35.35)	307 372	236 209
	386 027	**308 370**
At amortised cost		
Heilbron Sanlam policy - 040571573X1	291 924	291 924

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
Heilbron Sanlam policy - 11209914X8	76 698	72 704
Saambou investment	39 761	37 791
FNB deposit The investment bears interest at 5.1% per annum	14 992	13 519
	423 375	**415 938**
Total other financial assets	**809 402**	**724 308**
Non-current assets		
At fair value	386 027	308 370
At amortised cost	423 375	415 938
	809 402	**724 308**
Current assets		
At amortised cost	430 776	410 532

5. Inventories

Fuel	48 895	48 895
Stores and materials	454 682	548 300
	503 577	**597 195**

6. Sundry debtors

Sundry debtors	106 193 419	106 065 251

7. Consumer receivables from non-exchange transactions

Rates	65 557 568	50 705 363

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information.

Consumer receivables from non-exchange transactions

Current (0-30 days)	3 668 595	2 225 423
31 - 60 days	2 942 563	1 898 147
61 - 90 days	2 227 354	1 702 674
91 - 120 days	56 719 056	44 879 119
	65 557 568	**50 705 363**

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

8. Consumer receivables from exchange transactions

Gross balances		
Electricity	78 576 447	55 305 609
Water	115 265 027	80 236 698
Sewerage	54 240 402	48 821 685
Refuse	47 878 340	45 193 847
	295 960 216	**229 557 839**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

8. Consumer receivables from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(24 733 165)	(24 733 165)
Water	(58 589 413)	(58 589 413)
Sewerage	(36 664 404)	(36 664 404)
Refuse	(35 522 284)	(35 522 284)
	(155 509 266)	**(155 509 266)**
Net balance		
Electricity	53 843 282	30 572 444
Water	56 675 614	21 647 285
Sewerage	17 575 998	12 157 281
Refuse	12 356 056	9 671 563
	140 450 950	**74 048 573**
Electricity		
Current (0-30 days)	5 745 362	3 051 670
31 - 60 days	8 922 229	2 515 721
61 - 90 days	2 142 130	1 894 238
91 - 120 days	37 033 561	23 110 815
	53 843 282	**30 572 444**
Water		
Current (0-30 days)	3 642 292	1 306 044
31 - 60 days	13 709 142	635 980
61 - 90 days	1 377 760	536 332
91 - 120 days	37 946 420	19 168 929
	56 675 614	**21 647 285**
Sewerage		
Current (0-30 days)	766 620	619 937
31 - 60 days	698 339	533 525
61 - 90 days	630 349	491 853
91 - 120 days	15 480 690	10 511 966
	17 575 998	**12 157 281**
Refuse		
Current (0-30 days)	480 804	460 442
31 - 60 days	491 638	409 264
61 - 90 days	441 738	391 962
91 - 120 days	10 941 876	8 409 895
	12 356 056	**9 671 563**

Summary of receivables by customer classification

Total		
Current (0-30 days)	10 635 077	5 438 093
31 - 60 days	23 821 348	4 094 490
61 - 90 days	4 591 978	3 314 385
91 - 120 days	101 402 547	61 201 605
	140 450 950	**74 048 573**
Less: Allowance for impairment		
31 - 60 days	(9 385 906)	(9 385 906)
61 - 90 days	(21 140 709)	(21 140 709)

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
8. Consumer receivables from exchange transactions (continued)		
91 - 120 days	(4 993 170)	(4 993 170)
121 - 365 days	(119 989 481)	(119 989 481)
	(155 509 266)	**(155 509 266)**

Reconciliation of allowance for impairment of receivables from exchange transactions

Balance at beginning of the year	(155 509 266)	(119 412 095)
Contributions to allowance	-	(36 097 171)
	(155 509 266)	**(155 509 266)**

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information.

Receivables from exchange transactions

9. VAT receivable

VAT	6 406 867	-

10. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	152 718 000	-	152 718 000	152 718 000	-	152 718 000

Reconciliation of investment property - 2013

	Opening balance	**Total**
Investment property	152 718 000	152 718 000

Reconciliation of investment property - 2012

	Opening balance	**Total**
Investment property	152 718 000	152 718 000

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

11. Property, plant and equipment

2013			2012		
Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**

11. Property, plant and equipment (continued)

Airports	2 093 000	(684 000)	1 409 000	2 264 000	(684 000)	1 580 000
Buildings	47 636 982	(11 314 570)	36 322 412	50 466 529	(11 314 570)	39 151 959
Furniture and fixtures	7 827 729	(5 609 446)	2 218 283	8 746 266	(5 609 446)	3 136 820
Infrastructure	1 340 670 774	(363 390 467)	977 280 307	1 431 173 310	(363 390 467)	1 067 782 843
IT equipment	3 356 421	(1 758 466)	1 597 955	3 410 169	(1 758 466)	1 651 703
Land	4 370 075	-	4 370 075	4 370 075	-	4 370 075
Motor vehicles	10 630 021	(5 987 488)	4 642 533	11 998 761	(5 987 488)	6 011 273
Office equipment	884 024	(539 956)	344 068	912 314	(539 956)	372 358
Plant and machinery	3 651 470	(1 717 744)	1 933 726	3 632 263	(1 717 744)	1 914 519
Total	**1 421 120 496**	**(391 002 137)**	**1 030 118 359**	**1 516 973 687**	**(391 002 137)**	**1 125 971 550**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Total
Airport	1 580 000	-	(171 000)	1 409 000
Buildings	39 151 959	-	(2 829 547)	36 322 412
Furniture and fixtures	3 136 820	342 216	(1 260 753)	2 218 283
Infrastructure	1 067 782 843	-	(90 502 536)	977 280 307
IT equipment	1 651 703	443 066	(496 814)	1 597 955
Land	4 370 075	-	-	4 370 075
Motor vehicles	6 011 273	-	(1 368 740)	4 642 533
Office equipment	372 358	96 703	(124 993)	344 068
Plant and machinery	1 914 519	459 749	(440 542)	1 933 726
	1 125 971 550	**1 341 734**	**(97 194 925)**	**1 030 118 359**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Airports	1 751 351	-	(171 351)	1 580 000
Buildings	41 986 584	-	(2 834 625)	39 151 959
Furniture and fixtures	4 524 254	22 000	(1 409 434)	3 136 820
Infrastructure	1 151 934 491	6 741 473	(90 893 121)	1 067 782 843
IT equipment	1 359 237	780 224	(487 758)	1 651 703
Land	4 370 075	-	-	4 370 075
Motor vehicles	7 470 955	279 036	(1 738 718)	6 011 273
Office equipment	405 195	120 965	(153 802)	372 358
Plant and machinery	2 033 172	336 922	(455 575)	1 914 519
	1 215 835 314	**8 280 620**	**(98 144 384)**	**1 125 971 550**

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

12. Payables from exchange transactions

	2013	2012
Audit fees	1 017 969	1 017 969
Accrued expenses	204 816	204 815
Accrued leave pay	16 503 033	11 920 990
Deposits received	406 491	401 777
Electricity prepaid	3 988 449	-
Other payables	4 690 198	8 678 524
Payments in advance	14 606 730	28 346 318
Sundry payables	6 338	6 338
Salary suspense account	7 011 343	6 347 635
Trade payables	178 757 535	126 745 559
Unallocated receipts	21 056 118	21 048 391

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

12. Payables from exchange transactions (continued)

Accrued bonus	11 842 962	-
	260 091 982	**204 718 316**

13. VAT payable

VAT	-	4 099 230

14. Consumer deposits

Electricity	4 077 106	3 778 459

15. Retirement benefit obligations

Defined benefit plan

The defined benefit plan, to which -% (2012: -%) belong, consists of the (specify Pension Fund) governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by -% for - months. This recommendation is presently being implemented.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Post retirement benefit plan

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(42 506 000)	(39 070 000)
Actuarial loss / (gain)	(10 951 000)	491 000
Plus service cost	(2 384 000)	(2 145 000)
Plus interest cost	(3 446 000)	(3 258 000)
Less benefits paid	1 474 000	1 476 000
	(57 813 000)	**(42 506 000)**

Non-current liabilities	(56 103 650)	(40 796 650)
Current liabilities	(1 709 350)	(1 709 350)
	(57 813 000)	**(42 506 000)**

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

Opening balance	43 982 000	39 070 000
Net expense recognised in the statement of financial performance	16 781 000	4 912 000
	60 763 000	**43 982 000**

Net expense recognised in the statement of financial performance

Current service cost	2 384 000	2 145 000
Interest cost	3 446 000	3 258 000
Benefits paid	10 951 000	(491 000)
	16 781 000	**4 912 000**

Key assumptions used

Assumptions used at the reporting date:

15. Retirement benefit obligations (continued)

	2013	2012
Real discount rate	7.25 %	8.25 %
Consumer price inflation	6.25 %	6.00 %
Salary inflation	7.15 %	7.00 %
Health care cost inflation	6.75 %	6.75 %
Net discount rate	0.47 %	1.41 %

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2013	2012
Unspent conditional grants and receipts		
Department of Mineral and Energy grant	-	7 436 062
Other grants	4 563 104	3 211 236
MIG grant	24 097 626	17 878 904
Department of Water Affairs grant	3 762 503	3 762 503
LGSETA grant	2 199 345	1 120 057
FMG	1 009 537	1 285 012
	35 632 115	**34 693 774**

Movement during the year

	2013	2012
Balance at the beginning of the year	34 693 774	15 193 434
Additions during the year	203 137 014	182 819 517
Income recognition during the year	(202 198 673)	(163 319 177)
	35 632 115	**34 693 774**

See note 26 - Government grants and subsidies for reconciliation of grants from National / Provincial Government.

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

17. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	21 366 389	9 591 052	30 957 441
Provision for legal claim	1 388 421	3 500 737	4 889 158
	22 754 810	**13 091 789**	**35 846 599**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	20 156 971	1 209 418	21 366 389
Provision for legal claim	-	1 388 421	1 388 421
	20 156 971	**2 597 839**	**22 754 810**

Environmental rehabilitation provision

In terms of licensing of the landfill refuse sites, the municipality will incur licensing and rehabiltion costs of R30 957 441 (2012: R30 957 441) to restore the site at the end of its useful life. Provision has been made for the net present value of this cost, using the average cost of borrowings. The landfill sites are not licensed and the municipality could incur penalties for not being licensed.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17. Provisions (continued)

Legal proceedings provisions

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17. Provisions (continued)

Party:	Telkom
Nature/description:	Municipal employees allegedly damaged infrastructure whilst digging the ground where Telkom wires lies.
Instituting Attorneys:	Du Toit Mandelstam Attorneys
Prospects of success:	There are no prospects of success as the municipality defaulted
Estimated costs:	R2 000 000

Party:	Zemdock t/a Sedgars
Nature/description:	Zemdock allegedly sold and delivered certain properties to the municipality and the municipality failed to effect payment for delivered items. Original payments was affected of R192 000 and the outstanding payment of R24 000 remains which resulted from interest charged thereon hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no grounds to defend the matter except to effect payment.
Estimated costs:	R144 007.33

Party:	Agri Aqua solutions
Nature/description:	Agri Aqua solutions supplied and delivered cleaning material to the municipality and the municipality failed to honour payment hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process of negotiating for a settlement of the matter.
Estimated costs:	R134 315.30

Party:	New team construction
Nature/description:	New team construction rendered excavation services to the municipality in 2011 and the municipality has not paid them for services rendered hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process of negotiating for a settlement of the matter.
Estimated costs:	R1 356 000

Party:	AAS kitso t/a SF cc
Nature/description:	AAS kitso t/a SF cc supplied and delivered cleaning material to the municipality and the municipality failed to honour payment hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process of negotiating for a settlement of the matter.
Estimated costs:	R30 000

Party:	V Mokgosi
Nature/description:	Vincent Mokgosi was appointed by the municipality as the Manager in the office of the Mayor. The employee's contract of emplyment was terminated when the Mayor vacated his office in 2011. He alleges that he was unfairly dismissed hence instiued a labour dispute with the labour court.
Instituting Attorneys:	JC Burger Attorneys
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process of negotiating for a settlement of the matter.
Estimated costs:	R600 000

Party:	B Mcdermott
Nature/description:	B Mcdermott lodged a dispute with SALGBC after municipality failed to encash his leave days despite having given another employee during same period leave encashment hence he is suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter and payment has not been effected.
Estimated costs:	R120 000

Party:	Clover SA vs NLM
Nature/description:	Clover SA paid the municipality for transfer of certain land in their name. Excess payment was made

17. Provisions (continued)

	and the municipality failed to refund them hence they are suing the municipality.
Instituting Attorneys:	Cornelius & Vennote Inc
Prospects of success:	There are no prospects of succesfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.
Estimated costs:	R23 000
Party:	Isintu Projects CC
Nature/description:	Isintu projects rendered meter reading services to the muncipality in 2011 and the Municipality has not paid them for services rendered hence they are suing the municpality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.
Estimated costs:	R233 869.98
Party:	A Vosloo
Nature/description:	Adriaan Vosloo applied for the clearance certificates after he sold his property and the municipality failed to provide the certificates.
Instituting Attorneys:	ADW van den Berg attorneys
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.
Estimated costs:	R38 000
Party:	Phonebook Company
Nature/description:	Phonebook company rendered advertisement services on behalf of the municipality and the municipality failed to pay as agreed.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.
Estimated costs:	R68 000
Party:	EG Majiedt Inc
Nature/description:	EG Majiedt Inc effected transfers on behalf of ther clients. They erroneously paid the municipality twice for one transaction of clearance certifiactes. Municipality allegedly neglected to refund them the said erroneously paid amount.
Instituting Attorneys:	EG Majiedt Inc
Prospects of success:	There are no prospects of succesfully defending the matter.
Estimated costs:	R73 000
Party:	DDP Valuers
Nature/description:	The municipality effected payment on previous settlement, but allegedly did not pay for the interest on this amount.
Instituting Attorneys:	Symington, De Kock, Coetzer & Partners
Prospects of success:	There are no prospects of defending the matter
Estimated costs:	R36 736
Party:	Stolen Believes
Nature/description:	Stolen Believes sold and delivered certain properties to the municipality and the municipality failed to effect payment.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and effected payment.
Estimated costs:	R32 229.16

18. Other financial liabilities

	2013	2012
At amortised cost		
Loans 144	30 544	30 544

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
Loans DBSA	15 182 705	15 182 705
Loans INCA	671 534	2 703 390
Loans COGTA	5 000 000	5 000 000
Loan 73 IFC	35 080	35 080
	20 919 863	**22 951 719**
Total other financial liabilities	**20 919 863**	**22 951 719**
Non-current liabilities		
At amortised cost	20 919 863	22 951 719

Loans INCA		
Opening balance	2 703 390	2 703 390
Payment	(2 070 000)	-
Fines and interest	38 144	-
	671 534	**2 703 390**

19. Long service awards

Movement for the year	10 478 000	7 173 000

Ngwathe offers bonuses for every 5 years of completed service from 5 years to 45 years. Below we outline the benefits awarded to qualifying employees.

Completed service (Years)	Long Service Bonus Awards	Determination of cash bonus
5	5 days accumulative leave + 2% of annual salary	(5/250* + 2%) x annual salary
10	10 days accumulative leave + 3% of annual salary	(10/250* + 3%) x annual salary
15	15 days accumulative leave + 4% of annual salary	(15/250* + 4%) x annual salary
20	15 days accumulative leave + 5% of annual salary	(15/250* + 5%) x annual salary
25, 30, 35, 40, 45	15 days accumulative leave + 6% of annual salary	(15/250* + 6%) x annual salary

*A day of accumulated leave worth leave is worth 1/250 of annual salary

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Ngwathe advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

The portion of the bonus that is a percentage of annual salary is awarded within the month following the employee attaining the qualifying completed years of service.

Valuation of assets
The long service leave award liability of the municipality is unfunded. No dedicated assets had been set aside to meet this liability.

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

Present value of the defined benefit obligation	2 113 000	8 640 000

Figures in Rand	2013	2012

19. Long service awards (continued)

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

Balance at beginning of year	8 640 000	7 173 000
Current-service cost	1 206 000	1 001 000
Interest cost	681 000	582 000
Actuarial (Gain)/Loss	(762 000)	(646 000)
Employer Benefit Payments	1 418 000	530 000
Balance at end of year	**11 183 000**	**8 640 000**

Net expenses recognised in the statement of financial performance		
Total liability	1 206 000	1 001 000
Value of asset	681 000	582 000
Value of asset	1 418 000	530 000
Unfunded liability	**3 305 000**	**2 113 000**

Key Assumptions Used
Assumptions used at the reporting date:

Discount Rate	7.25%	8.25%
Consumer price inflation	6.25%	6.00%
Salary increase rate	7.15%	6.90%
Net Effective Discount rate	0.09%	1.26%

The effect of 1% p.a. change in the normal salary inflation assumption as follows:

	One percentage increase	**decrease**
Tota accrued liability	12 092 000	10 377 000
Current service cost	2 790 000	2 338 000

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.

The amounts for the current annual reporting period and previous reporting period:

	30-Jun-13	**30-Jun-12**
Present value of obligation	11 183 000	8 640 000

20. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At fair value	**At amortised cost**	**Total**
Other financial assets	386 027	854 151	1 240 178
Receivables from exchange transactions	-	140 450 950	140 450 950
Cash and cash equivalents	-	46 646 412	46 646 412
	386 027	**187 951 513**	**188 337 540**

Financial liabilities

	At amortised cost	**Total**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
Other financial liabilities	20 919 863	20 919 863
Trade and other payables from exchange transactions	240 549 961	240 549 961
	261 469 824	**261 469 824**

2012

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	308 370	826 470	1 134 840
Receivables from exchange transactions	-	74 048 573	74 048 573
Cash and cash equivalents	-	29 900 012	29 900 012
	308 370	**104 775 055**	**105 083 425**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	22 951 719	22 951 719
Trade and other payables from non-exchange transactions	204 718 315	204 718 315
	227 670 034	**227 670 034**

21. Revenue

	2013	2012
Interest received	21 442 747	17 678 084
Other income	1 727 771	2 136 544
Property rates	77 688 011	68 562 318
Rental of facilities and equipment	2 290 614	252 285
Service charges	227 192 297	154 865 847
Government grants & subsidies	202 198 672	163 319 177
Fines	1 096 771	774 907
	533 636 883	**407 589 162**

	2013	2012
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	227 192 297	154 865 847
Rental of facilities and equipment	2 290 614	252 285
Other income	1 727 771	2 136 544
Interest received - investment	21 442 747	17 678 084
	252 653 429	**174 932 760**

	2013	2012
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	77 688 011	68 562 318
Transfer revenue		
Government grants	202 198 672	163 319 177
Fines	1 096 771	774 907
	280 983 454	**232 656 402**

22. Service charges

	2013	2012
Customer incentives	(28 965 047)	(25 464 045)
Sale of electricity	132 623 632	95 931 861
Sale of water	67 637 565	31 207 589
Sewerage and sanitation charges	30 204 555	28 432 968

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

22. Service charges (continued)

Refuse removal	25 691 592	24 757 474
	227 192 297	**154 865 847**

23. Other income

Auction fees	84 421	62 725
Administration fees	2 272	2 884
Building plans and inspections	86 336	65 841
Clearance certificates	68 157	53 890
Grave plots	629 323	560 832
Reconnection / connection fees	288 358	253 488
Sundry income	568 904	1 136 734
Sale of redundant stock	-	150
	1 727 771	**2 136 544**

24. Interest received

Interest revenue

Other financial asset	1 434 724	574 824
Interest charged on trade and other receivables	20 008 023	17 103 260
	21 442 747	**17 678 084**

The amount included in Investment revenue arising from exchange transactions amounted to R 20 008 023. (2012: R17 103 260)

The amount included in Investment revenue arising from non-exchange transactions amounted to Rnil.(2012: Rnil)

25. Property rates

Rates received

Residential	28 134 546	28 147 936
Business / Industrial / Commercial	8 231 008	7 233 435
Government	6 161 477	7 427 464
Public Benefit Organisations	464 209	218 542
Agriculture	27 450 265	19 347 387
Public Service Infrastructure	45 404	24 713
Schools	1 066 247	526 976
Vacant stands - residential	3 818 517	2 059 504
Other	2 316 338	3 576 361
	77 688 011	**68 562 318**

Valuations

Agriculture	3 023 046 501	2 475 833 501
Business / Industrial / Commercial	473 538 571	479 565 133
Government	259 293 001	258 633 000
Public Benefit Organisations	49 166 000	49 166 000
Public Service Infrastructure	4 560 000	5 560 000
Residential	2 949 214 814	3 179 172 489
Schools	45 164 000	45 164 000
Vacant stands residential	419 292 100	422 132 100
	7 223 274 987	**6 915 226 223**

Parys	**Cents per Rand**	**Cents per Rand**
Agriculture	0.0089	0.0094

Figures in Rand			2013	2012

25. Property rates (continued)

Business / Industrial / Commercial	0.0176	0.0167
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0094	0.0089
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
Heilbron		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0176	0.0167
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0094	0.0089
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
Vredefort		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0176	0.0167
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0094	0.0089
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
Koppies		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0176	0.0167
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0094	0.0089
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
Edenville		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0176	0.0167
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0094	0.0089
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094

26. Government grants and subsidies

	2013	2012
Equitable share	153 983 000	137 311 000
Other grants	385 182	997 310
Municipal Infrastructure grant (MIG)	41 551 382	23 890 143
Integrated national electrification programme (INEG)	4 387 958	795 042
Local government SETA (LGSETA)	275 675	694
Financial Management Grant (FMG)	1 615 475	324 988
	202 198 672	**163 319 177**

Conditional and unconditional

Included in above are the following grants and subsidies received:

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

Conditional grants received	48 215 672	26 008 177
Unconditional grants received	153 983 000	137 311 000
	202 198 672	**163 319 177**

Equitable share

Equitable share was received in terms of section 214(1) of the Constitution (Act no 108 of 1996). Households receive 6kl water, 50kWh electricity and basic sewer per month plus 4 kl water, additonal sewer, refuse and R60 per month on rates to approved indigents.

INEG

Balance unspent at beginning of year	7 436 062	3 048 104
Current-year receipts	-	5 183 000
Conditions met - transferred to revenue	(4 387 958)	(795 042)
Other	(3 048 104)	-
	-	**7 436 062**

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

In terms of the Constitution, the purpose of the grant is the electrification of municipal infrastructure.

Other grants (including MSIG and EPWG)

Balance unspent at beginning of year	3 211 236	3 820 054
Current-year receipts	1 737 050	4 252 000
Conditions met - transferred to revenue	(385 182)	(997 310)
Other	-	(3 863 508)
	4 563 104	**3 211 236**

Other grants consist of various grants, received in the previous years and current. (see note 16).

MIG

Balance unspent at beginning of year	17 878 904	3 459 047
Current-year receipts	50 441 000	41 582 000
Conditions met - transferred to revenue	(41 551 382)	(23 890 143)
Other	(2 670 896)	(3 272 000)
	24 097 626	**17 878 904**

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

The grant is received for the purpose of improving the infrastructure of assets within the municipality.

Department of Water Affairs and Forestry

Balance unspent at beginning of year	3 762 503	3 762 503

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

The purpose of the grant is to subsidise and build capacity in water schemes operated within the municipality..

LGSETA

Balance unspent at beginning of year	1 120 057	1 033 726

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

Current-year receipts	1 354 964	87 025
Conditions met - transferred to revenue	(275 676)	(694)
	2 199 345	**1 120 057**

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

The purpose of the grant is to provide training for all employees at the Municipality through an accredited service provider.

FMG

Balance unspent at beginning of year	1 285 012	160 000
Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 615 475)	(324 988)
Other	(160 000)	-
	1 009 537	**1 285 012**

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

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

27. Employee related costs

Basic salary	82 169 702	66 035 969
Bonus	15 542 740	7 382 527
Car allowance	4 698 027	5 042 608
Housing benefits and allowances	275 616	245 340
Leave pay provision charge	9 148 146	4 127 174
Medical aid - company contributions	5 967 138	4 163 768
Other allowances	6 668 654	6 594 165
Other payroll levies	2 287 523	1 585 057
Overtime payments	16 161 176	7 045 060
Post-employment benefits - Pension	29 824 164	12 327 754
UIF	964 441	732 045
	173 707 327	**115 281 467**

Remuneration of Adv TS Mokoena - Municipal Manager (01/07/2012 - 30/06/2013)

Annual remuneration	680 002	-
Car allowance	167 106	-
Contributions to UIF, medical and pension funds	1 713	-
	848 821	**-**

Remuneration of Adv TS Mokoena - Municipal Manager (01/04/2012 - 30/06/2012)

Annual remuneration	-	171 379
Car allowance	-	42 125
Contributions to UIF, medical and pension funds	-	374
	-	**213 878**

Remuneration of Mr MM Selai - Acting Municipal Manager (01/07/2011 - 30/11/2011)

Annual remuneration	-	246 457
Car allowance	-	89 828
Contributions to UIF, medical and pension funds	-	64 962
Leave pay-out	-	274 238

Figures in Rand	2013	2012

27. Employee related costs (continued)

	-	**675 485**

Remuneration of Mr OL Leeuw - Chief Finance Officer (01/03/2013 - 30/06/2013)

	2013	2012
Annual remuneration	246 875	-
Car allowance	79 689	-
Contributions to UIF, medical and pension funds	3 226	-
	329 790	**-**

Remuneration of Mr TG Mkhuma - Acting Chief Financial Officer (01/07/2012 - 28/02/2013)

	2013	2012
Annual remuneration	178 779	-
Car allowance	118 796	-
Contributions to UIF, medical and pension funds	44 971	-
	342 546	**-**

Remuneration of Mr TJ Mokoena - Chief Financial Officer (01/07/2011 - 30/04/2012)

	2013	2012
Annual remuneration	-	621 248
Acting allowance	-	33 966
Car allowance	-	217 638
Contributions to UIF, medical and pension funds	-	1 281
	-	**874 133**

Remuneration of Mr KT Malebane - Director Technical services (01/09/2011 - 30/06/2013)

	2013	2012
Annual remuneration	580 079	500 000
Car allowance	106 162	123 125
Contributions to UIF, medical and pension funds	62 683	2 998
	748 924	**626 123**

Remuneration of Mr HW Coetzer - Director Technical Services (01/07/2011 - 31/08/2011)

	2013	2012
Acting allowance	-	28 065

Remuneration of Mr LD Kamolane - Director Community Services (01/04/2013 - 30/06/2013)

	2013	2012
Annual remuneration	197 054	-
Contributions to UIF, medical and pension funds	1 760	-
	198 814	**-**

Remuneration of Mr PS Moroe - Director of Community Services (01/07/2011 - 30/04/2012)

	2013	2012
Annual remuneration	-	426 962
Car allowance	-	139 548
Leave pay-out	-	188 384
Settlement payment	-	114 390
Contribution to UIF, medical and pension funds	-	1 413
	-	**870 697**

Remuneration of Director Corporate Services

	2013	2012
Annual remuneration	628 504	522 843

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

27. Employee related costs (continued)

Acting allowance	30 803	-
Car allowance	120 410	96 694
Contributions to UIF, medical and pension funds	66 087	83 442
Leave payout	162 000	-
	1 007 804	**702 979**

The salaries paid for the year are within the upper limits of the SALGA Bargaining Council determinations.

28. Remuneration of Councillors

Executive Major	757 297	812 579
Mayoral Committee Members	832 126	931 545
Speaker	333 422	369 340
Councillors	7 123 989	6 501 570
	9 046 834	**8 615 034**

Remuneration of Councillors

2013	**Appointment date - Resignation date (if applicable)**	**Annual remuneration**	**Allowances**	**Company contribution**	**Total**
Bocibo CN	02/06/2011	143 596	55 923	10 142	209 661
Choni PS	02/06/2011	143 596	55 923	10 142	209 661
De Beer VE	02/06/2011	149 199	60 462	-	209 661
Hlapane ML	02/06/2011	1 491 984	60 462	-	209 661
Khumalo KJ	02/06/2011	149 199	60 462	-	209 661
Kruger S	02/06/2011 - 16/05/2012	15 826	6 184	-	22 011
La Cock PJ	02/06/2011 - 27/06/2013	138 809	67 184	-	205 993
Mafume MJ	02/06/2011 - 08/03/2013	119 388	47 003	8 327	174 717
Magashule ME	02/06/2011	143 596	55 923	10 142	209 661
Mankoe MS	01/11/2011 - 20/07/2012	45 892	19 213	-	65 105
Mareletse LZ	02/06/2011 - 01/1182011	26 848	11 911	-	40 360
Masooa MJ	02/06/2011	137 342	62 646	9 673	209 661
Mbele MA	02/06/2011	143 596	55 923	10 142	209 661
Mehlo LR	02/06/2011	143 596	55 923	10 142	209 661
Modiko DV	02/06/2011	143 596	55 923	10 142	209 661
Mofokeng DM	02/06/2011	149 199	60 459	-	209 659
Mofokeng ML	02/06/2011	143 596	55 923	10 142	209 661
Mofokeng MM	02/06/2011	143 599	55 919	10 142	209 661
Molaphene PP	10/12/2012	123 862	50 855	-	174 717
Molotsane RJ	02/06/2011 - 25/07/2012	10 673	4 803	800	16 276
Motsumi ME	02/06/2011	103 307	41 249	-	144 555
Mvulane LS	02/06/2011	137 342	62 646	9 673	209 661
Ndlovu NA	02/06/2011	143 596	55 923	10 142	209 661
Oliphant AM	02/06/2011	143 596	55 923	10 142	209 661
Radebe DM	02/06/2011	137 342	62 646	9 673	209 661
Ramabitsa IM	02/06/2011	137 342	62 646	9 673	209 661
Renthako MC	02/06/2011	143 596	55 923	10 142	209 661
Seabi IM	01/08/2012	123 862	50 855	-	174 717
Sehume NA	08/03/2013	24 208	8 620	-	32 828
Spence D	02/06/2011	143 596	55 923	10 142	209 661
Swart AP	02/06/2011	149 199	60 462	-	209 661
Tlali LL	02/06/2011	143 596	55 923	10 142	209 661
Van der Merwe PP	02/06/2011	149 199	60 459	-	209 657
Vermaak SM	02/06/2011	147 478	55 923	10 562	213 963
Vothoane EC	02/06/2011	142 027	60 459	-	202 485

28. Remuneration of Councillors (continued)

Other		-	-	-	834 065
		-	-	-	-
		-	-	-	-
	5 676 360	**5 676 360**	**1 764 604**	**190 227**	**7 123 989**

2012					
Bocibo CN		125 670	57 226	14 416	197 312
Choni PS		120 097	55 786	14 012	189 895
De Beer VE		133 852	61 465	209 661	195 317
Hamsa D		13 109	5 890	1 966	20 965
Hlapane ML		133 852	61 465	-	195 317
Khumalo J		133 852	61 465	22 011	195 317
La Cock PJ		125 683	66 267	-	191 650
Mafuma MJ		120 097	61 208	14 012	195 317
Kruger S		176 743	76 395	-	253 138
Magashule ME		81 963	194 152	23 546	299 661
Mandelstam GP		184 656	79 485	-	264 141
Mankoe MS		90 145	40 066	-	130 211
Mareletse LZ		120 097	61 304	14 012	195 413
Masike RI		47 667	22 692	7 150	77 509
Masooa MJ		115 630	66 010	13 677	195 317
Mbele MA		120 097	61 208	14 012	195 317
Mehlo LR		120 097	61 208	14 012	195 317
Mochela MJ		284 149	113 003	23 338	420 490
Modiko LR		120 097	61 208	14 012	195 317
Mofokeng MD		133 852	61 463	-	195 315
Mofokeng ML		120 097	61 208	14 012	195 317
Mofokeng MM		128 456	61 428	5 432	195 317
Molotsane RJ		120 097	61 208	14 012	195 317
Mopedi NP		165 371	79 487	19 285	264 144
Mvulane L		115 630	64 909	13 677	194 215
Ndayi PR		38 133	333 546	27 330	404 010
Ndlovu NA		120 097	61 208	14 012	195 317
Oliphant AM		120 097	61 208	14 012	195 317
Radebe DM		115 630	66 010	13 677	195 317
Ramabitsa NA		115 630	66 010	13 677	195 317
Ramakoase TRJE		109 668	15 096	-	124 764
Ranthako MC		120 097	61 208	14 012	195 317
Schoonwinkel AM		165 371	79 487	19 285	264 144
Serathi J		151 072	72 987	17 140	241 199
Serfontein C		133 852	61 465	-	195 317
Sothoane EC		101 072	42 318	-	143 389
Spence D		120 097	61 208	14 012	195 317
Swart AP		133 852	61 465	-	195 317
Tlali MA		120 097	61 208	14 012	195 317
Van der Merwe JM		133 852	61 465	-	195 317
Vandisi TL		165 371	79 487	19 285	264 144
Vermaak SM		133 852	61 465	1 721	197 038
Other		-	-	-	(2 132 834)
	5 248 896	**5 248 896**	**2 964 047**	**648 430**	**6 501 570**

29. Depreciation and amortisation

Property, plant and equipment	97 194 922	98 144 384

30. Impairment of assets

Figures in Rand	2013	2012

30. Impairment of assets (continued)

Impairments		
Long term receivable	-	41 217
Trade and other receivables	-	49 016 974
	-	**49 058 191**

31. Finance costs

Interest on loans	3 272 364	3 626 579
Finance leases	-	4 686
Bank interest	1 451	685
Interest expenses on landfil site	-	3 655 453
Other interest paid	-	1 707 164
	3 273 815	**8 994 567**

32. Bulk purchases

Electricity	118 254 342	104 505 530
Water	10 611 181	9 563 933
	128 865 523	**114 069 463**

33. Contracted services

Security services	1 320 238	739 142
Specialist Services	5 694 054	7 996 512
Other Contractors	1 492 227	1 144 439
	8 506 519	**9 880 093**

Specialist services		
Security services	5 694 054	7 996 512
Other contractors		
Cash security	6 000	365 281
Cleaning services	1 738 229	1 451 853
Electricity pre paid service	4 924 394	3 230 361
Disconnection and re-connection of services	117 567	237 335
Printing services	1 326 704	1 180 148
Delivery of summonses/traffic fines	1 847 977	2 234 782
	9 960 871	8 699 760

34. General expenses

Advertising	369 591	327 010
Arts and culture markets	31 614	235 744
Auditors remuneration	1 398 701	3 680 998
Bank charges	868 174	717 818
Cleaning	492 382	586 614
Commission paid	76 067	6 499
Consulting and professional fees	3 500 736	1 388 421
Delivery expenses	436 661	969 663
Discount allowed	41 182	36 867
Donations	595 111	304 827
Entertainment	188 416	370 519
Fines and penalties	-	12 512 234
Hire	914 394	2 291 039
Insurance	2 691 944	5 486 266
Community development and training	3 098 321	1 540 681

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
34. General expenses (continued)		
IT expenses	42 500	499 880
Lease rentals on operating lease	2 215 695	950 144
Marketing	4 089	38 908
Horticulture	1 295 735	1 268 393
Promotions and sponsorships	305 693	364 346
Packaging	148 680	-
Fuel and oil	3 234 169	3 255 333
Postage and courier	1 166 730	2 215 858
Printing and stationery	1 899 208	1 172 348
Protective clothing	814 373	311 797
Project maintenance costs	19 130	12 632
Security (Guarding of municipal property)	4 380 851	6 646 266
Software expenses	147 814	328 829
Staff welfare	137 701	74 565
Subscriptions and membership fees	882 450	719 343
Telephone and fax	2 882 290	2 184 647
Transport and freight	475 720	299 390
Training	1 527 462	664 752
Refuse	8 218 441	-
Title deed search fees	(370)	88 764
Accommodation cost	492 392	398 889
Upgrading of pump station	34 133 647	-
Rehabilitation cost - landfill	9 591 051	(6 340 343)
Youth development	282 853	55 662
Employee wellness	224 239	68 782
Water losses	233 717	-
Billing charges	-	8 771
Chemicals	5 964 421	3 913 378
Bad debts	59 460 672	31 055 364
Other expenses	9 690 749	2 799 432
	164 575 396	**83 511 330**

35. Auditors' remuneration

	2013	2012
Fees	1 398 701	3 680 998

36. Rental of facilities and equipment

	2013	2012
Facilities and equipment		
Rental of facilities	2 290 614	252 285

37. Cash generated from operations

	2013	2012
Deficit	(73 482 615)	(103 083 432)
Adjustments for:		
Depreciation and amortisation	97 194 922	98 144 384
Fair value adjustments	(105 539)	7 800 879
Impairment deficit	-	49 058 191
Movements in provisions	13 091 789	(63 909 022)
Changes in working capital:		
Inventories	93 618	158 724
Sundry debtors	(128 168)	(8 175 353)
Receivables from non-exchange transactions	(81 254 582)	(68 029 199)
Other non-cash items	(275 541)	-
Payables from exchange transactions	55 694 014	50 783 234
VAT	(10 506 097)	547 427
Unspent conditional grants and receipts	938 341	19 500 340
Consumer deposits	298 647	(2 912 635)

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

37. Cash generated from operations (continued)

Other financial assets	20 244	(247 400)
Long service awards	18 612 000	25 627 720
	20 191 033	**5 263 858**

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	22 173 900	146 826 763
Not yet contracted for and authorised by accounting officer		
• Infrastructure	18 698 192	40 452 700
• Community	-	6 237 300
	18 698 192	**46 690 000**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

39. Prior period errors

The prior year has been amended to account for prior period erorrs.

Below is a description of each incividual prior error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.

1. Provision for landfill closure

Item were not accounted for as provision prior to the 2011/2012 reporting period.

The effect of this adjustment on the prior year is as follows:

Adjustments affecting the statement of financial position		
Increase in landfill closure provision	-	6 340 343
	-	6 340 343
Adjustments affecting the statement of financial performance		
Increase in general expenses	-	6 340 343

2. Finance charges not accrued for in the prior year

The interest on the loan from Inca, was erroneously calculated in the prior year. The corrections were processed and the effect of the changes was as follows.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening Accumulated Surplus 1 July 2011	-	633 390
Adjustments affecting the statement of financial position		
Increase in loan payables	-	(633 390)
	-	(5 707 795)

Figures in Rand	2013	2012

39. Prior period errors (continued)

Adjustments affecting the statement of financial performance		
Increase in finance charges	-	633 390
	-	633 390

3. Grant roll-overs denied in the prior year

National treasury denied the application of roll-over requests for Ngwathe municipality. The amounts were withheld from the equitable share payments during the year.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening Accumulated Surplus 1 July 2011	-	-
Adjustments affecting the statement of financial position		
Decrease in unspent conditional grants	-	3 272 000
	-	(3 272 000)
Adjustments affecting the statement of financial performance		
	-	(3 272 000)

4. Investments impaired during the 2012 year

During the year the municipality reviewed its investments for impairment. The following adjustments were required:

The effect of this adjustment on the prior year is as follows:

Adjustment against opening Accumulated Surplus 1 July 2011	-	(1 462 860)
Adjustments affecting the statement of financial position		
Increase in VAT receivable	-	1 475 953
	-	1 475 953
Adjustments affecting the statement of financial performance		
Decrease in general expenses	-	(43 614)
Increase in other income	-	30 521
	-	(13 093)

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

39. Prior period errors (continued)

5. Correction of Insurance expenses

Correcting of insurance premiums incorrectly allocated to a sundry debtor in the 2012 year.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening Accumulated Surplus 1 July 2011	-	-
Adjustments affecting the statement of financial position		
Increase in sundry creditors	-	(3 217 644)
	-	(3 217 644)
Adjustments affecting the statement of financial performance		
Decrease in government grants & subsidies	-	3 217 644

6. Provision for Long service benefits

The municipality had actuarial valuations performed on the long service awards as at 30 June 2012. The municipality raised the liability in this report.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening Accumulated Surplus 1 July 2011	-	7 173 000
Adjustments affecting the statement of financial position		
Increase in Long service Liability	-	(7 173 000)
	-	(7 173 000)
Adjustments affecting the statement of financial performance		

7. Post retiremnet medical aid benefit

The municipality had an actuarial valuation performed on the post retirement medical aid benefit as at 30 June 2012. The provision was captured in the accounting records.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening Accumulated Surplus 1 July 2011	-	10 367 298
Adjustments affecting the statement of financial position		
Increase in post retirement medical aid benefit	-	(10 367 298)
	-	(10 367 298)
Adjustments affecting the statement of financial performance		
	-	-

Notes to the Annual Financial Statements

Figures in Rand			2013	2012

39. Prior period errors (continued)
Expenditure

Finance costs	10 388 608	-	(2 027 431)	8 361 177
General expenses	92 603 110	-	2 027 431	94 630 541
Total expenditure	102 991 718	-	-	102 991 718
	102 991 718	**-**	**-**	**102 991 718**

Cash flow statement

40. Contingencies

Contingent liabilities

Department of Water Affairs

The municipality was summonsed for the payment on outstanding invoices for water supplied. The municipality do not agree with the outstanding amount due to the department and noted that some of the debt should have lapsed as it related debt from ten years ago. The municipality lodged a formal dispute which will require neccessary investigations by both parties.

Legal contingencies

Notes to the Annual Financial Statements

40. (continued)

Party:	Anquest Construction Friedself jount Venture
Nature:	Anquest Construction joint venture is suing the municipality for breach of contract as a result of terminating the contract on erection of the Fezile stadium.
Instituting attorneys:	Werksmans attorneys
Reason:	
Party:	Vaal River Business Forum
Nature:	Vaal River Business Forum is suing the municipaltiy for failing to provide basic water servce as provided for in terms of s152 of the constitution of the RSA.
Instituting attorneys:	Rampai attorneys
Reason:	Despite the municipality's flaws to provide basic services a valid defence is in place.
Party:	Mispha
Nature:	Mispha applied for Emolument Attachment Order (EAO) to be implemented on certain employees of the municipality's salaries in their personal capacities. The municipality did not want to effect deductions as per the court order hence they sue the municpality to implement the court order.
Instituting attorneys:	Du Toit Mandelstam Attorneys
Reason:	The municipality's defence is based on the flawed procedures in obtaining the EOA.
Party:	Nashua t/a Siemens
Nature:	Nashua t/a Siemans is suing the municipality as a result of the municipality failing to effect payment for alleged rendered services.
Instituting attorneys:	Moroka attorneys
Reason:	No basis for this action as the municipality is of the opinion that payment of services has been effected.
Party:	Leshota
Nature:	Mr Leshota was allegedly involved in a motor vehicle accident which allegedly caused by the failure of the municipality to put up stop signs.
Instituting attorneys:	In-house
Reason:	The municipality cannot be held delictually liable for such accident.
Party:	GC van Wyk
Nature:	There have been power failures at complainants place and as a result certain properties of the complainant were damaged when power was restored.
Instituting attorneys:	Mhlambi Inc
Reason:	The municipality cannot be held delictually liable for failure of plaintiff to insure his movable properties.
Party:	Masilela
Nature:	Masilela rendered legal services on behalf of the municipality until 2011 and the municipality allegedly failed to effect payment for such legal services hence he is suing the municipality.
Instituting attorneys:	In-house
Reason:	The attorney made unsubstantiated claims in previous law suits, resulting in rejection of claims and in some instances the claims had already been paid.
Party:	P Du Plessis
Nature:	The allegation is that the municipaltiy neglected to secure a trench dug by them, the complainant fel into it and suffered damages.
Instituting attorneys:	ADW Van Den Berg attorneys
Reason:	
Party:	Coetzer AM
Nature:	The complainants vehicle was badly damaged after driving into an urban area road allegedly full of potholes.
Instituting attorneys:	In-house
Reason:	Due to contributory negligence the muncipality cannot be held liable for any losses.

40. (continued)

Party:	LR Grobler
Nature:	Power failures at the complainants proeprty occured, as a result certain items on the property were damaged when power was restored.
Instituting attorneys:	In-house
Reason:	The municipality cannot be held liable du to the plaintiffs failure to insure his movable properties.
Party:	T Swart
Nature:	The complainants vehicle was badly damaged after driving into an urban area road allegedly full of potholes.
Instituting attorneys:	In-house
Reason:	Due to contributory negligence the municipality cannot be held liable for any losses.
Party:	Erica Scotton
Nature:	As a result of allegedly non-availability of a stop sign, the plaintiff had a motor vehicle accident.
Instituting attorneys:	In-house
Reason:	The municipality cannot be held delictually liable for such accident.
Party:	JB Muller
Nature:	Due to underground waterpipes which burst allegedly causing complainant's house to flood resulted in damages to her furnisher, hence she is claiming from the municipality for her losses.
Instituting attorneys:	Kriek & Van Wyk Attorneys
Reason:	The municipality cannot be held delictually liable for such accident.
Party:	TJ Bosman
Nature:	The plaintiffs vehicle was badly damaged after driving into an urban area road allegedly full of potholes. Hence he is suing the municipality for neglecting to maintain and repair the road.
Instituting attorneys:	In-house
Reason:	Due to contributory negligence the municipality cannot be held liable for any losses.
Party:	CJ de la Rey
Nature:	Power failures at the complainants property occured, as a result certain items on the property were damaged when power was restored.
Instituting attorneys:	In-house
Reason:	The municipality cannot be held liable du to the plaintiffs failure to insure his movable properties.
Party:	Smadondo & J Sinaomadi
Nature:	The plaintiffs alleged that they were unfairly dismissed from the municipality, after being appointed as officials in the PMU section of Technical services on a fixed term, which ended by effluxion of time.
Instituting attorneys:	Ponoane attorneys
Reason:	The employment was on contract base and ended on effluxion of time.
Party:	Busiwe Mthimkulu
Nature:	The plaintiff allege that she was unfairly dismissed from the municipality after being appointed in the office of the Speaker on a fixed term. The term of contracts ended by effluxion of time.
Instituting attorneys:	JC Burger attorneys
Reason:	The employment was on contract base and ended on effluxion of time.
Party:	SAMWU obo Hlapane & others
Nature:	The municipality allegedly failed to honour collective agreement, hence SAMWE declared a dispute to the labour court to compel the municipality to comply with the order.
Instituting attorneys:	ADW van den Berg attorneys
Reason:	The municpaltiy partially complied with the award.
Party:	SAMWU obo Mabona & Mothebe

40. (continued)

Nature:	The municipaltiy allegedly failed to comply with the arbitration award to reimburse the plaintiffs for damages suffered as a result of unlawful suspensions, hence the plaintiffs referred the matter to the labour court to compel the municipality to comply with the award.
Instituting attorneys:	ADW van den Berg attorneys
Reason:	The municipality partially complies with the award.
Party:	SAMWU obo DTR Mosai
Nature:	SAMWU
Instituting attorneys:	In-house
Reason:	The municipality based the suspension on several acts of misconducts.
Party:	Mapetla church congregations
Nature:	The municipality allegedly transferred land to splinter church of Mapetla. Mapetla approached high court to reverse the decision of the municipality to transfer land to the splinter church.
Instituting attorneys:	Cengcan and Associates
Reason:	The transparent during the disposal of the said land.
Party:	Mafunyane Wildlife CC
Nature:	The complainants vehicle was badly damaged after driving into an urban area road allegedly full of potholes. Hence he is suing the municipality for neglecting to maintain and repair the roads.
Instituting attorneys:	JC Burger attorneys
Reason:	Due to contributory negligence the municipaltiy cannot be held liable for any losses.
Party:	Vlaklaagte slaghuis
Nature:	There have been power failures at complainants place and as a result certain properties of the complainant were damaged when power was restored.
Instituting attorneys:	Cornelius & Vennote Inc
Reason:	The municpality cannot be held liable due to the plaintiffs failure to insure his movable properties.

41. Related parties

Relationships

Councillor's interest:	
Sothoane EC	Sothoane Funeral Services
Key Management:	
Kamolane LD	Thabonkululeko (Pty) Ltd
Magashule ME	ME Construction

Key management information

42. Irregular expenditure

	2013	2012
Opening balance	13 979 366	13 979 366
Less: Amounts condoned	(7 120 624)	-
Plus: Amounts not condoned	8 558 923	-
	15 417 665	**13 979 366**

Details of irregular expenditure condoned

		-
Deviated from SCM requirement (3 quotes and advertisement), due to costs involved in obtaining additional quotes	Repair of municipal vehicle - have to strip vehicle before a quotation can be obtained. Practically impossible to get other quotations.	1 479 944
		-

42. Irregular expenditure (continued)

Deviated from SCM requirement (3 quotes and advertisement), du to urgency of expense	Purchase of laundry equipment for Mimosa - the employees were boicotting demanding new machines. Repair and installation of burned or broken motor pumps at water or sewer pumps. Repair of burned transformers du to bad weather conditions. Repair and installation of pumps at water/sewer pumps whenever the motor pum has burned or broken. Purchase of plumbing material on emergency whenever there is a pipe burst. Security services to secure municipal property during the industrial action. Unable to advertise because the water needs to be purified immediately and supplied to the community.		4 004 736
Deviated from SCM requirement - rental of equipment as municipality does not own required asset for operations.	Rental of heavy duty vehicle - the municipality does not have heavy vehicle to perform task		1 635 944
			7 120 624

Details of irregular expenditure not condoned

Deviated from SCM requirement (3 quotes and advertisement), due to costs involved in obtaining additional quotes.	Repair of municipal vehicle - have to strip vehicle before a quotation can be obtained. Practically impossible to get other quotations.		1 027 236
			4 934 145
Deviated from SCM requirement (3 quotes and advertisement), due to urgency of expense	Water / chemicals - unable to advertise because the water needs to be purified immediately and supplied to the community. Repair and installation of burned or broken motor pums at water or sewer pumps. Training of EPWP labour - the service was requested late and needed immediately. Purchase of electrical material on emergancy - material was urgently needed to fix power failure.		
Deviated from SCM requirement - rental of equipment as municipality does not own required asset for operation	Rental of heavy duty vehicles		1 113 155
			7 074 536

Details of irregular expenditure recoverable (not condoned)

-

Details of irregular expenditure not recoverable (not condoned)

-

43. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

PAYE and UIF

VAT

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

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

VAT receivable	6 406 867	-
VAT payable	-	4 099 230
	6 406 867	**4 099 230**

VAT output payables and VAT input receivables are shown in note 913.

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

Councillors' arrear consumer accounts

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

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Bocibo CN	2 630	14 302	16 932
Choni PS	722	2 349	3 071
De Beer VE	817	2 749	3 566
Magashule	2 381	2 541	4 922
Mafuma MJ	1 403	2 782	4 185
Masike IR	1 274	18 010	19 284
Masooa MJ	1 282	2 109	3 391
Mbele MA	691	1 978	2 669
Mofokeng DM	664	2 221	2 885
Mofokeng LM	1 024	3 629	4 653
Moliko LR	757	9 662	10 419
Molotsane AM	2 617	21 895	24 512
Mopeli NP	664	1 972	2 636
Mvulane SL	672	2 950	3 622
Ndayi PR	8 575	2 094	10 669
Ndlovu NA	1 266	2 449	3 715
Ramabitsa IM	579	10 276	10 855
Seabi M	907	4 225	5 132
Ranthako MC	728	2 284	3 012
Serathi KM	3 905	2 671	6 576
Sothoane EC	6 854	14 787	21 641
Tladi LL	845	3 371	4 216
Vandisi TL	722	2 570	3 292
	41 979	**133 876**	**175 855**

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Bocibo	698	13 194	13 892
Choni	928	8 653	9 581
Hansa D	5 174	31 718	36 892
Khumalo J	549	3 221	3 770
Magashula ME	564	46	610
Mbele MA	194	-	194
Mafuma MJ	828	12 906	13 734
Mandelstam GP	1 812	23 803	25 615
Mochela MJ	198	-	198
Masike RI	606	5 475	6 081
Mareletse LZ	24	1 581	1 605
Mofokeng J	757	3 270	4 027
Mofokeng ML	697	8 333	9 030

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

Mofokeng RS	25	1 435	1 460
Moliko LR	691	6 671	7 362
Molotsane AM	2 167	10 806	12 973
Mopedi NP	641	516	1 157
Motloung S	619	8 689	9 308
Motsumi MB	640	3 728	4 368
Mvulane K & A	561	374	935
Nhlapo MA	346	835	1 181
Ndlovu NA	797	392	1 189
Oliphant AM	187	-	187
Radebe B	502	1 671	2 173
Ramabitsa NA	18	127	145
Ranthako MC	713	6 707	7 420
Schoonwinkel HJ	4 940	2 831	7 771
Sefako	580	976	1 556
Serathi J	861	1 547	2 408
Spence D	526	-	526
Tlali MA	613	2 532	3 145
Van Der Merwe JM	48 340	-	48 340
Vandisi TL & MM	129	551	680
	76 925	**162 588**	**239 513**

During the year the above Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

44. Deviation from supply chain management regulations

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

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

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

45. Fruitless and wasteful expenditure

	2013	2012
Opening balance	27 084 680	11 773 482
Bank account not in use but still incurs service fees	866	807
Eskom interest on overdue account	15 893 896	9 570 900
Employees tax - penalty and interest	2 085 815	2 027 431
Rand Water interest on overdue account	6 824	1 364
Telkom - settlement	-	73 392
VAT - penalty and interest	112 490	40 799
Data M - interest paid on overdue on account	-	791
Urban Econ - interest paid on overdue account	-	121 168
Pension fund - interest paid on overdue account	13 639	179 080
Provident fund - interest paid on overdue account	-	64 129
WAMESA - interest paid on overdue account	-	546 591
Proper Consulting - interest paid on overdue account	-	584 319
Friedshelf 863 (Pty) Ltd - interest paid on overdue account	-	33 646

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

45. Fruitless and wasteful expenditure (continued)

CHM Vuwani (Pty) Ltd - interest paid on overdue account	-	39 350
INCA loan - penalty interest on loan	759 901	-
The phone book company - interest paid on overdue account	68 332	-
Ponoane Attorneys, Notaries & Conveyancors - interest paid on overdue account	77 442	-
Jansen Prokureurs - interst paid on overdue account	2 032	-
Symington De Kock Attorneys - interest paid on overdue account	53 650	-
Gous Vertue & Ass Ing - interest paid on overdue account	29 702	-
ADW Van Den Berg Attorneys - interest paid on overdue account	87 973	-
Shongwe Attorneys - interest paid on overdue account	83 085	-
L Mnguni & Associates - interest paid on overdue account	38 451	-
Rampai Attorneys - interest paid on overdue account	440 662	-
Steyn Lyell Maeyane - interest paid on overdue account	192 000	-
Cengcani & Associates - interest paid on overdue account	97 440	-
Lebea & Associates Attorneys - interest paid on overdue account	385 745	-
Cornelius & Partners - interest paid on overdue account	25 000	-
Lomas Walker Attorneys - interest paid on overdue account	83 237	-
JC Burger Attorneys - interest paid on overdue account	20 395	-
SALGA - interest paid on overdue account	18 764	-
Data M - interest paid on overdue account	420	-
Isintu Projects - interest paid on overdue account	255 342	-
Telkom - interest paid on overdue account	641	-
Water Affairs & Forestry - interest paid on overdue account	34 221	-
Kriek Van Wyk Inc - interest paid on overdue account	98 118	-
Prior period error on finance costs	-	2 027 431
	48 050 763	**27 084 680**

46. Risk management

Financial risk management

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

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.

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

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	248 249 026	-	-	-

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	204 718 315	-	-	-

Credit risk

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

46. Risk management (continued)

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

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

Financial instrument	2013	2012
Receivables from exchange transactions	1	-
Receivables from non-exchange transactions	1	-
Cash and cash equivalents	1	-

47. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated deficits of R 1 124 982 858 and that the municipality's total liabilities exceed its assets by R 1 124 982 858.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

48. Budget differences

Material differences between budget and actual amounts

44.1 Incorrect budgeting for service charges resulted in the indentified variance.

44.2 The under performance to budget is directly attributable to rental of the Mimosa resort and town hall facilities.

44.3 The budget was exceeded as more consumers were in arrears than originally anticipated.

44.4 Property rates levied exceed the budget due to duplication of some accounts.

44.5 Under estimation of grants to be received resulted.

44.6 The salary budget was over spent due to the absorption of temporary staff which were not budgeted for and excessive overtime.

44.7 Municipality made extra payments on the INCA loan to cover interest incurred and legal costs.

44.8 The actual expenditure versus the budget is 78.4% and is a result of cash flow problems experienced.

44.9 Short spending on budget directly related to supply chain constraints.

44.10 The municipality had to pay suppliers from the previous years in the current year thus resulting in over expenditure of general expenses budget.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages to in the annual report

Appendix A
June 2013

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Structured loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Funding facility								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Development Bank of South Africa								
Long term loan			15 182 705	-	-	15 182 705	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-

Appendix A
June 2013

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			15 182 705	**-**	**-**	**15 182 705**	**-**	**-**
Bonds								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Other loans								
Loan 144			30 544	-	-	30 544	-	-
Loan INCA			2 703 390	(2 070 000)	(38 144)	671 534	-	-
Loan COGTA			5 000 000	-	-	5 000 000	-	-
Loan 73 IFC			35 080	-	-	35 080	-	-
			-	-	-	-	-	-
			7 769 014	**(2 070 000)**	**(38 144)**	**5 737 158**	**-**	**-**
Lease liability								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Annuity loans								
			-	-	-	-	-	-
			-	-	-	-	-	-

Appendix A
June 2013

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Government loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Total external loans								
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			15 182 705	-	-	15 182 705	-	-
Bonds			-	-	-	-	-	-
Other loans			7 769 014	(2 070 000)	(38 144)	5 737 158	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			22 951 719	**(2 070 000)**	**(38 144)**	**20 919 863**	**-**	**-**

Appendix B

June 2013

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	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B
June 2013

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	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B
June 2013

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	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B
June 2013

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2013

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Sep	Dec	Mar	Jul	Sep	Dec	Mar	Jul	Sep	Dec	Mar		Yes/ No	
FMG	Ngwathe	1 500	-	-	-	126	194	120	1 176	-	-	(160)	-	Unspent roll over denied	Yes	
MIG	Ngwathe	24 475	19 124	6 842	-	2 784	11 978	5 773	21 016	-	-	(2 700)	-	Unspent roll over denied	Yes	
INEG	Ngwathe	-	-	-	-	-	1 372	1 255	2 381	-	-	(3 048)	-	Unspent roll over denied	Yes	
MSIG	Ngwathe	800	-	-	-	-	-	161	78	-	-	-	-		Yes	
Public works	Ngwathe	397	298	298	-	-	49	138	16	-	-	-	-		Yes	
LG Seta	Ngwathe	266	-	939	150	65	11	55	144	-	-	-	-		Yes	
Equitable share	Ngwathe	64 160	10 656	73 288	-	-	-	-	-	-	-	-	-			
		91 598	30 078	81 367	150	2 975	13 604	7 502	24 811	-	-	(5 908)	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.
Note: The above figures have been rounded to the nearest one thousand rands (R'000).