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

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	MP302
Mayoral committee	
Executive Mayor	Bongwe JS
Speaker	Vilakazi BM
Chief Whip	Mashinini NG
Ward Councillors	Breydenbach Z Dhludhlu ZC Dladla KH Jele SL Lukhele MC Mabasa FJ Malaza TT Mhlanga MJ Mnisi LP Msezane EC Msibi SJ Ndlovu BNN Nkosi DS Nkosi MP Nkosi ZJ Sibeko PT Sibiya BI Swart HF Vilakazi SE
Proportional Councillors	Blignaut JDA Bongwe JS Greyling GS Litau DJ Mabunda D Mabuza BI Madini VCN Maseko PB Mashiane PE Mashinini NG Mathebula SC Mathebula SC Ngwenya BR Ngwenya TC Nkosi PB Nkosi SJ Puwani BS Sibanyoni JH Vilakazi BM
Grading of local authority	4

General Information

Capacity of local authority	Low Capacity
Accounting Officer	Dlamini TBW
Chief Finance Officer (CFO)	Lengwate TM
Registered office	Civic Centre C/o Kerk & Taute Street Ermelo 2350
Postal address	PO Box 48 Ermelo 2350
Bankers	Standard Bank
Auditors	Auditor-General of South Africa
Attorneys	Bekker, Brink & Brink Gildenhuys Malatji Inc Mohlala Attorneys Neuhoff Khoza Inc Nolte Attorneys Sefalafala Attorneys TMN Kgomo Inc

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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 Report

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

1. Review of activities

Main business and operations

The municipality is engaged in supply of electricity, water, sanitation and revenue collection services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 101,735,039 (2012: deficit R 113,324,578.

2. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated deficits of R 1,460,251,854 but that the municipality's total assets exceed its liabilities by R 1,460,251,854.

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 pre-approved bank overdraft is R5m, for liquidity risk.

3. Subsequent events

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

4. Accounting policies

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

5. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

Remuneration

The remuneration of the Accounting Officer and the Chief Financial Officer of the municipality, are within the upper limits.

6. Auditors

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

The annual financial statements set out on pages 4 to 81, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Accounting Officer's Report

Accounting Officer
M Zungu (acting)

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	Restated 2012
Assets			
Current Assets			
Cash and cash equivalents	3	17,040,245	10,032,316
Inventories	4	10,764,362	16,193,419
Receivables from non-exchange transactions	5	6,680,703	6,209,026
Consumer receivables	6	102,021,894	107,072,551
VAT receivable	7	12,900,881	6,445,527
		149,408,085	**145,952,839**
Non-Current Assets			
Investment property	8	8,340,939	8,398,423
Property, plant and equipment and intangibles	9	1,690,544,019	1,694,176,900
Intangible assets	10	30,861	40,184
Heritage assets	11	1,069,102	1,069,102
		1,699,984,921	**1,703,684,609**
Total Assets		**1,849,393,006**	**1,849,637,448**
Liabilities			
Current Liabilities			
Bank overdraft	3	45,010,934	5,893,625
Consumer deposits	12	7,948,325	7,008,435
Payables from exchange transactions	13	238,152,233	191,426,459
Other financial liabilities	14	22,259	20,138
Finance lease obligation	15	2,446,168	2,888,833
Unspent conditional grants and receipts	16	22,833,131	12,606,028
Operating lease liability		3,301	3,301
Provisions	18	8,091,282	-
		324,507,633	**219,846,819**
Non-Current Liabilities			
Other financial liabilities	14	-	21,640
Finance lease obligation	15	2,997,398	5,446,291
Employee benefit obligation	17	40,211,000	38,163,998
Provisions	18	21,425,121	24,171,806
		64,633,519	**67,803,735**
Total Liabilities		**389,141,152**	**287,650,554**
Net Assets		**1,460,251,854**	**1,561,986,894**
Accumulated surplus		1,460,251,854	1,561,986,894

Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
Revenue			
Revenue from exchange transactions			
Service charges	20	200,769,855	167,542,945
Rental of facilities and equipment		1,613,116	1,517,417
Income from agency services		4,712,717	4,671,710
Licences and permits		3,420,515	2,386,235
Sale of erven		3,815,040	743,107
Other income	21	7,434,894	1,002,420
Interest received	22	12,557,804	10,713,229
Gains on disposal of assets		-	100,000
Total revenue from exchange transactions		**234,323,941**	**188,677,063**
Revenue from non-exchange transactions			
Property rates	23	57,158,963	51,379,021
Government grants and subsidies	24	150,491,758	152,519,166
Fines		421,711	433,715
Total revenue from non-exchange transactions		**208,072,432**	**204,331,902**
Total revenue		**442,396,373**	**393,008,965**
Expenditure			
Bulk purchases	25	(195,215,125)	(215,545,330)
Collection costs		(1,399)	(165,828)
Contracted services	26	(32,610,758)	(21,181,145)
Allowance for debt impairment	27	(44,083,905)	(13,566,292)
Depreciation and amortisation	28	(49,383,676)	(43,714,762)
Employee related costs	29	(131,583,723)	(114,584,556)
Finance costs	30	(10,606,389)	(4,509,965)
General expenses	31	(55,395,935)	(61,997,046)
Remuneration of councillors	32	(9,758,130)	(9,010,147)
Repairs and maintenance		(15,492,372)	(22,058,472)
Total expenditure		**(544,131,412)**	**(506,333,543)**
Operating deficit		**(101,735,039)**	**(113,324,578)**
Deficit for the year		**(101,735,039)**	**(113,324,578)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	462,371,536	462,371,536
Adjustments		
Prior year adjustments (note 39)	1,212,939,936	1,212,939,936
Balance at 01 July 2011 as restated	**1,675,311,472**	**1,675,311,472**
Changes in net assets		
Deficit for the year	(113,324,578)	(113,324,578)
Total changes	(113,324,578)	(113,324,578)
Opening balance as previously reported	1,527,933,656	1,527,933,656
Adjustments		
Prior year adjustments (note 39)	34,053,237	34,053,237
Balance at 01 July 2012 as restated	**1,561,986,893**	**1,561,986,893**
Changes in net assets		
Deficit for the year	(101,735,039)	(101,735,039)
Total changes	(101,735,039)	(101,735,039)
Balance at 30 June 2013	**1,460,251,854**	**1,460,251,854**

Cash Flow Statement

Figures in Rand	Note(s)	2013	Restated 2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		162,676,497	221,425,018
Grants		160,718,861	147,322,298
Interest income		12,557,804	10,713,229
Other receipts		20,946,316	7,795,065
Property rates		57,158,961	51,379,021
		414,058,439	438,634,631
Payments			
Employee costs		(139,294,851)	(122,204,060)
Suppliers		(8,671,561)	(1,288,764)
Finance costs		(9,870,549)	(3,475,976)
Taxation		(6,455,354)	(8,897,245)
Repairs and maintenance		(15,492,372)	(22,058,472)
Bulk purchases		(189,786,068)	(207,029,805)
Other payments		(27,266,157)	(16,740,465)
		(396,836,912)	(381,694,787)
Net cash flows from operating activities	34	**17,221,527**	**56,939,844**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles	9	(45,683,990)	(38,462,552)
Proceeds from sale of property, plant and equipment and intangibles	9	-	100,000
Increase in other financial assets		-	(9,967,171)
Decrease in fixed deposits		-	9,999,746
Net cash flows from investing activities		**(45,683,990)**	**(38,329,977)**
Cash flows from financing activities			
New loans raised		(19,519)	(17,098)
Finance lease payments		(3,627,398)	(561,240)
Net cash flows from financing activities		**(3,646,917)**	**(578,338)**
Net increase / (decrease) in cash and cash equivalents		**(32,109,380)**	**18,031,529**
Cash and cash equivalents at the beginning of the year		4,138,691	(13,892,838)
Cash and cash equivalents at the end of the year	3	**(27,970,689)**	**4,138,691**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to note(s)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	216,102,504	4,126,522	**220,229,026**	200,769,855	**(19,459,171)**	48
Rental of facilities and equipment	1,930,893	(59,950)	**1,870,943**	1,613,116	**(257,827)**	
Income from agency services	4,586,915	-	**4,586,915**	4,712,717	**125,802**	
Licences and permits	2,302,501	-	**2,302,501**	3,420,515	**1,118,014**	
Sale of erven	-	-	**-**	3,815,040	**3,815,040**	
Other income	1,997,896	(91,770)	**1,906,126**	7,434,894	**5,528,768**	
Interest received - investment	10,789,158	(3,000,000)	**7,789,158**	12,557,804	**4,768,646**	
Total revenue from exchange transactions	**237,709,867**	**974,802**	**238,684,669**	**234,323,941**	**(4,360,728)**	
Revenue from non-exchange transactions						
Property rates	55,798,829	2,200,000	**57,998,829**	57,158,963	**(839,866)**	
Government grants and subsidies	125,296,581	7,850,000	**133,146,581**	150,491,758	**17,345,177**	
Fines	513,700	(15,505)	**498,195**	421,711	**(76,484)**	
Gains on disposal of property, plant and equipment	2,699,759	26,048,000	**28,747,759**	-	**(28,747,759)**	
Total revenue from non-exchange transactions	**184,308,869**	**36,082,495**	**220,391,364**	**208,072,432**	**(12,318,932)**	
Total revenue	**422,018,736**	**37,057,297**	**459,076,033**	**442,396,373**	**(16,679,660)**	
Expenditure						
Employee related cost	(122,446,912)	(15,641,879)	**(138,088,791)**	(131,583,723)	**6,505,068**	
Remuneration of councillors	(9,681,625)	-	**(9,681,625)**	(9,758,130)	**(76,505)**	
Depreciation and amortisation	(13,646,759)	7,032,792	**(6,613,967)**	(49,383,676)	**(42,769,709)**	
Finance costs	(14,505,845)	2,015,555	**(12,490,290)**	(10,606,389)	**1,883,901**	
Debt impairment	(9,954,198)	(31,954,297)	**(41,908,495)**	(44,083,905)	**(2,175,410)**	
Collection costs	(500,000)	200,000	**(300,000)**	(1,399)	**298,601**	
Repairs and maintenance	(24,935,769)	4,767,750	**(20,168,019)**	(15,492,372)	**4,675,647**	
Bulk purchases	(133,226,426)	1,450,000	**(131,776,426)**	(195,215,125)	**(63,438,699)**	
Contracted services	(29,083,131)	5,148,631	**(23,934,500)**	(32,610,758)	**(8,676,258)**	
Grants and subsidies paid	(26,272,314)	(11,644,461)	**(37,916,775)**	-	**37,916,775**	
General expenses	(60,684,965)	8,033,284	**(52,651,681)**	(55,395,935)	**(2,744,254)**	
Total expenditure	**(444,937,944)**	**(30,592,625)**	**(475,530,569)**	**(544,131,412)**	**(68,600,843)**	
Surplus	**(49,104,890)**	**-**	**(49,104,890)**	**(101,735,039)**	**(52,630,149)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(49,104,890)**	**-**	**(49,104,890)**	**(101,735,039)**	**(52,630,149)**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies are disclosed below.

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 receivable.

The impairment for 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.

Impairment testing

The recoverable 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 or service potential for each asset/group of assets. Expected future cash flows or service potential used to determine the value-in-use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates and service potential, together with economic factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - 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.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Additional information is disclosed in Note 17 - 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:

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

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

1.2 Investment property (continued)

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 and intangibles

Property, plant and equipment and intangibles 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.

The cost of an item of property, plant and equipment and intangibles 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 and intangibles are initially measured at cost.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and intangibles 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 and intangibles, 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 and intangibles, 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 and intangibles 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 and intangibles. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment and intangibles are accounted for as property, plant and equipment and intangibles.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and intangibles and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment and intangibles. 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 and intangibles have been assessed as follows:

1.3 Property, plant and equipment and intangibles (continued)

Item	Average useful life
Buildings	10 - 30 years
Cemetries	30 years
Furniture and fixtures	7 - 10 years
IT equipment	3 - 7 years
Landfill sites	5 - 30 years
Motor vehicles	5 - 20 years
Plant and machinery	2 - 10 years
Infrastructure assets	
• Electricity networks	20 - 30 years
• Land	Indefinite
• Roads	5 - 15 years
• Solid waste	30 years
• Wastewater network	20 years
• Water network	20 years
• Work in progress	n/a

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.

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

Each part of an item of property, plant and equipment and intangibles 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 and intangibles 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 and intangibles 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 and intangibles 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 and intangibles. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment and intangibles 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.

Accounting Policies

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.

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.

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	5 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.

Accounting Policies

1.6 Heritage assets (continued)

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 11 - 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.

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.

Accounting Policies

1.7 Financial instruments (continued)

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 amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Bank overdraft	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Payables from 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.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

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.

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.

1.7 Financial instruments (continued)

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.

1.8 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

Any contingent rents are recognised separately as revenue in the period in which they are received.

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

1.9 Inventories (continued)

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

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

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

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

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

1.11 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.

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 unit is the higher of its fair value less costs to sell and its value in use.

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.

1.11 Impairment of cash-generating assets (continued)

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

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.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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:

- 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 amount of a non-cash-generating asset is the higher of its fair value less costs to sell and its value 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.

Accounting Policies

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

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.

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.

Accounting Policies

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.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit 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.

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.

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

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:

- 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;

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.

Accounting Policies

1.13 Employee benefits (continued)

Other post retirement obligations

The municipality has an obligation to provide long-service awards to some of its employees. According to the rules of the long-service award scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a specified number of leave days, calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 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.

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 a 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.

1.14 Provisions and contingencies (continued)

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 36.

Decommissioning, restoration and similar liability

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.

1.15 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest and royalties

Revenue arising from the use by others of entity assets yielding interest and royalties or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

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

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

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.

1.16 Revenue from non-exchange transactions (continued)

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

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

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.

1.16 Revenue from non-exchange transactions (continued)

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.

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. Refer to note 38 for detail.

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.

1.20 Fruitless and wasteful expenditure (continued)

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

1.21 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 Offsetting

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

1.23 Budget information

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

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

1.24 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.

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.

1.25 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.

1.26 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.

Accounting Policies

1.26 Grants in aid (continued)

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.27 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.

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.

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 not material.

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the interpretation is for years beginning on or after 01 April 2010.

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

The impact of the interpretation 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.

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 not material.

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).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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.

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 not material.

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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

2.2 Standards and Interpretations early adopted

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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).

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 7 (as revised 2012): Investments in Associates

Amendments were made to definitions. A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates

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 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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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.

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

2. New standards and interpretations (continued)

- 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.

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

The impact of the standard is currently being assessed.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

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:
- 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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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 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:

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

(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 has early adopted the interpretation for the first time in the 2013 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	32,570	32,570
Short-term deposits	17,007,675	9,999,746
Bank overdraft	(45,010,934)	(5,893,625)
	(27,970,689)	**4,138,691**
Current assets	17,040,245	10,032,316
Current liabilities	(45,010,934)	(5,893,625)
	(27,970,689)	**4,138,691**

Restrictions on the use of cash and cash equivalents:

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

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**
Standard Bank - Business Current Account - 031-077-110	2,832,034	1,307,076	3,814,542	(45,010,934)	(5,893,625)	947,567

4. Inventories

Unsold water	538,768	542,652
Diesel at refuse dump site	-	75,487
Diesel at Breyten workshop	-	250,594
Consumable stores at cost	7,320,009	21,093,070
Unsold properties held for resale	4,310,390	4,359,290
	12,169,167	26,321,093
Inventories (adjustments)	(1,404,805)	(10,127,674)
	10,764,362	**16,193,419**

No diesel stock were kept in the current year and the diesel tanks were decomissioned.

Inventory adjustment is due to the alignment of the accounting records with the physical stock.

Inventory pledged as security

No inventories were pledge as security.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

5. Receivables from non-exchange transactions

Sundry receivables	1,553,813	1,438,685
Third party vending	4,552,635	4,160,898
Unemployment Insurance Fund	574,255	609,443
	6,680,703	**6,209,026**

Receivables from non-exchange transactions pledged as security

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

None of the receivables from non-exchange transactions, that are fully performing have been renegotiated in the last year.

Figures in Rand	2013	2012

6. Consumer receivables

Gross balances		
Rates and service charges	52,746,089	44,921,923
Electricity	64,314,907	50,921,417
Water	56,370,084	49,943,470
Sewerage	49,518,662	44,643,573
Refuse	46,521,610	41,096,961
Sundry	15,762,782	14,674,198
	285,234,134	**246,201,542**
Less: Allowance for debt impairment		
Rates and service charges	(30,512,468)	(21,623,450)
Electricity	(34,695,238)	(26,681,138)
Water	(38,385,967)	(29,469,709)
Sewerage	(33,754,625)	(27,229,958)
Refuse	(35,531,378)	(24,958,027)
Sundry	(10,332,564)	(9,166,709)
	(183,212,240)	**(139,128,991)**
Net balance		
Rates and service charges	22,233,621	23,298,473
Electricity	29,619,669	24,240,279
Water	17,984,117	20,473,761
Sewerage	15,764,037	17,413,615
Refuse	10,990,232	16,138,934
Sundry	5,430,218	5,507,489
	102,021,894	**107,072,551**
Included in above is receivables from exchange transactions		
Electricity	29,619,669	24,240,279
Water	17,984,117	20,473,761
Sewerage	15,764,037	17,413,615
Refuse	10,990,232	16,138,934
	74,358,055	**78,266,589**
Included in above is receivables from non-exchange transactions (taxes and tansfers)		
Rates	22,233,621	23,298,473
Sundry	5,430,218	5,507,489
	27,663,839	**28,805,962**
Net balance	**102,021,894**	**107,072,551**
Rates and service charges		
Current (0 -30 days)	4,607,078	4,199,744
31 - 60 days	1,904,279	1,799,886
61 - 90 days	1,707,336	1,339,070
91 days plus	44,527,397	37,583,222
Less: Allowance for debt impairment	(30,512,469)	(21,623,449)
	22,233,621	**23,298,473**
Electricity		
Current (0 -30 days)	9,746,391	8,020,966

Figures in Rand	2013	2012
6. Consumer receivables (continued)		
30 days	4,027,622	3,082,124
60 days	2,561,220	1,310,237
91 days plus	47,979,674	38,508,090
Less: Allowance for debt impairment	(34,695,238)	(26,681,138)
	29,619,669	**24,240,279**
Water		
Current (0 -30 days)	1,929,634	1,918,258
30 days	974,831	1,418,719
60 days	763,404	1,121,993
91 days plus	52,702,214	45,484,499
Less: Allowance for debt impairment	(38,385,966)	(29,469,708)
	17,984,117	**20,473,761**
Sewerage		
Current (0 -30 days)	1,491,476	1,514,575
31 - 60 days	856,061	789,088
61 - 90 days	829,872	690,213
91 days plus	46,341,253	41,649,698
Less: Allowance for debt impairment	(33,754,625)	(27,229,959)
	15,764,037	**17,413,615**
Refuse		
Current (0 -30 days)	1,235,385	1,176,127
31 - 60 days	760,066	738,890
61 - 90 days	650,147	553,943
91 days plus	43,876,012	38,628,001
Less: Allowance for debt impairment	(35,531,378)	(24,958,027)
	10,990,232	**16,138,934**
Sundry		
Current (0 -30 days)	489,441	274,032
31 - 60 days	184,702	119,156
61 - 90 days	220,118	99,078
91 days plus	14,868,521	14,182,183
Less: Allowance for debt impairment	(10,332,564)	(9,166,960)
	5,430,218	**5,507,489**
Summary of receivables by customer classification		
Consumers		
Current (0 -30 days)	7,654,140	9,589,840
31 - 60 days	4,024,870	4,739,171
61 - 90 days	3,209,966	3,300,666
91 days plus	193,786,852	172,710,325
	208,675,828	190,340,002
Less: Allowance for debt impairment	(136,961,874)	(108,532,388)
	71,713,954	**81,807,614**
Industrial/ commercial		
Current (0 -30 days)	9,093,875	5,586,088
31 - 60 days	3,026,847	2,019,782
61 - 90 days	2,345,832	760,496
91 days plus	39,155,935	25,531,435

Figures in Rand	2013	2012

6. Consumer receivables (continued)

	53,622,489	33,897,801
Less: Allowance for debt impairment	(32,325,516)	(18,536,113)
	21,296,973	**15,361,688**
National and provincial government		
Current (0 -30 days)	2,751,391	1,927,774
31 - 60 days	1,655,844	1,188,909
61 - 90 days	1,176,300	1,053,373
91 days plus	17,352,285	17,793,683
	22,935,820	21,963,739
Less: Allowance for debt impairment	(13,924,853)	(12,060,490)
	9,010,967	**9,903,249**
Total		
Current (0 -30 days)	19,499,405	17,103,702
31 - 60 days	8,707,560	7,947,862
61 - 90 days	6,732,097	5,114,535
91 - 120 days	250,295,072	216,035,443
	285,234,134	246,201,542
Less: Allowance for debt impairment	(183,212,240)	(139,128,991)
	102,021,894	**107,072,551**
Less: Allowance for impairment		
Total allowance for debt impairment	(183,212,240)	(139,128,991)
Reconciliation of allowance for debt impairment of receivables from exchange transactions		
Balance at beginning of the year	(139,128,335)	(125,562,699)
Contributions to allowance	(44,083,905)	(13,566,292)
	(183,212,240)	**(139,128,991)**

Consumer receivables pledged as security

No consumer receivables were pledged as security.

None of the consumer receivables, that are fully performing have been renegotiated in the last year.

7. VAT receivable

VAT receivable	12,900,881	6,445,527

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

8. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and buildings	8,628,517	(287,578)	8,340,939	8,628,517	(230,094)	8,398,423

Reconciliation of investment property - 2013

	Opening balance	**Depreciation**	**Total**
Land and buildings	8,398,423	(57,484)	8,340,939

Reconciliation of investment property - 2012

	Opening balance	**Depreciation**	**Total**
Land and buildings	8,456,065	(57,642)	8,398,423

Pledged as security

No investment properties were pledged as security.

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

9. Property, plant and equipment and intangibles

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Landfill sites	23,249,569	(5,900,483)	17,349,086	19,355,280	(379,985)	18,975,295
Other property, plant and equipment	411,149,857	(6,165,481)	404,984,376	406,070,779	(16,603)	406,054,176
Infrastructure assets	1,400,540,720	(198,890,495)	1,201,650,225	1,374,869,787	(157,716,148)	1,217,153,639
Leased assets	18,478,056	(9,648,690)	8,829,366	18,478,057	(8,181,433)	10,296,624
Work in progress	57,730,966	-	57,730,966	41,697,166	-	41,697,166
Total	**1,911,149,168**	**(220,605,149)**	**1,690,544,019**	**1,860,471,069**	**(166,294,169)**	**1,694,176,900**

Reconciliation of property, plant and equipment and intangibles - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Landfill sites	18,975,295	3,894,289	-	(5,520,498)	17,349,086
Other property, plant and equipment	406,054,176	84,969	-	(1,154,769)	404,984,376
Infrastructure assets	1,217,153,639	6,939,819	18,731,113	(41,174,346)	1,201,650,225
Leased assets	10,296,624	-	-	(1,467,258)	8,829,366
Work in progress	41,697,166	34,764,913	(18,731,113)	-	57,730,966
	1,694,176,900	**45,683,990**	**-**	**(49,316,871)**	**1,690,544,019**

Reconciliation of property, plant and equipment and intangibles - 2012

	Opening balance	Additions	Transfers	Depreciation	Total
Landfill sites	19,058,136	297,144	-	(379,985)	18,975,295
Other property, plant and equipment	407,158,177	-	-	(1,104,001)	406,054,176
Infrastructure assets	1,233,589,896	4,628,214	19,094,791	(40,159,262)	1,217,153,639
Leased assets	9,528,879	2,772,267	-	(2,004,522)	10,296,624
Work in progress	30,027,030	30,764,927	(19,094,791)	-	41,697,166
	1,699,362,118	**38,462,552**	**-**	**(43,647,770)**	**1,694,176,900**

Pledged as security

No property, plant and equipment were pledged as security.

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

For the detailed categories of moveable- and immovable assets, refer to Appendix B.

10. Intangible assets

	2013			2012		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	77,502	(46,641)	30,861	77,502	(37,318)	40,184

Reconciliation of intangible assets - 2013

	Opening balance	**Amortisation**	**Total**
Computer software	40,184	(9,323)	30,861

Reconciliation of intangible assets - 2012

	Opening balance	**Amortisation**	**Total**
Computer software	49,533	(9,349)	40,184

Pledged as security

No intangible assets were pledged as security.

11. Heritage assets

	2013			2012		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Medal, coins, historical mints and chains	1,069,102	-	1,069,102	1,069,102	-	1,069,102

Reconciliation of heritage assets 2013

	Opening balance	**Total**
Medal, coins, historical mints and chains	1,069,102	1,069,102

Reconciliation of heritage assets 2012

	Opening balance	**Total**
Medal, coins, historical mints and chains	1,069,102	1,069,102

12. Consumer deposits

Electricity and water	7,948,325	7,008,435

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

13. Payables from exchange transactions

	2013	2012
Trade payables	207,174,554	157,607,850
Unallocated deposits	6,554,829	8,341,263
Retentions	6,706,008	7,987,858
Stated benefits	928,105	928,107
Accrued leave pay	9,316,563	8,124,526
Accrued interest	15,918	33,509
Accrued 13th cheques	2,266,330	2,538,557
Accrued employee costs	1,598,070	1,922,417
Accrued overtime	1,221,272	795,397
Accrued allowances	199,217	156,097
Sundry creditors	2,171,367	2,990,878
	238,152,233	**191,426,459**

14. Other financial liabilities

	2013	2012
At amortised cost		
Bank loan	22,259	41,778
Financial institution: Development Bank of South Africa		
Term: Twenty years		
Interest and capital repayments: Every six months		
Interest rate: 13,56%		
Non-current liabilities		
At amortised cost	-	21,640
Current liabilities		
At amortised cost	22,259	20,138

15. Finance lease obligation

	2013	2012
Minimum lease payments due		
- within one year	2,916,142	3,673,042
- in second to fifth year inclusive	3,228,168	6,143,695
	6,144,310	9,816,737
less: future finance charges	(700,744)	(1,481,613)
Present value of minimum lease payments	**5,443,566**	**8,335,124**
Present value of minimum lease payments due		
- within one year	2,446,168	2,888,832
- in second to fifth year inclusive	2,997,398	5,446,290
	5,443,566	**8,335,122**
Non-current liabilities	2,997,398	5,446,291
Current liabilities	2,446,168	2,888,833
	5,443,566	**8,335,124**

The average lease term was 3-5 years and the interest rate implicit to the lease was 10% (2012: 10%).

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

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Local Government Grant	1,777,326	1,777,326
Sport and Recreation Grant - National Lottery	700,000	700,000
Municipal Infrastructure Grant	17,715,513	8,894,968
Integrated National Electrification Grant	2,072,045	1,233,734
Department of Water and Forestry Grant	568,247	-
	22,833,131	**12,606,028**

Movement during the year

Balance at the beginning of the year	12,606,028	18,046,677
Additions during the year	160,718,861	147,078,517
Income recognition during the year	(150,491,758)	(152,519,166)
	22,833,131	**12,606,028**

See note 24 - Government grants and subsidies for reconciliation of grants from National / Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17. Employee benefit obligation

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

Post - retirement medical aid benefit liability		
Balance at the beginning of the year	30,737,998	30,310,355
Current service cost	504,806	476,602
Interest cost	1,686,767	1,740,728
Benefits paid	(1,763,520)	(1,789,687)
Actuarial losses / (gains)	780,949	-
	31,947,000	**30,737,998**

The municipality provides post employment medical aid benefits upon retirement to some retirees and their legitimate spouses. The entitlement to post-employment medical aid benefits is based on the employees remaining in service up to retirement age and the completion of a minimum service period. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefit are provided to these employees.
The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2013 by Zaqen Actuaries (Pty) Ltd. The present value of the defined obligation, the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for health care to the following Medical Aid Schemes:
- LA Health
- Key Health
- Bonita's
- Hosed
- Fed Health
- Samwumed

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	7.40 %	8.75 %
Consumer price inflation	5.66 %	6.25 %
Medical Aid contribution inflation	6.66 %	7.67 %
Maximum subsidy increases	0.69 %	1.00 %

The amounts recognised in the Statement of Financial Position are as follows:

Total benefit liability	31,947,000	30,737,998

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	504,806	476,602
Interest cost	1,686,767	1,740,728
Actuarial losses / (gains)	780,949	-
	2,972,522	**2,217,330**

The municipality expects to make a contribution of R 1 862 000 (2013: R 1 763 520) to the Defined Benefit Plans during the next financial year.

Figures in Rand	2013	2012

17. Employee benefit obligation (continued)

Long service award liability

The Municipality has an obligation to provide long-service allowance benefits to all its permanent employees. According to the rules of the Long-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, 30, 40 and 45 years of continued service. The municipality operates an unfunded defined benefit plan for these qualifying employees

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2013 by Zaqen Actuaries (Pty) Ltd. The present value of the long service obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality expects to make a contribution of R 948 000 (2013: R 1 016 000) to the Defined Benefit Plans during the next financial year.

Long service award liability		
Balance at the beginning of the year	7,426,000	6,463,000
Current service costs	656,000	574,000
Interest cost	591,000	559,000
Benefits paid	(1,016,000)	(577,000)
Actuarial losses / (gains)	607,000	407,000
	8,264,000	**7,426,000**

The amounts recognised in the Statement of Financial Position are as follows:		
Total long service liability	8,264,000	7,426,000

The amounts recognised in the Statement of Financial Performance are as follows:		
Current service costs	656,000	574,000
Interest cost	591,000	559,000
Actuarial losses / (gains)	607,000	407,000
	1,854,000	**1,540,000**

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	7.40 %	7.92 %
Consumer price inflation	5.66 %	5.74 %
Normal salary increase rate	6.66 %	6.74 %
Net effective discount rate	0.69 %	1.11 %

Total employee benefit obligations

Amounts recognised in the Statement of Financial Position are as follows:		
Post - retirement medical aid benefit	31,947,000	30,737,998
Long service award liability	8,264,000	7,426,000
	40,211,000	**38,163,998**

Amounts recognised in the Statement of Financial Performance are as follows:		
Post - retirement medical aid benefit	1,209,002	427,643
Long service award	838,000	963,000
	2,047,002	**1,390,643**

Figures in Rand	2013	2012

18. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Unwinding of discount	Total
Environmental rehabilitation	24,171,806	3,894,289	1,450,308	29,516,403

Reconciliation of provisions - 2012

	Opening Balance	Additions	Unwinding of discount	Total
Environmental rehabilitation	21,704,238	297,144	2,170,424	24,171,806

	2013	2012
Non-current liabilities	21,425,121	24,171,806
Current liabilities	8,091,282	-
	29,516,403	**24,171,806**

Landfill site rehabilitation is for the Breyton and Ermelo sites.

The Ermelo site will close in 2018 and the Breyton site in December 2014.

Ermelo is a G:M:B site and Breyton a G:C:B+ site.

The rehabilitation costs are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each indivdual site.

The waste bodies will be shaped to 1:3 side slopes and a 5% gradient top slope.

Both landfill sites are outside the 1:50 year flood lines or any nearby waterways.

A discount rate of 6% is used.

19. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At amortised cost	Total
Cash and cash equivalents	17,040,245	17,040,245
Receivables from non-exchange transactions	6,680,702	6,680,702
Consumer receivables	102,021,894	102,021,894
	125,742,841	**125,742,841**

Financial liabilities

	At amortised cost	Total
Bank overdraft	45,010,934	45,010,934
Consumer deposits	7,948,325	7,948,325
Payable from exchange transactions	238,152,232	238,152,232
Other financial liabilities	22,259	22,259
Finance lease obligation - current portion	2,446,168	2,446,168
Finance lease obligation - non-current portion	2,997,398	2,997,398
Unspent conditional grants and receipts	22,833,131	22,833,131
	319,410,447	**319,410,447**

2012

Financial assets

	At amortised cost	Total
Cash and cash equivalents	10,032,316	10,032,316
Receivables from non-exchange transactions	6,209,026	6,209,026
Consumer receivables	107,072,551	107,072,551
	123,313,893	**123,313,893**

Financial liabilities

	At amortised cost	Total
Bank overdraft	5,893,625	5,893,625
Consumer deposits	7,008,435	7,008,435
Payable from exchange transactions	191,426,459	191,426,459
Other financial liabilities - current portion	20,138	20,138
Other financial liabilities - non-current portion	21,640	21,640
Finance lease obligation - current portion	2,888,833	2,888,833
Finance lease obligation - non-current portion	5,446,291	5,446,291
Unspent conditional grants	12,606,028	12,606,028
	225,311,449	**225,311,449**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

20. Service charges

Sale of electricity	137,038,732	112,932,554
Sale of water	19,230,556	17,959,296
Sewerage and sanitation charges	21,723,500	18,301,522
Refuse removal	18,744,754	15,923,403
Connection fees	3,034,392	1,319,682
Other service charges	997,921	1,106,488
	200,769,855	**167,542,945**

21. Other revenue

Sundry income	5,017,107	204,306
Administration and management fees	332,228	221,283
Fees earned	7,710	7,851
Commission received	80,580	76,738
Royalties received	1,500	1,509
Recoveries	16,189	14,871
Rental income	32,648	31,214
Discount received	44,808	43,636
Monies received and forfeited through prescription	1,902,124	401,012
	7,434,894	**1,002,420**

22. Interest received

Interest received		
Interest on other financial assets	1,041,432	589,142
Interest on consumer receivables	11,516,372	10,121,628
Interest on stand loans	-	2,459
	12,557,804	**10,713,229**

23. Property rates

Rates received

Assessment rates	59,494,657	54,474,928
Less: Income forgone	(2,335,694)	(3,095,907)
	57,158,963	**51,379,021**

Valuations

Residential	4,491,208,500	4,601,148,800
Commercial	1,386,128,100	1,214,903,300
State	425,529,000	395,709,000
Municipal	498,546,070	9,992,364,320
Agricultural	3,270,427,110	9,495,942,140
	10,071,838,780	**25,700,067,560**

Figures in Rand	2013	2012

24. Government grants and subsidies

Operating grants		
Equitable share	105,157,000	88,975,000
Municipal Finance Managment Grant	1,500,000	1,250,000
Municipal System Improvement Grant	800,000	790,000
SETA Grant	728,476	713,024
EPWP Grant	1,056,000	585,000
Municipal Infrastructure Grant	1,653,227	1,664,250
	110,894,703	93,977,274
Capital grants		
Municipal Infrastructure Grant	29,903,224	39,590,015
Integrated National Electrification Grant	4,861,693	6,484,710
Sport and Recreation Grant	-	264,024
Department of Water and Forestry Grant	-	1,111,074
Gert Sibande District Municipality Grant	4,832,138	11,062,108
Local government grant	-	29,961
	39,597,055	58,541,892
	150,491,758	**152,519,166**

Conditional and unconditional

Included in above are the following grants and subsidies received:

Equitable share

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

Department of Local Government Grant

Balance unspent at beginning of year	1,777,326	-
Current-year receipts	-	1,807,287
Conditions met - transferred to revenue	-	(29,961)
	1,777,326	**1,777,326**

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

The condition to the grant: This grant is for upgrading of the Wesselton sewer plant.

The unspent part will be utilised in the next financial year.

EPWP Grant

Current-year receipts	1,056,000	585,000
Conditions met - transferred to revenue	(1,056,000)	(585,000)
	-	**-**

The condition to the grant: In terms of the Constitution, this grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

Sport and Recreation Grant - National Lottery

Balance unspent at beginning of year	700,000	700,000

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

Figures in Rand	2013	2012

24. Government grants and subsidies (continued)

The condition to the grant: This grant is a donation received from Lottery for the refurbishment of the swimming pool. More funds are still needed to implement the project.

The unspent portion is due to more funds needed to start and complete the project.

Gert Sibande District Grant

Current-year receipts	4,832,138	11,062,108
Conditions met - transferred to revenue	(4,832,138)	(11,062,108)
	-	-

This grant is for infrastructure projects and movable asset e.g. motor vehicles.

Municipal Finance Management Grant

Current-year receipts	1,500,000	1,250,000
Conditions met - transferred to revenue	(1,500,000)	(1,250,000)
	-	-

The condition to the grant: In terms of the Constitution, this grant is used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity buildings programmes on financial management.

Municipal Infrastructure Grant

Balance unspent at beginning of year	8,894,968	16,864,233
Current-year receipts	40,377,000	33,285,000
Conditions met - transferred to revenue (Operational)	(1,653,231)	(1,664,250)
Conditions met - transferred to revenue (Capital)	(29,903,224)	(39,590,015)
	17,715,513	**8,894,968**

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

The condition to the grant: In terms of the Constitution, this grant is used to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

The unspent portion relates to projects not completed at year end. The municipality are requesting approval for th efunds to be rolled over and utilised in the next financial year.

Integrated National Electrification Grant

Balance unspent at beginning of year	1,233,734	482,444
Current-year receipts	5,700,000	7,236,000
Conditions met - transferred to revenue	(4,861,689)	(6,484,710)
	2,072,045	**1,233,734**

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

The condition to the grant: In terms of the Constitution, this grant is used to address the electrification backlog of occupied residential dwellings, clinics and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

The unspent portion relates to projects not completed at year end. The municipality are requesting approval for the funds to be rolled over and utilised in the next financial year.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

24. Government grants and subsidies (continued)

Municipal Systems Improvement Grant

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

The condition to the grant: In terms of the Constitution, this grant is used for building the capacity of the municipalities to implement sound institutional and governance systems required in terms of local government legislation.

Sports and Recreation Grant

Current-year receipts	-	264,024
Conditions met - transferred to revenue	-	(264,024)
	-	**-**

The condition to the grant: This grant is for the purchase of movable assets - i.e. office machines for libraries.

Department of Water and Forestry Grant

Current-year receipts	568,247	1,111,075
Conditions met - transferred to revenue	-	(1,111,075)
	568,247	**-**

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

The condition to the grant: This grant is for drought relief projects e.g. drilling of boreholes in various areas within the municipality.

The unspent portion will be utilised in the next financial year.

SETA Grant

Current-year receipts	728,476	713,024
Conditions met - transferred to revenue	(728,476)	(713,024)
	-	**-**

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 2 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

25. Bulk purchases

Electricity	159,406,475	125,781,390
Water	35,808,650	89,763,940
	195,215,125	**215,545,330**

Distribution losses		
Electricity (losses in units)	75,478,762	91,819,073
Electricity (losses as %)	36.73 %	45.32 %
Water (losses in units)	1,709,255	744,128
Water (losses as %)	36.15 %	17.97 %

Increase in water losses is due to aged infrastructure and lack of bulk meters to monitor distribution.

Decrease in electricity is due to the implementation of a credit control policy and implementation of ARM meters, even though there is still challenges with illigal connections, aged infrastructure and data cleansing.

26. Contracted services

Information technology services	7,440,088	5,934,284
Pre-paid vending contract services	2,756,820	1,586,430
Air conditioner and lift services	62,523	69,123
Specialist services	190,030	382,404
Other contractors	2,291,191	1,987,221
Professional services	7,365,522	3,347,220
Security services	12,504,584	7,874,463
	32,610,758	**21,181,145**

27. Allowance for debt impairment

Consumer receivables	44,083,905	13,566,292

28. Depreciation and amortisation

Property, plant and equipment and intangibles	49,383,676	43,714,762

Figures in Rand	2013	2012

29. Employee related costs

Performance bonus	2,266,330	2,538,557
Cell phone allowances	62,100	65,050
Contributions for UIF	776,080	539,139
Group life contributions	1,117,619	1,023,803
Leave pay accrual charge	4,644,737	2,609,273
Medical aid contributions	5,684,924	5,077,298
Other payroll levies	43,697	28,671
Overtime and leave payments	12,917,236	9,389,633
Pension fund contributions	14,360,743	13,407,342
Pensioners medical aid contributions	1,779,483	1,763,520
Post - retirement employee benefits	2,047,002	1,390,643
SDL	1,079,182	913,377
Salaries and wages	75,446,941	67,613,662
Standby and shift allowance	2,259,302	2,015,763
Travel and other allowances	4,048,467	3,743,565
	128,533,843	**112,119,296**

Remuneration of Dlamini TBW - Municipal Manager

Basic	600,460	410,720
Travelling allowance	96,000	118,000
Backpay	8,981	10,181
Contribution to UIF	1,837	2,995
Contribution to medical aid	29,523	44,767
Contributions to pension funds	134,079	229,091
	870,880	**815,754**

Remuneration of Lengwate TM - Chief Finance Officer

Basic	568,245	284,397
Travelling allowance	72,000	36,000
Contribution to UIF	1,712	749
Contribution to medical aid	18,061	8,755
	660,018	**329,901**

The Chief Finance Officer was appointed on 2 January 2012.

Remuneration of Maluleka DI - Director: Public Safety and Security

Basic	536,270	410,720
Travelling allowance	110,000	118,000
Backpay	10,282	10,181
Contribution to UIF	1,837	1,497
Contribution to medical aid	29,268	26,806
Contributions to pension funds	23,898	92,598
	711,555	**659,802**

Remuneration of Maimela NL - Director: Corporate Services

Basic	426,307	399,947
Travelling allowance	117,961	120,000
Backpay	23,698	10,181
Contribution to UIF	1,712	1,497
Contributions to medical aid	18,587	37,949
Contributions to pension funds	81,723	90,229

Figures in Rand	2013	2012

29. Employee related costs (continued)

	669,988	**659,803**

Mr NL Maimela was appointed in October 2012. Mr CA Habile was followed up by Mr NL Maimela.

Remuneration of Netshishivhe HE - Director: Engineering

Annual Remuneration	109,457	-
Travel, motor car, accomodation, subsistence and other allowance	13,953	-
Contributions to UIF	417	-
Contribution to medical funds	4,018	-
Contribution to pension funds	9,594	-
	137,439	**-**

Mr HE Netshishivhe was appointed in October, but was director for two months only.

Total employee cost		
Employee related costs	131,583,723	114,584,556

30. Finance costs

Non-current borrowings	5,041	7,461
Trade and other payables	8,415,200	1,298,091
Finance leases	735,840	1,033,989
Provision for environmental rehabilitation cost	1,450,308	2,170,424
	10,606,389	**4,509,965**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

31. General expenses

Advertising	218,047	157,636
Auditors remuneration	3,001,859	2,198,802
Awareness campaign	5,858	799
Bank charges	728,336	733,454
Chemicals	2,115,420	1,865,745
Cleaning	301,844	306,620
Clothing and uniform	562,780	437,443
Computer expenses	6,673	592
Conferences and seminars	1,455,056	1,160,479
Consumables	137,558	234,644
Covering of dumping site	4,856,255	754,349
Disaster mitigation programme	124,398	46,120
Donations	12,300	7,400
Electricity connections	424,542	328,825
Entertainment	1,225,198	338,742
Fines and penalties	636,640	602,325
Fuel and oil	343,338	225,441
Government research	460,555	185,000
Grant expenditure	(188,135)	20,499,807
Grave numbers	44,762	6,118
Insurance	1,134,543	1,894,347
Inventory write offs	2,621,644	7,917,307
Lease expenses	758,644	864,221
Magazines, books and periodicals	19,007	12,654
Medical expenses	23,856	6,772
Monies forfeited	-	24,055
Monitoring services	246,591	523,866
Motor vehicle expenses	5,342,362	3,487,264
Pauper burials	18,997	10,749
Performance appraisals & strategic planning	64,015	305,946
Postage and courier	1,011,514	892,165
Printing and stationery	1,154,836	716,948
Private works	572,511	386,866
Project maintenance costs	22,779	194,882
Promotions	65,056	66,980
Refuse	118,996	105,207
Resettlement of squatters	-	32,503
Study bursaries	221,133	377,469
Subscriptions and membership fees	2,640,757	890,517
Subsidies for indigents	12,817,449	10,901,824
Technical department	6,827	6,753
Telephone and fax	697,415	595,917
Title deed search fees	17,854	13,074
Training	673,657	430,978
Travel	41,537	41,502
Valuation roll	161,446	688,617
Ward committees and community participation	1,295,230	343,546
Water supply	7,173,995	173,776
	55,395,935	**61,997,046**

Figures in Rand	2013	2012

32. Remuneration of Councillors

	2013	2012
Mayor	689,660	599,210
Executive Committee	1,566,264	1,322,897
Speaker	555,602	469,133
Councillors	6,946,604	6,618,907
	9,758,130	**9,010,147**

Executive Mayor	**Remuneration**	**Cell phone allowance**	**Travelling allowance**	**Municipality contribution**	**Total remuneration**
Bongwe JS	437,144	19,872	167,572	65,072	689,660

Executive Committee	**Remuneration**	**Cell phone allowance**	**Travelling allowance**	**Municipality contribution**	**Total remuneration**
Madini VCN	312,831	19,872	125,679	63,706	522,088
Mashinini NG	312,831	19,872	125,679	63,706	522,088
Nkosi MP	327,857	19,872	125,679	48,680	522,088
	953,519	**59,616**	**377,037**	**176,092**	**1,566,264**

Speaker	**Remuneration**	**Cell phone allowance**	**Travelling allowance**	**Municipality contribution**	**Total remuneration**
Vilakazi BM	334,689	19,872	134,057	66,984	555,602

Councillors	**Remuneration**	**Cell phone allowance**	**Travelling allowance**	**Municipality contribution**	**Total remuneration**
Blignaut JDA	129,891	12,396	50,271	20,425	212,983
Breydenbach Z	131,144	12,396	50,271	19,172	212,983
Dhludhlu ZC	131,144	12,396	50,271	19,172	212,983
Dladla KH	131,144	12,396	50,271	19,172	212,983
Greyling GS	131,144	12,396	50,271	19,172	212,983
Jele SL	131,144	12,396	50,271	19,172	212,983
Litau DJ	115,501	10,896	44,190	17,798	188,385
Lukhele MC	54,643	5,165	20,946	8,196	88,950
Mabasa FJ	131,144	12,396	50,271	19,172	212,983
Mabunda SD	118,760	12,396	50,271	31,556	212,983
Mabuza BI	131,144	12,396	50,271	19,172	212,983
Malaza STT	131,144	12,396	50,271	19,172	212,983
Malinga MV	29,930	2,937	11,473	4,864	49,204
Maseko BP	131,144	12,396	50,271	19,172	212,983
Mashiane SPE	127,387	12,396	50,271	22,929	212,983
Mathebula SC	131,144	12,396	50,271	19,172	212,983
Mhlanga MJ	131,144	12,396	50,271	19,172	212,983
Mnisi LP	131,144	12,396	50,271	19,172	212,983
Msezane SEC	114,277	12,396	50,271	36,039	212,983
Msibi SJ	131,144	12,396	50,271	19,172	212,983
Msimango TG	131,144	12,396	50,271	19,172	212,983
Ndlovu BNN	131,144	12,396	50,271	19,172	212,983
Ngwenya BR	115,967	12,396	50,271	34,349	212,983
Ngwenya TC	131,144	12,396	50,271	19,172	212,983
Nkosi DS	131,144	12,396	50,271	19,172	212,983
Nkosi PB	118,617	12,396	50,271	31,699	212,983
Nkosi SJ	131,144	12,396	50,271	19,172	212,983
Nkosi ZJ	131,144	12,396	50,271	19,172	212,983
Puwani BS	112,626	12,396	50,271	37,690	212,983
Sibanyoni JH	131,144	12,396	50,271	19,172	212,983
Sibeko PT	116,118	12,396	50,271	34,198	212,983
Sibaya BI	131,144	12,396	50,271	19,172	212,983
Swart HF	131,144	12,396	50,271	19,172	212,983

Figures in Rand	2013	2012

32. Remuneration of Councillors (continued)

Vilakazi SE	114,935	12,396	50,271	35,379	212,981
	4,153,820	**403,274**	**1,635,010**	**736,906**	**6,929,010**

The remuneration of of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

In-kind benefits

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

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

The Mayor and Speaker has the support of personal assistants.

33. Auditors' remuneration

	2013	2012
Fees	3,001,859	2,198,802

34. Cash generated from operations

	2013	2012
Deficit	(101,735,039)	(113,324,578)
Adjustments for:		
Depreciation and amortisation	49,383,676	43,714,762
Loss on sale of assets and liabilities	-	(100,000)
Finance costs - finance leases	735,840	1,033,989
Allowance for debt impairment	44,083,905	13,566,292
Movements in operating lease asset and accruals	-	3,301
Movements in employee benefit obligations	2,047,002	1,390,643
Movements in provisions	5,344,597	4,440,680
Changes in working capital:		
Inventories	5,429,057	8,515,525
Other receivables from non-exchange transactions	(471,677)	(2,959,538)
Consumer receivables	(39,033,248)	8,495,232
Payables from exchange transactions	46,725,775	105,580,213
VAT	(6,455,354)	(8,897,245)
Unspent conditional grants and receipts	10,227,103	(5,196,868)
Consumer deposits	939,890	677,436
	17,221,527	**56,939,844**

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for	2013	2012
• Property, plant and equipment	18,044,252	10,986,819
• Operating expenditure	10,327,032	10,693,737
	28,371,284	**21,680,556**

Not yet contracted for and authorised by accounting officer	2013	2012
• Property, plant and equipment	1,465,000	-

This committed expenditure relates to property, plant and equipment and operating expenditure, and will be financed by available bank facilities, accumulated surpluses and existing cash resources.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

36. Contingent liabilities

Litigation is in the process against the municipality relating to the matters listed below amounting to an estimated total of R 5 571 161. The municipality's attorneys and management consider the estimate to be reasonable, although subject to a number of variables, and the likelihood of the legal action against the municipality being successful as unlikely.

1. Legal action was taken by JWL Industriële & Landbou Voorsieners against the municipality in the Magistrate's Court for payment of goods and mechanical services rendered amounting to R92 339. The matter is set down for trail on the 1st of October 2013.

2. Legal action was taken by Newcho against the municipality for the improper and disputed sale of land amounting to R 1 000 000. The matter is awaiting summons and have therefore not been set down for trail date.

3. Legal action was taken by Telkom SA against the municipality for payment of services rendered amounting to R40 321. The matter has not been set down for a trail date.

4. Legal action was taken by LJ Coetzee against the municipality for payment of damages incurred due to failure to repair a pavement amounting to R51 220. The matter has not been set down for a trail date.

5. Legal action was taken by FM Swart against the municipality for payment of damages incurred due to failure to replace a stolen meter lid amounting to R52 951. The matter has not been set down for a trail date.

6. Legal action was taken by Enzo Contractors (Pty) Ltd against the municipality and two other parties for payment of costs incurred for the registration and licensing of its rough terrain crane amounting to R145 109. The Municipality have obtained a rescission order dated 2 August 2011 and filed a plea in the main action.

7. Legal action was taken by TJR Carriers CC against the municipality for payment of damages incurred due to failure to repair a pothole amounting to R331 049. The Municipality have applied for amendment to the claim and the matter has not been set down for trail date.

8. Legal action was taken by MTJ Koekemoer against the municipality for payment of damages incurred due to an unmarked speed bump amounting to R500 000. The matter has not been set down for a trail date and has entered the plea stage.

9. Legal action was taken by TR Ndlela against the municipality for payment of damages incurred due to a road collision amounting to R199 400. The Municipality have applied for condonation of the claim.

10. Legal action was taken by Limphoto Housing against the municipality for the unlawfull disconnection of the electricity amounting to R350 000. The matter has not been set down for a trail date.

11. Legal action was taken by Kojo Investments against the municipality for the payment of services rendered amounting to R151 202. The matter has been set down for a trail date.

12. Legal action was taken by CM Mango against the municipality for the payment of damages incurred due to failure to barricade a hole and heap of soil on a construction site of the municipality amounting to R190 000. The Municipality is defending the claim and have served and filed a plea and a discovery affidavit, the matter has not been set down for a trail date.

13. Legal action was taken by Yakha Hardware t/a Trio Hydraulics CC against the municipality in the Magistrate's Court for the payment of services rendered to and goods aquired on behalf of the municipality amounting to R12 189. The matter has not been set down for a trail date.

14. Legal action was taken by GW Heinz against the municipality for the payment of an arbitration award on order of the court amounting to R500 000. The municipality have applied for review of the arbitration award granted in favour of GW Heinz amounting to R1 200 000. The pleading in this matter have been closed and a trail date have been applied for, the matter has not been set down for a trail date.

15. Legal action was taken by SAMWU on behalf of Hlophe and others against the municipality for losses due to unlawfull variation of the terms of the employment amounting to R500 000. The municipality is opposing the claims and pleadings are currently still exchanged, the matter has not been set down for a trail date.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

36. (continued)

Employees were charged with misconduct. The employees were dismissed, but the employees raised an appeal, which was won by the employees. The employees were re-instated in January 2013, but they were never paid from January 2013. The details are as follows:
DP Sibeko - R106 558.76
PV Dludlu - R148 823.95

37. Related parties

Relationships

Members of management	See Notes: 29 and 32

38. Prior period errors

During the year the following errors were identified. The effect of these transactions is set out as follows:

1. Allowance for impairment - Restatement of the impaired receivables in the prior year.
2. VAT – Correction of VAT incorrectly claimed during the prior year.
3. UIF – Provision for UIF to be refunded by SARS due to change in UIF limit and councillors.
4. Grant income – Recognising revenue on conditional MIG grant for the prior period.
5. Accruals – Prior period accruals been raised.
6. Cut-off – Due to invoices received after year-end and invoices received after close of system.
7. The Landfill site rehabilitation provision has been incorrectly recorded in the past.
8. A complete reconstruction of the fixed asset register took place to comply with the requirements of GRAP 17.

The correction of the errors / change in accounting policies resulted in adjustments as follows:

Figures in Rand	2013	2012

38. Prior period errors (continued)

Accumulated surplus as at 30 June 2011	-
Statement of financial position	-
Inventories	(9,696,896)
VAT receivable	(15,077,992)
Consumer receivables	21,788,752
Property, plant and Equipment	1,391,067,479
Intangible assets	(708,954)
Investment property	3,837,719
Heritage assets	1,069,102
Finance lease liability	(293,449)
Operating lease liability	3,301
Trade and other payables	144,995,304
Unspent conditional grants and receipts	703,925
Provisions	297,144
Retirement benefits	7,426,000
Accumulated surplus	1,269,302,969
Statement of financial performance	-
Service charges	101,797
Rental from facilities	(17,280)
Income from agency fees	(181,241)
Licences and permits	101,882
Other income	(985,212)
Grants	(430,184)
Public contributions and donations	(267,940)
Employee related costs	(2,271,894)
Finance cost	(3,781,389)
Contracted services	(980,590)
Collection costs	2,492
Provision for impairment	4,278,175
Depreciation and amortisation	(15,805,550)
Repairs and maintenance	(8,741,383)
General expenditure	(11,444,672)
Loss on disposal of assets	409,150
Bulk purchases	(107,363,979)

Statement of Financial Performance for the year ended 2013	**Balance as previously reported**	**Change in accounting policies**	**Prior period error**	**Reclassificat ion**	**Restated balance**
Service charges	167,441,149	-	101,797	-	167,542,946
Rental of facilities	1,534,697	-	(17,280)	-	1,517,417
Other income	2,998,677	-	(985,212)	-	2,013,465
Public contributions and donations	-	-	(267,940)	(395,982)	(663,922)
Government grants and subsidies	152,949,348	-	(430,184)	395,982	152,915,146
Licences	2,284,353	-	101,882	-	2,386,235
Income from agency	4,852,952	-	(181,241)	-	4,671,711
Total revenue	332,061,176	-	(1,678,178)	-	330,382,998
Expenditure					
Employee related cost	(112,312,662)	-	(2,271,894)	-	(114,584,556)
Contracted services	(20,200,556)	-	(980,590)	-	(21,181,146)
Collection cost	(168,321)	-	2,493	-	(165,828)
Provision for impairment	(17,844,467)	-	4,278,175	-	(13,566,292)
Finance cost	(728,576)	-	(3,781,389)	-	(4,509,965)
Repairs and maintenance	(13,317,089)	-	(8,741,383)	-	(22,058,472)
Depreciation	(27,909,212)	-	(15,805,550)	-	(43,714,762)

Notes to the Annual Financial Statements

Figures in Rand				2013	2012

38. Prior period errors (continued)

General expenditure	(50,552,374)	-	(11,444,672)	-	(61,997,046)
Bulk purchases	(108,181,350)	-	(107,363,980)	-	(215,545,330)
Total expenditure	(351,214,607)	-	(146,108,790)	-	(497,323,397)
Profit / (loss) on write off / sale of assets	(309,150)	-	409,150	-	100,000
Profit / (loss) on write off / sale of assets	34,053,237	-	(145,708,553)	-	(111,655,316)
Surplus / (deficit) for the year	34,053,237	-	(145,708,553)	-	(111,655,316)

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

38. Prior period errors (continued)

Statement of Financial Position as at 30 June 2013	Balance as previously reported	Change in accounting policies	Prior period error	Reclassification	Restated balance
Assets					
Current Assets					
Inventories	25,890,315	-	(9,696,896)	-	16,193,419
Consumer receivables	71,189,058	-	21,788,752	14,094,741	107,072,551
Other receivables	18,447,211	-	-	(12,238,185)	6,209,026
Financial assets	9,999,746	-	-	(9,999,746)	-
Cash and cash equivalents	32,570	-	-	9,999,746	10,032,316
Total current assets	125,558,900	-	12,091,856	1,856,556	139,507,312
Non-current Assets					
Property, plant and equipment	303,109,421	-	1,391,067,479	-	1,694,176,900
Intangible assets	749,138	-	(708,954)	-	40,184
Investment property	4,560,704	-	3,837,719	-	8,398,423
Heritage assets	-	-	1,069,102	-	1,069,102
Total non-current assets	308,419,263	-	1,395,265,346	-	1,703,684,609
Liabilities					
Current Liabilities					
Operating lease liability	-	-	3,301	-	3,301
Finance lease obligation	3,161,868	-	(273,035)	-	2,888,833
Trade and other payables	44,574,599	-	144,995,304	1,856,556	191,426,459
VAT payable	8,632,465	-	(15,077,992)	-	(6,445,527)
Unspent conditional grants	11,902,104	-	703,924	-	12,606,028
Total current liabilities	68,271,036	-	130,351,502	1,856,556	200,479,094
Non-current Liabilities					
Finance lease	5,466,705	-	(20,414)	-	5,446,291
Provisions	23,874,662	-	297,144	-	24,171,806
Retirement benefits	30,737,998	-	7,426,000	-	38,163,998
Total non-current liabilities	60,079,365	-	7,702,730	-	67,782,095
Net Assets					
Accumulated surplus - Opening balance	292,683,924	-	1,269,302,969	-	1,561,986,893
Total net assets	292,683,924	-	1,269,302,969	-	1,561,986,893

39. Comparative figures

Certain comparative figures have been reclassified, please refer to note 38.

40. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk, liquidity risk and market 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.

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

The table below analyses the municipality's financial liabilities 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
Bank overdraft	45,010,934	-	-	-
Consumer deposits	7,948,325	-	-	-
Finance lease obligations	2,446,168	2,997,398	-	-
Other financial liabilities	22,259	-	-	-
Payables from exchange transactions	238,152,232	-	-	-

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank overdraft	5,893,625	-	-	-
Consumer deposits	7,008,435	-	-	-
Finance lease obligations	2,888,833	5,466,705	-	-
Other financial liabilities	20,138	21,640	-	-
Payables from exchange transactions	191,426,459	-	-	-

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.

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
Cash and cash equivalents	17,040,234	10,032,316
Consumer receivables	102,021,894	107,072,551
Receivables from non-exchange transactions	6,680,702	6,209,026

Market risk

Interest rate risk

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

41. Going concern

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

42. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

43. Unauthorised expenditure

Opening balance	-	17,802,896
Less: Amounts not recoverable (but condoned)	-	(17,802,896)
Overspending of expenditure	89,068,863	-
	89,068,863	**-**

44. Fruitless and wasteful expenditure

Interest on arrear accounts - Eskom	9,508,983	-
Interest and penalties on late submission - SARS	44,659	-
Interest on arrear accounts - Other payables from exchange transactions	1,532	-
	9,555,174	**-**

45. Irregular expenditure

Opening balance	4,644,111	-
Add: Irregular expenditure - current year	-	4,644,111
	4,644,111	**4,644,111**

Analysis of expenditure awaiting condonation per age classification

Current year	-	4,644,111
Prior years	4,644,111	-
	4,644,111	**4,644,111**

Details of irregular expenditure – prior year

	Disciplinary steps taken/criminal proceedings	
Non compliance of SCM	Awaiting condonement	4,644,111

Figures in Rand	2013	2012

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2013	2012
Opening balance	363,245	48,000
Current year subscription	1,297,548	905,302
Amount paid - current year	-	(590,057)
Amount paid - previous years	(384,408)	-
	1,276,385	**363,245**

Audit fees

	2013	2012
Opening balance	168,830	-
Current year	3,001,859	2,235,547
Amount paid - current year	(3,001,859)	(2,066,717)
Amount paid - previous years	(168,830)	-
	-	**168,830**

PAYE and UIF

	2013	2012
Current year subscription / fee	16,065,045	13,188,785
Amount paid - current year	(16,058,056)	(13,188,785)
	6,989	**-**

Pension and medical aid deductions

	2013	2012
Current year subscription / fee	22,362,773	22,918,372
Amount paid - current year	(22,362,773)	(22,918,372)
	-	**-**

VAT

	2013	2012
VAT receivable	12,900,881	6,445,527

VAT output payables and VAT input receivables are shown in note 7.

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 at 30 June 2013:

30 June 2013	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Dhludhlu KH	259	249	508
Dladla KH	-	4,155	4,155
Mabasa FJ	27	10,041	10,068
Nkosi TS	756	-	756
Sibiya BI	443	26,673	27,116
	1,485	**41,118**	**42,603**

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

30 June 2012

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Blignaut JDA	-	797	797
Dladla KH	177	4,372	4,549
Mabasa FJ	-	10,447	10,447
Madini CVN	-	656	656
Malaza TT	128	10,523	10,651
Msezane EC	-	461	461
Nkosi SM	214	4,383	4,597
Sibiya BI	1,425	22,922	24,347
Swart HF	1,531	-	1,531
	3,475	**54,561**	**58,036**

47. Deviation from 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:

Supplier:	**Amount:**	**Reason for deviation:**
Akacia Medical	R 1,350	Akacia Medical is the sole provider of alcohol kits to hospitals, SAPA and Traffic Departments in South Africa.
Andre Vermeulen Profesional Services	R 2,755	Andre Vermeulen Profesional Services was the only provider to respond to an urgent request to host a Public Works launch event for a new scholar transport system.
Auto Door Motors and Equipment	R 30,028	Auto Door Motors and Equipment is the sole provider of aluminium bay doors and their electrical components installed at the fire station.
Bell Equipment Sales	R 2,914	A sideshaft for Bell tractor (Registration nr: BKR105MP) was only available from the agents.
Bell Equipment Sales	R 7,930	A manifold and gaskets for Bell hauler (Registration nr: DKV025MP) was only available from the agents.
Bell Equipment Sales	R 4,782	A propshaft for Bell hauler (Registration nr: DKV029MP) was only available from the agents.
Bell Equipment Sales	R 7,930	A manifold and gaskets for Bell hauler (Registration nr: DKV024MP) was only available from the agents.
Bell Equipment Sales	R 4,782	A propshaft for Bell hauler (Registration nr: DKV024MP) was only available from the agents.
Burlec	R 18,540	Contactors for Douglas purification plant was required on an emergency basis as there was no water supply to the Wesselton community.
Caluma Projects	R 46,995	A booster pump was required on an emergency basis as there was no water supply to the Ermelo community. The contracted service provider could not supply a water pump at the time of the request.
Circuit Water Engineering	R 2,576	Circuit Water Engineering is the sole provider of the screen oil used to seperate solids from liquids.
Combo Building Supplies	R 11,943	Pipe fittings for a sewer line was required on an emergency basis as there was no sewer line connections at Ext. 33 for more than 30 houses.
Damos Motor Engineering	R 20,862	Mazda rescue vehicle (Registration nr: BLD591MP) had to be stripped before a quote for repairs to the engine was given by the agents.
De Wit Motors	R 19,436	Mercedes Benz truck with PTO pump (Registration nr: DNJ698MP) had to be stripped before a quote for repairs was given by the agents.
Donau Services	R 10,870	A compressor was required on an emergency basis as the municipality's information technology systems could not function due to a faulty compressor in the server room.
Dräger SA	R 1,115	Dräger SA is the sole provider for repairs, maintenance and calibrations of The Dräger Alcotest machines 7110 and 5610.
Ermelo Electro Motor Services	R 11,066	A water pump was required on an emergency basis as there was no water supply to the Lothair community. The contracted service provider could not supply a water pump at the time of the request.
Ermelo Toyota	R 3,461	A torsion bar kit for Toyota Venture (Registration nr: BLL856MP) was only available from the agents.
Ermelo Truck and Tractor Centre	R 9,986	Truck US 290 (Registration nr: DYP691MP) had to be stripped before a quote for repairs was given by the agents.
Ermelo Truck and Tractor Centre	R 10,648	Nissan hazardous material response vehicle (Registration nr: CVV407MP) had to be stripped before a quote for repairs to the clutch and gearbox was given by the agents.
Ermelo Truck and Tractor Centre	R 3,321	TATA fire engine (Registration nr: DPM904MP) had to be stripped before a quote for repairs was given by the agents.

Figures in Rand		2013	2012

47. Deviation from supply chain management regulations (continued)

Ermelo Truck and Tractor Centre	R 33,036	Isuzu truck (Registration nr: BKW141MP) had to be stripped before a quote for for repairs to the gearbox was given by the agents.
Ermelo Truck and Tractor Centre	R 73,100	Nissan truck (Registration nr: DFR007MP) had to be stripped before a quote for repairs to the transmission was given by the agents.
Fire Raiders	R 21,822	Major pumper of fire engine (Registration nr: FMZ490MP) requires annual servicing to comply with warrentee requirements and clauses in the event of a warrentee claim.
FZ Projects	R 53,202	Grader (Registration nr: BKR134MP) had to be stripped before a quote for repairs to the transfer box was given by the agents.
Government Printing Works	R 3,890	Government Printig Works is the sole provider of all legal documentation used by the Town Planning office.
Government Printing Works	R 26,671	Governement Printing Works is the sole provider of all legal documentation used by the Public Safety office.
Government Printing Works	R 3,890	Governement Printing Works is the sole provider of all legal documentation.
High Pressure Systems	R 15,855	High Pressure Systems is the sole provider of the Bauer breathing apparatus air compressor in South Africa.
ICON Enterprises	R 3,990	The overhead line at Brummer Dam required repairs on an emergency basis. The contracted service provider could not supply a truck at the time of the request.
ICON Enterprises	R 3,990	The transformer required replacement on an emergency basis. The contracted service provider could not supply a transformer at the time of the request.
Iron-ore Trading	R 70,537	The TLB required repairs on an emergency basis as Ext. 33 was faced with sewer outbreaks.
Iron-ore Trading	R 237,517	Water carts were required on an emergency basis due to unforeseen water crisis in Msukaligwa.
Iron-ore Trading	R 5,643	A TLB was required on an emergency basis as the municipality's TLB was in for repairs and graves were needed for burials in Breyton.
JWL Industrial	R 37,750	Massey Ferguson tractor (Registration nr: DPM827MP) had to be stripped before a quote for repairs to the axle was given by the agents.
JWL Industrial	R 11,463	JWL Industrial is the sole provider of a hydraulic pump required for Massey Ferguson tractor (Registration nr: DDX465MP).
JWL Industrial	R 16,108	Massey Ferguson tractor (Registration nr: FGW273MP) had to be stripped before a quote for repairs to the engine was given by the agents.
JWL Industrial	R 10,131	Massey Ferguson tractor (Registration nr: DXF621MP) had to be stripped before a quote for repairs to the clutch was given by the agents.
JWL Industrial	R 37,750	Massey Ferguson tractor (Registration nr: DPM827MP) had to be stripped before a quote for repairs to the axle was given by the agents.
Mpumalanga Provincial Government	R 37,526	Mpumalanga Provincial Government is the sole provider of all the face value documents.
Mtsweni Els Contruction	R 130,658	Repairs to the network in Ext. 32 was required on an emergency basis due to a vist by the MEC to the area.
Ntaba Inyoni Timbers	R 98,960	A water pump was required on an emergency basis as there was no water supply to the Ermelo community. The contracted service provider could not supply a water pump at the time of the request.
Ntaba Inyoni Timbers	R 54,975	A cable fault locater was required on an emergency basis as the municipality's cable fault locater was in for repairs and there was no electricity supply to the Ermelo community.
OTIS	R 12,615	OTIS is the sole provider for servicing of the OTIS lifts installed at the Civic Centre.
Shesha Towing	R 3,000	Unimeg fire engine (Registration nr: BKP679MP) had to be

47. Deviation from supply chain management regulations (continued)

		towed to the workshop due to steering problems. Shesha towing was the only provider available at the time.
Shesha Towing	R 1,745	GMC fire engine (Registration nr: BKP681MP) had to be towed out from being stuck in a ditch. Shesha towing was the only provider available at the time.
Southern Africa Fault Location	R 4,720	Southern Africa Fault Location is the sole provider for repairs to the cable fault locater machine as they are the manufacturer.
Spray Air Services	R 10,031	Spray Air Services is the sole provider for repairs to the paint machine as they are the sole provider of such paint machines.
Trio Hydraulics	R 5,664	PTO pump of truck (Registration nr: DFR007MP) had to be stripped and tested before a quote for repairs was given by the hydraulic specialists.
Trio Hydraulics	R 2,958	Nissan truck (Registration nr: BYF104MP) had to be stripped before a quote for repairs to the hydraulic cylinders was given by the agents.
Trio Hydraulics	R 29,581	Nissan truck (Registration nr: BYF104MP) had to be stripped before a quote for repairs to the hydraulic cylinders was given by the agents.
Turner Morris	R 3,648	Turner Morris is the sole provider for repairs to sub pumps used in pumping water out of trenches during repairs as they are the sole provider of such pumps.
Twenty Four Motors	R 1,058	Ford Bantam (Registration nr: DXL674MP) had to undergo diagnosing during service by the agents.
Twenty Four Motors	R 4,309	Twenty Four Motors is the sole provider of load sensor and handle for Ford Bantam (Registration nr: DXL651MP).
Van Wettens Breakdown Services	R 3,648	TATA fire engine (Registration nr: DPM904MP had to be towed to the workshop due to engine problems. Van Wettens Breakdown services was the only provider available at the time.
Van Wettens Breakdown Services	R 3,705	Volvo grader (Registration nr: DND134MP) had to be towed out from being stuck in the mud. Van Wettens Breakdown Services was the only provider available at the time.
Velocity Road Rehabilitation	R 93,224	Velocity Road Rehabilitation is the sole provider for repairs to roads in a unique process of cleaning, preparation, filling and compaction in one short process.
Workshop Electronics	R 14,596	Workshop Electronics is the sole provider as prescribed by SANS 102/6.
Workshop Electronics	R 7,957	Workshop Electronics is the sole provider for calibration services at the Breyton vehicle testing station.
Yeltech	R 2,839	Yeltech is one of two sole providers of paper rolls used in the preparation and producing of building plans.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

48. Budget differences

Material differences between budget and actual amounts:

1. Service charges: differences were due to a low collection rate.

2. Rental of facilities and equipment: less facilities and equipment were leased out than planned.

3. Income from agency services: was due to increase in licence fees.

4. Licences and permits: was due to increase in licence fees.

5. Sale of erven: was due to an increase in sale of erven.

6. Other income: was due to an increase in collection.

7. Monies received and forfeited: monies was not claimed back by consumers.

8. Government grants (exchange transactions): was due to an increase in govenment grant allocation.

9. Interest received - investment: was due to an increase on consumer accounts

10. Taxation revenue: was due to increase on rated properties

11. Government grants (non-exchange transactions): was due to capital grant which was not included in the oprational budget.

12. Fines: was due to less fines issued.

13. Employee related cost: was due to non compliance to ligislation on overtime and leave encashments.

14. Remuneration of councillors: was due to less travelling costs budgeted for.

15. Depreciation: was due to increase in assets due to verification and less budgeted for.

16. Finance costs: was due to interest on arrear accounts.

17. Provision for impairment: was due to an increase in bad debts.

18. Collection cost: was due to less commision paid.

19. Repairs and maintenance: was due to cost curtailement measures implemented.

20. Bulk purchases: electricity and water arrear accounts.

21. Contracted services: was due to security costs as a result of riots, commission fees for collections and the project on the operation clean audit.

22. General expenditure: was due to cost curtailment measures implemented.

Appendix A

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
Development Bank of South Africa						
DBSA loan	61002213	30 June 2014	21,640	-	10,110	11,530
DBSA loan	61002567	30 June 2014	20,138	-	9,408	10,730
			41,778	**-**	**19,518**	**22,260**
Total external loans			**41,778**	**-**	**19,518**	**22,260**

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings											
Land	338,043,672	-	-	-	338,043,672	-	-	-	-	-	338,043,672
Landfill sites	19,355,280	3,894,289	-	-	23,249,569	(379,985)	-	-	(5,520,498)	(5,900,483)	17,349,086
Buildings	60,039,974	-	-	-	60,039,974	(1,601,066)	-	-	(399,993)	(2,001,059)	58,038,915
	417,438,926	3,894,289	-	-	421,333,215	(1,981,051)	-	-	(5,920,491)	(7,901,542)	413,431,673
Infrastructure											
Infrastructure assets	1,374,869,787	6,939,819	-	18,731,113	1,400,540,719	(157,716,148)	-	-	(41,174,346)	(198,890,494)	1,201,650,225
	1,374,869,787	6,939,819	-	18,731,113	1,400,540,719	(157,716,148)	-	-	(41,174,346)	(198,890,494)	1,201,650,225

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Heritage assets											
Other	1,069,102	-	-	-	1,069,102	-	-	-	-	-	1,069,102
	1,069,102	-	-	-	1,069,102	-	-	-	-	-	1,069,102
Other assets											
Motor vehicles	8,915,369	84,969	-	-	9,000,338	(1,730,373)	-	-	(335,244)	(2,065,617)	6,934,721
Computer Equipment	218,147	-	-	-	218,147	(145,431)	-	-	(36,333)	(181,764)	36,383
Emergency equipment	368,938	-	-	-	368,938	(147,576)	-	-	(36,868)	(184,444)	184,494
Furniture & Fittings	2,397,696	-	-	-	2,397,696	(953,831)	-	-	(238,296)	(1,192,127)	1,205,569
Office Equipment	485,532	-	-	-	485,532	(194,213)	-	-	(48,520)	(242,733)	242,799
Plant and equipment	591,152	-	-	-	591,152	(236,461)	-	-	(59,075)	(295,536)	295,616
Leased assets: Motor vehicles	16,184,759	-	-	-	16,184,759	(7,647,786)	-	-	(781,838)	(8,429,624)	7,755,135
Leased assets: Copiers	2,293,298	-	-	-	2,293,298	(533,647)	-	-	(685,419)	(1,219,066)	1,074,232
Bins	4,405	-	-	-	4,405	(1,762)	-	-	(440)	(2,202)	2,203
	31,459,296	84,969	-	-	31,544,265	(11,591,080)	-	-	(2,222,033)	(13,813,113)	17,731,152

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment											
Land and buildings	417,438,926	3,894,289	-	-	421,333,215	(1,981,051)	-	-	(5,920,491)	(7,901,542)	413,431,673
Infrastructure	1,374,869,787	6,939,819	-	18,731,113	1,400,540,719	(157,716,148)	-	-	(41,174,346)	(198,890,494)	1,201,650,225
Heritage assets	1,069,102	-	-	-	1,069,102	-	-	-	-	-	1,069,102
Other assets	31,459,296	84,969	-	-	31,544,265	(11,591,080)	-	-	(2,222,033)	(13,813,113)	17,731,152
	1,824,837,111	10,919,077	-	18,731,113	1,854,487,301	(171,288,279)	-	-	(49,316,870)	(220,605,149)	1,633,882,152
Work in progress											
Infrastructure assets	41,697,166	34,764,913	-	(18,731,113)	57,730,966	-	-	-	-	-	57,730,966
	41,697,166	34,764,913	-	(18,731,113)	57,730,966	-	-	-	-	-	57,730,966
Investment properties											
Land	6,659,646	-	-	-	6,659,646	(177,591)	-	-	(44,367)	(221,958)	6,437,688
Buildings	1,968,871	-	-	-	1,968,871	(52,503)	-	-	(13,117)	(65,620)	1,903,251
	8,628,517	-	-	-	8,628,517	(230,094)	-	-	(57,484)	(287,578)	8,340,939
Intangible assets											
Computer software	77,502	-	-	-	77,502	(37,318)	-	-	(9,323)	(46,641)	30,861
	77,502	-	-	-	77,502	(37,318)	-	-	(9,323)	(46,641)	30,861
Total											
Land and buildings	417,438,926	3,894,289	-	-	421,333,215	(1,981,051)	-	-	(5,920,491)	(7,901,542)	413,431,673
Infrastructure	1,374,869,787	6,939,819	-	18,731,113	1,400,540,719	(157,716,148)	-	-	(41,174,346)	(198,890,494)	1,201,650,225
Heritage assets	1,069,102	-	-	-	1,069,102	-	-	-	-	-	1,069,102
Other assets	31,459,296	84,969	-	-	31,544,265	(11,591,080)	-	-	(2,222,033)	(13,813,113)	17,731,152
Work in progress	41,697,166	34,764,913	-	(18,731,113)	57,730,966	-	-	-	-	-	57,730,966
Investment properties	8,628,517	-	-	-	8,628,517	(230,094)	-	-	(57,484)	(287,578)	8,340,939
Intangible assets	77,502	-	-	-	77,502	(37,318)	-	-	(9,323)	(46,641)	30,861
	1,875,240,296	45,683,990	-	-	1,920,924,286	(171,555,691)	-	-	(49,383,677)	(220,939,368)	1,699,984,918

Appendix B

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

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings											
Land	338,043,672	-	-	-	338,043,672	-	-	-	-	-	338,043,672
Landfill sites	19,058,135	297,145	-	-	19,355,280	-	-	-	(379,985)	(379,985)	18,975,295
Buildings	60,039,974	-	-	-	60,039,974	(1,199,978)	-	-	(401,088)	(1,601,066)	58,438,908
	417,141,781	297,145	-	-	417,438,926	(1,199,978)	-	-	(781,073)	(1,981,051)	415,457,875
Infrastructure											
Infrastructure assets	1,351,146,785	4,628,211	-	19,094,791	1,374,869,787	(117,556,889)	-	-	(40,159,260)	(157,716,149)	1,217,153,638
	1,351,146,785	4,628,211	-	19,094,791	1,374,869,787	(117,556,889)	-	-	(40,159,260)	(157,716,149)	1,217,153,638

Appendix B

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

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Heritage assets											
Other	1,069,102	-	-	-	1,069,102	-	-	-	-	-	1,069,102
	1,069,102	-	-	-	1,069,102	-	-	-	-	-	1,069,102
Other assets											
Motor vehicles	8,915,369	-	-	-	8,915,369	(1,448,135)	-	-	(282,238)	(1,730,373)	7,184,996
Plant and equipment	591,152	-	-	-	591,152	(177,224)	-	-	(59,237)	(236,461)	354,691
Computer Equipment	218,147	-	-	-	218,147	(108,999)	-	-	(36,432)	(145,431)	72,716
Emergency equipment	368,938	-	-	-	368,938	(110,606)	-	-	(36,970)	(147,576)	221,362
Furniture & Fittings	2,397,696	-	-	-	2,397,696	(714,887)	-	-	(238,944)	(953,831)	1,443,865
Office Equipment	485,532	-	-	-	485,532	(145,560)	-	-	(48,653)	(194,213)	291,319
Leased assets: Motor vehicles	15,451,181	733,577	-	-	16,184,758	(6,053,578)	-	-	(1,594,208)	(7,647,786)	8,536,972
Leased assets: Copiers	254,608	2,038,690	-	-	2,293,298	(123,334)	-	-	(410,314)	(533,648)	1,759,650
Bins	4,405	-	-	-	4,405	(1,320)	-	-	(441)	(1,761)	2,644
	28,687,028	2,772,267	-	-	31,459,295	(8,883,643)	-	-	(2,707,437)	(11,591,080)	19,868,215

Appendix B

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

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment											
Land and buildings	417,141,781	297,145	-	-	417,438,926	(1,199,978)	-	-	(781,073)	(1,981,051)	415,457,875
Infrastructure	1,351,146,785	4,628,211	-	19,094,791	1,374,869,787	(117,556,889)	-	-	(40,159,260)	(157,716,149)	1,217,153,638
Heritage assets	1,069,102	-	-	-	1,069,102	-	-	-	-	-	1,069,102
Other assets	28,687,028	2,772,267	-	-	31,459,295	(8,883,643)	-	-	(2,707,437)	(11,591,080)	19,868,215
	1,798,044,696	7,697,623	-	19,094,791	1,824,837,110	(127,640,510)	-	-	(43,647,770)	(171,288,280)	1,653,548,830
Work in progress											
Infrastructure assets	30,027,030	30,764,927	-	(19,094,791)	41,697,166	-	-	-	-	-	41,697,166
	30,027,030	30,764,927	-	(19,094,791)	41,697,166	-	-	-	-	-	41,697,166
Investment property											
Land	6,659,646	-	-	-	6,659,646	(133,102)	-	-	(44,489)	(177,591)	6,482,055
Buildings	1,968,871	-	-	-	1,968,871	(39,350)	-	-	(13,153)	(52,503)	1,916,368
	8,628,517	-	-	-	8,628,517	(172,452)	-	-	(57,642)	(230,094)	8,398,423
Intangible assets											
Computer software	77,502	-	-	-	77,502	(27,970)	-	-	(9,349)	(37,319)	40,183
	77,502	-	-	-	77,502	(27,970)	-	-	(9,349)	(37,319)	40,183
Total											
Land and buildings	417,141,781	297,145	-	-	417,438,926	(1,199,978)	-	-	(781,073)	(1,981,051)	415,457,875
Infrastructure	1,351,146,785	4,628,211	-	19,094,791	1,374,869,787	(117,556,889)	-	-	(40,159,260)	(157,716,149)	1,217,153,638
Heritage assets	1,069,102	-	-	-	1,069,102	-	-	-	-	-	1,069,102
Other assets	28,687,028	2,772,267	-	-	31,459,295	(8,883,643)	-	-	(2,707,437)	(11,591,080)	19,868,215
Work in progress	30,027,030	30,764,927	-	(19,094,791)	41,697,166	-	-	-	-	-	41,697,166
Investment property	8,628,517	-	-	-	8,628,517	(172,452)	-	-	(57,642)	(230,094)	8,398,423
Intangible assets	77,502	-	-	-	77,502	(27,970)	-	-	(9,349)	(37,319)	40,183
	1,836,777,745	38,462,550	-	-	1,875,240,295	(127,840,932)	-	-	(43,714,761)	(171,555,693)	1,703,684,602

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

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable share	43,815,000	23,017,000	38,325,000	-	43,815,000	23,017,000	38,325,000	-	Yes
Municipal infrastructure grants	5,000,000	27,746,000	7,631,000	-	4,470,537	11,382,862	1,496,080	14,206,971	Yes
Financial management grant	1,500,000	-	-	-	571,638	521,192	163,676	243,495	Yes
Municipal systems improvement	800,000	-	-	-	228,000	-	6,826	565,174	Yes
Expanded pubic works	940,000	-	116,000	-	-	-	-	1,056,000	Yes
Integrated national electrification	3,420,000	2,280,000	-	-	3,274,396	2,015,928	-	(428,635)	Yes
SETA	115,428	205,447	137,648	269,953	432,020	158,298	138,158	-	Yes
Gert Sibande	-	-	-	4,832,138	-	-	-	4,832,138	
	55,590,428	53,248,447	46,209,648	5,102,091	52,791,591	37,095,280	40,129,740	20,475,143	

Note: A reconciliation was performed in the notes to the annual financial statements on the amounts recognised as income. Refer to note 25 for the details