Tswelopele Local Municipality
(Registration number FS183)
Financial statements
for the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Executive committee	Mathibe, ME (Mayor)
	Moalosi, PP
	Horn, C
Councillors	Matlakala, TA (Speaker)
	Baleni, MS
	Bonokwane, MS
	Eseu, BP
	Joubert, EC
	Njodina, DA
	Ngexe, MJ
	Phukuntsi, KR
	Raseu, MW
	Taedi, TT
	Taljaard, MJ
	Snyer, MM
Grading of local authority	Medium Capacity
	Grade 3 in terms of Remuneration of Public Office Bearers Act.
Accounting Officer	Mkhwane, TL
Chief Finance Officer (CFO)	Moletsane, L
Business address	Civic Centre
	Bosman Street
	Bultfontein
	9670
Postal address	PO Box 3
	Bultfontein
	9670
Bankers	ABSA Bank Limited
Auditors	The Auditor-General of South Africa

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The annual financial statements set out on pages 5 to 83, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

TL Mkhwane
Municipal Manager

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Cash and cash equivalents	3	14 110 511	15 219 754
Consumer debtors	4	7 681 295	6 365 776
Inventories	5	219 728	166 493
Other receivables from exchange transactions	6	707 376	821 068
Other receivables from non-exchange transactions	7	2 143 152	4 311 139
VAT receivable	8	801 756	1 825 207
		25 663 818	**28 709 437**
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	1 131 476	816 680
Intangible assets	10	18 685	12 091
Investment property	11	23 876 000	23 876 000
Other financial assets	12	897 182	823 107
Property, plant and equipment	13	358 208 179	347 242 209
		384 131 522	**372 770 087**
Total Assets		**409 795 340**	**401 479 524**
Liabilities			
Current Liabilities			
Borrowings	14	1 694 349	566 036
Consumer deposits	15	538 253	478 702
Finance lease obligation	16	636 931	601 962
Payables from exchange transactions	17	16 477 308	22 676 304
Provisions	18	490 000	442 000
Retirement benefit obligation	19	419 000	425 000
Unspent conditional grants and receipts	20	-	2 546 130
VAT payable		51 439	265 747
		20 307 280	**28 001 881**
Non-Current Liabilities			
Borrowings	14	11 848 214	12 484 907
Finance lease obligation	16	360 974	908 595
Provisions	18	18 684 078	17 253 592
		30 893 266	**30 647 094**
Total Liabilities		**51 200 546**	**58 648 975**
Net Assets		**358 594 794**	**342 830 549**

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Net Assets			
Reserves			
Accumulated surplus		358 594 794	342 830 549
Total Net Assets		**358 594 794**	**342 830 549**

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	23	32 202 116	27 754 677
Rental of facilities and equipment	24	882 534	389 622
Interest received (trading)		104 165	265 387
Licences and permits		1 350	1 100
Sale of game		158 522	197 300
Other income	25	1 064 852	533 027
Interest received - investment		419 298	815 952
Dividends received		258 565	69 042
Property rates	26	7 477 676	6 571 275
Government grants and subsidies	27	98 413 772	97 697 348
Fines		259 400	248 300
Total revenue		**141 242 250**	**134 543 030**
Expenditure			
Personnel	28	(38 525 232)	(32 001 458)
Remuneration of councillors	29	(4 025 443)	(3 670 373)
Depreciation and amortisation	30	(19 330 543)	(20 290 458)
Finance costs	31	(3 586 642)	(2 661 095)
Movement in bad debt provision	32	(4 112 517)	(6 260 335)
Repairs and maintenance		(6 677 885)	(5 534 176)
Bulk purchases	33	(28 337 970)	(24 839 234)
General Expenses	34	(21 045 266)	(19 232 809)
Total expenditure		**(125 641 498)**	**(114 489 938)**
Operating surplus		**15 600 752**	**20 053 092**
Loss on disposal of assets and liabilities		(66 862)	-
Fair value adjustments - game		156 274	176 804
Fair value adjustments - shares	35	74 075	615 151
		163 487	**791 955**
Surplus for the year		**15 764 239**	**20 845 047**
Attributable to:			
Owners of the controlling entity		15 764 239	20 845 047

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	**321 985 502**	**321 985 502**
Changes in net assets		
Surplus/(deficit) for the period	20 845 047	20 845 047
Total changes	20 845 047	20 845 047
Opening balance as previously reported	320 514 220	320 514 220
Adjustments		
Correction of errors (note 48)	22 316 335	22 316 335
Balance at 01 July 2012 as restated	**342 830 555**	**342 830 555**
Changes in net assets		
Surplus/(deficit) for the period	15 764 239	15 764 239
Total changes	15 764 239	15 764 239
Balance at 30 June 2013	**358 594 794**	**358 594 794**

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		38 786 401	40 385 900
Grants		95 867 642	96 762 437
Interest income		419 298	815 952
Dividends received		146 218	69 042
		135 219 559	138 033 331
Payments			
Employee costs		(43 126 129)	(33 147 998)
Suppliers		(59 225 029)	(58 847 757)
Finance costs		(3 292 073)	(2 267 242)
		(105 643 231)	(94 262 997)
Net cash flows from operating activities	38	**29 576 328**	**43 770 334**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(30 284 190)	(34 870 971)
Proceeds from sale of property, plant and equipment	13	155 122	-
Purchase of other intangible assets	10	(240 902)	(223 117)
Proceeds from sale of biological assets that form part of an agricultural activity	9	-	102 698
Net cash flows from investing activities		**(30 257 623)**	**(34 991 390)**
Cash flows from financing activities			
Movement in borrowings		491 620	(503 229)
Movement in other liability		-	(1 000)
Finance lease payments		(807 221)	(852 392)
Distributions to owners		(112 347)	-
Net cash flows from financing activities		**(427 948)**	**(1 356 621)**
Net increase/(decrease) in cash and cash equivalents		**(1 109 243)**	**7 422 323**
Cash and cash equivalents at the beginning of the year		15 219 754	7 797 431
Cash and cash equivalents at the end of the year	3	**14 110 511**	**15 219 754**

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
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	23 884 289	8 198 711	**32 083 000**	32 202 116	**119 116**	23
Rental of facilities and equipment	583 490	215 510	**799 000**	882 534	**83 534**	24
Interest received (trading)	448 200	(448 200)	-	104 165	**104 165**	
Licences and permits	947	353	**1 300**	1 350	**50**	
Other income	149 400	664 600	**814 000**	158 522	**(655 478)**	25
Other income - (rollup)	524 473	(524 473)	-	1 064 852	**1 064 852**	
Interest received - investment	373 500	106 500	**480 000**	419 298	**(60 702)**	
Dividends received	97 110	(97 110)	-	258 565	**258 565**	
Total revenue from exchange transactions	**26 061 409**	**8 115 891**	**34 177 300**	**35 091 402**	**914 102**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	2 314 344	1 770 656	**4 085 000**	7 477 676	**3 392 676**	26
Government grants & subsidies	49 110 284	17 205 716	**66 316 000**	98 413 772	**32 097 772**	27
Transfer revenue						
Fines	114 216	117 784	**232 000**	259 400	**27 400**	
Total revenue from non-exchange transactions	**51 538 844**	**19 094 156**	**70 633 000**	**106 150 848**	**35 517 848**	
Total revenue	**77 600 253**	**27 210 047**	**104 810 300**	**141 242 250**	**36 431 950**	
Expenditure						
Personnel	(28 670 586)	(6 767 634)	**(35 438 220)**	(38 525 232)	**(3 087 012)**	28
Remuneration of councillors	(3 725 187)	(849 593)	**(4 574 780)**	(4 025 443)	**549 337**	29
Depreciation and amortisation	-	-	-	(19 330 543)	**(19 330 543)**	30
Finance costs	(1 516 261)	(829 739)	**(2 346 000)**	(3 586 642)	**(1 240 642)**	31
Debt impairment	(1 867 878)	(632 622)	**(2 500 500)**	(4 112 517)	**(1 612 017)**	32
Repairs and maintenance	(5 745 924)	-	**(5 745 924)**	(6 677 885)	**(931 961)**	
Bulk purchases	(19 871 969)	(343 031)	**(20 215 000)**	(28 337 970)	**(8 122 970)**	33
General Expenses	(18 183 585)	(18 371 991)	**(36 555 576)**	(21 045 266)	**15 510 310**	34
Total expenditure	**(79 581 390)**	**(27 794 610)**	**(107 376 000)**	**(125 641 498)**	**(18 265 498)**	
Operating surplus	**(1 981 137)**	**103 773 479**	**(2 565 700)**	**15 600 752**	**18 166 452**	
Loss on disposal of assets and liabilities	-	-	-	(66 862)	**(66 862)**	
Gain on fair value adjustment	-	-	-	156 274	**156 274**	
Fair value adjustments	-	-	-	74 075	**74 075**	35
	-	**-**	**-**	**163 487**	**163 487**	
Surplus before taxation	**(1 981 137)**	**103 773 479**	**101 792 342**	**15 764 239**	**(86 028 103)**	

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
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1 981 137)**	**103 773 479**	**101 792 342**	**15 764 239**	**(86 028 103)**	

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
Statement of Financial Position						
Assets						
Current Assets						
Inventories	89 000	-	**89 000**	219 728	**130 728**	5
Other receivables from exchange transactions	-	-	**-**	707 376	**707 376**	6
Other receivables from non-exchange transactions	4 276 000	(2 552 304)	**1 723 696**	2 143 152	**419 456**	7
VAT receivable	-	-	**-**	801 756	**801 756**	8
Consumer debtors	19 763 000	-	**19 763 000**	7 681 295	**(12 081 705)**	4
Cash and cash equivalents	7 825 000	-	**7 825 000**	14 110 511	**6 285 511**	3
	31 953 000	**(2 552 304)**	**29 400 696**	**25 663 818**	**(3 736 878)**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	1 067 000	-	**1 067 000**	1 131 476	**64 476**	9
Investment property	13 066 000	-	**13 066 000**	23 876 000	**10 810 000**	11
Property, plant and equipment	553 347 000	-	**553 347 000**	358 208 179	**(195 138 821)**	13
Intangible assets	-	-	**-**	18 685	**18 685**	10
Other financial assets	212 000	-	**212 000**	897 182	**685 182**	12
	567 692 000	**-**	**567 692 000**	**384 131 522**	**(183 560 478)**	
Total Assets	**599 645 000**	**(2 552 304)**	**597 092 696**	**409 795 340**	**(187 297 356)**	
Liabilities						
Current Liabilities						
Borrowings	1 351 000	-	**1 351 000**	1 694 349	**343 349**	14
Finance lease obligation	-	-	**-**	636 931	**636 931**	16
Payables from exchange transactions	19 103 000	-	**19 103 000**	16 477 308	**(2 625 692)**	17
VAT payable	-	-	**-**	51 439	**51 439**	
Consumer deposits	452 000	-	**452 000**	538 253	**86 253**	15
Retirement benefit obligation	-	-	**-**	419 000	**419 000**	19
Provisions	-	-	**-**	490 000	**490 000**	18
	20 906 000	**-**	**20 906 000**	**20 307 280**	**(598 720)**	
Non-Current Liabilities						
Borrowings	14 432 000	-	**14 432 000**	11 848 214	**(2 583 786)**	14
Finance lease obligation	-	-	**-**	360 974	**360 974**	16
Provisions	3 491 000	-	**3 491 000**	18 684 078	**15 193 078**	18
	17 923 000	**-**	**17 923 000**	**30 893 266**	**12 970 266**	
Total Liabilities	**38 829 000**	**-**	**38 829 000**	**51 200 546**	**12 371 546**	
Net Assets	**560 816 000**	**(2 552 304)**	**558 263 696**	**358 594 794**	**(199 668 902)**	

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
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Capital replacement reserve	350 490 000	-	**350 490 000**	-	**(350 490 000)**	
Accumulated surplus	210 326 000	(2 552 304)	**207 773 696**	358 594 794	**150 821 098**	
Total Net Assets	**560 816 000**	**(2 552 304)**	**558 263 696**	**358 594 794**	**(199 668 902)**	

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	35 178 000	-	**35 178 000**	41 920 343	**6 742 343**	
Grants	102 731 000	-	**102 731 000**	98 336 699	**(4 394 301)**	
Interest income	660 000	-	**660 000**	419 298	**(240 702)**	
Dividends received	-	-	**-**	146 218	**146 218**	
	138 569 000	**-**	**138 569 000**	**140 822 558**	**2 253 558**	
Payments						
Employee costs	(36 379 000)	-	**(36 379 000)**	(43 251 675)	**(6 872 675)**	
Suppliers	(66 428 000)	-	**(66 428 000)**	-	**66 428 000**	
Finance costs	(2 346 000)	-	**(2 346 000)**	-	**2 346 000**	
	(105 153 000)	**-**	**(105 153 000)**	**(43 251 675)**	**61 901 325**	
Net cash flows from operating activities	**33 416 000**	**-**	**33 416 000**	**97 570 883**	**64 154 883**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(35 371 000)	-	**(35 371 000)**	(30 284 190)	**5 086 810**	13
Proceeds from sale of property, plant and equipment	-	-	**-**	155 122	**155 122**	13
Purchase of other intangible assets	-	-	**-**	(240 902)	**(240 902)**	10
Net cash flows from investing activities	**(35 371 000)**	**-**	**(35 371 000)**	**(30 369 970)**	**5 001 030**	
Cash flows from financing activities						
Repayment of borrowings	(448 000)	-	**-**	491 620	**491 620**	
Movement in current portion of long-term provision	(596 000)	-	**-**	-	**-**	
Finance lease payments	-	-	**-**	(807 221)	**(807 221)**	
Distributions to owners	-	-	**-**	(112 347)	**(112 347)**	
Net cash flows from financing activities	**(1 044 000)**	**-**	**-**	**(427 948)**	**(427 948)**	
Net increase/(decrease) in cash and cash equivalents	(2 999 000)	-	**(1 955 000)**	66 772 965	**68 727 965**	
Cash and cash equivalents at the beginning of the year	7 825 000	-	**7 825 000**	15 219 754	**7 394 754**	
Cash and cash equivalents at the end of the year	**4 826 000**	**-**	**5 870 000**	**81 992 719**	**76 122 719**	

Additional text

Accounting Policies

1. Presentation of Financial Statements

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

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

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance is recognised to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

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 waste and water network and other assets

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

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each 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 pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Biological assets that form part of an agricultural activity

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

1.3 Investment property

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

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

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the 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 through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

Accounting Policies

1.3 Investment property (continued)

Fair value

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

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

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

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

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

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Average useful life
Land and buildings	
• Land	Indefinite
• Buildings	30 - 45 years
Leased assets	5 years
Furniture and fixtures	6 years
IT equipment	3 years
Infrastructure	
• Electricity	20 years
• Roads and paving	15 - 30 years
• Sewerage	20 - 30 years
• Water	20 - 30 years
Other property, plant and equipment	10 years

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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 municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

1.5 Intangible assets

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

Accounting Policies

1.5 Intangible assets (continued)

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
Software licences	1 year
Computer software	3 years
Website	Indefinite

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

1.6 Financial instruments

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

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

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

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

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

1.6 Financial instruments (continued)

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

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

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

1.6 Financial instruments (continued)

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

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

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

Classification

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

Class	Category
Consumer receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Unlisted shares	Financial asset measured at fair value

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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 entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an 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.

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

Reclassification

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

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

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

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

Accounting Policies

1.6 Financial instruments (continued)

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

Financial liabilities

1.6 Financial instruments (continued)

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

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).

Presentation

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

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

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

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

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

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

1.7 Leases

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

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

1.7 Leases (continued)

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

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

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

Operating leases - lessee

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

Accounting Policies

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

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

1.9 Impairment of cash-generating assets

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

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

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

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

1.9 Impairment of cash-generating assets (continued)

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

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

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

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

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

1.10 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or

Accounting Policies

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

(b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.11 Employee benefits

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

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

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Post-employment benefits

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

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

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

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

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

1.12 Provisions and contingencies

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

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

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

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

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

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

1.12 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

Accounting Policies

1.12 Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

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 .

Interest, royalties and dividends

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

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

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

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

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

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

1.14 Revenue from non-exchange transactions

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

1.14 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

Transfers

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

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

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

Fines

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

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

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

Bequests

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

Accounting Policies

1.14 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.

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

1.15 Investment income

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

1.16 Borrowing costs

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value 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 1.9 and 1.10. 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.

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and

Accounting Policies

1.18 Unauthorised expenditure (continued)

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

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

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

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 economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Accounting Policies

1.22 Presentation of currency

These financial statements are presented in South African Rand.

1.23 Offsetting

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

1.24 Conditional grants and receipts

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

1.25 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by programmes linked to performance outcome objectives.

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

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

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The municipality makes use of conservative budgeting techniques and can be seen as the main reason for the material differences between actual and expected cash flows as per page 12.

Comparative information is not required.

1.26 Related parties

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

Accounting Policies

1.26 Related parties (continued)

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

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

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

1.27 Commitments

'Commitment' may be referred to as the intention to commit to an outflow from the municipality of resources embodying economic benefits.

Generally, a commitment arises when a decision is made to incur a liability in the form of a purchase contract (or similar documentation). Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

The municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.

Accounting Policies

1.28 Events after the reporting date

Events after the reporting date are those that occur between the end of the reporting period and when the financial statements are authorized for issue.

Events after the end of reporting period may be classified into two types:
Adjusting Events - Those events that provide further evidence about conditions that existed at the end of reporting period.
Non-Adjusting Events - Those events that reflect conditions that arose after the end of reporting period.

If any events occur after the end of the reporting period that provide further evidence of conditions that existed at the end of reporting period (i.e. Adjusting Events), then the financial statements must be adjusted accordingly.

The municipality does not adjust the financial statements in respect of those events after the end of reporting period that reflect conditions that arose after the end of reporting period (i.e. Non-Adjusting Events).

The nature and estimate of the financial impact of material non-adjusting events shall be disclosed in the financial statements.

Non-Adjusting Events are considered material if they could influence the economic and financial decisions of the users of financial statements.

Notes to the Financial Statements

Figures in Rand	2013	2012

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	Low
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Low
• IPSAS 21: Impairment of Non Cash-Generating Assets	01 April 2009	Low
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Low
• GRAP 26: Impairment of cash-generating assets	01 April 2012	Low
• GRAP 104: Financial Instruments	01 April 2012	Low

2.2 Standards and Interpretations early adopted

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	Low

Notes to the Financial Statements

Figures in Rand	2013	2012

2. New standards and interpretations (continued)

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Low
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Low
• GRAP 107: Mergers	01 April 2014	Low
• GRAP 20: Related parties	01 April 2013	Low
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	Low
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	Low
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	Low
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	Low
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	Low
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Low
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Low
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	Low
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Low
• GRAP 12 (as revised 2012): Inventories	01 April 2013	Low
• GRAP 13 (as revised 2012): Leases	01 April 2013	Low
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	Low
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Low
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Low
• IGRAP16: Intangible assets website costs	01 April 2013	Low
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	Low

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Financial Statements

Figures in Rand	2013	2012

3. Cash and cash equivalents (continued)

Bank balances	2 547 586	5 718 004
Short-term deposits	11 562 925	9 501 750
	14 110 511	**15 219 754**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank - Cheque account - 810142227	2 543 746	5 718 004	306 880	2 543 746	5 718 004	306 880
ABSA Bank - Money Market account - 9108352550	1 540 638	4 473 716	4 242 395	1 540 638	4 473 716	4 242 395
Nedbank - 32 day notice account - 03/7662023052/000003	22 288	5 028 034	-	22 288	5 028 034	-
Stanlib - Cash plus fund - 551621715	-	-	3 245 216	-	-	3 245 216
FNB - Investment account	10 000 000	-	-	10 000 000	-	-
Total	**14 106 672**	**15 219 754**	**7 794 491**	**14 106 672**	**15 219 754**	**7 794 491**

4. Consumer debtors

Gross balances		
Rates	4 861 478	5 572 122
Electricity	2 642 979	2 132 672
Water	6 783 161	6 494 558
Sewerage	9 969 928	9 287 487
Refuse	6 976 233	6 684 078
Housing rental	1 335 028	1 473 325
	32 568 807	**31 644 242**

Notes to the Financial Statements

Figures in Rand	2013	2012

4. Consumer debtors (continued)

Less: Allowance for impairment		
Rates	(4 741 525)	(4 659 707)
Electricity	(265 160)	(301 412)
Water	(4 871 212)	(5 237 466)
Sewerage	(8 414 142)	(8 105 145)
Refuse	(5 533 952)	(5 664 357)
Housing rental	(1 061 521)	(1 310 379)
	(24 887 512)	**(25 278 466)**

Net balance		
Rates	119 953	912 415
Electricity	2 377 819	1 831 260
Water	1 911 949	1 257 092
Sewerage	1 555 786	1 182 342
Refuse	1 442 281	1 019 721
Housing rental	273 507	162 946
	7 681 295	**6 365 776**

Rates		
Current (0 -30 days)	69 741	388 400
31 - 60 days	62 760	116 447
61 - 90 days	60 488	92 511
91 - 120 days	58 901	83 272
121 - 365 days	4 609 588	4 891 492
Impairment	(4 741 525)	(4 659 707)
	119 953	**912 415**

Electricity		
Current (0 -30 days)	92 405	1 746 203
31 - 60 days	40 463	51 627
61 - 90 days	22 339	15 287
91 - 120 days	16 704	13 885
121 - 365 days	2 471 068	305 670
Impairment	(265 160)	(301 412)
	2 377 819	**1 831 260**

Notes to the Financial Statements

Figures in Rand	2013	2012

4. Consumer debtors (continued)

	2013	2012
Water		
Current (0 -30 days)	213 371	505 867
31 - 60 days	206 029	187 656
61 - 90 days	195 643	180 733
91 - 120 days	188 465	167 959
121 - 365 days	5 979 653	5 452 343
Impairment	(4 871 212)	(5 237 466)
	1 911 949	**1 257 092**
Sewerage		
Current (0 -30 days)	252 046	394 030
31 - 60 days	243 291	209 226
61 - 90 days	240 254	204 153
91 - 120 days	240 962	204 642
121 - 365 days	8 993 375	8 275 437
Impairment	(8 414 142)	(8 105 146)
	1 555 786	**1 182 342**
Refuse		
Current (0 -30 days)	163 262	333 181
31 - 60 days	158 774	144 911
61 - 90 days	159 538	142 561
91 - 120 days	154 898	150 323
121 - 365 days	6 339 761	5 913 101
Impairment	(5 533 952)	(5 664 356)
	1 442 281	**1 019 721**
Housing rental		
Current (0 -30 days)	3 642	22 069
31 - 60 days	2 809	26 323
61 - 90 days	2 976	7 819
91 - 120 days	3 143	6 469
121 - 365 days	1 322 458	1 410 645
Impairment	(1 061 521)	(1 310 379)
	273 507	**162 946**

Notes to the Financial Statements

Figures in Rand	2013	2012

4. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	651 977	2 350 738
31 - 60 days	667 002	596 636
61 - 90 days	592 785	509 732
91 - 365 days	26 736 522	24 569 128
	28 648 286	**28 026 234**

Industrial/ commercial		
Current (0 -30 days)	65 160	723 265
31 - 60 days	63 557	46 552
61 - 90 days	32 288	39 242
91 - 365 days	1 465 222	1 273 154
	1 626 227	**2 082 213**

National and provincial government		
Current (0 -30 days)	16 390	490 518
31 - 60 days	11 504	109 459
61 - 90 days	7 521	108 151
91 - 365 days	124 947	890 128
	160 362	**1 598 256**

Impaired consumer debtor balance	7 681 295	6 365 776

Gross consumer debtor impairment	(24 887 512)	(25 278 466)

Gross consumer debtor balance	32 698 943	31 706 702

Reconciliation of allowance for impairment		
Balance at beginning of the year	(25 278 466)	(22 397 915)
Contributions to allowance	(4 112 517)	(6 260 335)
Debt impairment written off against allowance	4 503 471	3 379 784
	(24 887 512)	**(25 278 466)**

Figures in Rand	2013	2012

4. **Consumer debtors (continued)**

Receivables from exchange and non-exchange transactions

Exchange transactions		
Electricity	2 642 979	2 132 672
Water	6 783 161	6 494 558
Sewerage	9 969 928	9 287 487
Refuse	6 895 718	6 684 078
Housing rental	1 335 028	1 473 325
	27 626 814	**26 072 120**

Non-exchange transactions		
Rates	4 861 478	5 572 122

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 32). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

The municipality's impairment methodology is based on the assumptions listed below.

Debtor types to be fully impaired:
1. Non-indigents, schools, industrial, municipal, business, government, farms, hospital, church, small businesses - Council approved write-offs
2. Indigents - Impair all ageing buckets

Debtor types where accounts older than 90 days were tested for recoverability:
Non-indigents, schools, industrial, municipal, business, government, farms, hospital, church, small businesses

The municipality's discounting methodology is based on the assumptions listed below.

The ability to pay is determined by allocating a weight to payments made in different months. Recent month's payments are assigned a higher weight as the trend is more likely to continue than payments more than 12 months ago.

The discount rate is linked to the interest payable on the DBSA loans which are the major source of credit funding of the municipality.

Notes to the Financial Statements

Figures in Rand	2013	2012

5. Inventories

	2013	2012
Water	27 286	61 522
Fuel (Diesel)	42 820	29 025
Electrical	91 164	43 104
Water equipment	53 646	20 801
Mechanical	4 812	12 041
	219 728	**166 493**

6. Other receivables from exchange transactions

	2013	2012
Prepayments	176 895	176 895
Other receivables	530 481	446 873
Other receivables (Sale of game)	-	197 300
	707 376	**821 068**

7. Other receivables from non-exchange transactions

	2013	2012
Government grants and subsidies - Lotto Grant	2 143 152	4 311 139

8. VAT receivable

	2013	2012
VAT receivable	801 756	1 825 207

9. Biological assets that form part of an agricultural activity

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - game	1 131 476	-	1 131 476	816 680	-	816 680

Reconciliation of biological assets that form part of an agricultural activity - 2013

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Other changes, movements	Total
Biological assets - game	816 680	-	156 274	158 522	1 131 476

9. Biological assets that form part of an agricultural activity (continued)

Reconciliation of biological assets that form part of an agricultural activity - 2012

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Other changes, movements	Total
Biological assets - game	1 067 100	(102 698)	176 804	(324 526)	816 680

Non - Financial information

Quantities of each biological asset		
Blesbok	39	34
Blue Wildebeest	-	2
Oryx	40	32
Kudu	20	21
Lechwe	4	4
Impala	14	12
Red Hartebeest	7	6
Springbok	281	224
Black Springbok	20	24
Black Wildebeest	102	77
Ostrich	15	19
Zebra	10	10
Horse	2	-
	554	**465**

Methods and assumptions used in determining fair value

The latest bid prices from game auctions were used as fair values.

10. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licences	699 439	(690 746)	8 693	458 537	(457 773)	764
Computer software	16 681	(16 681)	-	16 681	(15 346)	1 335
Website	9 992	-	9 992	9 992	-	9 992
Total	**726 112**	**(707 427)**	**18 685**	**485 210**	**(473 119)**	**12 091**

10. Intangible assets (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Licenses	764	240 902	(232 973)	8 693
Computer software	1 335	-	(1 335)	-
Website	9 992	-	-	9 992
	12 091	**240 902**	**(234 308)**	**18 685**

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Licenses	36 450	223 117	(258 803)	764
Computer software	3 061	-	(1 726)	1 335
Website	9 992	-	-	9 992
	49 503	**223 117**	**(260 529)**	**12 091**

11. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23 876 000	-	23 876 000	23 876 000	-	23 876 000

Reconciliation of investment property - 2013

	Opening balance	Additions	Other changes, movements	Fair value adjustments	Total
Investment property	23 876 000	-	-	-	23 876 000

Reconciliation of investment property - 2012

	Opening balance	Additions	Other changes, movements	Fair value adjustments	Total
Investment property	18 249 000	-	5 000 000	627 000	23 876 000

Notes to the Financial Statements

Figures in Rand	2013	2012

11. Investment property (continued)

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

Details of valuation

Unless there is an indication of significant changes in the fair value of its investment property the municipality revalues its investment property every fours years when the valuation roll is updated .

The effective date of the revaluations was 29 June 2012. Revaluations were performed by an independent valuer, Mr R Pretorius [Quantity Surveyor, Professional Associated Valuer], of Modisenyane Property Consultants CC. Pretorius is not connected to the municipality and have recent experience in location and category of the investment property being valued.

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

Amounts recognised in surplus and deficit for the year.

	2013	2012
Change in fair value recognised in surplus or deficit	-	627 000

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

12. Other financial assets

	2013	2012
Designated at fair value		
Unlisted shares	897 182	823 107
49 383 shares held in Senwes Limited		
75 732 shares held in Senwesbel Limited		
Non-current assets		
Designated at fair value	897 182	823 107

Notes to the Financial Statements

Figures in Rand	2013	2012

13. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	25 941 254	(1 119 598)	24 821 656	25 941 254	(559 799)	25 381 455
Buildings	99 836 709	(33 713 748)	66 122 961	90 965 238	(29 040 910)	61 924 328
Leasehold property	2 865 475	(2 293 341)	572 134	2 779 415	(1 948 715)	830 700
Furniture and fixtures	1 268 348	(842 856)	425 492	1 115 415	(693 737)	421 678
IT equipment	61 804	(33 851)	27 953	55 805	(13 976)	41 829
Infrastructure	340 845 073	(84 105 207)	256 739 866	258 972 552	(71 301 078)	187 671 474
Other property, plant and equipment	10 593 210	(9 109 068)	1 484 142	10 205 615	(8 916 204)	1 289 411
Capital work in progress	8 013 975	-	8 013 975	69 681 334	-	69 681 334
Total	**489 425 848**	**(131 217 669)**	**358 208 179**	**459 716 628**	**(112 474 419)**	**347 242 209**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Other non-cash	Depreciation	Total
Land	25 381 455	-	-	-	(559 799)	24 821 656
Buildings	61 924 328	162 649	-	8 708 822	(4 672 838)	66 122 961
Leasehold property	830 700	86 060	-	-	(344 626)	572 134
Furniture and fixtures	421 678	152 933	-	-	(149 119)	425 492
IT equipment	41 829	5 999	-	-	(19 875)	27 953
Infrastructure	187 671 474	-	-	81 872 521	(12 804 129)	256 739 866
Other property, plant and equipment	1 289 411	962 565	(221 984)	-	(545 850)	1 484 142
Capital work in progress	69 681 334	28 913 984	-	(90 581 343)	-	8 013 975
	347 242 209	**30 284 190**	**(221 984)**	**-**	**(19 096 236)**	**358 208 179**

Notes to the Financial Statements

Figures in Rand	2013	2012

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Other non-cash	Depreciation	Total
Land	16 587 663	-	-	9 353 591	(559 799)	25 381 455
Land and buildings	67 183 894	-	-	-	(5 259 566)	61 924 328
Leasehold property	1 246 676	-	-	-	(415 976)	830 700
Furniture and fixtures	555 908	28 640	-	-	(162 870)	421 678
IT equipment	-	55 805	-	-	(13 976)	41 829
Infrastructure	199 893 760	-	-	-	(12 222 286)	187 671 474
Other property, plant and equipment	2 136 893	547 966	-	-	(1 395 448)	1 289 411
Capital work in progress	35 442 774	34 238 560	-	-	-	69 681 334
	323 047 568	**34 870 971**	**-**	**9 353 591**	**(20 029 921)**	**347 242 209**

Included in the cost of land is the capitalised rehabilitation costs relating to a borrow pit and two landfill sites which are situated in Bultfontein farm 396 and Kameeldoorn 35.

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.

14. Borrowings

	2013	2012
At amortised cost		
Annuity loans	13 542 563	13 050 943
The annuity loans comprise two DBSA loans. The endowments are made on a six-monthly basis. The last loan will be redeemed on 31 December 2024. The loans carry interest at 11% and 14% per annum respectively.		
Non-current liabilities		
At amortised cost	11 848 214	12 484 907
Current liabilities		
At amortised cost	1 694 349	566 036

15. Consumer deposits

	2013	2012
Electricity	315 745	281 073
Water	222 508	197 629
	538 253	**478 702**

Notes to the Financial Statements

Figures in Rand	2013	2012

16. Finance lease obligation

Minimum lease payments due		
- within one year	810 002	934 144
- in second to fifth year inclusive	420 220	2 040 245
	1 230 222	2 974 389
less: future finance charges	(216 559)	(1 005 293)
Present value of minimum lease payments	**1 013 663**	**1 969 096**
Present value of minimum lease payments due		
- within one year	636 931	471 706
- in second to fifth year inclusive	376 733	1 497 390
	1 013 664	**1 969 096**
Non-current liabilities	360 974	908 595
Current liabilities	636 931	601 962
	997 905	**1 510 557**

17. Payables from exchange transactions

Trade payables	3 060 262	2 406 019
Payments received in advanced	2 712 020	2 360 066
Accrued leave pay	3 965 169	4 540 623
Accrued bonus	801 645	725 217
Deposits received	2 300	1 000
Cash suspense accounts	742 811	894 304
Other payables	5 193 101	11 749 075
	16 477 308	**22 676 304**

Notes to the Financial Statements

Figures in Rand	2013	2012

18. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	9 353 592	905 486	-	-	-	10 259 078
Medical contribution provision	4 941 000	431 000	(430 000)	164 000	-	5 106 000
Long service awards provision	3 401 000	442 000	(341 000)	31 000	276 000	3 809 000
	17 695 592	**1 778 486**	**(771 000)**	**195 000**	**276 000**	**19 174 078**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	-	9 353 592	-	-	-	9 353 592
Medical contribution provision	4 517 000	438 000	(342 000)	328 000	-	4 941 000
Long service awards provision	2 726 000	372 000	(267 000)	333 000	237 000	3 401 000
	7 243 000	**10 163 592**	**(609 000)**	**661 000**	**237 000**	**17 695 592**

	2013	2012
Non-current liabilities	18 684 078	17 253 592
Current liability (long service awards)	490 000	442 000
	19 174 078	**17 695 592**

Environmental rehabilitation provision

18. Provisions (continued)

Borrow pits

The provision relates to the estimated future rehabilitation costs relating to two existing open borrow pits in Bultfontein.

The total area of the borrow pits to be rehabilitated is 8,422 square meters.

The expected date of rehabilitation is in 2032 and therefore the expected useful life is estimated at 21 years.

The useful life and expected date of rehabilitation could decrease depending on the extent of material needed for upcoming developments.

The current weighted average cost of borrowings of the municipality is 11% and this percentage was used as discount factor in future rehabilitation costs.

Landfill sites

The provision relates to the estimated future rehabilitation costs relating to two existing landfill sites in Bultfontein and Hoopstad respectively.

The expected date of rehabilitation is in 2032 and therefore the expected useful life is estimated at 21 years.

It assumed that the current population growth of the town and therefore the dumping rate will not significantly change over the useful life of the landfill sites.

The current weighted average cost of borrowings of the municipality is 11% and this percentage was used as discount factor in future rehabilitation costs.

The evaluation of rehabilitation procedures and costs was performed by NEP Consulting Engineers.

Employee benefit cost provision

18. Provisions (continued)

The medical contribution and long service provisions are actuarial calculations which were performed by ZAQ.

ZAQ is an actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes.

Their team has done a large number of these calculations for private and public sector organizations.

Members of their executive committee include:
- Niel Fourie FASSA, CERA
- Pieter Wasserfall B-Comm Actuarial Science
- Dennis De Wet B-Comm (Hons) Financial Analysis

Long service award liability

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The awarded leave days have been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working day year.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. The calculation also allows for mortality, retirements and withdrawals from service.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

The two most important financial variables used in the valuation are the discount rate and salary inflation.

Post-employment medical aid liabilities

The liability relates to future medical expenses which will be incurred by the municipality on behalf of retired employees.

The future cash flows will continue until the mortality of all members. The mortality is therefore the

Notes to the Financial Statements

Figures in Rand	2013	2012

18. Provisions (continued)

uncertainty relating to the provision.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the date of calculation.

The calculation also allows for mortality. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement.

Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. It is also assumed that all active members will remain on the same medical aid option.

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets had been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates.

19. Employee benefit obligations

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

Short-term portion of the post-employment liability		
Medical-aid	419 000	425 000

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Skills Development Grant	-	216 825
Lotto Grant	-	582 814
Free State Provincial Grant (fencing of cemetry)	-	1 746 491
	-	**2 546 130**

Figures in Rand	2013	2012

20. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	2 546 130	2 320 438
Additions during the year	-	33 605 349
Income recognition during the year	(2 546 130)	(33 379 657)
	-	**2 546 130**

See note 27 for reconciliation of grants from National/Provincial Government.

21. Current portion of long-term provision

Post-employment liability		
Medical-aid	419 000	425 000

22. Revenue

Service charges	32 202 116	27 754 677
Rental of facilities and equipment	882 534	389 622
Interest received (trading)	104 165	265 387
Licences and permits	1 350	1 100
Sale of game	158 522	197 300
Other income	1 064 852	533 027
Interest received - investment	419 298	815 952
Dividends received	258 565	69 042
Property rates	7 477 676	6 571 275
Government grants and subsidies	98 413 772	97 697 348
Fines	259 400	248 300
	141 242 250	**134 543 030**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	32 202 116	27 754 677
Rental of facilities and equipment	882 534	389 622
Interest received (trading)	104 165	265 387
Licences and permits	1 350	1 100
Sale of game	158 522	197 300
Other income - (rollup)	1 064 852	533 027
Interest received - investment	419 298	815 952
Dividends received	258 565	69 042
	35 091 402	**30 026 107**

Notes to the Financial Statements

Figures in Rand	2013	2012

22. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	7 477 676	6 571 275
Transfer revenue		
Government grants & subsidies	98 413 772	97 697 348
Fines	259 400	248 300
	106 150 848	**104 516 923**

23. Service charges

Sale of electricity	19 645 964	16 270 826
Sale of water	4 915 378	4 600 910
Sewerage and sanitation charges	4 925 589	4 441 376
Refuse removal	2 715 185	2 441 565
	32 202 116	**27 754 677**

24. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	878 956	386 657
Rental of equipment	3 578	2 965
	882 534	**389 622**

An amount of R 670,223 which relates to revenue from investment property is included the R 882,534 disclosed above.

25. Other income

Building plan fees	-	493
Commission received	195 485	155 964
Sundry income	97 298	33 101
Grave fees	144 134	111 158
Connection fees	492 671	101 486
Gravel sales	14 151	26 585
Building plan fees	20 603	15 509
Late payment penalty	74 140	69 261
Opening of graves	21 466	12 814
Special meter readings	4 904	6 656
	1 064 852	**533 027**

Notes to the Financial Statements

Figures in Rand	2013	2012

26. Property rates

Rates received

State	1 119 537	1 114 992
Property rates	6 358 139	5 456 283
	7 477 676	**6 571 275**

Notes to the Financial Statements

Figures in Rand	2013	2012

27. Government grants and subsidies

Equitable share	62 058 000	55 333 000
Municipal Infrastructure Grant	30 344 000	25 015 039
Municipal Systems Improvement Grant	800 000	840 000
Financial Management Grant	1 500 000	1 450 000
Lotto Grant	582 814	5 921 148
Free State Provincial Grant	1 746 491	153 509
COGTA Grant	-	8 414 652
District Municipality Grant	50 000	50 000
EPWP Government Grant (operating)	1 000 000	520 000
Skills Development Grant	332 467	-
	98 413 772	**97 697 348**

Equitable Share

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

All registered indigents receive a monthly subsidy of which is funded from the grant.

Municipal Infrastructure Grant

Current-year receipts	30 344 000	25 010 000
Conditions met - transferred to revenue	(30 344 000)	(25 010 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 20).

The grant is utilised to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure providing basic services for the benefit of poor households. The grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.

Skills Development Grant

Balance unspent at beginning of year	216 825	127 615
Current-year receipts	115 643	89 210
Conditions met - transferred to revenue	(332 468)	-
	-	**216 825**

Conditions still to be met - remain liabilities (see note 20).

Notes to the Financial Statements

Figures in Rand	2013	2012

27. Government grants and subsidies (continued)

A workplace skills plan and training report must be submitted to LGSETA in compliance with the Skills Development Act before the unspent amount will be transferred.

Lotto Grant

	2013	2012
Balance unspent at beginning of year	582 814	2 192 823
Current-year receipts	-	4 311 139
Conditions met - transferred to revenue	(582 814)	(5 921 148)
	-	**582 814**

Conditions still to be met - remain liabilities (see note 20).

The grant was utilised in the construction of an athletics track in Tikwana.

Municipal Systems Improvement Grant

	2013	2012
Balance unspent at beginning of year	-	-
Current-year receipts	800 000	840 000
Conditions met - transferred to revenue	(800 000)	(840 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 20).

Finance Management Grant

	2013	2012
Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 500 000)	(1 450 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 20).

Free State Provincial Grant

	2013	2012
Balance unspent at beginning of year	1 746 491	-
Current-year receipts	-	1 900 000
Conditions met - transferred to revenue	(1 746 491)	(153 509)
	-	**1 746 491**

Conditions still to be met - remain liabilities (see note 20).

The grant was utilised in the fencing of a cemetry in the municipal area.

COGTA grant

Figures in Rand	2013	2012

27. Government grants and subsidies (continued)

Current-year receipts	-	8 414 652
Conditions met - transferred to revenue	-	(8 414 652)
	-	-

Conditions still to be met - remain liabilities (see note 20).

District Municipality Grant

Current-year receipts	50 000	50 000
Conditions met - transferred to revenue	(50 000)	(50 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was received to assist the municipality in the redemption of their DBSA loan.

EPWP government grant (operating)

Current-year receipts	1 000 000	520 000
Conditions met - transferred to revenue	(1 000 000)	(520 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was received to assist the municipality in job creation.

Figures in Rand	2013	2012

28. Employee related costs

Basic	24 901 355	21 543 590
Medical aid - company contributions	2 060 670	1 739 693
UIF	254 604	211 883
SDL	335 108	259 594
Leave pay provision charge	1 724 178	1 135 879
Other short term costs	15 889	10 539
Post-employment benefits - Pension - Defined contribution plan	4 498 031	3 736 734
Travel, motor car, accommodation, subsistence and other allowances	2 532 249	1 494 275
Overtime payments	2 050 850	1 526 180
Long-service awards	132 000	-
Housing benefits and allowances	14 782	15 091
Termination benefits	5 516	328 000
	38 525 232	**32 001 458**

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of Section 57 Managers

Remuneration of TL Mkhwane (Municipal Manager)

Annual remuneration	207 000	-
Car allowance	23 927	-
Contributions to UIF, medical and pension funds	75 342	-
	306 269	**-**

Remuneration of KJ Motlhale (Previous Municipal Manager)

Annual remuneration	643 255	501 000
Car allowance	75 329	92 715
Contributions to UIF, medical and pension funds	151 543	189 108
Performance and other bonuses	64 748	29 000
	934 875	**811 823**

Remuneration of NL Moletsane (Chief Financial Officer)

Annual remuneration	174 000	-
Car allowance	27 164	-
Contributions to UIF, medical and pension funds	47 640	-
	248 804	**-**

Remuneration of JW Young (Previous Chief Financial Officer)

Annual remuneration	847 428	504 000
Car allowance	87 008	86 599
Contributions to UIF, medical and pension funds	224 063	235 130
	1 158 499	**825 729**

Notes to the Financial Statements

Figures in Rand	2013	2012

28. Employee related costs (continued)

Remuneration of BP Dikoko (Executive Manager Technical Services)		
Annual remuneration	153 000	-
Car allowance	22 250	-
Contributions to UIF, medical and pension funds	51 462	-
	226 712	**-**

Remuneration of PW De Bruin (Previous Executive Manager Technical Services)		
Annual remuneration	784 129	477 000
Car allowance	176 121	167 733
Contributions to UIF, medical and pension funds	235 262	214 078
	1 195 512	**858 811**

Remuneration of SS Rabanye (Executive Manager Corporate Services))		
Annual remuneration	537 089	460 500
Car allowance	87 594	88 420
Contributions to UIF, medical and pension funds	185 355	218 712
Performance and other bonuses	40 250	38 500
	850 288	**806 132**

Remuneration ZK Tindleni (Executive Manager Community Services)		
Annual remuneration	150 000	-
Car allowance	25 637	-
Contributions to UIF, medical and pension funds	62 463	-
	238 100	**-**

Remuneration MJ Mahlanyane (Previous Executive Manager Community Services)		
Annual remuneration	539 068	439 200
Car allowance	84 909	107 957
Contributions to UIF, medical and pension funds	111 570	128 948
Performance and other bonuses	51 417	36 000
	786 964	**712 105**

29. Remuneration of councillors

	2013	2012
Councillors	3 368 179	2 784 221
Councillors’ pension contribution	474 232	315 600
Executive Committee Members	-	19 651
Councillors' contribution to medical aid	183 032	550 901
	4 025 443	**3 670 373**

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council-owned vehicle for official duties.

The Mayor and Speaker have full-time drivers.

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

30. Depreciation and amortisation

	2013	2012
Property, plant and equipment	19 330 543	20 290 458

31. Finance costs

	2013	2012
Non-current borrowings	1 540 611	1 603 459
Trade and other payables	144 195	598
Finance leases	294 569	393 853
Unwinding costs on provisions	1 607 267	663 185
	3 586 642	**2 661 095**

32. Debt impairment

	2013	2012
Debt impairment	4 112 517	6 260 335

The municipality provides for expected credit losses relating to consumer debtors.

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

If there is objective evidence that an impairment loss on a financial asset has occurred, the loss is recognised in surplus or deficit.

Notes to the Financial Statements

Figures in Rand	2013	2012

33. Bulk purchases

Electricity	25 285 762	21 656 741
Water	3 052 208	3 182 493
	28 337 970	**24 839 234**

34. General expenses

Advertising	240 913	61 575
Auditors remuneration	2 274 041	1 675 640
Bank charges	218 494	211 763
Cleaning	46 908	829 495
Consulting and professional fees	593 267	(34 686)
Consumables	-	201
Entertainment	87 142	59 316
Insurance	329 532	269 079
Fuel and oil	1 650 574	1 665 159
Printing and stationery	714 452	814 074
Protective clothing	137 243	194 886
Royalties and license fees	541	-
Subscriptions and membership fees	774 029	604 292
Telephone and fax	714 828	604 099
Training	547 534	851 831
Travel - local	823 958	758 820
Radio and television licenses	14 519	11 859
Vehicle licences	73 019	72 223
Valuation costs	944 160	359 470
Sewerage assessment (Green Drop)	187 313	143 677
Operating grant expenditure	4 014 467	3 823 641
Water quality assessment (Blue Drop)	187 313	127 343
Other expenses	6 471 019	6 129 052
	21 045 266	**19 232 809**

Other expenses include the following amounts:
- Chemicals for water purification R 1,554,124
- SALGA membership fees R 416,250
- Departmental levies (electricity) R 1,051,983
- Ward Committee Members R 380,500

35. Fair value adjustments

Investment property (Fair value model)	-	627 000
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	74 075	(11 849)
	74 075	**615 151**

Notes to the Financial Statements

Figures in Rand	2013	2012

36. Investment revenue

Dividend revenue		
Unlisted financial assets - Local	258 565	69 042
Interest revenue		
ABSA - current account	2 106	880
Interest - call accounts	417 192	815 072
	419 298	**815 952**
	677 863	**884 994**

37. Auditors' remuneration

Fees	2 274 041	1 675 640

38. Cash generated from operations

Surplus	15 764 239	20 845 047
Adjustments for:		
Depreciation and amortisation	19 330 543	20 290 458
Loss on sale of assets and liabilities	66 862	-
Fair value adjustment on biological assets	(156 274)	(176 804)
Fair value adjustments	(74 075)	(615 151)
Finance costs - Finance leases	294 569	393 853
Debt impairment	4 112 517	6 260 335
Movements in operating lease assets and accruals	-	(3 609)
Movements in retirement benefit assets and liabilities	(6 000)	-
Movements in provisions	1 478 486	1 110 876
Other non-cash items (donation)	-	(5 000 000)
Other non-cash items	(158 517)	968 386
Changes in working capital:		
Inventories	(53 235)	(77 701)
Other receivables from exchange transactions	113 692	(683 551)
Other receivables from non-exchange transactions	2 167 987	(4 311 139)
Consumer debtors	(5 428 036)	(5 512 425)
Payables from exchange transactions	(6 198 994)	7 000 347
VAT	809 143	3 028 925
Unspent conditional grants and receipts	(2 546 130)	225 692
Consumer deposits	59 551	26 795
	29 576 328	**43 770 334**

Notes to the Financial Statements

Figures in Rand	2013	2012

39. Commitments

Authorised capital and operational expenditure

Already contracted for but not provided for		
• Property, plant and equipment	273 600	5 669 922
• Financial consulting	195 505	-
	469 105	**5 669 922**

Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	37 207 962	-

This committed expenditure relates to a sewerage network and the upgrading of an electricity network. The Municipal Infrastructure Grant will be used to finance the sewerage network whilst the upgrading of the electricity network will be financed from own funding.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	14 464	14 464
- in second to fifth year inclusive	26 518	40 982
	40 982	**55 446**

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	662 737	670 223
- in second to fifth year inclusive	2 479 323	2 567 861
- later than five years	1 011 129	1 250 677
	4 153 189	**4 488 761**

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 to 20 years. There are no contingent rents receivable.

40. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

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

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

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
Borrowings	3 159 911	2 008 038	6 024 115	13 052 250
Finance lease obligation	810 002	420 220	-	-
Trade and other payables	11 710 473	-	-	-

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2 106 607	2 106 607	6 024 115	15 060 288
Finance lease obligation	934 144	810 002	420 220	-
Trade and other payables	17 410 464	-	-	-

Risk from biological assets

The municipality is exposed to financial risks arising from changes in game prices. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in game prices.

Figures in Rand	2013	2012

40. Risk management (continued)

Interest rate risk

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

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed interest loan from DBSA - 61000141	11.90 %	2 214 018	1 393 734	1 318 457	1 233 956	5 277 067
Fixed interest loan from DBSA - 61002008	13.45 %	17 863	-	-	-	-

Credit risk

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

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

Consumer balances outstanding for more than three months are reviewed for impairment and provided for as bad debts as applicable.

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

Financial instrument	2013	2012
ABSA Bank - Cheque account	2 543 746	5 718 004
ABSA Bank - Money Market account	1 540 638	4 473 716
Nedbank - 32 day notice account	22 288	5 028 034
FNB - Investment account	10 000 000	-
Consumer debtors	7 681 295	6 365 776
Receivables from exchange transactions	707 376	821 068
Investment in unlisted shares	897 182	823 107

40. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

The table below summarises the impact of increases/decreases of the indexes on the municipality's surplus for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant and all the municipality's equity instruments moved according to the historical correlation with the index:

	Impact on surplus in Rand		Impact on other components of equity in Rand	
Financial instrument	2013	2012	2013	2012
Senwes Limited shares	25 926	22 222	-	-
Senwesbel Limited shares	18 933	18 933	-	-

Surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

41. Going concern

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

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

42. Unauthorised expenditure

	2013	2012
Opening balance	-	6 791 189
Unauthorised expenditure - current year	1 981 775	1 913 745
Approval by Council or condoned	(1 740 671)	(8 704 934)
	241 104	**-**

Notes to the Financial Statements

Figures in Rand	2013	2012

43. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - current year	98 842	1 411
Approval by Council or condoned	(98 842)	(1 411)
	-	-

44. Irregular expenditure

Opening balance	2 076 997	1 778 151
Irregular expenditure - current year	1 743 720	2 076 997
Approval by Council or condoned	(1 148 180)	(1 778 151)
	2 672 537	**2 076 997**

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	416 250	498 134
Amount paid - current year	(416 250)	(498 134)
	-	-

Audit fees

Current year fee	2 255 197	1 664 322
Amount paid - current year	(2 255 197)	(1 664 322)
	-	-

PAYE and UIF

Current year subscription / fee	5 258 747	3 588 401
Amount paid - current year	(5 258 747)	(3 588 401)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	7 379 220	5 319 656
Amount paid - current year	(7 379 220)	(5 319 656)
	-	-

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

VAT

VAT receivable	801 756	1 825 207
VAT payable	51 439	265 747
	853 195	**2 090 954**

Not all VAT returns were submitted by the due date during the 2012/2013 financial 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	Outstanding more than 90 days	Total
Horn, C	-	26 765	26 765
Taedi, TT	-	9 702	9 702
	-	**36 467**	**36 467**

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Horn, C	-	13 383	13 383
Raseu, MC	-	373	373
Taedi, TT	-	6 837	6 837
	-	**20 593**	**20 593**

Bulk electricity and water distribution losses

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.

Management's best estimated value of bulk eletricity and water distribution losses are as follows:

Distribution losses	**2013 (Kwh)**	**2013 (%)**	**2012 (Kl)**	**2012 (%)**
Electricity	3 205 004	11	4 264 733	16
Water	1 908 396	50	2 118 625	55
	5 113 400	**61**	**6 383 358**	**71**

Notes to the Financial Statements

Figures in Rand	2013	2012

46. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	13 542 563	13 050 943

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

47. Related parties

Councillor Horn is currently leasing arable land from the municipality at R 11,739.15 per annum.

48. Prior period errors

Revenue
Commission paid in prior years were reallocated to the correct accounts and removed from suspense accounts. The total correction amounts to R 19,226.41.

Income relating to the 2011/2012 financial year was incorrectly recognised in the current financial year and had to be corrected retrospectively. The correction amounts to R 300.

Traffic fines were previously incorrectly recognised on the cash basis. This was corrected and increased the income from fines by R 151,870.00.

Expenditure
The unwinding cost of the provisions relating to employees was previously shown as employee costs. This was corrected and moved to finance costs. The amount moved to finance costs is R 663,000.

Expenditure relating to the 2011/2012 financial year was incorrectly accounted for in 2012/2013 and had to be corrected. The total correction amounts to R 2,312.52.

Expenditure relating to the 2010/2011 financial year was not previously recorded in the correct period and had to be corrected. The total correction amounts to R 794.

Current liabilities
The Eskom deposits included in the payables balances were understated for a couple of years and were corrected retrospectively. The total understatement amounts to R 76,359.49.

A payable balance of R 29,190.84 had to be corrected retrospectively.

Payments to creditors amounting to R 429,513.45 were not allocated to the payable balances and had to be corrected.

Professional fees were overstated in the prior year when the payment of creditors was allocated against the expense and not the payable balance. The correction amounts to R 384,204.70.

An audit adjustment of R 265,746.58 was incorrectly processed in 2011/2012 and had to be corrected in 2012/2013.

Non-current liabilities
The provision for landfill and borrow pit rehabilitation was understated and the correction resulted in an increase in the liability (R 8,969,274.28), land (R 8,969,274.28), accumulated depreciation (R 198,135.16) and depreciation (R 537,207.50).

A prior year wrong allocation of a payment was corrected and had decreased the trade creditors balance by R 48,562.86.

Current assets

Figures in Rand	2013	2012

48. Prior period errors (continued)

Errors in the municipality's billing system resulted in an overstatement of consumer debtors. This was corrected and the net effect is a decrease of R 62,459.96 in consumer debtors.

Non-current assets

In 2009/2010 capital expenditure was not capitalised to the capital work in progress account. The completed project was moved from work in progress to infrastructure in 2012/2013 and the amount not capitalised to work in progress in 2009/2010 was corrected retrospectively. The total correction amounted to R 21,537,638.70.

Land valued at R 47,990.87 was transferred from property, plant and equipment to investment property as it has been let under operating lease for the last couple of years.

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

	2013	2012
Statement of financial position		
Trade and other payables	-	887 417
Property, plant and equipment	-	30 595 676
Opening Accumulated Surplus or Deficit	-	(22 316 330)
Other receivables	-	151 870
Consumer debtors	-	(62 460)
Provisions	-	(8 969 274)
Statement of Financial Performance		
Other income	-	(815 170)
General expenses	-	837 542
Cash flow statement		
Cash flow from operating activities		
Sale of goods and services	-	725 760
Suppliers and employees	-	(7 244 316)
	-	**(6 518 556)**
Cash flow from investing activities		
Property, plant and equipment additions	-	30 308 778
Cash flow from financing activities		
Accumulated surplus adjustments	-	(22 316 330)

Notes to the Financial Statements

Figures in Rand	2013	2012

49. Contingencies

The municipality implemented the Categorisation and Job Evaluation Wage Curves Collective Agreement, dated 21 April 2010. The Independent Municipal and Allied Trade Union [IMATU] declared a dispute and the matter went to the Labour Court, where IMATU won the case in June 2012. SALGA appealed against the court order and the final outcome of the appeal was not known at the reporting date. There is uncertainty with regards to the contingent liability and the municipality is still awaiting the final outcome of the appeal.

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Interest accrued during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Structured loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Funding facility								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Development Bank of South Africa								
Loan 61000141			12 882 964	767 308	236 711	13 413 561	-	-
Loan 61002008			167 979	11 297	37 988	141 288	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Interest accrued during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			13 050 943	**778 605**	**274 699**	**13 554 849**	**-**	**-**
Bonds								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Other loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Lease liability								
Finance leases			1 510 557	-	512 652	997 905	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			1 510 557	**-**	**512 652**	**997 905**	**-**	**-**
Annuity loans								
			-	-	-	-	-	-
			-	-	-	-	-	-

Tswelopele Local Municipality
Appendix A
June 2013

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Interest accrued during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Government loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Total external loans								
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			13 050 943	778 605	274 699	13 554 849	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			1 510 557	-	512 652	997 905	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			14 561 500	**778 605**	**787 351**	**14 552 754**	**-**	**-**

Tswelopele Local Municipality
Tswelopele Local Municipality
Appendix B
June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	25 941 254	-	-	-	-	**-**	**25 941 254**	(559 799)	-	-	(559 799)	-	**(1 119 598)**	24 821 656
Buildings (Separate for AFS purposes)	82 488 261	162 649	-	8 708 822	-	**-**	**91 359 732**	(26 008 437)	-	-	(4 255 773)	-	**(30 264 210)**	61 095 522
	108 429 515	**162 649**	**-**	**8 708 822**	**-**	**-**	**117 300 986**	**(26 568 236)**	**-**	**-**	**(4 815 572)**	**-**	**(31 383 808)**	**85 917 178**
Infrastructure														
Roads, Pavements & Bridges	83 060 025	-	-	18 223 548	-	**-**	**101 283 573**	(37 468 367)	-	-	(5 250 773)	-	**(42 719 140)**	58 564 433
Transmission & Reticulation	32 155 547	-	-	-	-	**-**	**32 155 547**	(3 962 886)	-	-	(789 957)	-	**(4 752 843)**	27 402 704
Water purification	102 376 527	-	-	19 678	-	**-**	**102 396 205**	(21 372 058)	-	-	(4 105 848)	-	**(25 477 906)**	76 918 299
Sewerage purification	41 230 360	-	-	63 629 295	-	**-**	**104 859 655**	(8 373 326)	-	-	(2 647 502)	-	**(11 020 828)**	93 838 827
Waste Management	150 093	-	-	-	-	**-**	**150 093**	(124 441)	-	-	(10 050)	-	**(134 491)**	15 602
Other (work in progress)	69 681 334	28 913 984	-	-	-	**-**	**98 595 318**	-	-	(90 581 343)	-	-	**(90 581 343)**	8 013 975
	328 653 886	**28 913 984**	**-**	**81 872 521**	**-**	**-**	**439 440 391**	**(71 301 078)**	**-**	**(90 581 343)**	**(12 804 130)**	**-**	**(174 686 551)**	**264 753 840**
Community Assets														
Recreational facilities	4 899 257	-	-	-	-	**-**	**4 899 257**	(2 215 002)	-	-	(253 884)	-	**(2 468 886)**	2 430 371
Cemeteries	3 577 721	-	-	-	-	**-**	**3 577 721**	(817 472)	-	-	(163 181)	-	**(980 653)**	2 597 068
	8 476 978	**-**	**-**	**-**	**-**	**-**	**8 476 978**	**(3 032 474)**	**-**	**-**	**(417 065)**	**-**	**(3 449 539)**	**5 027 439**

Tswelopele Local Municipality
Tswelopele Local Municipality
Appendix B
June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	7 079 126	534 877	(574 970)	-	-	**-**	**7 039 033**	(5 864 796)	352 986	-	(388 967)	-	**(5 900 777)**	1 138 256
Computer Equipment	677 024	268 743	-	-	-	**-**	**945 767**	(619 590)	-	-	(111 341)	-	**(730 931)**	214 836
Furniture & Fittings	1 115 415	152 933	-	-	-	**-**	**1 268 348**	(693 737)	-	-	(149 119)	-	**(842 856)**	425 492
Office Equipment	55 805	5 999	-	-	-	**-**	**61 804**	(13 976)	-	-	(19 874)	-	**(33 850)**	27 954
Office Equipment - Leased	2 779 415	86 060	-	-	-	**-**	**2 865 475**	(1 948 714)	-	-	(344 627)	-	**(2 293 341)**	572 134
Other	2 449 466	158 945	-	-	-	**-**	**2 608 411**	(2 431 818)	-	-	(45 542)	-	**(2 477 360)**	131 051
	14 156 251	**1 207 557**	**(574 970)**	**-**	**-**	**-**	**14 788 838**	**(11 572 631)**	**352 986**	**-**	**(1 059 470)**	**-**	**(12 279 115)**	**2 509 723**

Tswelopele Local Municipality

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	108 429 515	162 649	-	8 708 822	-	**-**	**117 300 986**	(26 568 236)	-	-	(4 815 572)	-	**(31 383 808)**	85 917 178
Infrastructure	328 653 886	28 913 984	-	81 872 521	-	**-**	**439 440 391**	(71 301 078)	-	(90 581 343)	(12 804 130)	-	**(174 686 551)**	264 753 840
Community Assets	8 476 978	-	-	-	-	**-**	**8 476 978**	(3 032 474)	-	-	(417 065)	-	**(3 449 539)**	5 027 439
Other assets	14 156 251	1 207 557	(574 970)	-	-	**-**	**14 788 838**	(11 572 631)	352 986	-	(1 059 470)	-	**(12 279 115)**	2 509 723
	459 716 630	**30 284 190**	**(574 970)**	**90 581 343**	**-**	**-**	**580 007 193**	**(112 474 419)**	**352 986**	**(90 581 343)**	**(19 096 237)**	**-**	**(221 799 013)**	**358 208 180**
Agricultural/Biological assets														
Biological assets - game	816 680	183 014	-	-	156 274	**(24 492)**	**1 131 476**	-	-	-	-	-	**-**	1 131 476
	816 680	**183 014**	**-**	**-**	**156 274**	**(24 492)**	**1 131 476**	**-**	**-**	**-**	**-**	**-**	**-**	**1 131 476**
Intangible assets														
Licences, software and website	485 210	240 901	-	-	-	**-**	**726 111**	(473 119)	-	-	(234 308)	-	**(707 427)**	18 684
	485 210	**240 901**	**-**	**-**	**-**	**-**	**726 111**	**(473 119)**	**-**	**-**	**(234 308)**	**-**	**(707 427)**	**18 684**
Investment properties														
Investment property	23 923 991	-	-	-	-	**-**	**23 923 991**	-	-	-	-	-	**-**	23 923 991
	23 923 991	**-**	**-**	**-**	**-**	**-**	**23 923 991**	**-**	**-**	**-**	**-**	**-**	**-**	**23 923 991**
Total														
Land and buildings	108 429 515	162 649	-	8 708 822	-	**-**	**117 300 986**	(26 568 236)	-	-	(4 815 572)	-	**(31 383 808)**	85 917 178
Infrastructure	328 653 886	28 913 984	-	81 872 521	-	**-**	**439 440 391**	(71 301 078)	-	(90 581 343)	(12 804 130)	-	**(174 686 551)**	264 753 840
Community Assets	8 476 978	-	-	-	-	**-**	**8 476 978**	(3 032 474)	-	-	(417 065)	-	**(3 449 539)**	5 027 439
Other assets	14 156 251	1 207 557	(574 970)	-	-	**-**	**14 788 838**	(11 572 631)	352 986	-	(1 059 470)	-	**(12 279 115)**	2 509 723
Agricultural/Biological assets	816 680	183 014	-	-	156 274	**(24 492)**	**1 131 476**	-	-	-	-	-	**-**	1 131 476
Intangible assets	485 210	240 901	-	-	-	**-**	**726 111**	(473 119)	-	-	(234 308)	-	**(707 427)**	18 684
Investment properties	23 923 991	-	-	-	-	**-**	**23 923 991**	-	-	-	-	-	**-**	23 923 991
	484 942 511	**30 708 105**	**(574 970)**	**90 581 343**	**156 274**	**(24 492)**	**605 788 771**	**(112 947 538)**	**352 986**	**(90 581 343)**	**(19 330 545)**	**-**	**(222 506 440)**	**383 282 331**

Tswelopele Local Municipality
Tswelopele Local Municipality
Appendix B

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	16 587 663	9 353 591	-	-	-	**-**	**25 941 254**	-	-	-	(559 799)	-	**(559 799)**	25 381 455
Buildings (Separate for AFS purposes)	82 488 261	-	-	-	-	**-**	**82 488 261**	(21 249 948)	-	-	(4 758 489)	-	**(26 008 437)**	56 479 824
	99 075 924	**9 353 591**	**-**	**-**	**-**	**-**	**108 429 515**	**(21 249 948)**	**-**	**-**	**(5 318 288)**	**-**	**(26 568 236)**	**81 861 279**
Infrastructure														
Roads, Pavements & Bridges	83 060 025	-	-	-	-	**-**	**83 060 025**	(31 861 519)	-	-	(5 606 848)	-	**(37 468 367)**	45 591 658
Transmission & Reticulation	32 155 547	-	-	-	-	**-**	**32 155 547**	(3 172 871)	-	-	(790 015)	-	**(3 962 886)**	28 192 661
Water purification	102 376 527	-	-	-	-	**-**	**102 376 527**	(17 227 988)	-	-	(4 144 070)	-	**(21 372 058)**	81 004 469
Sewerage purification	41 230 360	-	-	-	-	**-**	**41 230 360**	(6 702 023)	-	-	(1 671 303)	-	**(8 373 326)**	32 857 034
Waste Management	150 093	-	-	-	-	**-**	**150 093**	(114 391)	-	-	(10 050)	-	**(124 441)**	25 652
Other (work in progress)	35 442 775	34 238 559	-	-	-	**-**	**69 681 334**	-	-	-	-	-	**-**	69 681 334
	294 415 327	**34 238 559**	**-**	**-**	**-**	**-**	**328 653 886**	**(59 078 792)**	**-**	**-**	**(12 222 286)**	**-**	**(71 301 078)**	**257 352 808**
Community Assets														
Recreational facilities	4 899 257	-	-	-	-	**-**	**4 899 257**	(1 877 105)	-	-	(337 897)	-	**(2 215 002)**	2 684 255
Cemeteries	3 577 721	-	-	-	-	**-**	**3 577 721**	(654 291)	-	-	(163 181)	-	**(817 472)**	2 760 249
	8 476 978	**-**	**-**	**-**	**-**	**-**	**8 476 978**	**(2 531 396)**	**-**	**-**	**(501 078)**	**-**	**(3 032 474)**	**5 444 504**

Tswelopele Local Municipality

Appendix B

June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	6 543 973	535 153	-	-	-	**-**	**7 079 126**	(4 590 911)	-	-	(1 273 885)	-	**(5 864 796)**	1 214 330
Computer Equipment	677 024	-	-	-	-	**-**	**677 024**	(505 662)	-	-	(113 928)	-	**(619 590)**	57 434
Furniture & Fittings	1 086 775	28 640	-	-	-	**-**	**1 115 415**	(530 867)	-	-	(162 870)	-	**(693 737)**	421 678
Office Equipment	-	55 805	-	-	-	**-**	**55 805**	-	-	-	(13 976)	-	**(13 976)**	41 829
Office Equipment - Leased	2 779 415	-	-	-	-	**-**	**2 779 415**	(1 532 739)	-	-	(415 975)	-	**(1 948 714)**	830 701
Other	2 436 652	12 814	-	-	-	**-**	**2 449 466**	(2 424 183)	-	-	(7 635)	-	**(2 431 818)**	17 648
	13 523 839	**632 412**	**-**	**-**	**-**	**-**	**14 156 251**	**(9 584 362)**	**-**	**-**	**(1 988 269)**	**-**	**(11 572 631)**	**2 583 620**

Tswelopele Local Municipality
Tswelopele Local Municipality
Appendix B
June 2013

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	99 075 924	9 353 591	-	-	-	-	108 429 515	(21 249 948)	-	-	(5 318 288)	-	(26 568 236)	81 861 279
Infrastructure	294 415 327	34 238 559	-	-	-	-	328 653 886	(59 078 792)	-	-	(12 222 286)	-	(71 301 078)	257 352 808
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(2 531 396)	-	-	(501 078)	-	(3 032 474)	5 444 504
Other assets	13 523 839	632 412	-	-	-	-	14 156 251	(9 584 362)	-	-	(1 988 269)	-	(11 572 631)	2 583 620
	415 492 068	44 224 562	-	-	-	-	459 716 630	(92 444 498)	-	-	(20 029 921)	-	(112 474 419)	347 242 211
Agricultural/Biological assets														
Biological assets - game	1 067 100	133 441	(102 698)	-	-	(281 163)	816 680	-	-	-	-	-	-	816 680
	1 067 100	133 441	(102 698)	-	-	(281 163)	816 680	-	-	-	-	-	-	816 680
Intangible assets														
Licences, software and website	262 093	223 117	-	-	-	-	485 210	(212 583)	-	-	(260 536)	-	(473 119)	12 091
	262 093	223 117	-	-	-	-	485 210	(212 583)	-	-	(260 536)	-	(473 119)	12 091
Investment properties														
Investment property	18 249 000	5 000 000	-	-	627 000	-	23 876 000	-	-	-	-	-	-	23 876 000
	18 249 000	5 000 000	-	-	627 000	-	23 876 000	-	-	-	-	-	-	23 876 000
Total														
Land and buildings	99 075 924	9 353 591	-	-	-	-	108 429 515	(21 249 948)	-	-	(5 318 288)	-	(26 568 236)	81 861 279
Infrastructure	294 415 327	34 238 559	-	-	-	-	328 653 886	(59 078 792)	-	-	(12 222 286)	-	(71 301 078)	257 352 808
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(2 531 396)	-	-	(501 078)	-	(3 032 474)	5 444 504
Other assets	13 523 839	632 412	-	-	-	-	14 156 251	(9 584 362)	-	-	(1 988 269)	-	(11 572 631)	2 583 620
Agricultural/Biological assets	1 067 100	133 441	(102 698)	-	-	(281 163)	816 680	-	-	-	-	-	-	816 680
Intangible assets	262 093	223 117	-	-	-	-	485 210	(212 583)	-	-	(260 536)	-	(473 119)	12 091
Investment properties	18 249 000	5 000 000	-	-	627 000	-	23 876 000	-	-	-	-	-	-	23 876 000
	435 070 261	49 581 120	(102 698)	-	627 000	(281 163)	484 894 520	(92 657 081)	-	-	(20 290 457)	-	(112 947 538)	371 946 982

Tswelopele Local Municipality
Appendix C
June 2013

Segmental analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	328 364 713	91 195 009	(438 000)	-	-	**-**	**419 121 722**	(91 072 303)	216 016	-	(16 545 138)	-	**(107 401 425)**	311 720 297
Finance & Admin/Finance	1 832 196	260 207	-	-	-	**-**	**2 092 403**	(1 117 260)	-	-	(323 115)	-	**(1 440 375)**	652 028
Planning and Development/Economic Development/Plan	715 497	28 985	-	-	-	**-**	**744 482**	(536 537)	-	-	(112 140)	-	**(648 677)**	95 805
Comm. & Social/Libraries and archives	33 387 542	49 932	-	-	-	**-**	**33 437 474**	(11 708 632)	-	-	(1 722 895)	-	**(13 431 527)**	20 005 947
Road Transport/Roads	9 147 683	417 416	(136 970)	-	-	**-**	**9 428 129**	(8 039 688)	136 970	-	(392 948)	-	**(8 295 666)**	1 132 463
	373 447 631	**91 951 549**	**(574 970)**	**-**	**-**	**-**	**464 824 210**	**(112 474 420)**	**352 986**	**-**	**(19 096 236)**	**-**	**(131 217 670)**	**333 606 540**
Total														
Municipality	373 447 631	91 951 549	(574 970)	-	-	**-**	**464 824 210**	(112 474 420)	352 986	-	(19 096 236)	-	**(131 217 670)**	333 606 540
	373 447 631	**91 951 549**	**(574 970)**	**-**	**-**	**-**	**464 824 210**	**(112 474 420)**	**352 986**	**-**	**(19 096 236)**	**-**	**(131 217 670)**	**333 606 540**

Tswelopele Local Municipality
Appendix D
June 2013

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
526 912	27 539 187	(27 012 275)	Executive & Council/Mayor and Council	49 079 534	50 012 384	(932 850)
69 020 445	12 758 318	56 262 127	Finance & Admin/Finance	1 442 777	4 605 134	(3 162 357)
-	-	-	Planning and Development/Economic Development/Plan	-	-	-
-	-	-	Health/Clinics	-	-	-
14 772 201	10 085 749	4 686 452	Comm. & Social/Libraries and archives	4 754 915	10 232 091	(5 477 176)
-	-	-	Housing	-	-	-
-	774 026	(774 026)	Public Safety/Police	1 580 010	1 382 032	197 978
5 921 148	933 962	4 987 186	Sport and Recreation	582 814	1 361 631	(778 817)
2 441 565	7 046 984	(4 605 419)	Environmental Protection/Pollution Control	-	-	-
4 491 376	6 488 566	(1 997 190)	Waste Water Management/Sewerage	28 761 124	13 707 223	15 053 901
29 982	10 016 162	(9 986 180)	Road Transport/Roads	17 729	10 838 728	(10 820 999)
4 631 225	6 758 856	(2 127 631)	Water/Water Distribution	18 782 862	8 128 828	10 654 034
16 421 517	22 085 105	(5 663 588)	Electricity /Electricity Distribution	36 403 970	25 373 445	11 030 525
17 078 614	10 003 023	7 075 591	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
135 334 985	**114 489 938**	**20 845 047**		**141 405 735**	**125 641 496**	**15 764 239**
			Municipal Owned Entities			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
			Other charges			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
135 334 985	114 489 938	20 845 047	Municipality	141 405 735	125 641 496	15 764 239
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

Tswelopele Local Municipality
Appendix D
June 2013

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
135 334 985	**114 489 938**	**20 845 047**	**Total**	**141 405 735**	**125 641 496**	**15 764 239**

Tswelopele Local Municipality
Appendix E(1)
June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal. Rand	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	7 477 676	4 085 000	3 392 676	83.1	
Service charges	32 202 117	32 083 000	119 117	0.4	
Rental of facilities and equipment	882 534	799 000	83 534	10.5	
Interest received (trading)	104 165	-	104 165	-	
Licences and permits	1 350	1 300	50	3.8	
Fines	259 400	232 000	27 400	11.8	
Other income	1 064 852	814 000	250 852	30.8	
Other income - (rollup)	-	-	-	-	
Sale of game	158 522	-	158 522	-	
Government grants	98 413 772	66 316 000	32 097 772	48.4	
Interest received - investment	419 298	480 000	(60 702)	(12.6)	
Dividends received	258 565	-	258 565	-	
	141 242 251	104 810 300	36 431 951	34.8	
Expenses					
Personnel	(38 525 232)	(35 136 000)	(3 389 232)	9.6	
Remuneration of councillors	(4 025 443)	(4 877 000)	851 557	(17.5)	
Depreciation	(19 330 543)	-	(19 330 543)	-	
Finance costs	(3 586 642)	(2 346 000)	(1 240 642)	52.9	
Debt impairment	(4 112 517)	(2 500 500)	(1 612 017)	64.5	
Repairs and maintenance - General	(6 677 885)	(6 261 079)	(416 806)	6.7	
Bulk purchases	(28 337 970)	(20 215 000)	(8 122 970)	40.2	
General Expenses	(21 045 266)	(36 040 421)	14 995 155	(41.6)	
	(125 641 498)	(107 376 000)	(18 265 498)	17.0	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(66 862)	-	(66 862)	-	
Fair value adjustments	74 075	-	74 075	-	
Gains or losses on biological assets and agricultural produce	156 274	-	156 274	-	
	163 487	-	163 487	-	
Net surplus/ (deficit) for the year	15 764 240	(2 565 700)	18 329 940	(714.4)	

Tswelopele Local Municipality
Appendix E(2)
June 2013

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	1 195 009	1 195 009	-	-	
Finance & Admin/Finance	260 207	260 207	-	-	
Planning and Development/Economic Development/Plan	28 985	28 985	-	-	
Comm. & Social/Libraries and archives	49 932	49 932	-	-	
Road Transport/Roads	417 416	417 416	-	-	
Other/Air Transport	-	-	-	-	
	1 951 549	**1 951 549**	**-**	**-**	
Municipal Owned Entities					
	8 014	**-**	**(8 014)**	**-**	
Other charges					

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delay withheld			
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar
Other grants (EPWP, SDG, DMG, FSPG, Lotto)		3 711 772	-	-	-	-	-	-	-	-	3 711 772	-	-	-	-
Equitable Share		62 058 000	-	-	-	-	-	-	-	-	62 058 000	-	-	-	-
Municipal Systems Improvement Grant		800 000	-	-	-	-	-	-	-	-	800 000	-	-	-	-
Finance Management Grant		1 500 000	-	-	-	-	-	-	-	-	1 500 000	-	-	-	-
Municipal Infrastructure Grant / Integrated National Electrification Programme		30 344 000	-	-	-	-	-	-	-	-	30 344 000	-	-	-	-
		98 413 772	-	-	-	-	-	-	-	-	98 413 772	-	-	-	-

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