THABAZIMBI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

General Information

Legal form of entity	Local Municipality
Mayoral committee	
Executive Mayor	Cllr. P.A.Mosito
Speaker	Cllr. S.G. Matsietsa
Chief Whip	Cllr. M.D. Tlhabadira
Ward Councillors	Cllr. B.N. Maguga Cllr. M.L. Sikhwari Cllr. D.R. Daniels Cllr. S.A. Khumalo Cllr. D.A. Moatshe Cllr. F. Loots Cllr. S.G. Lerumo Cllr. R.C. Du Preez Cllr. K.R. Mokwena Cllr. P. Strydom Cllr. M. Moselane Cllr. J.M. Fischer
Council committee members	
1. Mayoral Committee	Cllr. P.A. Mosito Cllr. S.G. Matsietsa Cllr. D.M. Tlhabadira
2. Executive Committee	Cllr. T. Mkansi Cllr. M.E. Semadi Cllr. L.H. Joubert
3. Community and Social Services Committee	Cllr. L.H. Joubert (Chairperson) Cllr. S.G. Lerumo Cllr. J.M. Fischer
4. Infrastructure Planning and Economic Development Committee	Cllr. T. Mkansi (Chairperson) Cllr. M.L. Sikhwari Cllr. D.R. Daniels Cllr. M. Moselane
5. Finance and Institutional Development & Transformation committee	Cllr. M.E. Semadi (Chairperson) Cllr. P. Strydom
6. Municipal Public Account Committee	Cllr. R.A Ramogale (Chairperson) Cllr. R.C Du Preez Cllr. S.A Khumalo Cllr. K.R Mokwena Cllr. F. Loots Cllr. D.A Moatshe Cllr. B.N. Maguga
7. Representatives of the District Council	Cllr. S.E. Sikwane Cllr. P.A. Scruton

General Information

Grading of local authority	Low capacity municipality
Accounting Officer	Adv. M. Ntsoane
Chief Finance Officer (CFO)	Mr L.C. Malema
Registered office	7 Rietbok street Thabazimbi 0380
Business address	Private bag X 530 Thabazimbi 0380
Bankers	ABSA Bank Limited
Auditors	Auditor General South Africa
Telephone number	(014) 777 1525
Fax number	(014) 777 1531
Email address	info@thabazimbi.org.za
Website address	www.thabazimbi.gov.za

Index

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

Abbreviations

ASB	Accounting Standards Board
COID	Compensation for Occupational Injuries and Diseases
D.W.A.F.	Department of Water Affairs and Forestry
DBSA	Development Bank of South Africa
EPWPIG	Expanded Public Works Programme Incentive Grant
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
INEP	Integrated National Electrification Programme
IMFO	Institute of Municipal Finance Officers
ASA	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LG SETA	Local Goverment Sector Education Training Programme
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
PAYE	Pay As You Earn
SDL	Skills Development Levy
UIF	Unemployeement Insurance Fund
VAT	Value Added Taxation
WCA	Workman’s Compensation Act

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 5 to 58, which have been prepared on the going concern basis, were approved by the accounting officer and were signed by him:

Adv. M. Ntsoane
Municipal Manager (Accounting Officer)
Thabazimbi
Friday, November 29, 2013

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net deficit of the municipality was R 5,015,493 (2012: deficit R 24,839,252).

2. Going concern

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

3. Subsequent events

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

4. Accounting policies

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

5. Accounting Officer

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

Name
Adv. M. Ntsoane

6. Corporate governance

General

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

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

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

Chair person and chief executive

The Chairperson is an independent councilor (as defined by the Code) with responsibilities divided so that no individual has unfettered powers of discretion.

Audit committee

Mr I.W. Modisha was the chairperson of the audit committee. The committee met 10 times during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, must appoint members of the Audit Committee. National Treasury policy requires that parent municipalities should appoint further members of the municipality's audit committees who are not councilors of the municipal entity onto the audit committee.

Internal audit

Mr PH Makhuvha is still in office as the Chief Internal Auditor

7. Bankers

The municipality banks primarily with ABSA Bank Limited.

8. Auditors

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

Statement of Financial Position as at June 30, 2013

Figures in Rand	Notes	2013	2012
Assets			
Current Assets			
Cash and cash equivalents	12	3,137,342	3,263,233
Consumer debtors	11	56,972,744	39,391,929
Inventories	8	2,868,138	3,062,610
Trade and other receivables from exchange transactions	9	22,418	1,112,595
VAT receivable	10	7,038,971	-
Total Current Assets		**70,039,613**	**46,830,367**
Non-Current Assets			
Biological assets	2	610,100	381,941
Intangible assets	5	1,293,571	1,293,571
Investment property	3	4,478,600	5,117,447
Other financial assets	6	2,653,425	2,606,435
Property, plant and equipment	4	1,074,963,862	1,063,827,690
Total Non-Current Assets		**1,083,999,558**	**1,073,227,084**
Total Assets		**1,154,039,171**	**1,120,057,451**
Liabilities			
Current Liabilities			
Consumer deposits	19	3,391,200	3,232,999
Operating lease liability		10,726	22,711
Other financial liabilities	13	2,377,482	2,029,515
Provisions	16	12,540,075	14,126,200
Trade and other payables from exchange transactions	17	111,047,087	57,901,028
Unspent conditional grants and receipts	15	1	15,148,245
VAT payable	18	-	1,666,241
Total Current Liabilities		**129,366,571**	**94,126,939**
Non-Current Liabilities			
Finance lease obligation	14	1,132,302	1,575,000
Other financial liabilities	13	5,287,414	6,498,948
Provisions	16	18,001,938	7,085,401
Retirement benefit obligation	7	18,786,272	17,955,339
Total Non-Current Liabilities		**43,207,926**	**33,114,688**
Total Liabilities		**172,574,497**	**127,241,627**
Net Assets		**981,464,674**	**992,815,824**
Net Assets			
Accumulated surplus		981,464,674	992,815,824

Statement of Financial Performance

Figures in Rand	Notes	2013	2012
Revenue			
Discount received		3,026	4,689
Government grants & subsidies	23	119,670,833	80,430,537
Income from agency services		3,287,385	2,937,112
Interest received - investment		8,383,688	4,906,053
Other income		4,215,940	3,544,729
Property rates	21	12,075,736	14,277,837
Rental of facilities and equipment	21	521,394	214,512
Donations		16,249,464	14,137,885
Service charges	22	90,134,969	103,103,630
Total revenue		**254,542,435**	**223,556,984**
Expenditure			
Employee related cost	26	(75,672,400)	(70,043,796)
Remuneration of councillors	27	(5,691,851)	(4,548,590)
Depreciation and amortisation	30	(54,762,517)	(54,155,189)
Finance costs	31	(8,674,768)	(4,060,562)
Debt impairment	28	(6,979,109)	(6,297,183)
Repairs and maintenance		(18,969,425)	(29,129,601)
Bulk purchases	34	(58,571,421)	(57,742,064)
General Expenses	25	(30,464,597)	(22,419,251)
Total expenditure		**(259,786,088)**	**(248,396,236)**
Operating deficit		**(5,243,653)**	**(24,839,252)**
Gain on biological assets and agricultural produce		228,160	-
Deficit for the year		**(5,015,493)**	**(24,839,252)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	854,342,714	854,342,714
Adjustments		
Prior year adjustments	163,312,362	163,312,362
Balance at July 01, 2011 as restated	**1,017,655,076**	**1,017,655,076**
Changes in net assets		
Surplus for the year	(24,839,252)	(24,839,252)
Total changes	(24,839,252)	(24,839,252)
Opening balance as previously reported	828,416,505	828,416,505
Adjustments		
Correction of errors	158,063,662	158,063,662
Balance at July 01, 2012 as restated	**986,480,167**	**986,480,167**
Changes in net assets		
Surplus for the year	(5,015,493)	(5,015,493)
Total changes	(5,015,493)	(5,015,493)
Balance at June 30, 2013	**981,464,674**	**981,464,674**

Cash Flow Statement

Figures in Rand	Notes	2013	2012
Cash flows from operating activities			
Receipts			
Service charges and rates		77,650,781	80,788,372
Grants		104,522,589	93,095,451
Interest income		146,397	227,802
Other receipts		33,762,879	29,675,359
		216,082,646	203,786,984
Payments			
Employee costs		(71,202,906)	(67,948,822)
Suppliers		(63,382,109)	(97,064,542)
Finance costs		(8,674,768)	(4,060,562)
		(143,259,783)	(169,073,926)
Net cash flows from operating activities	35	**72,822,863**	**34,713,058**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(71,823,659)	(36,347,343)
Purchase of other intangible assets	5	-	(1,189,950)
Proceeds from sale of financial assets		(46,990)	318,658
Proceeds from sale of biological assets	2	228,160	187,000
Net cash flows from investing activities		**(71,642,489)**	**(37,031,635)**
Cash flows from financing activities			
Decrease in other financial liabilities		(863,567)	(450,868)
Finance lease payments		(442,698)	1,575,000
Net cash flows from financing activities		**(1,306,265)**	**1,124,132**
Net increase/(decrease) in cash and cash equivalents		**(125,891)**	**(1,194,445)**
Cash and cash equivalents at the beginning of the year		3,263,233	4,457,678
Cash and cash equivalents at the end of the year	12	**3,137,342**	**3,263,233**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	124,421,472	(1,324,178)	**123,097,294**	90,134,969	**(32,962,325)**	
Rental of facilities and equipment	474,773	-	**474,773**	521,394	**46,621**	
Income from agency services	27,276	-	**27,276**	3,287,385	**3,260,109**	
Donations received	-	-	**-**	16,249,464	**16,249,464**	
Discount received	-	-	**-**	3,026	**3,026**	
Other income - (rollup)	8,328,566	(369,406)	**7,959,160**	4,202,158	**(3,757,002)**	
Interest received - investment	2,440,920	2,145,000	**4,585,920**	8,383,688	**3,797,768**	
Total revenue from exchange transactions	**135,693,007**	**451,416**	**136,144,423**	**122,782,084**	**(13,362,339)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	33,120,807	(15,500,001)	**17,620,806**	12,075,736	**(5,545,070)**	
Government grants & subsidies	108,473,642	-	**108,473,642**	119,670,833	**11,197,191**	
Total revenue from non-exchange transactions	**141,594,449**	**(15,500,001)**	**126,094,448**	**131,746,569**	**5,652,121**	
Total revenue	**277,287,456**	**(15,048,585)**	**262,238,871**	**254,528,653**	**(7,710,218)**	
Expenditure						
Personnel	(71,778,306)	(2,113,316)	**(73,891,622)**	(75,672,400)	**(1,780,778)**	
Remuneration of councillors	(5,515,333)	(1,011,326)	**(6,526,659)**	(5,691,851)	**834,808**	
Depreciation and amortisation	(2,640,310)	(11,975,382)	**(14,615,692)**	(54,762,517)	**(40,146,825)**	
Finance costs	(975,801)	-	**(975,801)**	(8,674,768)	**(7,698,967)**	
Debt impairment	-	-	**-**	(6,979,109)	**(6,979,109)**	
Repairs and maintenance	(25,229,447)	490,000	**(24,739,447)**	(18,969,425)	**5,770,022**	
Bulk purchases	(45,457,649)	(8,157,000)	**(53,614,649)**	(59,659,968)	**(6,045,319)**	
General Expenses	(39,828,156)	(490,000)	**(40,318,156)**	(29,458,395)	**10,859,761**	
Total expenditure	**(191,425,002)**	**(23,257,024)**	**(214,682,026)**	**(259,868,433)**	**(45,186,407)**	
Operating deficit	**85,862,454**	**(38,305,609)**	**47,556,845**	**(5,339,780)**	**(52,896,625)**	
Gain on biological assets and agricultural produce	-	-	**-**	228,160	**228,160**	
Deficit before taxation	**85,862,454**	**(38,305,609)**	**47,556,845**	**(5,111,620)**	**(52,668,465)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**85,862,454**	**(38,305,609)**	**47,556,845**	**(5,111,620)**	**(52,668,465)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3,357,020	-	**3,357,020**	2,868,138	**(488,882)**	
Trade and other receivables from exchange transactions	4,824,000	-	**4,824,000**	7,061,389	**2,237,389**	
Consumer debtors	27,914,000	25,814,000	**53,728,000**	56,972,744	**3,244,744**	
Cash and cash equivalents	2,367,891	-	**2,367,891**	3,137,342	**769,451**	
	38,462,911	**25,814,000**	**64,276,911**	**70,039,613**	**5,762,702**	
Non-Current Assets						
Biological assets	1	(1)	**-**	610,100	**610,100**	
Investment property	-	-	**-**	4,478,600	**4,478,600**	
Property, plant and equipment	199,994,000	1,393,122,000	**1,593,116,000**	1,074,963,862	**(518,152,138)**	
Intangible assets	103,621	-	**103,621**	1,293,571	**1,189,950**	
Other financial assets	2,624,502	-	**2,624,502**	2,653,425	**28,923**	
	202,722,124	**1,393,121,999**	**1,595,844,123**	**1,083,999,558**	**(511,844,565)**	
Total Assets	**241,185,035**	**1,418,935,999**	**1,660,121,034**	**1,154,039,171**	**(506,081,863)**	
Liabilities						
Current Liabilities						
Other financial liabilities	(1,125,000)	-	**(1,125,000)**	(2,398,609)	**(1,273,609)**	
Operating lease liability	-	-	**-**	(10,726)	**(10,726)**	
Trade and other payables from exchange transactions	(35,549,000)	(5,500,000)	**(41,049,000)**	(111,057,813)	**(70,008,813)**	
Consumer deposits	(3,347,768)	-	**(3,347,768)**	(3,391,200)	**(43,432)**	
Unspent conditional grants and receipts	-	-	**-**	1	**1**	
Provisions	(39,694,000)	-	**(39,694,000)**	(12,540,075)	**27,153,925**	
	(79,715,768)	**(5,500,000)**	**(85,215,768)**	**(129,398,422)**	**(44,182,654)**	
Non-Current Liabilities						
Other financial liabilities	(10,778,000)	-	**(10,778,000)**	(5,287,414)	**5,490,586**	
Finance lease obligation	-	-	**-**	(1,132,302)	**(1,132,302)**	
Retirement benefit obligation	(20,006,472)	-	**(20,006,472)**	(18,786,272)	**1,220,200**	
Provisions	(1,560,528)	-	**(1,560,528)**	(18,001,938)	**(16,441,410)**	
	(32,345,000)	**-**	**(32,345,000)**	**(43,207,926)**	**(10,862,926)**	
Total Liabilities	**(112,060,768)**	**(5,500,000)**	**(117,560,768)**	**(172,606,348)**	**(55,045,580)**	
Net Assets	**353,245,803**	**1,424,435,999**	**1,777,681,802**	**1,326,645,519**	**(451,036,283)**	
Reserves						
Accumulated surplus	353,245,803	1,424,435,999	**1,777,681,802**	1,326,645,519	**(451,036,283)**	-

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

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, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock 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. The write down is included in the operation surplus note.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment.

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 16 - 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.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. 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 7.

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

An entity shall recognise a biological assets or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less point-of-sale costs.

A gain or loss arising on initial recognition of biological assets 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 is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a biological assets measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

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.

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)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the
assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	**Useful life**
Hostels and property	30 years

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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired 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.

0ajor 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.

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

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

1.4 Property, plant and equipment (continued)

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

Item	**Average useful life**
Buildings	30 years
Plant and machinery	5 Years
Infrastructure	
• Roads and Paving	20 years
• Pedestrian Malls	20 years
• Electricity	20 years
• Water	20 years
• Sewerage	20 years
Community	
• Buildings	30 years
• Recreational Facilities	30 years
• Halls	30 years
• Libraries	30 years
Other	
• Specialist vehicles	5 years
• Other vehicles	5 years
• Office equipment	7 years
• Furniture and fittings	5 years
• Bins and containers	5 years
• Specialised plant and equipment	5 years
• Other items of plant and equipment	5 years
• Landfill sites	15 years
• Emergency equipment	5 years
• Computer equipment	5 years
Heritage	
• Buildings	None
• Paintings and artifacts	None

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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

Accounting Policies

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.

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

Intangible assets are initially recognised at cost.

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

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.

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**
Munsoft software	Indefinite
Municipal website	Indefinite

1.6 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Accounting Policies

1.6 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Accounting Policies

1.6 Financial instruments (continued)

Trade and other receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liaibilities held at amortised cost, are intitially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are shortterm highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.
Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilties carried at amortised cost.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.6 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:
- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality’s continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.6 Financial instruments (continued)

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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.

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.

1.7 Leases (continued)

Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any
unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.8 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, 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 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
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.10 Employee benefits

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued annually on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans

1.10 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member’s death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

The GRAP 25 Statement sets out the measurement recognition and disclosure requirements in accounting for postretirement “defined benefit” plans. It is recommended that the Municipality consult with their auditors in determining the appropriate approach for reflecting the results of this valuation in their Financial Statements.

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 postemployment 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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land)

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

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

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

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

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

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

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

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.

Provisions are not recognised for future operating deficits.

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 agreement.

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

Accounting Policies

1.11 Provisions and contingencies (continued)

- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- The municipality 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.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.9.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.12 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.

Sale of goods

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

Rendering of services

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

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

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

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

1.12 Revenue from exchange transactions (continued)

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.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Rates, including collection charges and penalties interest

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

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

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

1.13 Revenue from non-exchange transactions (continued)

Recoveries

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

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 qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.17 Comparative figures

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

Accounting Policies

1.17 Comparative figures (continued)

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.18 Unauthorised expenditure

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

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

1.19 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 as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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

Accounting Policies

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

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

1.23 Investments

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

1.24 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 Related party

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

(a) A person or a close member of that person’s family is related to the reporting entity if that person:
- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the management of the entity or its controlling entity.

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

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Related party relationships where control exists shall be disclosed, irrespective of whether there have been transactions between the related parties. An entity shall disclose the name of its controlling party and if different, the ultimate controlling party.

1.26 Consumer debtors

Consumer deposits are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

Figures in Rand	2013	2012

2. Biological assets

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Other biological assets	610,100	-	610,100	381,941	-	381,941

Reconciliation of biological assets - 2013

	Opening balance	Gains or losses arising from changes in fair value	Total
Other biological assets	381,941	228,159	610,100

Reconciliation of biological assets - 2012

	Opening balance	Disposals	Total
Other biological assets	568,941	(187,000)	381,941

Notes to the Annual Financial Statements

Figures in Rand

2. Biological assets (continued)

Non - Financial information

Quantities of each biological asset - 2013	**Opening Quantity**	**Births**	**Disposals**	**Deaths**	**Closing Quantity**
Girraffe	9	3	-	-	12
Eland	14	-	-	-	14
Kudu	26	-	-	(6)	20
Water Buck	6	-	-	(1)	5
Njala	3	1	-	-	4
Blue Wild Beast	23	-	-	(1)	22
Impala	170	34	-	-	204
Zebra	15	-	-	(4)	11
Wathorg	1	-	-	(1)	-
	267	**38**	**-**	**(13)**	**292**

Quantities of each biological asset - 2012	**Opening Quantity**	**Births**	**Disposals**	**Deaths**	**Closing Quantity**
Girraffe	13	2	(6)	-	9
Eland	15	-	-	(1)	14
Kudu	38	-	(2)	(10)	26
Rooi Hart Beast	3	-	-	(3)	-
Water Buck	9	-	-	(3)	6
Njala	21	-	(5)	(13)	3
Blue Wild Beast	25	3	-	(5)	23
Impala	233	22	(85)	-	170
Zebra	25	5	(15)	-	15
Duiker	4	-	-	(4)	-
Wathorg	22	-	-	(21)	1
Bush Buck	11	-	-	(11)	-
	419	**32**	**(113)**	**(71)**	**267**

3. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	7,033,987	(2,555,387)	4,478,600	7,033,987	(1,916,540)	5,117,447

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	5,117,447	(638,847)	4,478,600

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Investment property	5,756,293	(638,846)	5,117,447

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.

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- 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.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- 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.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

4. 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	29,763,010	-	29,763,010	29,763,010	-	29,763,010
Buildings	27,171,677	(4,484,978)	22,686,699	27,171,677	(3,363,733)	23,807,944
Plant and machinery	3,033,554	(2,189,564)	843,990	3,028,902	(1,636,266)	1,392,636
Furniture and fixtures	3,128,807	(1,759,272)	1,369,535	3,111,071	(1,312,143)	1,798,928
Motor vehicles	4,364,712	(3,163,573)	1,201,139	4,364,712	(2,290,650)	2,074,062
Office equipment	3,684,645	(2,082,575)	1,602,070	3,021,648	(1,424,375)	1,597,273
Roads Infrastructure	630,859,402	(87,944,938)	542,914,464	622,604,947	(65,360,085)	557,244,862
Community	29,187,238	(6,141,838)	23,045,400	29,187,238	(4,606,378)	24,580,860
Work-in-progress	84,319,163	-	84,319,163	35,020,994	-	35,020,994
Electrical Infrastructure	127,011,225	(29,744,649)	97,266,576	126,859,167	(21,984,692)	104,874,475
Leased Assets - Photocopiers	2,312,609	(1,657,370)	655,239	2,636,375	(894,096)	1,742,279
Auto Visual Equipment	10,690	(4,253)	6,437	10,690	(2,115)	8,575
Security Equipment	177,681	(126,724)	50,957	177,681	(91,188)	86,493
Emergency Equipment	68,636	(54,946)	13,690	68,636	(41,219)	27,417
Wastewater network	116,253,714	(18,079,671)	98,174,043	111,940,527	(13,513,779)	98,426,748
Water and storm water network	224,926,845	(53,875,395)	171,051,450	221,745,738	(40,364,604)	181,381,134
Total	**1,286,273,608**	**(211,309,746)**	**1,074,963,862**	**1,220,713,013**	**(156,885,323)**	**1,063,827,690**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Land	29,763,010	-	-	-	29,763,010
Buildings	23,807,944	-	-	(1,121,245)	22,686,699
Plant and machinery	1,392,636	4,652	-	(553,298)	843,990
Furniture and fixtures	1,798,928	17,736	-	(447,129)	1,369,535
Motor vehicles	2,074,062	-	-	(872,923)	1,201,139
Office equipment	1,597,273	895,029	-	(890,232)	1,602,070
Roads Infrastructure	557,244,862	-	8,254,455	(22,584,853)	542,914,464
Community	24,580,860	-	-	(1,535,460)	23,045,400
Work in progress	35,020,994	70,831,242	(21,533,073)	-	84,319,163
Electrical Network	104,874,475	75,000	77,057	(7,759,956)	97,266,576
Leased Assets - Photocopiers	1,742,279	-	-	(1,087,040)	655,239
Auto Visual Equipment	8,575	-	-	(2,138)	6,437
Security Equipment	86,493	-	-	(35,536)	50,957
Emergency Equipment	27,417	-	-	(13,727)	13,690
Wastewater network	98,426,748	-	4,313,188	(4,565,893)	98,174,043
Water and storm water network	181,381,134	-	3,181,106	(13,510,790)	171,051,450
	1,063,827,690	**71,823,659**	**(5,707,267)**	**(54,980,220)**	**1,074,963,862**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Depreciation	Total
Land	29,763,010	-	-	-	29,763,010
Buildings	24,929,188	-	-	(1,121,244)	23,807,944
Plant and machinery	1,901,686	43,500	-	(552,550)	1,392,636
Furniture and fixtures	2,179,121	64,591	-	(444,784)	1,798,928
Motor vehicles	2,258,398	673,632	-	(857,968)	2,074,062
Office equipment	1,648,762	493,849	-	(545,338)	1,597,273
Road Infrastructure	573,379,850	-	6,516,941	(22,651,929)	557,244,862
Community Assets	26,116,318	-	-	(1,535,458)	24,580,860
Work in progress	8,870,318	35,063,851	(8,913,175)	-	35,020,994
Electrical network	112,654,818	-	-	(7,780,343)	104,874,475
Leased Assets - Photocopiers	1,978,279	-	-	(236,000)	1,742,279
Visual Equipment	1,661	7,920	-	(1,006)	8,575
Security Equipment	122,126	-	-	(35,633)	86,493
Emergency equipment	41,181	-	-	(13,764)	27,417
Wastewater network	101,214,212	-	1,758,845	(4,546,309)	98,426,748
Water and storm water network	194,241,486	-	637,390	(13,497,742)	181,381,134
	1,081,300,414	**36,347,343**	**1**	**(53,820,068)**	**1,063,827,690**

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.

5. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	1,293,571	-	1,293,571	1,293,571	-	1,293,571

Reconciliation of intangible assets - 2013

	Opening balance	Total
Intangible assets	1,293,571	1,293,571

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Total
Intangible assets	103,621	1,189,950	1,293,571

Other information

A brief description of significant intangible assets controlled by the municipality but not recognised as assets because they did not meet the recognition criteria in this Standard or because they were acquired or generated before the version of IAS 38 Intangible Assets issued in 1998 was effective.

Intangible assets are:

Figures in Rand	2013	2012

5. Intangible assets (continued)

- IFMS Munsoft System R 1,169,950
- Munsoft Disaster Recovery Back-up Module R 20,000

6. Other financial assets

	2013	2012
At amortised cost		
Sanlam Investment: Market Investment	69,415	66,003
The above money market collective investment schemes with the detail as below:		
Fund unit balance: R 69,415		
Price per unit (c): 100c		
Market value (Rc) at 30/06/2013 R 69,415		
Old Mutual: Investment Fund	2,584,010	2,540,432
The above fixed deposit investment with the detail as below:		
Investment reference number: 13543332		
Commencement date: 2009/09/30		
Price per Unit (c): R147.20		
	2,653,425	**2,606,435**
Non-current assets		
At amortised cost	2,653,425	2,606,435

7. Employee benefit obligations

Defined benefit plan

The GRAP 25 Statement sets out the measurement recognition and disclosure requirements in accounting for postretirement “defined benefit” plans. It is recommended that the Municipality consult with their auditors in determining the appropriate approach for reflecting the results of this valuation in their Financial Statements.

Post retirement benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member’s death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

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

	2013	2012
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(17,955,339)	(14,766,691)
Net actuarial gains or losses not recognised	(830,933)	(3,188,648)
Net liability	**(18,786,272)**	**(17,955,339)**

Figures in Rand	2013	2012

7. Employee benefit obligations (continued)

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

Opening balance	11,272,966	8,084,318
Net expense recognised in the statement of financial performance	830,928	3,188,648
Closing balance	**12,103,894**	**11,272,966**

Net expense recognised in the statement of financial performance

Current service cost	1,232,258	1,044,530
Interest cost	1,517,741	1,284,463
Actuarial (gains) losses	(1,753,627)	1,007,411
Expected return on plan assets	(165,444)	(147,756)
Total included in employee related costs	**830,928**	**3,188,648**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.45 %	8.49 %
Health care cost inflation rate	7.98 %	7.16 %
Net effective discount rate	1.36 %	1.24 %

Key demographic assumptions used at the report date:

Average retirement age		63.00
Continuation of membership at retirement:		95.00%
Proportion assumed married at retirement:		95.00%
Proportion of eligible current non-member employees joining the scheme by retirement:		30.00%
Mortality during employment:	SA85-90	Mortality
post-retirement:	PA 90-1	

8. Inventories

Water	91,639	76,039
Stock on hand	3,483,808	2,986,571
	3,575,447	3,062,610
Inventories (write-downs)	(707,309)	-
	2,868,138	**3,062,610**

9. Trade and other receivables from exchange transactions

Trade debtors	-	(2,252)
Other receivables	22,418	1,114,847
	22,418	**1,112,595**

10. VAT receivable

VAT	7,038,971	-

Included in the amount of VAT receivable is VAT on creditors to the value of R9 428 427 not yet declared as the municipality is registered for VAT on cash basis.

Figures in Rand	2013	2012

11. Consumer debtors

	2013	2012
Gross balances		
Rates	15,497,350	14,754,049
Electricity	16,608,553	16,735,092
Water	56,845,082	55,840,862
Sewerage	13,103,505	6,245,419
Refuse	18,213,946	8,359,506
	120,268,436	**101,934,928**
Less: Allowance for impairment		
Rates	(13,542,912)	(5,891,299)
Electricity	(1,905,691)	(828,994)
Water	(35,674,244)	(50,527,400)
Sewerage	(6,943,468)	(3,020,476)
Refuse	(5,229,377)	(2,274,830)
	(63,295,692)	**(62,542,999)**
Rates		
Electricity		
Water		
Sewerage		
Refuse		
Net balance		
Electricity	14,702,862	15,906,098
Water	21,170,838	5,313,462
Sewerage	6,160,037	3,224,943
Refuse	12,984,569	6,084,676
Rates	1,954,438	8,862,750
	56,972,744	**39,391,929**
Net balance	**56,972,744**	**39,391,929**
Rates		
Current (0 -30 days)	781,908	1,371,960
31 - 60 days	808,756	2,345,080
61 - 90 days	363,774	5,145,710
	1,954,438	**8,862,750**
Electricity		
Current (0 -30 days)	13,783,801	15,010,836
31 - 60 days	345,494	336,547
61 - 90 days	573,567	558,715
	14,702,862	**15,906,098**
Water		
Current (0 -30 days)	3,865,386	3,188,077
31 - 60 days	4,286,590	1,700,308
61 - 90 days	13,018,862	425,077
	21,170,838	**5,313,462**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

11. Consumer debtors (continued)

Sewerage		
Current (0 -30 days)	1,654,802	1,457,803
31 - 60 days	1,750,790	749,079
61 - 90 days	1,696,537	312,499
91 - 120 days	1,057,908	705,562
	6,160,037	**3,224,943**

Refuse		
Current (0 -30 days)	3,578,455	1,865,228
31 - 60 days	2,580,307	1,228,373
61 - 90 days	3,283,083	876,988
91 - 120 days	3,542,724	2,114,087
	12,984,569	**6,084,676**

Undefined Difference

Reconciliation of allowance for impairment		
Balance at beginning of the year	(62,542,999)	(56,245,816)
Contributions to allowance	(6,979,109)	(6,297,183)
Debt impairment written off against allowance	6,226,416	-
	(63,295,692)	**(62,542,999)**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	131	19,799
Bank balances	3,137,211	3,243,434
	3,137,342	**3,263,233**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2013	June 30, 2012	June 30, 2011
ABSA Bank Limited - Cheque Account - 1580000009	1,943,771	1,416,103	519,520	2,905,722	3,018,913	4,356,218
165322	66,298	66,844	66,967	66,298	66,788	67,126
ABSA Fixed deposit	165,322	177,532	177,532	165,322	177,532	177,532
Total	**2,175,391**	**1,660,479**	**764,019**	**3,137,342**	**3,263,233**	**4,600,876**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

13. Other financial liabilities

At amortised cost		
Devlopment Bank of South Africa	7,664,896	8,528,463

Non-current liabilities		
At amortised cost	5,287,414	6,498,948

Current liabilities		
At amortised cost	2,377,482	2,029,515

14. Finance lease obligation

Minimum lease payments due		
- within one year	639,435	442,698
- in second to fifth year inclusive	492,867	1,132,302
Present value of minimum lease payments	**1,132,302**	**1,575,000**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	1	15,148,245

16. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Provision for landfill site - Long term	7,085,401	10,916,537	-	18,001,938
Long service awards	4,305,259	45,412	-	4,350,671
Provision for leave pay	7,694,611	3,043,234	(1,335,496)	9,402,349
13th Cheque Bonus	2,126,330	3,216,071	(2,937,579)	2,404,822
Provision - Landfill Site - Short term	-	(3,617,767)	-	(3,617,767)
	21,211,601	**13,603,487**	**(4,273,075)**	**30,542,013**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Provision for landfill site	7,085,401	-	-	7,085,401
Long service awards	2,928,408	1,376,851	-	4,305,259
Provision for leave pay	6,616,198	1,880,098	(801,685)	7,694,611
13th Cheque Bonus	1,656,954	3,229,520	(2,760,144)	2,126,330
	18,286,961	**6,486,469**	**(3,561,829)**	**21,211,601**

Non-current liabilities	18,001,938	7,085,401
Current liabilities	12,540,075	14,126,200
	30,542,013	**21,211,601**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17. Trade and other payables from exchange transactions

	2013	2012
Trade payables	97,147,738	51,332,446
Retentions witheld	7,701,681	3,933,299
Amounts received in advance	6,197,668	2,635,283
	111,047,087	**57,901,028**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

18. VAT payable

VAT	-	1,666,241

19. Consumer deposits

Water & lights	3,391,200	3,232,999

20. Revenue

Discount received	3,026	4,689
Government grants & subsidies	119,670,833	80,430,537
Income from agency services	3,287,385	2,937,112
Interest received - investment	8,383,688	4,906,053
Other income	4,215,940	3,544,729
Property rates	12,075,736	14,277,837
Rental of facilities and equipment	521,394	214,512
Royalties received	16,249,464	14,137,885
Service charges	90,134,969	103,103,630
	254,542,435	**223,556,984**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	90,134,969	103,103,630
Rental of facilities and equipment	521,394	214,512
Income from agency services	3,287,385	2,937,112
Royalties received	16,249,464	14,137,885
Discount received	3,026	4,689
Other income - (rollup)	4,215,940	3,544,729
Interest received - investment	8,383,688	4,906,053
	122,795,866	**128,848,610**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	12,075,736	14,277,837
Transfer revenue		
Government grants & subsidies	119,670,833	80,430,537
	131,746,569	**94,708,374**

Figures in Rand	2013	2012

21. Property rates

Rates received

	2013	2012
Residential	1,924,043	6,184,634
Commercial	2,171,562	3,788,213
State	43,479	197,966
Small holdings and farms	7,936,652	4,107,024
	12,075,736	**14,277,837**

Valuations

	2013	2012
Residential	4,229,088,837	4,229,088,837
Commercial	2,836,112,578	2,836,112,578
State	146,681,900	146,681,900
Municipal	45,731,100	45,731,100
Small holdings and farms	262,458,300	262,458,300
Social	25,139,300	25,139,300
	7,545,212,015	**7,545,212,015**

The last general valuation came into effect on 1 July 2007. An application for extention was done by the MEC. The new valuation roll was approved by council during the 2012/13 financial year for implementation commencing 1 July 2013.

22. Service charges

	2013	2012
Sale of electricity	43,622,307	36,192,317
Sale of water	26,711,640	48,891,873
Sewerage and sanitation charges	11,648,963	10,456,842
Refuse removal	8,152,059	7,562,598
	90,134,969	**103,103,630**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

23. Government grants and subsidies

Equitable share	60,104,000	52,832,014
Municipal Infrastructure Grant (MIG)	54,818,244	22,473,942
Financial Management Grant (FMG)	1,500,000	1,500,000
Municipal Systems Improvement Grant (MSIG)	800,000	790,000
Integrated National Electrification Program Grant (INEP)	-	1,211,144
EPWP Grant	1,514,000	679,000
Fire Subsidy	567,746	712,679
SETA Grant	366,843	231,758
	119,670,833	**80,430,537**

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	15,148,245	2,483,331
Current-year receipts	42,153,000	35,138,676
Conditions met - transferred to revenue	(54,817,913)	(22,473,762)
Amount paid back to National Treasury	(2,483,331)	-
	1	**15,148,245**

Financial Management Grant

Current-year receipts	1,500,000	1,491,761
Conditions met - transferred to revenue	(1,500,000)	(1,491,761)
	-	**-**

Municipal Systems Improvement Program Grant

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

Integrated National Electrification Program Grant

Current-year receipts	-	1,600,000
Conditions met - transferred to revenue	-	(1,600,000)
	-	**-**

EPWP Grant

Current-year receipts	1,392,667	679,000
Conditions met - transferred to revenue	(1,392,667)	(679,000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

24. Other revenue

Royalties received	16,249,464	14,137,885
Discount received	3,026	4,689
Other income	4,215,940	3,544,729
	20,468,430	**17,687,303**

25. General expenses

Advertising	229,676	80,030
Auditors remuneration	2,326,151	1,961,444
Bank charges	339,661	103,116
Biological stock written off	-	187,000
Cleaning	174,731	175,804
Community development and training	603,856	44,580
Consulting and professional fees	3,884,960	6,078,871
Delegates fees	19,140	18,539
Electricity Vending	1,013,547	4,603
Entertainment	610,749	435,569
Grants and subsidies paid	2,773,362	2,545,855
Insurance	1,184,818	1,056,090
Lease rentals on operating lease	783,999	1,128,470
Motor vehicle expenses	2,880,944	2,168,274
Operating leases	(1,583)	(305,453)
Other Expenses	25,672	(332,714)
Postage and courier	160,581	163,260
Printing and stationery	453,294	680,888
Promotions and sponsorships	-	200
Protective clothing	192,624	418,263
Landfill site	6,821,477	530,276
Refuse	28,211	(15,555)
Security	490,486	372,486
Sewerage and waste disposal	146,660	(72)
Stock losses	888,066	(557,879)
Subscriptions and membership fees	624,460	510,531
Telephone and fax	1,569,862	2,288,915
Training	1,334,878	820,461
Travel - local	904,315	1,857,399
	30,464,597	**22,419,251**

Figures in Rand	2013	2012

26. Employee related costs

Basic	43,167,650	36,313,121
Bonus	2,937,579	2,785,144
Medical aid - company contributions	2,884,252	2,429,431
UIF	448,430	388,541
WCA	31,235	907,799
SDL	313,500	-
Leave pay provision charge	3,043,235	1,880,098
Post-employment benefits - Pension - Defined contribution plan	6,944,587	9,937,814
Travel, motor car, accommodation, subsistence and other allowances	4,531,646	4,399,346
Overtime payments	4,214,785	4,035,690
13th Cheques	278,493	469,376
Provident fund	932,234	1,063,040
COIDA	412,509	408,710
Industrial council	31,091	16,540
	70,171,226	**65,034,650**

Remuneration of Municipal manager

Annual Remuneration	1,018,453	811,265
Travel, Cellphone and other allowances	180,000	95,264
Contributions to UIF, Medical and Pension Funds	32,377	3,599
	1,230,830	**910,128**

Remuneration of Chief Finance Officer

Annual Remuneration	702,663	661,478
Travel, Cellphone and other allowances	135,909	165,431
Contributions to UIF, Medical and Pension Funds	21,604	7,978
	860,176	**834,887**

Filled for nine months during the period.

Remuneration of Technical services manager

Annual Remuneration	731,462	711,873
Travel, Cellphone and other allowances	178,308	194,777
Contributions to UIF, Medical and Pension Funds	11,636	8,686
	921,406	**915,336**

Remuneration of Corporate services manager

Annual Remuneration	676,482	650,000
Travel, Cellphone and other allowances	163,200	96,562
Contributions to UIF, Medical and Pension Funds	7,860	43,887
	847,542	**790,449**

Remuneration Community and sosial services manager

Annual Remuneration	597,857	568,459
Travel, Cellphone and other allowances	127,200	130,353
Contributions to UIF, Medical and Pension Funds	9,103	12,104
	734,160	**710,916**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

26. Employee related costs (continued)

Remuneration Planning and development manager

Annual Remuneration	718,887	680,000
Travel, Cellphone and other allowances	163,200	167,430
Contributions to UIF, Medical and Pension Funds	24,973	-
	907,060	**847,430**

27. Remuneration of councillors

Councillors	5,691,851	4,548,590

28. Debt impairment

Debt impairment	6,979,109	6,297,183

29. Investment revenue

Interest revenue		
Bank	146,397	227,802
Interest received - Consumer debtors	8,237,291	4,678,251
	8,383,688	**4,906,053**

30. Depreciation and amortisation

Property, plant and equipment	54,123,670	53,516,342
Investment property	638,847	638,847
	54,762,517	**54,155,189**

31. Finance costs

Finance cost	8,674,768	4,060,562

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

32. Auditors' remuneration

Fees	2,326,151	1,961,444

33. Rental of facilities and equipment

Premises		
Premises owned by the municipality	519,905	211,434
Facilities and equipment		
Rental of equipment	1,489	3,078
	521,394	**214,512**

34. Bulk purchases

Electricity	43,142,293	39,080,279
Water	15,429,128	18,661,785
	58,571,421	**57,742,064**

35. Cash generated from operations

Deficit	(5,015,493)	(24,839,252)
Adjustments for:		
Depreciation and amortisation	54,762,517	54,155,189
Loss on sale of assets and liabilities	(228,160)	-
Debt impairment	6,979,109	6,297,183
Movements in operating lease assets and accruals	(11,985)	(305,452)
Movements in retirement benefit assets and liabilities	830,933	-
Movements in provisions	9,330,412	6,643,564
Changes in working capital:		
Inventories	194,472	(491,192)
Trade and other receivables from exchange transactions	1,090,177	4,029,706
Consumer debtors	(24,559,924)	(36,593,095)
Trade and other payables from exchange transactions	53,146,059	4,698,325
VAT	(8,705,211)	8,324,693
Unspent conditional grants and receipts	(15,148,244)	12,664,914
Consumer deposits	158,201	128,475
	72,822,863	**34,713,058**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	266,634,704	339,305,516
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	4,000,000	-

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

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	267,981	670,507
- in second to fifth year inclusive	-	165,618
	267,981	**836,125**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

37. Related parties

Relationships

Accounting Officer	Refer to Accounting Officers report
Municipal Gratuity Fund	Post Employment benefit plan for employees of Thabazimbi.
Municipal Gratuity Fund	Post Employment benefit plan for employees of Thabazimbi.
Department of Transport	Fellow entity

Related party transactions

	2013	2012
Licence Commission earned		
Department of Transport	3,932,885	539,851
Department of Transport		
Balance owed	11,504,674	6,481,151
Section 57 Managers		
Municipal manager	1,230,830	910,128
Chief finance officer	860,176	834,887
Technical services manager	921,406	915,336
Corporate services manager	847,542	790,449
Community and sosial services manager	694,762	710,916
Planning and development manager	907,060	847,430
Chief operations officer	635,922	-
Councillors		
Cllr. P.A.Mosito (Mayor)	668,709	636,767
Cllr. S.G. Matsietsa (Speaker)	556,753	628,646
Cllr.M.D. Tlhabadira (Chief Whip)	506,115	482,516
Cllr.M.E Semadi	289,605	22,269
Cllr.T. Mkansi	513,013	286,788
Cllr.L.H. Joubert	281,720	268,131
Cllr.A.R. Ramogale	309,882	198,153
Cllr.C.S. Sikwane	207,689	197,952
Cllr.P.A. Scruton	211,225	198,103
Cllr.M. Moselane	209,747	185,195
Cllr.B.N. Maguga	212,188	192,427
Cllr.M.L. Sikhwari	207,643	197,947
Cllr.T.D. Molefe	213,580	203,456
Cllr.D.R. Daniels	211,526	198,218
Cllr.S.A. Khumalo	214,126	197,952
Cllr.D.A. Moatshe	212,406	197,952
Cllr.F. Loots	212,403	197,952
Cllr.S.G. Lerumo	208,077	198,065
Cllr.R.C. Du Preez	212,484	198,037
Cllr.K.R. Mokwena	210,449	210,632
Cllr.P. Strydom	215,325	197,952
Cllr.S.I. Manala	210,175	208,038
Cllr. J.M. Fischer	210,301	-

38. Prior period errors

The leave and bonus provision in the prior year was incorrectly calculated and it was understated.

The revenue was overstated due to billing errors and was corrected during the year under review

The municipality has provided for inventory write off without council resolution and it was reversed in the current year

Figures in Rand	2013	2012

38. Prior period errors (continued)

The municipality has erroneously classified a lease as operating in the previous year and has since capitalised the asset and calculated depreciation on leased asset.

The general expenses were incorrectly classified due to mapping errors in the previous year and was correctly classified.

The municipality has implemented GRAP 17 restrospectively and have accounted for all PPE in the current year. Depreciation was recalculated and adjusted.

The donation from mines through contribution to capital projects were not accounted for in the previous years as revenue and assets respetively.

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

	2013	2012
Statement of Financial Performance		
Increase in leave provision	3,451,564	3,451,564
Decrease in Bonus provision	(463,690)	(463,690)
Reduction of revenue due to billing errors	23,763,779	23,763,779
Reversal of un-appoved inventory provision	(744,445)	(744,445)
Increase in grants and subsidies	(944,437)	(944,437)
Decrease in other income	6,806,853	6,806,853
Fair value gain on biological assets	180,065	180,065
Increase in interest received	(4,678,257)	(4,678,257)
Reduction in debt impairment	(16,328,277)	(16,328,277)
Increase in councillor remuneration	310,586	310,586
Increase in depreciation -finance lease asset	462,523	462,523
Increase in General Expenses	(597,550)	(597,550)
Reduction in operating lease provision/expense	(460,572)	(460,572)
Depreciation	33,690,502	33,690,502
Donations from mines	(14,137,886)	(14,137,886)
	30,310,758	**30,310,758**

	2013	2012
Statement of financial position		
Property plant and equipment	(942,205,493)	(942,205,493)
VAT receivable not previously recognised	2,337,117	2,337,117
Non current receivables incorrectly recognised (Investing Act)	(23,763,779)	(23,763,779)
Accruals were overstated due to lack of year-end accrual	1,133,971	1,133,971
Increase in finance lease liability	(1,061,375)	(1,061,375)
Increase in accumulated depreciation	(1,194,848)	(1,362,127)
Staff leave accrual	(3,451,564)	(3,451,564)
Reduction in operating lease provivision	394,368	394,368
Bonus Leave accrual	463,690	463,690
Water inventory	76,039	76,039
Decrease in VAT Payable	454,499	-
	(966,817,375)	**(967,439,153)**

39. Comparative figures

Certain comparative figures have been reclassified.

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

40. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 13, cash and cash equivalents disclosed in note 12, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the municipality may adjust the amount of dividends paid to member, return capital to member, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

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

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.

Credit risk

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

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

41. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The municipality will continue to operate as a going concern for at least the next 12 months.

42. Events after the reporting date

The municipality is unaware of any events after the reporting date which required disclosure and or adjusting events.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

43. Unauthorised expenditure

Opening balance	125,209,070	64,048,022
Additional expenditure	71,884,466	61,161,048
Closing balance	**197,093,536**	**125,209,070**

44. Fruitless and wasteful expenditure

Opening balance	1,018,591	78,587
Additions during the year & disclosed in AFS	3,548,708	808,659
Additional expenditure	910,342	131,345
Closing balance	**5,477,641**	**1,018,591**

45. Irregular expenditure

Opening balance	33,208,928	31,095,544
Additions during the year & disclosed in AFS	-	52,500
Additional expenditure	210,178,275	2,060,884
Closing balance	**243,387,203**	**33,208,928**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Procurement processess not followed properly	None	210,178,275

46. Additional disclosure in terms of Municipal Finance Management Act

Material losses through distribution of water losses

Opening water volume	22,698	22,290
Purchases during the year	4,519,924	10,232,326
Recorded Billing during the year	(2,062,553)	(7,040,525)
Distribution losses	(2,507,181)	(3,191,393)
	(27,112)	**22,698**

Reconcilliation of Water Inventory in Rand

Opening inventory	76,039	69,099
Bulk purchases -Water	15,429,128	18,737,923
Billed during the year @ cost	(6,803,072)	(8,664,820)
Distribution losses	(8,793,734)	(10,066,163)
	(91,639)	**76,039**

Electricity losses

Total KW (Units) purchased	70,859,380	-
Total distributed/ consumed	(41,982,143)	-
Distribution loss in KW / Units	28,877,237	-
Distribution loss in (R)	17,615,114	-

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

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

PAYE and UIF

Opening balance	726,687	623,884
Current year subscription / fee	10,381,114	9,984,315
Amount paid - current year	(10,263,326)	(9,881,512)
	844,475	**726,687**

Pension and Medical Aid Deductions

Opening balance	387,476	254,130
Current year subscription / fee	11,556,911	10,994,630
Amount paid - current year	(10,636,385)	(10,861,284)
	1,308,002	**387,476**

VAT

VAT receivable	18,212,383	1,867,276
VAT payable	11,173,412	3,533,516
	29,385,795	**5,400,792**

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

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

Councillors' arrear consumer accounts

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

June 30, 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. P.A. Scruton	7,918	1,937	9,855
Cllr. M. Moselane	5,263	2,303	7,566
Cllr. T.D. Molefe	1,238	1,087	2,325
Cllr. G.S. Lerumo	1,414	4,601	6,015
Cllr. H.J. Joubert	1,218	17,022	18,240
Cllr. C.S. Sikwane	1,426	31	1,457
Cllr. J.M. Fisher	2,238	13,788	16,026
	20,715	**40,769**	**61,484**

June 30, 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. P.A. Scruton	4,577	3,000	7,577
Cllr. M. Moselane	2,621	-	2,621
Cllr. T.D. Molefe	557	1,787	2,344
	7,755	**4,787**	**12,542**

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

47. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

Thabazimbi local municipality
Appendix A
June 2013

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at Saturday, June 30, 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Sunday, June 30, 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
Streets & Stormwater	10719/101	30/09/2018	4,538,337	-	449,789	4,088,548	-	-
Resealing of Streets	10916/303	31/03/2018	197,943	-	31,982	165,961	-	-
Upgr Sewer Purification Works	13523/101	31/03/2018	273,158	-	40,265	232,893	-	-
Upgr Sewer Purification Works	10916/203	31/03/2018	208,059	-	33,617	174,442	-	-
Electricity Lalf 15498	12945/101	30/06/2015	868,145	-	53,082	815,063	-	-
Upgr. Electricity Network	10916/103	31/03/2018	450,223	-	50,297	399,926	-	-
Leeupoort Lalf 15327	12386/101	31/12/2011	294,312	-	98,386	195,926	-	-
Northam Lalf 15330	12391/5/6/7	31/12/2012	47,654	-	23,103	24,551	-	-
Northam Lalf 15330	101958/1	30/06/2016	1,620,133	-	31,420	1,588,713	-	-
			8,497,964	**-**	**811,941**	**7,686,023**	**-**	**-**
Total external loans								
Development Bank of South Africa			8,497,964	-	811,941	7,686,023	-	-
			8,497,964	**-**	**811,941**	**7,686,023**	**-**	**-**

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

Name of Grants	"Quarterly Receipts"				"Quarterly Expenditure"				"Grants and Subsidies delayed / withheld"				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason noncompli
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun		Yes/ No	
Financial Management Grant (FMG)	1,500,000	-	-	-	771,064	254,753	327,381	146,802	-	-	-	-		Yes	
Municipal Systems Improvement Programme Grant (MSIG)	800,000	-	-	-	298,464	76,500	184,500	240,536	-	-	-	-		Yes	
Municipality Infrastructure Grant (MIG	14,887,000	15,713,000	11,553,000	-	-	14,887,000	15,713,000	11,553,000	-	-	-	-		Yes	
Equitable Shares	25,043,000	17,552,000	15,026,000	-	-	25,043,000	17,552,000	15,026,000	-	-	-	-		Yes	
	-	-	-	-	-	-	-	-	-	-	-	-			
	42,230,000	33,265,000	26,579,000	-	1,069,528	40,261,253	33,776,881	26,966,338	-	-	-	-			

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