Lesedi Local Municipality

(Demarcation code GT423)
Annual financial statements
for the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Local municipal functions as set out in the Constitution of South Africa. (Act no 105 of 1996)
Mayoral committee	
Executive Mayor	LF Maloka
Councillors	AV Madonsela (Reshuffled - in 25 Nov 2012)
	SM Sibeko
	ST Makhubu
	TB Tsoku
	MNR Nkosi (Reshuffled - out 25 Nov 2012)
Grading of local authority	Grade 3 Local Muncicpality
Municipal Manager	A Makhanya (Appointed 13 Aug 2012)
Chief Finance Officer (CFO)	
	VP Ndzinyana (Deceased 21 Mar 2013)
Registered office	Civic Centre C/o HF Verwoerd and Louw Street Heidelberg 1441
Business address	Civic Centre C/o HF Verwoerd and Louw Street Heidelberg 1441
Postal address	PO Box 201 Heidelberg 1438
Bankers	ABSA Bank Bruma Gauteng
Auditors	Auditor General of South Africa

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
BKB	Bontle ke Botho
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
NLDTF	National Lottery Distribution Trust Fund

The annual financial statements set out on pages 6 to 63, which have been prepared on the going concern basis, were approved by the on 30 August 2013 and were signed on its behalf by:

A Makhanya
Municipal Manager

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 63, which have been prepared on the going concern basis, were approved by the council on 30 August 2013 and were signed on its behalf by:

A Makhanya
Municipal Manager

Heidelburg

30 August 2013

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2013.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year x number of meetings were held.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the of the municipality during the year under review. It was however noted that…………………………… (e.g. suspense accounts were not cleared on a monthly basis).

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the ;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Audit Committee Report

Date: ________________________________

Lesedi Local Municipality
(Demarcation code: GT423)
Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	9	3 977 176	4 050 092
Receivables from exchange transactions	10	1 347 702	23 787 219
Receivables from non-exchange transactions	11	2 227 322	2 250 021
Consumer debtors	12	42 707 265	46 250 884
Cash and cash equivalents	13	14 431 901	6 591 603
		64 691 366	**82 929 819**
Non-Current Assets			
Investment property	3	422 810 862	425 115 439
Property, plant and equipment	4	522 321 311	505 135 978
Intangible assets	5	531 850	1 114 558
Heritage assets	6	157 193	-
		945 821 216	**931 365 975**
Total Assets		**1 010 512 582**	**1 014 295 794**
Liabilities			
Current Liabilities			
Other financial liabilities	14	2 596 150	6 556 430
Payables from exchange transactions	17	69 366 305	50 551 722
VAT payable	18	6 632 188	4 104 529
Consumer deposits	19	7 452 052	7 071 365
Unspent conditional grants and receipts	15	11 573 700	2 302 136
Provisions	16	9 443 189	9 084 854
		107 063 584	**79 671 036**
Non-Current Liabilities			
Other financial liabilities	14	67 880 561	70 432 378
Provisions	16	2 512 344	1 951 608
		70 392 905	**72 383 986**
Total Liabilities		**177 456 489**	**152 055 022**
Net Assets		**833 056 093**	**862 240 772**
Net Assets			
Accumulated surplus		833 056 093	862 240 772

Lesedi Local Municipality

(Demarcation code: GT423)
Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Revenue from exchange transactions			
Service charges	23	296 967 147	253 238 263
Rental of facilities and equipment	37	3 014 986	3 302 638
Licences and permits		44 039	24 741
Recoveries		975 765	15 342 440
Interest received - investment	31	5 720 299	3 024 055
Total revenue from exchange transactions		**306 722 236**	**274 932 137**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	58 416 764	54 509 764
Transfer revenue			
Government grants & subsidies	24	93 509 328	87 401 440
Fines		168 107	740 712
Total revenue from non-exchange transactions		**152 094 199**	**142 651 916**
Total revenue	21	**458 816 435**	**417 584 053**
Expenditure			
Personnel	28	(92 694 188)	(90 598 551)
Remuneration of councillors	29	(7 344 755)	(7 033 566)
Depreciation and amortisation	32	(35 982 009)	(40 088 352)
Impairment loss/ Reversal of impairments	33	(109 607)	(751 925)
Finance costs	34	(6 982 598)	(7 813 547)
Debt impairment	30	(81 963 434)	(32 648 066)
Collection costs		(721 309)	(671 856)
Repairs and maintenance		(20 992 106)	(21 735 994)
Bulk purchases	39	(189 132 290)	(172 132 690)
Contracted services	38	(681 919)	(858 988)
General Expenses	26	(51 195 294)	(50 751 753)
Total expenditure		**(487 799 509)**	**(425 085 288)**
Operating deficit	27	**(28 983 074)**	**(7 501 235)**
(Loss) gain on disposal of assets and liabilities		(201 609)	9 048 630
(Deficit) surplus for the year		**(29 184 683)**	**1 547 395**
Attributable to:			
Owners of the controlling entity		(29 184 683)	1 547 395

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	862 693 377	862 693 377
Adjustments		
Correction of errors	(2 000 000)	(2 000 000)
Balance at 01 July 2011 as restated	**860 693 377**	**860 693 377**
Changes in net assets		
Surplus for the year	1 547 395	1 547 395
Total changes	1 547 395	1 547 395
Opening balance as previously reported	863 482 472	863 482 472
Adjustments		
Correction of errors	(1 241 696)	(1 241 696)
Balance at 01 July 2012 as restated	**862 240 776**	**862 240 776**
Changes in net assets		
Surplus for the year	(29 184 683)	(29 184 683)
Total changes	(29 184 683)	(29 184 683)
Balance at 30 June 2013	**833 056 093**	**833 056 093**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		350 304 052	233 749 007
Grants		101 053 278	77 235 661
Interest income		5 720 299	3 024 055
		457 077 629	314 008 723
Payments			
Employee costs		(98 868 693)	(87 178 594)
Suppliers		(300 356 539)	(206 433 024)
Finance costs		(6 982 598)	(7 813 547)
		(406 207 830)	(301 425 165)
Net cash flows from operating activities	40	**50 869 799**	**12 583 558**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(36 506 873)	(47 155 645)
Proceeds from sale of property, plant and equipment	4	(200 288)	6 992 496
Purchase of investment property	3	-	(10 100 747)
Proceeds from sale of investment property	3	-	19 974 479
Purchase of other intangible assets	5	(12 630)	(175 417)
Proceeds from sale of other intangible assets	5	202 383	-
Net cash flows from investing activities		**(36 517 408)**	**(30 464 834)**
Cash flows from financing activities			
Increase in other financial liabilities		-	28 978 715
Repayment of other financial liabilities		(6 512 097)	(8 396 617)
Net cash flows from financing activities		**(6 512 097)**	**20 582 098**
Net increase/(decrease) in cash and cash equivalents		**7 840 294**	**2 700 822**
Cash and cash equivalents at the beginning of the year		6 591 603	3 890 784
Cash and cash equivalents at the end of the year	13	**14 431 897**	**6 591 606**

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	369 656 602	(13 619 978)	**356 036 624**	296 967 147	**(59 069 477)**	Note 56 (1)
Rental of facilities and equipment	3 641 603	1 148 926	**4 790 529**	3 014 986	**(1 775 543)**	Note 56 (2)
Licences and permits	16 000	9 000	**25 000**	44 039	**19 039**	Note 56 (3)
Recoveries	250 000	611 500	**861 500**	975 765	**114 265**	Note 56 (4)
Interest received - investment	8 401 230	(3 791 161)	**4 610 069**	5 720 299	**1 110 230**	Note 56 (5)
Total revenue from exchange transactions	**381 965 435**	**(15 641 713)**	**366 323 722**	**306 722 236**	**(59 601 486)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	50 375 906	8 109 094	**58 485 000**	58 416 764	**(68 236)**	
Government grants & subsidies	103 728 452	1 611 205	**105 339 657**	93 509 328	**(11 830 329)**	Note 56 (6)
Transfer revenue						
Fines	3 817 616	12 822 749	**16 640 365**	168 107	**(16 472 258)**	Note 56 (7)
Total revenue from non-exchange transactions	**157 921 974**	**22 543 048**	**180 465 022**	**152 094 199**	**(28 370 823)**	
Total revenue	**539 887 409**	**6 901 335**	**546 788 744**	**458 816 435**	**(87 972 309)**	
Expenditure						
Personnel	(104 569 989)	2 944 991	**(101 624 998)**	(92 694 188)	**8 930 810**	Note 56 (8)
Remuneration of councillors	(7 533 416)	-	**(7 533 416)**	(7 344 755)	**188 661**	
Administration	(28 050)	-	**(28 050)**	-	**28 050**	Note 56 (9)
Depreciation and amortisation	(29 515 683)	(3 514 285)	**(33 029 968)**	(35 982 009)	**(2 952 041)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(109 607)	**(109 607)**	Note 56 (10)
Finance costs	(6 959 796)	141 981	**(6 817 815)**	(6 982 598)	**(164 783)**	
Debt impairment	(30 084 601)	6 280 773	**(23 803 828)**	(81 963 434)	**(58 159 606)**	Note 56 (11)
Collection costs	(549 242)	(250 758)	**(800 000)**	(721 309)	**78 691**	
Repairs and maintenance	(27 432 617)	1 710 631	**(25 721 986)**	(20 992 106)	**4 729 880**	Note 56 (12)
Bulk purchases	(245 387 555)	24 077 592	**(221 309 963)**	(189 132 290)	**32 177 673**	Note 56 (13)
Contracted Services	(1 231 720)	168 640	**(1 063 080)**	(681 919)	**381 161**	Note 56 (14)
General Expenses	(69 187 391)	27 551 309	**(41 636 082)**	(51 195 294)	**(9 559 212)**	Note 56 (15)
Total expenditure	**(522 480 060)**	**59 110 874**	**(463 369 186)**	**(487 799 509)**	**(24 430 323)**	
Operating deficit	**17 407 349**	**66 012 209**	**83 419 558**	**(28 983 074)**	**(112 402 632)**	
Loss on disposal of assets and liabilities	-	(250 000)	**(250 000)**	(201 609)	**48 391**	
Deficit before taxation	**17 407 349**	**65 762 209**	**83 169 558**	**(29 184 683)**	**(112 354 241)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**17 407 349**	**65 762 209**	**83 169 558**	**(29 184 683)**	**(112 354 241)**	

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
Reconcilation						

Lesedi Local Municipality
(Demarcation code: GT423)
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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	-	4 050 092	**4 050 092**	3 977 176	**(72 916)**	
Receivables from exchange transactions	-	29 787 219	**29 787 219**	1 347 702	**(28 439 517)**	Note 56 (16)
Receivables from non-exchange transactions	-	-	**-**	2 227 322	**2 227 322**	Note 56 (17)
Consumer debtors	-	75 948 889	**75 948 889**	42 707 265	**(33 241 624)**	Note 56 (18)
Cash and cash equivalents	-	11 950 361	**11 950 361**	14 431 901	**2 481 540**	Note 56 (19)
	-	**121 736 561**	**121 736 561**	**64 691 366**	**(57 045 195)**	
Non-Current Assets						
Investment property	-	425 115 438	**425 115 438**	422 810 862	**(2 304 576)**	
Property, plant and equipment	69 708 200	448 377 863	**518 086 063**	522 321 311	**4 235 248**	
Intangible assets	-	523 598	**523 598**	531 850	**8 252**	Note 56 (20)
Heritage assets	-	-	**-**	157 193	**157 193**	Note 56 (21)
	69 708 200	**874 016 899**	**943 725 099**	**945 821 216**	**2 096 117**	
Total Assets	**69 708 200**	**995 753 460**	**1 065 461 660**	**1 010 512 582**	**(54 949 078)**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	6 556 430	**6 556 430**	2 596 150	**(3 960 280)**	Note 56 (22)
Payables from exchange transactions	-	51 304 158	**51 304 158**	69 366 302	**18 062 144**	Note 56 (23)
VAT payable	-	3 772 565	**3 772 565**	6 632 188	**2 859 623**	Note 56 (24)
Consumer deposits	-	7 071 365	**7 071 365**	7 452 052	**380 687**	
Unspent conditional grants and receipts	-	52 115	**52 115**	11 573 700	**11 521 585**	Note 56 (25)
Provisions	-	9 084 854	**9 084 854**	9 443 189	**358 335**	
	-	**77 841 487**	**77 841 487**	**107 063 581**	**29 222 094**	
Non-Current Liabilities						
Other financial liabilities	-	70 576 098	**70 576 098**	67 880 561	**(2 695 537)**	
Provisions	-	1 951 608	**1 951 608**	2 512 344	**560 736**	Note 56 (26)
	-	**72 527 706**	**72 527 706**	**70 392 905**	**(2 134 801)**	
Total Liabilities	**-**	**150 369 193**	**150 369 193**	**177 456 486**	**27 087 293**	
Net Assets	**69 708 200**	**845 384 267**	**915 092 467**	**833 056 096**	**(82 036 371)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	69 708 200	845 384 267	**915 092 467**	833 056 096	**(82 036 371)**	

Lesedi Local Municipality

(Demarcation code: GT423)
Annual Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	427 757 727	(1 418 495)	**426 339 232**	350 304 052	**(76 035 180)**	
Grants	103 728 452	(2 054 898)	**101 673 554**	101 053 278	**(620 276)**	
Interest income	8 401 230	(3 791 161)	**4 610 069**	5 864 976	**1 254 907**	
	539 887 409	**(7 264 554)**	**532 622 855**	**457 222 306**	**(75 400 549)**	
Payments						
Employee costs	(112 303 405)	4 033 675	**(108 269 730)**	(98 868 693)	**9 401 037**	
Suppliers	(372 559 876)	15 577 571	**(356 982 305)**	(300 643 342)	**56 338 963**	
Finance costs	(6 959 796)	2 108 696	**(4 851 100)**	(6 982 598)	**(2 131 498)**	
	(491 823 077)	**21 719 942**	**(470 103 135)**	**(406 494 633)**	**63 608 502**	
Net cash flows from operating activities	**48 064 332**	**14 455 388**	**62 519 720**	**50 727 673**	**(11 792 047)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(67 664 000)	15 054 197	**(52 609 803)**	(36 364 754)	**16 245 049**	
Proceeds from sale of property, plant and equipment	-	-	**-**	1 321	**1 321**	
Purchase of other intangible assets	-	-	**-**	(12 630)	**(12 630)**	
Proceeds from sale of other intangible assets	-	-	**-**	776	**776**	
Other cash item	-	(8 102 131)	**(8 102 131)**	-	**8 102 131**	
Net cash flows from investing activities	**(67 664 000)**	**6 952 066**	**(60 711 934)**	**(36 375 287)**	**24 336 647**	
Cash flows from financing activities						
Repayment of other financial liabilities	-	(6 512 044)	**-**	(6 512 097)	**(6 512 097)**	
Net increase/(decrease) in cash and cash equivalents	(19 599 668)	14 895 410	**1 807 786**	7 840 289	**6 032 503**	
Cash and cash equivalents at the beginning of the year	-	-	**-**	6 591 603	**6 591 603**	
Cash and cash equivalents at the end of the year	**(19 599 668)**	**14 895 410**	**1 807 786**	**14 431 892**	**12 624 106**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial Performance											
Property rates	50 375 906	8 109 094	58 485 000	-		58 485 000	58 416 764		(68 236)	100 %	116 %
Service charges	369 637 585	(13 600 961)	356 036 624	-		356 036 624	296 967 147		(59 069 477)	83 %	80 %
Investment revenue	8 401 230	(3 791 161)	4 610 069	-		4 610 069	5 720 299		1 110 230	124 %	68 %
Transfers recognised - operational	74 658 452	(232 398)	74 426 054	-		74 426 054	73 192 766		(1 233 288)	98 %	98 %
Other own revenue	7 744 236	14 573 158	22 317 394	-		22 317 394	4 202 897		(18 114 497)	19 %	54 %
Total revenue (excluding capital transfers and contributions)	**510 817 409**	**5 057 732**	**515 875 141**	**-**		**515 875 141**	**438 499 873**		**(77 375 268)**	**85 %**	**86 %**
Employee costs	(104 569 989)	2 944 991	(101 624 998)	-	(45 252)	(101 670 250)	(92 694 188)	-	8 976 062	91 %	89 %
Remuneration of councillors	(7 533 416)	-	(7 533 416)	-	20 000	(7 513 416)	(7 344 755)	-	168 661	98 %	97 %
Debt impairment	(30 084 601)	6 280 773	(23 803 828)			(23 803 828)	(81 963 434)	-	(58 159 606)	344 %	272 %
Depreciation and asset impairment	(29 515 683)	(3 514 285)	(33 029 968)			(33 029 968)	(36 091 616)	-	(3 061 648)	109 %	122 %
Finance charges	(6 959 796)	141 981	(6 817 815)	-	(391 350)	(7 209 165)	(6 982 598)	-	226 567	97 %	100 %
Materials and bulk purchases	(245 387 555)	24 077 592	(221 309 963)	-	200 000	(221 109 963)	(189 132 290)	-	31 977 673	86 %	77 %
Other expenditure	(98 429 020)	(2 629 743)	(101 058 763)	-	(266 552)	(101 325 315)	(73 792 237)	(6 221)	27 533 078	73 %	75 %
Total expenditure	**(522 480 060)**	**27 301 309**	**(495 178 751)**	**-**	**(483 154)**	**(495 661 905)**	**(488 001 118)**	**(6 221)**	**7 660 787**	**98 %**	**93 %**
Surplus/(Deficit)	**(11 662 651)**	**32 359 041**	**20 696 390**	**-**		**20 213 236**	**(49 501 245)**		**(69 714 481)**	**(245)%**	**424 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	29 070 000	1 843 603	30 913 603	-		30 913 603	20 316 562		(10 597 041)	66 %	70 %
Surplus (Deficit) after capital transfers and contributions	**17 407 349**	**34 202 644**	**51 609 993**	**-**		**51 126 839**	**(29 184 683)**		**(80 311 522)**	**(57)%**	**(168)%**
Surplus/(Deficit) for the year	**17 407 349**	**34 202 644**	**51 609 993**	**-**		**51 126 839**	**(29 184 683)**		**(80 311 522)**	**(57)%**	**(168)%**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	69 708 200	6 270 869	75 979 069	-		75 979 069	55 257 147		(20 721 922)	73 %	79 %

Cash flows

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Net cash from (used) operating	-	-	-	-		-	50 869 799		50 869 799	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(36 517 408)		(36 517 408)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(6 512 097)		(6 512 097)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**7 840 294**		**7 840 294**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	6 591 603		6 591 603	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**14 431 897**		**(14 431 897)**	**DIV/0 %**	**DIV/0 %**

Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2012				
Financial Performance				
Property rates				54 509 764
Service charges				253 238 263
Investment revenue				3 024 055
Transfers recognised - operational				60 121 803
Other own revenue				32 957 320
Total revenue (excluding capital transfers and contributions)				**403 851 205**
Employee costs	-	-	-	(90 598 551)
Remuneration of councillors	-	-	-	(7 033 566)
Debt impairment	-	-	-	(32 648 066)
Depreciation and asset impairment	-	-	-	(40 840 277)
Finance charges	-	-	-	(7 813 547)
Materials and bulk purchases	-	-	-	(172 132 690)
Other expenditure	-	-	-	(78 516 750)
Total expenditure	**-**	**-**	**-**	**(429 583 447)**
Surplus/(Deficit)				**(25 732 242)**
Transfers recognised - capital				27 279 637
Surplus (Deficit) after capital transfers and contributions				**1 547 395**
Surplus/(Deficit) for the year				**1 547 395**
Capital expenditure and funds sources				
Total capital expenditure				58 777 727

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				12 583 558
Net cash from (used) investing				(30 464 834)
Net cash from (used) financing				20 582 098
Net increase/(decrease) in cash and cash equivalents				**2 700 822**
Cash and cash equivalents at the beginning of the year				(15 374 718)
Cash and cash equivalents at year end				**(12 673 896)**

Accounting Policies

1. Basis of preparation

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 in accordance with Section 122(3) of the Municipal Finance Management Act 56 of 2003 (as ammended).

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 have been prepared on the assumption that the Municipality will continue to operate as a going concern for at least the next twelve months and 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 unless explicitly stated otherwise.

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. These judgements and sources of estimation uncertainty have been covered in the relative notes.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or 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, and only when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	30 years
Lifts	30 years
Air-conditioners	5 years

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

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

Accounting Policies

1.2 Investment property (continued)

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

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

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

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost 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.

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.

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

Library books are carried at cost less accumulated depreciation and any impairment losses..

Item	**Average useful life**
Infrastructure	
• Roads and paving	10 - 30 years
• Electricity	20 - 30 years
• Water	15 - 20 years
• Sewerage	15 - 20 years
• Landfill site	4 years

Accounting Policies

1.3 Property, plant and equipment (continued)

Community	
• Buildings	30 years
• Recreational facilities	20 - 30 years
• Security	5 years
Other property, plant and equipment	
• Buildings	30 years
• Specialist vehicles	20 years
• Other vehicles	5 years
• Furniture and fittings	7 years
• Bins and containers	5 years
• Office equipment	3 - 7 years
• Library books	5 - 25 years

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

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

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

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

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

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

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

1.4 Intangible assets

Intangible assets are initially recognised at cost.

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.

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

Item	**Useful life**
Computer software, other	3 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.6 Financial instruments

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

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.

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

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

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

Accounting Policies

1.6 Financial instruments (continued)

Classification

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

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at fair value

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.6 Financial instruments (continued)

Derecognition

Financial assets

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

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

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

Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

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

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

1.7 Leases

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

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

Finance leases - lessor

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

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

Accounting Policies

1.7 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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.

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.

1.9 Impairment of cash-generating assets

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

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

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.

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

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

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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

1.9 Impairment of cash-generating assets (continued)

Value in use

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

1.10 Impairment of non-cash-generating assets

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

Identification

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

1.11 Employee benefits

Short-term employee benefits

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

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.12 Provisions and contingencies

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

1.12 Provisions and contingencies (continued)

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.

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.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.13 Revenue from exchange transactions

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

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

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.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

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.

1.14 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.

Rates, including collection charges and penalties interest

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.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Fines

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.

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

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

1.17 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.

1.18 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.

1.19 Irregular expenditure

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

1.20 Offsetting

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

Accounting Policies

1.21 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.

1.22 Budget information

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

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

The municipality has adopted the standard for the first time in the 2013 annual financial statements with no material impact.

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

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

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

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

GRAP 103: Heritage Assets

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

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

GRAP 21: Impairment of non-cash-generating assets

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

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

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

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

The municipality has adopted the standard for the first time in the 2013 annual financial statements with no material impact.

The impact of the standard is not material.

GRAP 26: Impairment of cash-generating assets

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

It is managements view that the municipality's objective is to provide services to the community and as a result the municipality does not have commercial returns.

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

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

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

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

The impact of the standard is not material.

GRAP 104: Financial Instruments

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

GRAP 25: Employee benefits

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

GRAP 105: Transfers of functions between entities under common control

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

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

The standard currently has no effective date.

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

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

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

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

The standard currently has no effective date.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 107: Mergers

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

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

The standard currently has no effective date.

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

GRAP 20: Related parties

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The standard currently has no effective date.

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

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	450 208 494	(27 397 632)	422 810 862	450 208 494	(25 093 055)	425 115 439

Reconciliation of investment property - 2013

	Opening balance	**Depreciation**	**Total**
Investment property	425 115 439	(2 304 577)	422 810 862

Reconciliation of investment property - 2012

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Total**
Investment property	422 658 094	10 100 747	(13 066 943)	10 981 775	(5 558 234)	425 115 439

Transfers into investment property consists of unsold property held for sale.

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.

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	170 741 399	-	170 741 399	170 741 399	-	170 741 399
Infrastructure	502 055 057	(270 924 128)	231 130 929	476 956 343	(245 717 251)	231 239 092
Community	51 442 150	(14 810 317)	36 631 833	50 846 180	(13 722 448)	37 123 732
Other property, plant and equipment	86 639 140	(58 985 364)	27 653 776	86 708 234	(54 046 743)	32 661 491
Capital work in progress	46 585 731	-	46 585 731	22 756 766	-	22 756 766
Library books	12 254 650	(5 243 151)	7 011 499	12 255 629	(3 254 631)	9 000 998
Work in progress - Library books	2 566 144	-	2 566 144	1 612 500	-	1 612 500
Total	**872 284 271**	**(349 962 960)**	**522 321 311**	**821 877 051**	**(316 741 073)**	**505 135 978**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	170 741 399	-	-	-	-	-	170 741 399
Infrastructure	231 239 092	4 604 790	-	20 493 924	(25 206 877)	-	231 130 929
Community	37 123 732	1 292 368	-	(157 193)	(1 627 074)	-	36 631 833
Other property, plant and equipment	32 661 491	195 484	(1 321)	-	(5 201 878)	-	27 653 776
Capital work in progress	22 756 766	30 091 828	-	(6 262 863)	-	-	46 585 731
Library books	9 000 998	-	-	(703 330)	(1 176 561)	(109 608)	7 011 499
Work in progress - Library books	1 612 500	322 403	-	703 330	(72 089)	-	2 566 144
	505 135 978	**36 506 873**	**(1 321)**	**14 073 868**	**(33 284 479)**	**(109 608)**	**522 321 311**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	170 741 399	-	-	-	-	-	170 741 399
Infrastructure	206 853 709	23 010 564	(79 506)	24 641 141	(23 186 816)	-	231 239 092
Community	39 174 912	-	-	245 963	(1 757 938)	(539 205)	37 123 732
Other property, plant and equipment	44 482 783	1 040 084	(4 771 896)	(112 497)	(7 765 241)	(211 742)	32 661 491
Capital work in progress	24 769 142	22 756 765	-	(24 769 141)	-	-	22 756 766
Library books	8 419 670	81 648	-	1 637 358	(1 136 700)	(978)	9 000 998
Work in progress - Library books	2 983 274	266 584	-	(1 637 358)	-	-	1 612 500
	497 424 889	**47 155 645**	**(4 851 402)**	**5 466**	**(33 846 695)**	**(751 925)**	**505 135 978**

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.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

4. Property, plant and equipment (continued)

The remaining useful lives of certain assets have been restated. The effect of the restatement is a decrease in depreciation as follows:
•Infrastructure – R103,144
•Community Assets – R3,259
•Other PPE – R1,482,650s

5. Intangible assets

	2013			2012		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	2 095 948	(1 564 098)	531 850	2 996 259	(1 881 701)	1 114 558

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1 114 558	12 630	(202 383)	(392 955)	531 850

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	1 628 029	175 417	(5 466)	(683 422)	1 114 558

6. Heritage assets

	2013			2012		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical buildings	157 193	-	157 193	-	-	-

Reconciliation of heritage assets 2013

	Opening balance	Transfers	Total
Historical buildings	-	157 193	157 193

7. Other financial assets

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

8. Financial assets by category

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

2013

	Loans and receivables	Fair value through surplus or deficit - held for trading	Total
Trade and other receivables	46 297 319	-	46 297 319
Other receivables from non-exchange transactions	2 227 322	-	2 227 322
Cash and cash equivalents	-	14 431 901	14 431 901
	48 524 641	**14 431 901**	**62 956 542**

2012

	Loans and receivables	Fair value through surplus or deficit - held for trading	Total
Trade and other receivables	70 038 103	-	70 038 103
Other receivables from non-exchange transactions	2 250 021	-	2 250 021
Cash and cash equivalents	-	6 591 603	6 591 603
	72 288 124	**6 591 603**	**78 879 727**

9. Inventories

	2013	2012
Consumable stores	3 815 691	3 921 802
Water	159 389	128 290
Assets held for disposal	2 096	-
	3 977 176	**4 050 092**

10. Receivables from exchange transactions

	2013	2012
Deposits	234 685	108 889
Sundry debtors	1 113 017	4 288 090
Insurance debtor	-	15 987 335
Housing debtors	-	3 402 905
	1 347 702	**23 787 219**

Housing debtors include debtors on RDP houses not yet transferred. A reconciliation of debtors on RDP houses not yet transferred is shown in note 57

11. Receivables from non-exchange transactions

	2013	2012
Government grants and subsidies	2 227 322	2 250 021

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

12. Consumer debtors

Gross balances		
Rates	33 803 041	29 638 665
Electricity	63 160 930	44 064 022
Water	68 123 605	49 260 112
Sewerage	21 352 850	16 513 395
Refuse	38 505 294	30 436 029
VAT	25 237 508	18 736 034
Other	31 770 293	28 147 829
	281 953 521	**216 796 086**

Less: Allowance for impairment		
Rates	(22 604 839)	(24 139 510)
Electricity	(45 811 665)	(32 171 308)
Water	(63 246 388)	(45 105 142)
Sewerage	(19 277 040)	(15 201 171)
Refuse	(36 221 531)	(28 221 313)
VAT	(22 153 655)	(13 744 264)
Other	(29 931 138)	(11 962 494)
	(239 246 256)	**(170 545 202)**

Net balance		
Rates	11 198 202	5 499 155
Electricity	17 349 265	11 892 714
Water	4 877 217	4 154 970
Sewerage	2 075 810	1 312 224
Refuse	2 283 763	2 214 716
VAT	3 083 853	4 991 770
Other	1 839 155	16 185 335
	42 707 265	**46 250 884**

Rates		
Current (0 -30 days)	4 017 540	4 566 327
31 - 60 days	157 650	194 593
61 - 90 days	55 205	276 475
91 - 120 days	36 077	27 169
121 - 365 days	6 931 730	434 591
	11 198 202	**5 499 155**

Electricity		
Current (0 -30 days)	6 911 939	9 766 552
31 - 60 days	333 377	443 529
61 - 90 days	116 740	630 160
91 - 120 days	76 290	61 925
121 - 365 days	9 910 919	990 548
	17 349 265	**11 892 714**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

12. Consumer debtors (continued)

Water		
Current (0 -30 days)	1 884 809	3 457 640
31 - 60 days	79 856	145 467
61 - 90 days	27 964	206 677
91 - 120 days	18 274	20 310
121 - 365 days	2 866 314	324 876
	4 877 217	**4 154 970**

Sewerage		
Current (0 -30 days)	608 915	1 097 010
31 - 60 days	24 222	44 895
61 - 90 days	8 482	63 786
91 - 120 days	5 543	6 268
121 - 365 days	1 428 648	100 265
	2 075 810	**1 312 224**

Refuse		
Current (0 -30 days)	704 972	1 955 532
31 - 60 days	27 133	54 067
61 - 90 days	9 501	76 818
91 - 120 days	6 209	7 549
121 - 365 days	1 535 948	120 750
	2 283 763	**2 214 716**

VAT		
Current (0 -30 days)	1 930 300	4 247 845
31 - 60 days	92 927	155 187
61 - 90 days	24 327	220 487
91 - 120 days	15 645	21 667
121 - 365 days	1 020 654	346 584
	3 083 853	**4 991 770**

Other		
Current (0 -30 days)	1 457 038	14 094 566
31 - 60 days	194 556	420 519
61 - 90 days	68 129	597 468
91 - 120 days	44 522	58 712
121 - 365 days	74 910	1 014 070
	1 839 155	**16 185 335**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(170 545 202)	(142 837 043)
Contributions to allowance	(78 181 088)	(38 030 483)
Debt impairment written off against allowance	9 480 034	10 322 324
	(239 246 256)	**(170 545 202)**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 335	2 335
Bank balances	1 999 519	6 589 268
Short-term deposits	12 430 047	-
	14 431 901	**6 591 603**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	**30 June 2012**	**30 June 2011**	**30 June 2013**	**30 June 2012**	**30 June 2011**
ABSA BANK - Main Cheque Account	1 999 519	6 589 268	3 888 449	850 402	1 365 289	(15 509 899)

14. Other financial liabilities

At amortised cost		
Development Bank of South Africa	70 476 711	76 988 808
The loan interest rates vary between 5.00% and 14.24%, and the half-yearly fixed instalment repayments vary between R5,491 and R1,377,105. The terms of the loans range between 10 and 20 years.		

Non-current liabilities		
At amortised cost	67 880 561	70 432 378

Current liabilities		
At amortised cost	2 596 150	6 556 430

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Government grant (operating) 3 - Expanded Public Works Program Integrated Grant	324 065	-
Government grant (operating) 4 - Water grant	-	148 651
Government grant (operating) 6 - Provincial library grant	(79 237)	294 882
Government grant (operating) 8 - Provincial clinics	(1 601 377)	(1 255 880)
Government grant (operating) 9 - Provincial social development grant	250 000	-
Government grant (operating) 10 - Provincial alien plant eradication grant	442 122	(31 479)
Government grant (operating) 11 - District taxi ranks	-	(403 003)
Government grant (operating) 12 - District health	(546 707)	(559 659)
Government grant (operating) 17 - BKB grant	210 472	-
Government grant (capital) 1 - Municipal Infrastructure Grant	9 875 371	850 440
Government grant (capital) 6 - Provincial library grant	196 669	1 008 163
Government grant (capital) 11 - NLDTF/Lotto	275 000	-
Government grant (operating) - Moneys receivable (Grant 6,8,10,11 and 12 above)	2 227 322	2 250 021
	11 573 700	**2 302 136**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

15. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	2 302 136	(149 383)
Additions during the year	102 458 572	87 602 938
Income recognition during the year	(95 414 330)	(87 401 440)
Reversal of debtor for reconciliaion	2 227 322	2 250 021
	11 573 700	**2 302 136**

Net grants for movement reconciliation		
Other receivables (Sundry Debtors)	(2 227 322)	(2 250 021)
Unspent conditional grant rollovers	11 573 700	2 302 136
	9 346 378	**52 115**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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

16. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	1 951 608	-	-	-	560 736	2 512 344
Provision for 13th cheque	3 393 776	-	-	(6 092)	-	3 387 684
Provision for leave pay	5 691 078	720 405	(355 978)	-	-	6 055 505
	11 036 462	**720 405**	**(355 978)**	**(6 092)**	**560 736**	**11 955 533**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	1 197 830	174 373	-	579 405	1 951 608
Provision for 13th cheque	-	3 393 776	-	-	3 393 776
Provision for leave pay	5 359 087	1 070 548	(738 557)	-	5 691 078
	6 556 917	**4 638 697**	**(738 557)**	**579 405**	**11 036 462**

Non-current liabilities	2 512 344	1 951 608
Current liabilities	9 443 189	9 084 854
	11 955 533	**11 036 462**

The value of the landfill site provision is based on the current actual cost of rehabilitating the landfill site escalated at the current inflation rate to establish the future costs over the life of the landfill site. The future cost is discounted at the current cost of capital to Lesedi. The extent to which the municipality recognises this liabiliy, the asset is capitalised and depreciated over its useful life.

The discount rate used for the landfill site was 9.3%. The inflation forecast used was 5.6%.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17. Payables from exchange transactions

Trade payables	52 446 517	31 970 264
Payments received in advanced	10 569 436	9 904 959
Retentions	3 348 835	5 398 033
Accrued bonus	672 994	634 743
Other payables	190 735	197 162
Audit Fees	-	85 392
Unclaimed and confiscated deposits	2 137 788	2 217 449
Interest payable on DBSA loan	-	143 720
	69 366 305	**50 551 722**

18. VAT payable

Tax refunds payables	6 632 188	4 104 529

19. Consumer deposits

All services	7 452 052	7 071 365

Guarantees held in lieu of service deposits R571,756 (2012: R571,756)

20. Financial liabilities by category

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

2013

	Financial liabilities at amortised cost	**Total**
Other financial liabilities	70 476 711	70 476 711
Trade and other payables	81 993 388	81 993 388
Unspent conditional grants and receipts	11 833 699	11 833 699
Consumer deposits	7 452 052	7 452 052
VAT payable	6 137 470	6 137 470
	177 893 320	**177 893 320**

2012

	Financial liabilities at amortised cost	**Total**
Other financial liabilities	76 988 808	76 988 808
Trade and other payables	62 857 891	62 857 891
Unspent conditional grants and receipts	2 302 136	2 302 136
Consumer deposits	7 071 365	7 071 365
VAT payable	3 772 565	3 772 565
	152 992 765	**152 992 765**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

21. Revenue

Service charges	296 967 147	253 238 263
Rental of facilities and equipment	3 014 986	3 302 638
Licences and permits	44 039	24 741
Recoveries	975 765	15 342 440
Interest received - investment	5 720 299	3 024 055
Property rates	58 416 764	54 509 764
Government grants & subsidies	93 509 328	87 401 440
Fines	168 107	740 712
	458 816 435	**417 584 053**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	296 967 147	253 238 263
Rental of facilities and equipment	3 014 986	3 302 638
Licences and permits	44 039	24 741
Recoveries	975 765	15 342 440
Interest received - investment	5 720 299	3 024 055
	306 722 236	**274 932 137**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	58 416 764	54 509 764
Transfer revenue		
Government grants & subsidies	93 509 328	87 401 440
Fines	168 107	740 712
	152 094 199	**142 651 916**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

22. Property rates

Rates received

Municipal rates levied	76 943 311	71 944 378
Less: Income forgone	(18 526 547)	(17 434 614)
	58 416 764	**54 509 764**

Valuations

Residential	4 889 436 000	4 922 123 000
Commercial	1 096 844 000	1 036 027 000
State	627 968 000	638 822 000
Municipal	552 213 000	576 253 000
Small holdings and farms	1 523 164 000	1 522 369 000
	8 689 625 000	**8 695 594 000**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2010. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.0090145 (2012: R 0.0082) is applied to property valuations to determine assessment rates. Rebates of 20% (2012: 20%) are granted to residential and state property owners. Rebates of a minimum of R15,000 are deducted from all residential property valuations before applying the general rate.

Rates are levied on an monthly basis. Interest at 10% per annum (2012: 10%) is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2014.

23. Service charges

Sale of electricity	196 589 587	168 000 863
Sale of water	59 001 262	47 907 043
Sewerage and sanitation charges	16 487 127	15 023 557
Refuse removal	22 116 608	20 367 087
Other service charges	2 772 563	1 939 713
	296 967 147	**253 238 263**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

24. Government grants and subsidies

Operating grants		
Equitable share	59 701 000	48 520 000
Government grant (operating) 1 - Finance Management Grant	1 250 000	1 250 000
Government grant (operating) 2 - Municipal Systems Improvement Grant	999 999	800 000
Government grant (operating) 3 - Expanded Public Works Program Integrated Grant	675 933	-
Government grant (operating) 4 - Water grant	148 651	1 353 710
Government grant (operating) 6 - Provincial library grant	2 684 119	1 504 777
Government grant (operating) 8 - Provincial clinics	1 936 825	2 279 901
Government grant (operating) 10 - Provincial alien plant eradication grant	1 172 399	1 005 103
Government grant (operating) 11 - District taxi ranks	314 944	310 000
Government grant (operating) 12 - District Health	3 264 345	2 588 363
Government grant (operating) 13 - District HIV/Aids grant	500 000	105 840
Government grant (operating) 17 - BKB grant	199 528	7 641
Government grant (operating) 18 - Seta	345 023	366 468
Government grant (operating) 19 - Donations	-	30 000
	73 192 766	60 121 803
Capital grants		
Government grant (capital) 1 - Municipal Infrastructure Grant	19 045 068	22 755 987
Government grant (capital) 2 - Integrated National Electrfication Grant	-	3 000 000
Government grant (capital) 6 - Provincial library grant	1 271 494	1 523 650
	20 316 562	27 279 637
	93 509 328	**87 401 440**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	94 736 390	87 401 440
Unconditional grants received	-	-
	94 736 390	**87 401 440**

Equitable Share

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

All registered indigents receive a monthly subsidy of R 296 (2012: R 150), which is funded from the grant.

Government grant (operating) 1 - Finance Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 2 - Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	-
Current-year receipts	1 000 000	800 000
Conditions met - transferred to revenue	(1 000 000)	(800 000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 3 - Expanded Public Works Program Integrated Grant

Balance unspent at beginning of year	-	-
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(675 935)	-
	324 065	**-**

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 4 - Water grant

Balance unspent at beginning of year	148 651	502 361
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(148 651)	(1 353 710)
	-	**148 651**

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 6 - Provincial library grant

Balance unspent at beginning of year	294 882	326 789
Current-year receipts	2 310 000	1 472 871
Conditions met - transferred to revenue	(2 684 119)	(1 504 778)
	(79 237)	**294 882**

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 8 - Provincial clinics

Balance unspent at beginning of year	(1 255 880)	(1 346 673)
Current-year receipts	1 591 329	2 370 694
Conditions met - transferred to revenue	(1 936 826)	(2 279 901)
	(1 601 377)	**(1 255 880)**

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 9 - Provincial social development grant

Balance unspent at beginning of year	-	-
Current-year receipts	250 000	-
Conditions met - transferred to revenue	-	-
	250 000	**-**

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 10 - Provincial alien plant eradication grant

Balance unspent at beginning of year	(31 479)	329 624
Current-year receipts	1 646 000	644 000
Conditions met - transferred to revenue	(1 172 399)	(1 005 103)
	442 122	**(31 479)**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 11 - District taxi ranks

Balance unspent at beginning of year	(403 003)	(170 503)
Current-year receipts	717 947	77 500
Conditions met - transferred to revenue	(314 944)	(310 000)
	-	**(403 003)**

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 12 - District Health

Balance unspent at beginning of year	(559 659)	(420 731)
Current-year receipts	3 277 297	2 449 435
Conditions met - transferred to revenue	(3 264 345)	(2 588 363)
	(546 707)	**(559 659)**

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 13 - District HIV/Aids grant

Balance unspent at beginning of year	-	-
Current-year receipts	500 000	105 840
Conditions met - transferred to revenue	(500 000)	(105 840)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 17 - BKB grant

Balance unspent at beginning of year	-	7 641
Current-year receipts	410 000	-
Conditions met - transferred to revenue	(199 528)	(7 641)
	210 472	**-**

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 18 - Seta

Balance unspent at beginning of year	-	-
Current-year receipts	345 023	366 468
Conditions met - transferred to revenue	(345 023)	(366 468)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Government grant (operating) 19 - Donations

Balance unspent at beginning of year	-	-
Current-year receipts	-	30 000
Conditions met - transferred to revenue	-	(30 000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

Government grant (capital) 1 - Municipal Infrastructure Grant

Balance unspent at beginning of year	850 440	467 426
Current-year receipts	28 070 000	23 139 000
Conditions met - transferred to revenue	(19 045 069)	(22 755 986)
	9 875 371	**850 440**

Conditions still to be met - remain liabilities (see note 15).

Government grant (capital) 2 - Integrated National Electrfication Grant

Balance unspent at beginning of year	-	-
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(3 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Government grant (capital) 6 - Provincial library grant

Balance unspent at beginning of year	1 008 163	154 684
Current-year receipts	460 000	2 377 129
Conditions met - transferred to revenue	(1 271 494)	(1 523 650)
	196 669	**1 008 163**

Conditions still to be met - remain liabilities (see note 15).

Government grant (capital) 11 - NLDTF/Lotto

Balance unspent at beginning of year	-	-
Current-year receipts	275 000	-
Conditions met - transferred to revenue	-	-
	275 000	**-**

Conditions still to be met - remain liabilities (see note 15).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No.2 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

25. Other revenue

Insurance recoveries	975 765	15 342 440

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

26. General expenses

Advertising	463 528	460 811
Auditors remuneration	3 144 273	3 282 012
Bank charges	253 674	371 557
Cleaning	860	30 957
Consulting and professional fees	6 359 916	6 693 014
Consumables	609 393	459 049
Debt collection	1 042 737	274 394
Donations	-	624
Entertainment	244 621	325 454
Fines and penalties	2 050	2 200
Hire	464 601	127 976
Insurance	1 064 414	1 083 733
Community development and training	45 667	37 739
IT expenses	677 069	1 310 974
Fleet	8 616 261	9 836 884
Promotions and sponsorships	30 856	43 921
Magazines, books and periodicals	62 813	1 940
Medical expenses	1 993	-
Pest control	62 472	61 680
Postage and courier	448 755	341 592
Printing and stationery	892 170	1 109 860
Promotions	1 050	-
Protective clothing	611 214	505 591
Security (Guarding of municipal property)	4 888 287	5 062 655
Software expenses	35 183	77 981
Staff welfare	1 400	-
Subscriptions and membership fees	850 398	676 570
Telephone and fax	952 552	1 247 636
Training	2 226 214	924 252
Travel - local	528 823	469 873
Refuse	4 154 493	4 728 957
Assets expensed	229 495	660 155
Billing and meter reading charges	1 199 617	1 183 411
Laboratary charges	-	39 598
Grant related expenditure	3 052 836	3 424 471
Connection fees	658 102	713 423
Indigents	3 777 675	2 266 036
Valuation costs	662 718	313 029
Pensioners: Medical aid cost	1 175 826	1 069 028
Other expenses	1 701 288	1 532 716
	51 195 294	**50 751 753**

27. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

(Loss) gain on sale of property, plant and equipment	(201 609)	2 141 094
Gain on sale of investment property	-	6 907 536
Impairment on property, plant and equipment	109 607	751 925
Amortisation on intangible assets	392 955	-
Depreciation on property, plant and equipment	33 284 478	34 530 118
Depreciation on investment property	2 304 576	5 558 234
Employee costs	100 038 943	97 632 117

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

28. Employee related costs

Basic	55 640 307	52 698 055
Medical aid - company contributions	4 832 169	4 345 040
UIF	578 294	523 451
WCA	532 693	465 646
SDL	693 612	619 864
Other payroll levies	33 535	23 083
Leave pay provision charge	720 406	1 411 575
Pension costs	10 965 293	10 372 967
Leave pay	981 928	320 012
Group insurance	798 323	742 687
Overtime payments	4 217 565	3 819 503
13th Cheques	4 257 661	8 033 023
Acting allowances	653 290	712 068
Car allowance	1 794 794	1 670 558
Housing benefits and allowances	360 748	372 171
Cellphone allowance	68 906	64 189
Entertainment allowance	840	840
Standby	990 024	953 548
Cleaning allowance	240	240
Tool allowance	1 080	1 080
	88 121 708	**87 149 600**

Remuneration of municipal manager

Annual Remuneration	925 488	130 608
Car Allowance	214 776	22 842
Contributions to UIF, Medical and Pension Funds	1 636	6 435
	1 141 900	**159 885**

Remuneration of chief finance officer

Annual Remuneration	528 990	668 550
Car Allowance	120 362	152 220
Performance Bonuses	43 909	-
Contributions to UIF, Medical and Pension Funds	1 267	1 497
	694 528	**822 267**

Mangement support services

Position vacant for both years.

Community services

Annual Remuneration	517 150	490 189
Car Allowance	154 470	145 761
Performance Bonuses	44 032	-
Contributions to UIF, Medical and Pension Funds	134 155	130 197
Bonus	61 717	56 120
	911 524	**822 267**

Service delivery

Annual Remuneration	478 909	453 952
Car Allowance	230 652	220 571

Figures in Rand	2013	2012

28. Employee related costs (continued)

Performance Bonuses	46 211	-
Contributions to UIF, Medical and Pension Funds	157 931	147 742
	913 703	**822 265**

Development planning and housing

Annual Remuneration	548 898	520 282
Car Allowance	120 047	114 788
Performance Bonuses	43 333	-
Contributions to UIF, Medical and Pension Funds	154 946	146 054
Bonus	43 601	41 143
	910 825	**822 267**

29. Remuneration of councillors

Executive Major	685 377	648 647
Speaker	537 349	646 230
Councillors	6 122 029	5 738 689
	7 344 755	**7 033 566**

In-kind benefits

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

The Executive Mayor has the use of a Council owned vehicle with two driver bodyguards for official duties. The Executive Mayor is assisted by a manager, Gender Officer and an administrative assistant. The speaker is assisted by a manager and a secretary.

30. Debt impairment

Contributions to debt impairment provision	78 181 089	32 648 066
Debts impaired	3 782 345	-
	81 963 434	**32 648 066**

31. Investment revenue

Interest revenue		
Interest charged on trade and other receivables	4 656 665	2 278 277
Interest earned - external investments	1 063 634	745 778
	5 720 299	**3 024 055**

The amount included in Investment revenue arising from exchange transactions amounted to R 4 656 665.

The amount included in Investment revenue arising from non-exchange transactions amounted to R 1 208 311.

32. Depreciation and amortisation

Property, plant and equipment	33 284 478	34 530 118
Investment property	2 304 576	5 558 234
Intangible assets	392 955	-
	35 982 009	**40 088 352**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

33. Impairment of assets

Impairments		
Property, plant and equipment	109 607	751 925

The main classes of assets affected by impairment losses are:

	2012/13	2011/12
Community assets		539,205
Other property, plant and equipment		211,742
Library books	109,607	978

34. Finance costs

Non-current borrowings	6 783 667	7 639 174
Other interest paid	198 931	174 373
	6 982 598	**7 813 547**

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

35. Taxation

The municipality is exempt from income tax in terms of the Income Tax Act (Act No. 58 of 1962) Section 10(1)(a)

36. Auditors' remuneration

Fees	3 144 273	3 282 012

37. Rental of facilities and equipment

Premises		
Premises	1 155 440	1 241 935
Facilities and equipment		
Rental of facilities	1 859 546	2 056 596
Rental of equipment	-	4 107
	1 859 546	**2 060 703**
	3 014 986	**3 302 638**

38. Contracted services

Other Contractors	681 919	858 988

39. Bulk purchases

Electricity	151 032 071	136 841 386
Water	31 741 824	28 779 150
Sewer purification	6 358 395	6 512 154
	189 132 290	**172 132 690**

Figures in Rand	2013	2012

40. Cash generated from operations

(Deficit) surplus	(29 184 683)	1 547 395
Adjustments for:		
Depreciation and amortisation	35 982 009	40 088 352
Gain (loss) on sale of assets and liabilities	201 609	(9 048 630)
Impairment deficit	109 607	751 925
Debt impairment	81 963 434	32 648 066
Movements in provisions	919 071	4 479 545
Non-cash movement in inventory	-	(10 981 775)
Non-cash movement in assets	(14 231 061)	-
Changes in working capital:		
Inventories	72 916	12 359 312
Receivables from exchange transactions	22 439 517	(15 870 033)
Other receivables from non-exchange transactions	22 699	(312 113)
Consumer debtors	(78 419 815)	(34 893 418)
Payables from exchange transactions	18 814 586	(12 248 674)
VAT	2 527 659	3 140 902
Unspent conditional grants and receipts	9 271 564	513 610
Consumer deposits	380 687	409 094
	50 869 799	**12 583 558**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	9 741 234	3 283 956
• Community assets	506 343	-
	10 247 577	**3 283 956**

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

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	425 568	382 126
- in second to fifth year inclusive	417 177	526 812
	842 745	**908 938**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

42. Contingencies

Litigation is in the process against the municipality, its security services and the Minister of Safety and Security by eight SAMWU strikers claiming damages to the amount of R4,687,725. The case relates to incidents during May 2008 and procedings were instituted in May 2011. Estimated legal costs are R42,279.

A labour matter is pending against the municipality regarding a claim for compensation to the amount of R151,065. The estimated legal costs amount to R1,744. The municipality has applied to have the case dismissed.

An insurance matter is pending regarding a collision of a municipal vehicle with a transnet vehicle. The matter is with the insurance. The claim is likely to succeed. The estimated liability is R41,000.

An insurance matter is pending regarding a collision of a private vehicle due to faulty traffic lights. The matter is with the insurance. The claim is likely to succeed.

A labour matter is pending against the municipality regarding a settlement agreement. The estimated legal costs amount to R12,779.

Other estimated legal costs amount to R142,840.

Contingencies arising from pending litigation on wage curve agreement - On 21 April 2010 SALGA signed the “Categorisation and job evaluation wage curves collective agreement” (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees’ jobs per the TASK job evaluation system.
Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.
As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation.

43. Related parties

Relationships

Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None
Members of key management	A Makhanya (Municipal Manager) VP Ndzinyana (CFO) MC Mokoena (Executive Manager: Community Services) JZ Majola (Executive Manager: Development and Planning) HB Coetsee (Executive Manager: Service Delivery) Refer to note 28

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

44. Prior period errors

During the 2012/13 financial year, the following adjustments were made where amounts were erroneously stated the previous financial periods:

Property, plant and equipment had to be restated due to line items incorrectly classified in the previous year and certain infrastructure assets not included in the previous financial statements.

Sundry debtors were restated due to fines incorrectly raised as debtors in the prior years due to a misunderstanding on ownership of land.

Service charges were restated due to prepaid electricity at year end incorrectly being recognised as revenue and an imbalance traced back to 2009 due to the change in accounting system.

Rental on facilities was restated due to an error identified where rental was not raised on certain properties.

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

Transactions affecting statement of changes in net assets		
Non-exchange assets - PPE	-	6 497 161
Depreciation	-	(276 452)
Fines	-	(6 000 000)
Service charges	-	(2 400 145)
Personnel	-	534 361
Bulk purchases	-	12 489
General expenses	-	390 890
	-	**(1 241 696)**

45. Comparative figures

Certain comparative figures have been reclassified. The differences are as a result of remapping to comply with GRAP and National Treasury requirements.

The effects of the reclassification are as follows:

Statement of financial position		
Property, plant and equipment	-	5 466
Intangible assets	-	(5 466)
Receivables from exchange transactions	-	(2 324 931)
Receivables from non-exchange transactions	-	2 250 021
Consumer Debtors	-	74 910

Statement of Financial Performance		
Service charges	-	(712 779)
Rental of facilities and equipment	-	12 486
Licences and permits	-	24 741
Recoveries	-	309 084
Government grants and subsidies	-	366 468
Collection costs	-	(322 649)
Repairs and maintenance	-	(642 568)
Contracted services	-	(1 056 619)
General expenses	-	2 021 836

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

46. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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.

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

Financial instrument	**2013**	**2012**
ABSA Bank	1 999 519	6 589 268
Investments	12 430 047	-

47. 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.

48. Unauthorised expenditure

Unauthorised expenditure	6 221	-

Unauthorized expenditure was due to amounts improperly debited against the municipal bank account by the banks and no advice was given to the municipality with regards to the originator.

49. Fruitless and wasteful expenditure

Opening Balance	88 765	-
Fruitless and wasteful expenditure	280 489	88 765
	369 254	**88 765**

Fruitless and wasteful expenditure consists of penalties and interest on late submission of VAT return in the 2010/11 financial year that were incurred in the 2011/12 financial year.

Fruitless and wasteful expenditure consists of interest on late payment of Eskom accounts and PAYE.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

50. Irregular expenditure

Opening balance	7 456 901	390 433
Add: Irregular Expenditure - current year	2 834 345	7 066 468
Less: Amounts condoned	(42 364)	-
	10 248 882	**7 456 901**

Analysis of expenditure awaiting condonation per age classification

Current year	2 791 981	7 066 468
Prior years	7 456 901	390 433
	10 248 882	**7 456 901**

Details of irregular expenditure – current year

12 Orders with only one quotation	42 364
Deviations that were directed to a single supplier with a value that exceeds the prescribed threshold for competitive bidding	2 791 981
	2 834 345

Details of irregular expenditure condoned

	Condoned by (condoning authority)	
12 Orders with only one quotation	Approved by council	42 364

51. In-kind donations and assistance

The municipality received the following in-kind donations and assistance:

DBSA provided the municipality with the services of a structural and civil expert (12 months)

Gauteng Provincial Treasury provided the municipality with the services of a suitably qualified accountant to enhance municipal financial controls (5 months)

52. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	-
Current year subscription / fee	3 649 206	3 282 012
Amount paid - current year	(3 096 813)	(3 282 012)
	552 393	**-**

PAYE and UIF

Opening balance	-	-
Current year subscription / fee	10 883 100	9 436 894
Amount paid - current year	(10 883 100)	(9 436 894)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

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

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	27 552 043	23 836 755
Amount paid - current year	(27 552 043)	(23 836 755)
	-	**-**

VAT

VAT payable	6 632 188	4 104 529

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 30 June 2013:

30 June 2013	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
All councillors only had current accounts outstanding	-	-	-

30 June 2012	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Moremi, TS	202	86	288
Madonsela, AV	1 678	755	2 433
	1 880	**841**	**2 721**

53. Actual operating expenditure versus budgeted operating expenditure

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

54. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

55. Deviation from supply chain management regulations

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

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

Thirty six procurements, noted below, were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the adjudication committee and council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The procurements noted above are:.

Reason	**Number**	**Value**
Emergency	31 Companies	3,960,933.32
Sole supplier	4 Companies	356,620.48
Recommended by National Treasury	1 Company	410,400.00

56. Budget differences

Material differences between budget and actual amounts

Explanations for variances between budget to actuals:

Statement of Financial Performance
1. Service charges - A combination of theft through illegal connections and consumers cutting back on consumption.
2. Rental of facilities and equipment - Rental tariffs were not reviewed and revised during the year as expected.
3. Licences and permits - Budget correctly conservative so acceptable
4. Recoveries - Insurance recoveries overstated in the budget
5. Interest received - investment - Reduced investment due to cash shortage
6. Government grants & subsidies - MIG roll over due to accident on site and and contractor diffuculties advised to National Treasury
7. Fines - Fine provision found to be an error due to land not being Lesedi's
8. Personnel - Budget based on full structure difference caused by vacancies
9. Administration - Underspending due to funds shortage
10. Impairment loss/ Reversal of impairments - Impairment not budgeted
11. Debt impairment - It was anticipated that the credit control policy would be implemented during year.
12. Repairs and maintenance - Reduction of costs in line with cost containment requirements
13. Bulk purchases - Budget was not done in accordance with MFMA Circulars 58 and 59
14. Contracted Services - Reduction of costs in line with cost containment requirements
15. General Expenses - Costs were not contained / controlled as planned.

Statement of Financial Position
16. Receivables from exchange transactions - Insurance debtor transferred to work in progress as the insurer decided to fix the burnt buildings. There was no split on exchange vs non?exchange.
17. Receivables from non?exchange transactions - There was no split on exchange vs non?exchange
18. Consumer debtors - It was anticipated that the credit control policy would be implemented during year.
19. Cash and cash equivalents - Budget was not done in accordance with MFMA Circulars 58 and 59
20. Intangible assets - Error in budget calculation
21. Heritage assets - Transfer of Museum to heritage asset
22. Other financial liabilities - The short term portion of the loan was not accounted for in the budget in error.
23. Payables from exchange transactions - Increased creditors due to cash flow challenges
24. VAT payable - VAT increased due to the portion of creditors as indicated on Payables above. Cash flow challenges.
25. Unspent conditional grants and receipts - MIG roll over due to accident on site and and contractor difficulties advised to National Treasury
26. Provisions - Adjustment to the period and related rates for landfill site

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

Changes from the approved budget to the final budget

The changes between the approved and the final budget are a consequence of virements made in terms of council policy.

57. Debtors on RDP houses not yet transferred

Reconciliaton of RDP housing debtors		
Debtors on RDP houses not yet transferred	32 959 798	32 959 798
Impairment on debtors on RDP houses not yet transferred	(32 959 798)	(32 959 798)
	-	-

58. Unaccounted water and electricity

Distribution loss amounts		
Electricity	30 299 367	31 474 238
Water	6 472 464	7 681 007
	36 771 831	**39 155 245**

Electricity

Year	Units purchased	Units sold	Loss in distribution
2008/2009	229,180,514	201,180,324	12.22%
2009/2010	235,566,237	206,899,525	12.17%
2010/2011	238,306,342	204,505,368	14.18%
2011/2012	241,821,725	190,444,798	21.20%
2012/2013	235,496,702	188,291,743	20.04%

Water

Year	Units purchased	Units sold	Loss in distribution
2008/2009	5,829,350	5,200,000	10.80%
2009/2010	5,494,897	5,040,515	8.27%
2010/2011	6,151,905	4,957,555	19.41%
2011/2012	6,328,721	4,873,472	23.00%
2012/2013	6,071,433	4,833,409	20.39%

Included in the R30,299,367 for electricity losses is the acceptable norm for electricity losses of 5.6% - R8,464,841