KAI !GARIB LOCAL MUNICIPALITY

(Registration number NC082)

AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

General Information

Legal form of entity	Local Municipality
Municipal Council Members	
Executive Mayor	Cllr. J.J.J. Olyn
Speaker	Cllr. S. Jacob
Proportional members	Cllr. T. Solomons Cllr. M.M.J. Titus Cllr. A. De Bruin Cllr. A.M. van Wyk Cllr. E. Meyer Cllr. A. van der Westhuizen
Ward councillors	Cllr. W.D. Klim Cllr. A.C. Snyers Cllr. B.M. Bock Cllr. A.M. Isaacs Cllr. A.V. du Plessis Cllr. F.J. Handona Cllr. W.B. Kampfer Cllr. D.W. Fienies Cllr. J.G. Styles
Council commitees	
1. Financial Management Commitee	
Chairperson	Cllr. J.J.J. Olyn Cllr. F. Handona Cllr. E. Meyer
2. Local Economic Development Committee	
Chairperson	Cllr. D.W. Fienies Cllr. M.M.J. Titus Cllr. A.M. van Wyk Cllr. A.M. Isaacs
3. Public Participation and Good Governance Committee	
Chairperson	Cllr. F. Handona
4. Institutional Development Committee	
Chairperson	Cllr. A.V. du Plessis Cllr. B.M. Bock Cllr. T. Solomons Cllr. A. van der Westhuizen
5. Infrastructure Development Committee	
Chairperson	Cllr. W.D. Klim Cllr. W.B. Kampfer Cllr. A. De Bruin Cllr. A.C. Snyers Cllr. J.G. Styles
6. Municipal Public Account Committee	
Chairperson	Cllr D. W. Fienies Cllr A. V. Du Plessis Cllr B. M. Bock Cllr T. P. P Solomon Cllr A. De Bruin

General Information

Grading of local authority	Low capacity municipality
Category	Category B Municipality as defiend by the Municipal Structures Act Nr. 117 of 1998
Demarcation code	NC082
Accounting Officer	Mr. A. Vosloo
Chief Finance Officer (CFO)	Mr. J. Husselman (Acting)
Registered office	164 11th Avenue 164 Kakamas 8870
Postal address	Private Bag X 6 Kakamas 8870
Bankers	ABSA Bank Limited Standard Bank Limited
Auditors	Auditor General South Africa
Telephone number	(054) 461 6400
Fax number	(086) 502 8887
Email Address	admin@kaigarib.co.za
Website	www.kaigarib.gov.za

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

Abbreviations

ASB	Accounting Standards Board
D.W.A.F.	Department of Water Affairs and Forestry
DBSA	Development Bank of South Africa
EPWPIG	Expanded Public Works Programme Incentive Grant
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LG SETA	Local Government Sector Education Training Programme
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
NCL	Non current liability
PAYE	Pay As You Earn
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation

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 audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited 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 2013 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 audited annual financial statements. The audited annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The audited annual financial statements set out on pages 5 to 68, which have been prepared on the going concern basis, were approved by the accounting officer and was signed by him:

Mr. A. Vosloo
Municipal Manager (Accounting Officer)
Keimoes
30 August 2013

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is a local municipality.

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

Net deficit of the municipality was R 35 121 535 (2012: deficit R 50 880 492).

2. Going concern

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

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The account officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

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

6. Accounting Officer

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

Name
Mr. A. Vosloo

7. Corporate governance

General

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

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

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

Accounting Officer's Report

Audit committee and Internal audit

The municipality is in a shared services agreement with Fatman Mugau District Municipality (previously known as Siyanda District Municipality) to assit and perform the Audit commitee and Internal audit functions for the municipality.

8. Bankers

The municipalities primary bank accounts are with ABSA Bank Limited and Standard Bank Limited and will continue to bank with them in the new financial year.

9. Auditors

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

Statement of Financial Position as at 30 June 2013

Figures in Rand	Notes	2013	2012
Assets			
Current Assets			
Cash and cash equivalents	11	3 646 729	3 818 113
Consumer debtors	10	10 165 613	10 744 191
Inventories	9	886 582	1 975 915
Other financial assets	6	66 978	66 978
Total Current Assets		**14 765 902**	**16 605 197**
Non-Current Assets			
Intangible assets	5	14 270	19 202
Investment property	3	4 344 979	4 494 806
Other financial assets	6	10 466 769	10 337 470
Property, plant and equipment	4	829 022 781	809 942 493
Total Non-Current Assets		**843 848 799**	**824 793 971**
Total Assets		**858 614 701**	**841 399 168**
Liabilities			
Current Liabilities			
Bank overdraft	11	11 163 874	771 073
Consumer deposits	19	1 536 777	1 520 741
Finance lease obligation	13	699 086	713 237
Other financial liabilities	12	1 366 857	214 777
Payables from exchange transactions	16	53 622 744	42 573 787
Provisions	15	620 592	-
Unspent conditional grants and receipts	14	4 485 773	5 171 375
VAT payable	17	473 623	991 639
Total Current Liabilities		**73 969 326**	**51 956 629**
Non-Current Liabilities			
Finance lease obligation	13	758 197	744 046
Other financial liabilities	12	12 482 407	11 383 727
Provisions	15	32 549 744	3 938 626
Retirement benefit obligation	8	11 638 471	11 038 052
Total Non-Current Liabilities		**57 428 819**	**27 104 451**
Total Liabilities		**131 398 145**	**79 061 080**
Net Assets		**727 216 556**	**762 338 088**
Net Assets			
Accumulated surplus		727 216 556	762 338 088

Kai !Garib Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Notes	2013	2012
Revenue			
Revenue from exchange transactions			
Service charges	23	71 471 517	71 037 371
Rental of facilities and equipment		73 851	198 158
Income from agency services		425 086	877 317
Other income	26	394 555	419 550
Interest received - investment		7 498 586	6 801 594
Total revenue from exchange transactions		**79 863 595**	**79 333 990**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	13 842 798	11 689 240
Transfer revenue			
Government grants & subsidies	24	78 133 780	54 467 756
Public contributions and donations		2 000	251 613
Fines		139 351	225 074
Total revenue from non-exchange transactions		**92 117 929**	**66 633 683**
Total revenue	21	**171 981 524**	**145 967 673**
Expenditure			
Personnel	28	(57 074 884)	(49 458 450)
Remuneration of councillors	29	(6 292 977)	(4 752 130)
Depreciation and amortisation	31	(36 112 256)	(33 457 305)
Finance costs	32	(3 586 194)	(1 256 192)
Debt impairment		(22 013 253)	(40 918 930)
Repairs and maintenance		(3 597 382)	(4 230 087)
Bulk purchases	36	(37 797 952)	(30 017 545)
Grants and subsidies paid	35	(11 120 643)	(13 021 465)
General Expenses	27	(29 507 518)	(19 736 061)
Total expenditure		**(207 103 059)**	**(196 848 165)**
Operating deficit		**(35 121 535)**	**(50 880 492)**
Deficit for the year		**(35 121 535)**	**(50 880 492)**
Attributable to:			
Owners of the controlling entity		(35 121 535)	(50 880 492)

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	**813 218 580**	**813 218 580**
Changes in net assets		
Deficit for the year	(50 880 492)	(50 880 492)
Total changes	(50 880 492)	(50 880 492)
Balance at 01 July 2012	**762 338 091**	**762 338 091**
Changes in net assets		
Surplus for the year	(35 121 535)	(35 121 535)
Total changes	(35 121 535)	(35 121 535)
Balance at 30 June 2013	**727 216 556**	**727 216 556**

Notes

Cash Flow Statement

Figures in Rand	Notes	2013	2012
Cash flows from operating activities			
Receipts			
Property rates		8 648 445	4 776 144
Sale of goods and services		66 139 841	78 732 404
Grants		77 448 178	58 500 341
Interest income		7 498 586	6 801 594
Other receipts		1 034 843	1 971 712
		160 769 893	150 782 195
Payments			
Employee costs		(63 367 861)	(54 210 580)
Suppliers		(79 390 154)	(77 610 218)
Finance costs		(3 586 194)	(1 256 192)
		(146 344 209)	(133 076 990)
Net cash flows from operating activities	37	**14 425 684**	**17 705 205**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(26 361 977)	(9 664 512)
Purchase of other intangible assets	5	-	(22 770)
Proceeds from sale of financial assets		(129 299)	(469 197)
Net cash flows from investing activities		**(26 491 276)**	**(10 156 479)**
Cash flows from financing activities			
Repayment of other financial liabilities		2 250 760	8 296 519
Finance lease payments		(749 353)	(1 050 680)
Net cash flows from financing activities		**1 501 407**	**7 245 839**
Net increase/(decrease) in cash and cash equivalents		**(10 564 185)**	**14 794 565**
Cash and cash equivalents at the beginning of the year		3 047 040	(11 747 525)
Cash and cash equivalents at the end of the year	11	**(7 517 145)**	**3 047 040**

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	72 952 284	879 341	**73 831 625**	71 471 517	**(2 360 108)**	
Rental of facilities and equipment	244 106	(13 520)	**230 586**	73 851	**(156 735)**	
Income from agency services	1 805 602	877 543	**2 683 145**	425 086	**(2 258 059)**	
Other income - (rollup)	498 012	(60 605)	**437 407**	394 555	**(42 852)**	
Interest received - investment	6 501 329	950 440	**7 451 769**	7 498 586	**46 817**	
Total revenue from exchange transactions	**82 001 333**	**2 633 199**	**84 634 532**	**79 863 595**	**(4 770 937)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	13 138 320	170 610	**13 308 930**	13 842 798	**533 868**	
Government grants & subsidies	50 601 023	(205 023)	**50 396 000**	78 133 780	**27 737 780**	
Transfer revenue						
Public contributions and donations	-	-	**-**	2 000	**2 000**	
Fines	365 118	(233 411)	**131 707**	139 351	**7 644**	
Total revenue from non-exchange transactions	**64 104 461**	**(267 824)**	**63 836 637**	**92 117 929**	**28 281 292**	
Total revenue	**146 105 794**	**2 365 375**	**148 471 169**	**171 981 524**	**23 510 355**	
Expenditure						
Personnel	(49 554 989)	453 239	**(49 101 750)**	(57 074 884)	**(7 973 134)**	
Remuneration of councillors	(5 009 897)	(220 455)	**(5 230 352)**	(6 292 977)	**(1 062 625)**	
Administration	(20 000)	20 000	**-**	-	**-**	
Depreciation and amortisation	(5 006 805)	-	**(5 006 805)**	(36 112 256)	**(31 105 451)**	
Finance costs	(4 422 643)	1 576 720	**(2 845 923)**	(3 586 194)	**(740 271)**	
Debt impairment	-	-	**-**	(22 013 253)	**(22 013 253)**	
Repairs and maintenance	(21 653 557)	1 803 757	**(19 849 800)**	(3 597 382)	**16 252 418**	
Bulk purchases	(29 719 148)	(521 799)	**(30 240 947)**	(37 797 952)	**(7 557 005)**	
Grants and subsidies paid	(11 707 628)	(4 807 358)	**(16 514 986)**	(11 120 643)	**5 394 343**	
General Expenses	(20 601 956)	(4 222 629)	**(24 824 585)**	(29 507 518)	**(4 682 933)**	
Total expenditure	**(147 696 623)**	**(5 918 525)**	**(153 615 148)**	**(207 103 059)**	**(53 487 911)**	
Deficit before taxation	**(1 590 829)**	**(3 553 150)**	**(5 143 979)**	**(35 121 535)**	**(29 977 556)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1 590 829)**	**(3 553 150)**	**(5 143 979)**	**(35 121 535)**	**(29 977 556)**	

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	-	-	-	886 582	886 582	
Other financial assets	-	-	-	66 978	66 978	
VAT receivable	-	-	-	93	93	
Consumer debtors	-	-	-	10 165 613	10 165 613	
Cash and cash equivalents	-	-	-	3 646 729	3 646 729	
	-	-	-	14 765 995	14 765 995	
Non-Current Assets						
Investment property	-	-	-	4 344 979	4 344 979	
Property, plant and equipment	27 978 150	6 900 000	34 878 150	829 022 781	794 144 631	
Intangible assets	-	-	-	14 270	14 270	
Other financial assets	-	-	-	10 466 769	10 466 769	
	27 978 150	6 900 000	34 878 150	843 848 799	808 970 649	
Total Assets	27 978 150	6 900 000	34 878 150	858 614 794	823 736 644	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	1 366 857	1 366 857	
Finance lease obligation	-	-	-	699 086	699 086	
Payables from exchange transactions	-	-	-	53 622 739	53 622 739	
VAT payable	-	-	-	473 715	473 715	
Consumer deposits	-	-	-	1 536 777	1 536 777	
Unspent conditional grants and receipts	-	-	-	4 485 773	4 485 773	
Provisions	-	-	-	620 592	620 592	
Bank overdraft	-	-	-	11 163 874	11 163 874	
	-	-	-	73 969 413	73 969 413	
Non-Current Liabilities						
Other financial liabilities	-	-	-	12 482 407	12 482 407	
Finance lease obligation	-	-	-	758 197	758 197	
Retirement benefit obligation	-	-	-	11 638 471	11 638 471	
Provisions	-	-	-	32 549 744	32 549 744	
	-	-	-	57 428 819	57 428 819	
Total Liabilities	-	-	-	131 398 232	131 398 232	
Net Assets	27 978 150	6 900 000	34 878 150	727 216 562	692 338 412	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	27 978 150	6 900 000	34 878 150	727 216 562	692 338 412	

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	13 138 320	170 610	13 308 930	-		13 308 930	13 842 798		533 868	104 %	105 %
Service charges	72 952 284	879 341	73 831 625	-		73 831 625	71 471 517		(2 360 108)	97 %	98 %
Investment revenue	6 501 329	950 440	7 451 769	-		7 451 769	7 498 586		46 817	101 %	115 %
Transfers recognised - operational	50 601 023	(205 023)	50 396 000	-		50 396 000	57 156 780		6 760 780	113 %	113 %
Other own revenue	2 912 838	570 007	3 482 845	-		3 482 845	1 032 843		(2 450 002)	30 %	35 %
Total revenue (excluding capital transfers and contributions)	**146 105 794**	**2 365 375**	**148 471 169**	**-**		**148 471 169**	**151 002 524**		**2 531 355**	**102 %**	**103 %**
Employee costs	(49 554 989)	453 239	(49 101 750)	-	-	(49 101 750)	(57 074 884)	-	(7 973 134)	116 %	115 %
Remuneration of councillors	(5 009 897)	(220 455)	(5 230 352)	-	-	(5 230 352)	(6 292 977)	-	(1 062 625)	120 %	126 %
Debt impairment	-	-	-			-	(22 013 253)	-	(22 013 253)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(5 006 805)	-	(5 006 805)			(5 006 805)	(36 112 256)	-	(31 105 451)	721 %	721 %
Finance charges	(4 422 643)	1 576 720	(2 845 923)	-	-	(2 845 923)	(3 586 194)	-	(740 271)	126 %	81 %
Materials and bulk purchases	(29 719 148)	(521 799)	(30 240 947)	-	-	(30 240 947)	(37 797 952)	-	(7 557 005)	125 %	127 %
Transfers and grants	(11 707 628)	(4 807 358)	(16 514 986)	-	-	(16 514 986)	(11 120 643)	-	5 394 343	67 %	95 %
Other expenditure	(42 275 513)	(702 976)	(42 978 489)	-	-	(42 978 489)	(33 104 900)	-	9 873 589	77 %	78 %
Total expenditure	**(147 696 623)**	**(4 222 629)**	**(151 919 252)**	**-**	**-**	**(151 919 252)**	**(207 103 059)**	**-**	**(55 183 807)**	**136 %**	**140 %**
Surplus/(Deficit)	**(1 590 829)**	**(1 857 254)**	**(3 448 083)**	**-**		**(3 448 083)**	**(56 100 535)**		**(52 652 452)**	**1 627 %**	**3 526 %**

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	-	-	-	-		-	20 977 000		20 977 000	DIV/0 %	DIV/0 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	2 000		2 000	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(1 590 829)**	**(1 857 254)**	**(3 448 083)**	**-**		**(3 448 083)**	**(35 121 535)**		**(31 673 452)**	**1 019 %**	**2 208 %**
Surplus/(Deficit) for the year	**(1 590 829)**	**(1 857 254)**	**(3 448 083)**	**-**		**(3 448 083)**	**(35 121 535)**		**(31 673 452)**	**1 019 %**	**2 208 %**

Accounting Policies

1. Presentation of Audited Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The municipality reassesses the useful lives and residual values of property, plant and equipment, investment property and intangible assets on an annual basis. In reassessing the useful lives and residual values of property, plant and equipment, investment property and intangible assets management considers the condition and use of the individual assets, and base it on industry knowledge, to determine the remaining period over which the asset can and will be used and the residual value.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Cost model

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

Accounting Policies

1.2 Investment property (continued)

Depreciation is calculated on cost less estimated residual value, using the straight line method over the useful life of the property, which is estimated at 20-30 years.

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

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.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

- Property intended for sale in the ordinary course of operations or in the process of construction or development from such sale;
- Property being constructed or developed on behalf of third parties;
- Owner occupied property, including among other things property held for future use as owner occupied property, property held for future developments and subsequent use as owner occupied property, property occupied by employees such as housing personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
- Property that is being constructed for future use as investment property;
- Property that is leased to another entity as investment property;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

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. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site in which it is located.

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

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.

Accounting Policies

1.3 Property, plant and equipment (continued)

Depreciation only commences when the asset is ready for its intended use. Refer to the asset management policy of the municipality for the useful lifes used.

Item	**Average useful life**
Land	Indefinite
Buildings	10-50 years
Plant and machinery	2-80 years
Furniture and fixtures	3-15 years
Motor vehicles	3-15 years
Infrastructure	5-60 years
Community	10-50 years
Computer equipment	2-5 years
Housing assets	50 years

1.4 Intangible assets

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

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

Intangible assets are initially recognised at cost.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

Accounting Policies

1.4 Intangible assets (continued)

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	2 years

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Capitalised development costs are recorded as intangible assets and recognised from the point at at which the asset is ready for use on a straight line basis over its usefl life, which is between 3 and 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period. However, such intangible assets are subject to an annual impairment test.

Development assets are tested for impairment annually in accordance with GRAP 102. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

1.5 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a4 future date.

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

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 receivables from exchange transactions	Financial asset measured at amortised cost
Trade receivables from non-exchange transactions	Financial asset measured at amortised cost
Other financial assets	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
DBSA Loans	Financial liability measured at amortised cost
Trade payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Financial liabilities	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.5 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.

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

Financial liabilities

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 municipality transfers a financial asset if either it transfers the contractual rights to receive the cash flows of the financial asset or it retains the contractual rights to receive the cash flows of the financial asset.

The municipality recognises the difference between the carrying amount of the 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, in the statement of financial performance.

Presentation

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

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

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.

1.6 Leases

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

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

1.6 Leases (continued)

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

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

Operating leases - lessee

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

1.7 Inventories

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

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

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

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

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

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

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

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

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

Accounting Policies

1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

1.8 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

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

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

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

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

Accounting Policies

1.9 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Accounting Policies

1.9 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the statement of financial position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employement plans.

Post-employment benefits

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

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

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

Accounting Policies

1.9 Employee benefits (continued)

Defined benefit plans

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all medical aid funds, with which the municipality is associated, provide forcontinued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations i1n the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Provincially-administered defined benefit plans

The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit pension plans

The municipality has an obligation to provide post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Other post retirement obligations

Long-service Allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial serformance.

1.10 Provisions and contingencies

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

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

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

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

1.10 Provisions and contingencies (continued)

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Accounting Policies

1.10 Provisions and contingencies (continued)

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

- The business or part of a business concerned;
- The principal locations affected;
- The location, function, and approximate number of employees who will be compensated for terminating their services;
- The expenditures that will be undertaken; and
- When the plan will be implemented.

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.11 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

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

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

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

Service charges

Service charges are levied in terms of approved tariffs. 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, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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 type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Prepaid electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Finance income

Interest earned on investments is recognised in the statement of financial performance on the time-proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the statement of financial performance:
- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unspent conditional grants is allocated directly to the creditor: unspent conditional grants, if the grant conditions indicate that interest is payable to the funder.

Accounting Policies

Rentals received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

- The municipality has transferred to the buyer 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.

Measurement

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

1.12 Investment income

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

1.13 Borrowing costs

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established – the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use have been completed.

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

1.14 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.

Accounting Policies

1.15 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.

1.16 Irregular expenditure

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

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

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

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

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

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

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.

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

Accounting Policies

1.17 Use of estimates

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

1.18 Going concern

The annual financial statements have been prepared on the going concern basis.

1.19 Presentation of currency

These audited annual financial statements are presented in South African Rand.

- Credit risk
- Liquidity risk
- Market risk

1.20 Offsetting

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

1.21 Investments

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

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

Accounting Policies

1.22 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.

1.23 Budget information

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.24 Government grants and receipts

Government grants and receipts are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the statement of financial performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality’s interest, it is recognised as interest earned in the statement of financial performance.

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

1.25 Consumer deposits

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

1.26 Value added Tax (VAT)

The municipality accounts for value added tax on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services except where the suppliers are specifically zero rated in terms of section 11, exempt in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The municipality accounts for VAT on a monthly basis.

Accounting Policies

1.27 Events after reporting date

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

1.28 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.29 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance, but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself tofuture transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.30 Change on accounting policies estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

Accounting Policies

1.31 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the municipality, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. The municipality regards all individuals at senior management as key management per the definition of the financial reporting standard.

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

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

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.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

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 audited annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, 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 audited annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary audited annual financial statements. Where the budget and audited 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 audited annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and audited annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

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

The impact of the standard is not material.

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 present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

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

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

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 audited annual financial statements.

The impact of the standard is not material.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by 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.

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.

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

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

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

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

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 audited 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.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

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

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

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

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

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

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

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

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

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

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

GRAP 104 requires extensive disclosures on the significance of financial instruments for 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 audited 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.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

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 audited annual financial statements.

The impact of the amendment is not material.

3. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	7 491 343	(3 146 364)	4 344 979	7 491 343	(2 996 537)	4 494 806

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	4 494 806	(149 827)	4 344 979

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Investment property	4 644 633	(149 827)	4 494 806

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. Refer also to Appendix B for more detail on investment property.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:
- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

3. Investment property (continued)

- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Investment properties comprise residential and commercial properties that are rented out, as well as vacant land held for a currently undetermined use.

There are no restrictions on the realisibility of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

Notes to the Audited Annual Financial Statements

Figures in Rand

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 and Buildings	132 951 515	(7 485 273)	125 466 242	104 305 885	(5 611 023)	98 694 862
Infrastructure assets	781 001 157	(122 070 403)	658 930 754	781 446 017	(90 840 402)	690 605 615
Community assets	11 061 243	(3 275 717)	7 785 526	11 061 243	(2 456 788)	8 604 455
Other property, plant and equipment	20 196 530	(8 568 183)	11 628 347	18 198 282	(6 541 947)	11 656 335
Work-in-progress	24 838 771	-	24 838 771	-	-	-
Housing assets	404 547	(31 406)	373 141	404 547	(23 321)	381 226
Total	**970 453 763**	**(141 430 982)**	**829 022 781**	**915 415 974**	**(105 473 481)**	**809 942 493**

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Revaluations	Depreciation	Total
Land and Buildings	98 694 862	-	28 645 630	(1 874 250)	125 466 242
Infrastructure assets	690 605 615	-	-	(31 674 861)	658 930 754
Community assets	8 604 455	-	-	(818 929)	7 785 526
Other property, plant and equipment	11 656 335	1 523 206	-	(1 551 194)	11 628 347
Work-in-progress	-	24 838 771	-	-	24 838 771
Housing assets	381 226	-	-	(8 085)	373 141
	809 942 493	**26 361 977**	**28 645 630**	**(35 927 319)**	**829 022 781**

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Buildings	100 565 203	-	(1 870 341)	98 694 862
Infrastructure assets	713 085 174	8 476 559	(30 956 118)	690 605 615
Community assets	9 423 384	-	(818 929)	8 604 455
Other property, plant and equipment	12 510 449	1 187 953	(2 042 067)	11 656 335
Housing assets	388 998	-	(7 772)	381 226
	835 973 208	**9 664 512**	**(35 695 227)**	**809 942 493**

Pledged as security

The municipality did not pledge any of its assets as security.

All property, plant and equipment is being fully utilised by the municipality. There is therefore no idle property, plant and equipment.

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. Refer to Appendix B and C for more detail on Propert, Plant and Equipment.

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

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	31 299	(17 029)	14 270	31 299	(12 097)	19 202

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	19 202	(4 932)	14 270

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	7 228	22 770	(10 796)	19 202

Pledged as security

All intangible assets are held under freehold interests and no intangible assets have been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

6. Other financial assets

At fair value through surplus or deficit - designated		
Oranje Koöperasie Beperk	8 579	8 579
Held to maturity		
Notice deposits	66 978	66 978
Total other financial assets	**75 557**	**75 557**

Non-current assets		
Designated at fair value	8 579	8 579
At amortised cost	10 458 190	10 328 891
	10 466 769	**10 337 470**

Current assets		
Notice deposits	66 978	66 978

7. Financial assets by category

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

2013

	Trade and other receivables from exchange transactions	Held to maturity investments	Total
Trade and other receivables	10 165 613	-	10 165 613
Cash and cash equivalents	3 646 729	-	3 646 729
Other financial assets	10 466 769	66 978	10 533 747
	24 279 111	**66 978**	**24 346 089**

2012

	Trade and other receivables from exchange transactions	Held to maturity investments	Total
Trade and other receivables	10 744 191	-	10 744 191
Cash and cash equivalents	3 818 113	-	3 818 113
Other financial assets	10 337 470	66 978	10 404 448
	24 899 774	**66 978**	**24 966 752**

8. Employee benefit obligations

Defined benefit plan

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

Post retirement benefit plan

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

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

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

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

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

Opening balance	11 038 052	8 655 880
Net expense recognised in the statement of financial performance	600 419	2 382 172
Closing balance	**11 638 471**	**11 038 052**

Net expense recognised in the statement of financial performance

Current service cost	282 992	268 285
Contributions (benefits paid)	(567 538)	-
Interest cost	837 512	746 818
Actuarial (gains) losses	47 453	1 757 057
Expected return on plan assets	-	(389 988)
Total included in employee related costs	**600 419**	**2 382 172**

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.65 %	7.73 %
Health care cost inflation rate	7.70 %	6.92 %
Net effective discount rate	0.88 %	0.76 %

Key demographic assumptions used at the report date:

Average retirement age:	63 years
Continuation of membership at retirement	90.00%:
Proportion assumed married at retirement:	95.00%
Proportion of eligible current non-member employees joining the scheme by retirement:	
Mortality during employment:	SA85-90
Mortality post-retirement:	PA90-1 ultimate

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19/GRAP25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: IAS19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.65% per annum has been used. This rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 29 June 2012. This rate does not reflect any adjustment for taxation.

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 7.70% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.20%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.88% which derives from (8.65%-7.70%)/1.0770.

The expected inflation assumption of 6.20% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.84%) and those of nominal bonds (8.65%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: (8.65%-0.50%-1.84%)/1.0184.

The next contribution increase was assumed to occur with effect from 1 January 2014.

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 75% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

9. Inventories

Consumables	865 644	1 975 915
Water	20 938	-
	886 582	**1 975 915**
Carrying value of inventories carried at fair value less costs to sell	886 582	1 975 915

In the prior years inventories that related to a old stock were written down to net realisable value, due to the nature of items held that have been in stock for numerous years. The cost information is available with a register at the municipality.

10. Consumer debtors

Gross balances		
Rates	23 408 184	18 213 831
Electricity	29 278 223	22 134 900
Water	24 660 961	19 142 424
Sewerage	8 864 654	7 296 057
Refuse	8 279 799	6 865 180
Service debtors	8 799 590	8 204 344
	103 291 411	**81 856 736**
Less: Allowance for bad debt		
Service debtors	(93 125 798)	(71 112 545)
Net balance		
Rates	23 408 184	18 213 831
Electricity	29 278 223	22 134 900
Water	24 660 961	19 142 424
Sewerage	8 864 654	7 296 057
Refuse	8 279 799	6 865 180
Other	(84 326 208)	(62 908 201)
	10 165 613	**10 744 191**
Rates		
Current (0 -30 days)	859 050	686 507
31 - 60 days	364 709	299 759
61 - 90 days	358 062	286 138
91 - 120 days	363 676	282 309
121 + days	21 462 687	16 659 118
	23 408 184	**18 213 831**
Electricity		
Current (0 -30 days)	6 019 473	5 766 345
31 - 60 days	1 351 756	821 374
61 - 90 days	740 062	893 937
91 - 120 days	1 059 399	773 920
121 + days	20 107 533	13 879 324
	29 278 223	**22 134 900**

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

10. Consumer debtors (continued)

	2013	2012
Water		
Current (0 -30 days)	2 192 679	1 898 565
31 - 60 days	593 860	457 952
61 - 90 days	496 118	508 099
91 - 120 days	522 393	453 381
121 + days	20 855 911	15 824 427
	24 660 961	**19 142 424**
Sewerage		
Current (0 -30 days)	918 324	436 544
31 - 60 days	196 621	194 906
61 - 90 days	188 649	179 999
91 - 120 days	193 904	160 861
121 + days	7 367 156	6 323 747
	8 864 654	**7 296 057**
Refuse		
Current (0 -30 days)	532 862	505 646
31 - 60 days	148 749	158 265
61 - 90 days	143 486	149 873
91 - 120 days	144 280	141 210
121 + days	7 310 422	5 910 186
	8 279 799	**6 865 180**
Other (specify)		
Current (0 -30 days)	351 075	-
31 - 60 days	128 192	-
61 - 90 days	123 531	-
91 - 120 days	124 454	-
121+ days	10 960 938	-
Less impairment	(96 014 398)	(62 908 201)
	(84 326 208)	**(62 908 201)**

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

10. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	7 226 750	6 351 636
31 - 60 days	2 488 114	2 186 819
61 - 90 days	1 879 877	1 652 236
91 + days	1 875 213	1 648 136
121 - 365 days	65 344 515	57 431 703
	78 814 469	**69 270 530**
Industrial/ commercial		
Current (0 -30 days)	121 086	106 423
31 - 60 days	97 890	86 036
61 - 90 days	103 909	91 326
91 + days	91 814	80 696
121 - 365 days	1 962 941	1 725 241
	2 377 640	**2 089 722**
National and provincial government		
Current (0 -30 days)	761 995	669 722
31 - 60 days	442 971	389 330
61 - 90 days	387 329	340 426
91 + days	468 288	411 581
121 - 365 days	11 239 129	9 878 141
	13 299 712	**11 689 200**
Total		
Current (0 -30 days)	9 372 968	7 427 922
31 - 60 days	3 385 021	2 682 573
61 - 90 days	2 623 017	2 078 698
91 + days	2 714 305	2 151 042
121 - 365 days	85 196 100	67 516 501
	103 291 411	81 856 736
Less: Allowance for impairment	(93 125 798)	(71 112 545)
	10 165 613	**10 744 191**
Less: Provision for debt impairment		
Total provision	(93 125 798)	(71 112 545)
Reconciliation of allowance for bad debts		
Balance at beginning of the year	(71 112 545)	(30 193 615)
Contributions to provision	(22 013 253)	(40 918 930)
	(93 125 798)	**(71 112 545)**

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Bank balances	3 197 513	3 369 381
Short-term deposits	448 732	448 732
Petty cash	484	-
Bank overdraft	(11 163 874)	(771 073)
	(7 517 145)	**3 047 040**
Current assets	3 646 729	3 818 113
Current liabilities	(11 163 874)	(771 073)
	(7 517 145)	**3 047 040**

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**
Bank Balance						
ABSA Bank Limited - Current account - 4051445435	671 295	(541 400)	916 568	-	(2 377 076)	(18 437 955)
Standard Bank Limited - Current account - 041790219	210 189	5 133 483	8 511 316	-	(2 377 076)	(18 437 955)
Short term Investments						
ABSA Bank Limited - Current account - 9117271903	-	25 615	1 140 690	-	25 615	1 140 690
Standard Bank Limited - Current account - 048904295004	55 324	54 304	52 961	55 324	54 304	52 961
Stanlib - Current account - 53355021	333 926	340 799	346 577	333 926	340 799	346 577
First National Bank - Current account - 62095763788	28 774	28 015	27 104	28 774	28 015	27 104
First National Bank - Current account - 62091336901	177 811	171 868	165 287	177 811	171 868	165 287
Total	**1 477 319**	**5 212 684**	**11 160 503**	**595 835**	**(4 133 551)**	**(35 143 291)**

Figures in Rand	2013	2012

12. Other financial liabilities

At amortised cost		
Development Bank of South Africa	13 849 264	11 598 504
Non-current liabilities		
At amortised cost	12 482 407	11 383 727
Current liabilities		
At amortised cost	1 366 857	214 777

13. Finance lease obligation

Minimum lease payments due		
- within one year	699 086	836 148
- in second to fifth year inclusive	1 003 699	768 977
	1 702 785	1 605 125
less: future finance charges	(223 025)	(147 842)
Present value of minimum lease payments	**1 479 760**	**1 457 283**
Present value of minimum lease payments due		
- within one year	828 117	713 237
- in second to fifth year inclusive	629 166	744 046
	1 457 283	**1 457 283**
Non-current liabilities	758 197	744 046
Current liabilities	699 086	713 237
	1 457 283	**1 457 283**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

Finance Lease Description	Lessor
- Hyundai Getz 1.4 (2008 Model)	ABSA Bank limited
- Volkswagen Polo Classic Trendline 1.4 (2007 Model)	ABSA Bank limited
- Volkswagen Sharan 1.8T (2006 Model)	ABSA Bank limited
- Kubota L39 4x4Backhoe loader (2009 Model)	ABSA Bank limited
- Toyota Hilux 2.0 VVTI P/U S/C (2009 Model)	ABSA Bank limited
- Toyota Hilux 2.0 VVTI P/U S/C (2009 Model)	ABSA Bank limited
- Toyota Hilux 2.0 VVTI P/U S/C (2009 Model)	ABSA Bank limited
- Nissan UD 70A F/C C/C (2009 Model)	ABSA Bank limited
- Nissan UD 85A Tip C/C (2009 Model)	ABSA Bank limited
- Nissan UD 85A Tip C/C (2009 Model)	ABSA Bank limited
- Ford Ranger 2.2 LWB P/U S/C (2009 Model)	ABSA Bank limited

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	4 485 773	2 435 765
Sport Development Grant	-	412 995
Housing Grant	-	2 322 615
	4 485 773	**5 171 375**

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

14. Unspent conditional grants and receipts (continued)

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

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

15. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Addition due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	3 060 952	29 231 710	32 292 662
Performance bonus provision	877 674	-	877 674
	3 938 626	**29 231 710**	**33 170 336**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	2 883 127	177 825	3 060 952
Long term service award provision	777 595	100 079	877 674
	3 660 722	**277 904**	**3 938 626**

	2013	2012
Non-current liabilities	32 549 744	3 938 626
Current liabilities	620 592	-
	33 170 336	**3 938 626**

Performance bonus provision

Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Leave accrual

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Long service award provision

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter, unitl 45 years of service (inclusive), to employees. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

16. Payables from exchange transactions

	2013	2012
Trade payables	13 800 358	9 053 748
Accrual for performance bonus	1 466 380	1 886 766
Accrual for leave pay	5 006 751	3 056 424
Deposits received	137 177	118 547
Sundry Creditors	8 687 703	4 506 568
Payments received in advance	24 420 852	23 856 879
Stand sales	103 523	94 855
	53 622 744	**42 573 787**

17. VAT payable

	2013	2012
South African Revenue Service	473 623	991 639

18. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At fair value	At cost	Total
Other financial assets	-	10 533 747	10 533 747
Consumer debtors	10 165 613	-	10 165 613
Cash and cash equivalents	-	3 646 729	3 646 729
	10 165 613	**14 180 476**	**24 346 089**

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Other financial liabilities	-	2 125 054	-	2 125 054
Trade and other payables from exchange transactions	53 622 744	-	-	53 622 744
Bank overdraft	-	-	11 163 874	11 163 874
Consumer deposits	-	-	1 536 777	1 536 777
Financial liabilities	-	13 181 493	-	13 181 493
Unspent conditional grants	-	-	4 485 773	4 485 773
VAT payable	-	-	473 623	473 623
Retirement benifit obligation	-	-	11 638 471	11 638 471
	53 622 744	**15 306 547**	**29 298 518**	**98 227 809**

2012

Financial assets

	At fair value	At cost	Total
Other financial assets	-	10 404 448	10 404 448
Consumer debtors	10 744 191	-	10 744 191
Cash and cash equivalents	-	3 818 113	3 818 113
	10 744 191	**14 222 561**	**24 966 752**

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Other financial liabilities	-	12 697 184	-	12 697 184
Trade and other payables from exchange transactions	42 573 787	-	-	42 573 787
Bank overdraft	-	-	771 073	771 073
Consumer deposits	-	-	1 520 741	1 520 741
Financial liabiities	-	1 457 283	-	1 457 283
Unspent conditional grants	-	-	5 171 375	5 171 375
VAT payable	-	-	991 639	991 639
Retirement benefit obligation	-	-	11 038 052	11 038 052
	42 573 787	**14 154 467**	**19 492 880**	**76 221 134**

19. Consumer deposits

	2013	2012
Deposits held from Consumer Debtors	1 536 777	1 520 741

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	Fair value through surplus or deficit - held for trading	Total
Trade and other payables from exchange transactions	53 622 744	-	53 622 744
Bank overdraft	-	11 163 874	11 163 874
Consumer deposits	-	1 536 777	1 536 777
Finance liabilities	13 849 264	-	13 849 264
Finance lease obligation	1 457 283	-	1 457 283
Unspent conditional grants	5 171 375	-	5 171 375
VAT payable	991 639	-	991 639
Retirement benefit obligation	11 038 052	-	11 038 052
	86 130 357	**12 700 651**	**98 831 008**

Figures in Rand	2013	2012

20. Financial liabilities by category (continued)

2012

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Total
Trade and other payables from exchange transactions	42 573 787	-	42 573 787
Bank overdraft	-	771 073	771 073
Consumer deposits	-	1 520 741	1 520 741
Finance liabilities	12 697 184	-	12 697 184
Finance lease obligation	1 457 283	-	1 457 283
Unspent conditional grants	5 171 375	-	5 171 375
VAT payable	991 639	-	991 639
Retirement benefit obligation	11 038 052	-	11 038 052
	73 929 320	**2 291 814**	**76 221 134**

21. Revenue

	2013	2012
Fines	139 351	225 074
Government grants & subsidies	78 133 780	54 467 756
Income from agency services	425 086	877 317
Interest received - investment	7 498 586	6 801 594
Other income	394 555	419 550
Property rates	13 842 798	11 689 240
Public contributions and donations	2 000	251 613
Rental of facilities and equipment	73 851	198 158
Service charges	71 471 517	71 037 371
	171 981 524	**145 967 673**

	2013	2012
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	71 471 517	71 037 371
Rental of facilities and equipment	73 851	198 158
Income from agency services	425 086	877 317
Other income - (rollup)	394 555	419 550
Interest received - investment	7 498 586	6 801 594
	79 863 595	**79 333 990**

	2013	2012
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	13 842 798	11 689 240
Transfer revenue		
License fees - motor vehicles	78 133 780	54 467 756
Public contributions and donations	2 000	251 613
Fines	139 351	225 074
	92 117 929	**66 633 683**

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

22. Property rates

Rates received

	2013	2012
Residential	13 956 227	24 714 471
Industrial	-	(324)
Less: Income forgone	(113 429)	(13 024 907)
	13 842 798	**11 689 240**

Valuations

	2013	2012
Residential	743 876 265	743 876 265
Agriculture	3 267 337 357	3 267 337 357
State	78 213 730	78 213 730
Municipal	34 243 565	34 243 565
Exempted valuatons	33 102 037	33 102 037
	4 156 772 954	**4 156 772 954**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2012.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

23. Service charges

	2013	2012
Sale of electricity	50 114 598	51 802 012
Sale of water	11 134 352	10 079 115
Sewerage and sanitation charges	6 100 952	5 476 402
Refuse removal	4 121 615	3 679 842
	71 471 517	**71 037 371**

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

24. Government grants and subsidies

Operating grants		
Equitable share	50 204 661	34 355 968
Municipal systems infrastructure grant	1 200 000	1 200 000
Financial Management grant	1 500 000	1 450 000
Liabrary grant	625 007	-
LG Seta	-	184 430
Sport Development grant	-	167 005
Expanded Public Works Program	3 627 112	-
	57 156 780	37 357 403
Capital grants		
Municipal Infrastructure grant	20 977 000	15 996 025
Housing grant	-	189 393
Development Bank of South Africa	-	924 935
	20 977 000	17 110 353
	78 133 780	**54 467 756**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	2 435 765	1 138 790
Current-year receipts	20 977 000	17 293 000
Conditions met - transferred to revenue	(18 926 992)	(15 996 025)
	4 485 773	**2 435 765**

Conditions still to be met - remain liabilities (see note 14).

Municipal systems infrastructure grant (MSIG)

Current-year receipts	1 200 000	1 200 000
Conditions met - transferred to revenue	(1 200 000)	(1 200 000)
	-	**-**

Financial management grant (FMG)

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

25. Public contributions and donations

Public contributions and donations	2 000	251 613

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

26. Other income

Admin cost	652	4 550
Books	35	474
Buildingplan fees	21 720	10 790
Cemetery fees	19 976	16 860
Commision: Policies and other	28 922	41 234
Connection fees	193 715	218 591
Faxes	202	178
Firebrigade fees	-	4 711
Miscellaneous income	44 365	48 445
Other sales	1 950	1 437
Photocopies	7 220	7 473
Posters and banners	12 504	14 765
Re-connection fees	17 391	6 740
Rezoning applications	20 501	26 042
Surplus cash	1	535
Telephone fees reclaimed	12 797	9 248
Tender fees	4 342	-
Testing of instalations - Meters	8 262	7 477
	394 555	**419 550**

27. General expenses

Advertising	218 620	180 574
Asset verification	2 447 649	-
Auditors remuneration	2 699 594	2 003 855
Bank charges	426 948	409 460
Chemicals	1 235 209	1 089 001
Cleaning	86 629	39 518
Community development and training	55 082	90 577
Entertainment	4 672	195 922
Computer expenses	647 662	785 023
Consulting and professional fees	3 044 299	1 756 002
Insurance	1 873 022	1 881 261
Material and stock	1 397 234	463 511
Donations	32 768	29 483
Fuel and oil	3 922 689	3 721 635
Interdepartmental charges	287 163	177 841
Lease rentals on operating lease	2 353 340	1 259 833
Licensing fees	176 666	212 021
Motor vehicle expenses	1 443 856	1 428 749
Postage and courier	277 186	235 460
Protective clothing	209 018	140 913
Refuse	192 453	226 942
Security	2 072 135	79 250
Sewerage and waste disposal	-	1 316
Subscriptions and membership fees	418 362	188 826
Telephone and fax	819 188	895 747
Tourism development	54 505	5 557
Training	27 644	76 086
Travel - local	3 083 925	2 161 698
	29 507 518	**19 736 061**

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

28. Employee related costs

Basic	35 555 230	30 317 625
Bonus	2 015 783	2 360 526
Medical aid contributions	705 188	978 983
UIF	409 869	350 374
Industrial Council Levy	911 598	285 807
SDL	468 960	434 147
Leave pay provision charge	2 283 895	178 301
Post-employment benefits - Pension Fund Contributions	5 338 525	6 290 495
Travel allowances	1 086 349	424 055
Overtime	5 162 410	4 631 747
Acting allowances	636 301	222 097
Standby allowances	134 426	105 797
Non-Pensionable allowances	872 825	631 301
Telephone and Cellphone Allowances	38 848	19 691
Allowance: Uniforms	189	974
Contributions: Industrial Council	20 217	14 185
	55 640 613	**47 246 105**

Remuneration of municipal manager

Remuneration	862 500	734 822
Telephone allowance	-	9 600
Contributions to UIF	1 439	1 497
	863 939	**745 919**

Remuneration of chief finance officer

Remuneration	489 215	497 120
Transport allowance	10 138	54 000
Contributions to Pension Fund and Medical Aid	45 020	60 172
Contributions to UIF and Industrial Council Levy	25 959	1 488
	570 332	**612 780**

Remuneration of executive manager: Corporate services

Remuneration	-	197 907
Transport allowance	-	91 746
Telephone allowance	-	6 400
Contributions to Pension Fund and Medical Aid	-	54 531
Contributions to UIF and Industrial Council Levy	-	1 023
	-	**351 607**

Remuneration of executive manager: Technical services

Remuneration	296 860	296 860
Transport allowance	131 134	131 134
Telephone allowance	9 600	9 600
Contributions to Pension Fund and Medical Aid	62 907	62 907
Contributions to Provident Fund	-	-
Contributions to UIF and Industrial Council Levy	1 538	1 538
	502 039	**502 039**

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

29. Remuneration of councillors

Executive Major	721 763	633 828
Mayoral Committee Members	604 924	529 755
Speaker	585 454	505 654
Councillors	4 380 836	3 082 893
	6 292 977	**4 752 130**

30. Investment revenue

Interest revenue		
Investments	17 105	317 274
Interest charged on trade and other receivables	7 481 481	6 484 320
	7 498 586	**6 801 594**

31. Depreciation and amortisation

Property, plant and equipment	36 107 323	33 446 509
Intangible assets	4 933	10 796
	36 112 256	**33 457 305**

32. Finance costs

Non-current borrowings	2 250 761	802 353
Finance leases	749 353	453 839
Time value of money - Landfill sites	586 080	-
	3 586 194	**1 256 192**

33. Auditors' remuneration

Fees	2 699 594	2 003 855

34. Rental of facilities and equipment

Premises		
Premises	73 851	198 158

35. Grants and subsidies paid

Other subsidies		
MSIG qualifying expenditure	1 356 371	1 437 620
FMG qualifying expenditure	1 178 055	1 748 202
Sport development grant expenditure	93 054	1 490 305
Special projects	87 719	933 559
Other	199 460	34 392
MIG administration cost	475 833	618 175
Indigent support	6 220 792	6 569 819
Expanded public works programme	1 317 004	-
Housing grant expenditure	192 355	189 393
	11 120 643	**13 021 465**

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

36. Bulk purchases

Electricity	36 740 521	29 015 573
Water	1 057 431	1 001 972
	37 797 952	**30 017 545**

37. Cash generated from operations

Deficit	(35 121 535)	(50 880 492)
Adjustments for:		
Depreciation and amortisation	36 112 256	33 457 305
Finance costs	749 353	453 839
Debt impairment	22 013 253	40 918 930
Movements in retirement benefit assets and liabilities	600 419	2 382 172
Movements in provisions	29 231 710	277 904
Changes in working capital:		
Inventories	1 089 333	231 036
Consumer debtors	(21 434 675)	(27 247 763)
Payables from exchange transactions	(17 626 847)	10 337 902
VAT	(518 017)	3 609 552
Unspent conditional grants and receipts	(685 602)	4 032 585
Consumer deposits	16 036	132 235
	14 425 684	**17 705 205**

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	-	37 377 331

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, & funds internally generated.

39. Contingencies

The municipality has no contingencies as at 30 June 2012 that they are aware off.

Contingent assets

Illegal Business

Kai !Garieb Local Municipality filed a interdict against respondent to prohibit the conduct of an illegal business of spray paint an panel beating on the property, a fixed amount of R5205-90 was recovered after the reporting date.

Illegal occupation of land

A claim for illegal occupation of land on site 1654 Kakamas – South for the amount of R50 000 was made, according to council's legal advisors, it is probable that the proceedings will result in the full recovery of the full amount but this recovery is virtually certain.

Figures in Rand	2013	2012

40. Related parties

Relationships

Mr A Vosloo (Accounting Officer)	Refer to accounting officer's report note
Councillors	

Councillors	
Cllr. J.J.J. Olyn	Mayor
Cllr. S. Jacob	Speaker
Cllr. A. De Bruin	Councillor
Cllr. M.M.J. Titus	Councillor
Cllr. A.M. van Wyk	Councillor
Cllr. E. Meyer	Councillor
Cllr. A. van der Westhuizen	Councillor
Cllr. J.G. Styles	Councillor
Cllr. B.M. Bock	Councillor
Cllr. W.D. Klim	Councillor
Cllr. A.C. Snyers	Councillor
Cllr. A.M. Isaacs	Councillor
Cllr. A.V. du Plessis	Councillor
Cllr. F.J. Handona	Councillor
Cllr. W.B. Kampfer	Councillor
Cllr. D.W. Fienies	Councillor
Cllr. T. Solomons	Councillor

41. Accounting Officer's emoluments

Executive

2013

	Emoluments	Total
Mr. A. Vosloo	863 939	863 939

2012

	Emoluments	Other benefits	Total
Mr J. Mackay	734 822	11 097	745 919

42. Prior period errors

	2013	2012
Statement of financial position		
Property, plant and equipment	-	2 726 508
Receivables from non-exchange transactions	-	(426 815)
Trade and other payables	-	(5 170 419)
Statement of Financial Performance		
Depreciation expense	-	2 726 507
General expenditure	-	(221 391)
Other income	-	221 391

43. Going concern

The audited 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.

Notes to the Audited Annual Financial Statements

Figures in Rand	2013	2012

44. Events after the reporting date

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

45. Unauthorised expenditure

Opening balance	94 329 488	7 971 637
Additions during the year	5 162 410	86 357 851
Closing balance	**99 491 898**	**94 329 488**

46. Fruitless and wasteful expenditure

Opening balance	261 199	198 678
Additions during the year	-	62 521
Closing balance	**261 199**	**261 199**

47. Irregular expenditure

Opening balance	13 136 868	7 434 950
Additions during the year	3 544 867	5 701 918
Closing balance	**16 681 735**	**13 136 868**

48. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(35 121 535)	(50 880 492)
Adjusted for:		
Impairments recognised / reversed	-	37 748 093
Provision for bad debts	-	40 918 930
Net (deficit) surplus per approved budget	**(35 121 535)**	**27 786 531**

49. Additional disclosure in terms of Municipal Finance Management Act

Material losses

Distribution losses - Water	316 335	34 696 947
Distribution losses - Electricity	6 627 624	-
	6 943 959	**34 696 947**

Electricity losses for the current year amounted to 70% i.e. R34,696,947.35. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network,account for 10%.Non-technical losses, being theft, faults, billing errors etc., account for 21%. Attempts are currentlybeing made to reduce these non-technical losses.

A register of distribution losses is kept at the municipality.

Audit fees

Current year subscription / fee	2 699 594	2 003 855

50. Deviation from supply chain management regulations

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

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

A complete register of all the diviations from the supply chain management regulations is available for inspection at the registered office of the municipality.