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

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	WC051
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following; Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, refuse and sewerage; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality; and Water Services - Supplying water to the public.
Mayoral committee	
Executive Mayor	Hon. Theron W du P
Speaker	Hon. Horn HG
Councillors	Cllr. Bobbejee M
	Cllr. Botes P
	Cllr. Botha J
	Cllr. Gouws M
	Cllr. Van As BJ
Grading of local authority	Grade 1
Capacity of local authority	Medium
Accounting Officer	Mr. Williams PA
Chief Finance Officer (CFO)	Ms. Groenewald A
Registered office	2 Van Riebeeck Street Laingsburg 6900
Business address	2 Van Riebeeck Street Laingsburg 6900
Postal address	Private Bag X4 Laingsburg 6900
Bankers	ABSA Bank Standard Bank
Auditors	Auditor General - Western Cape
Attorneys	Blyth & Coetzee Davids Attorneys De Vries, De Wet & Krouwkam

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

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

The annual financial statements set out on pages 3 to 84, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Accounting Officer
PA Williams

Laingsburg - Western Cape

31 August 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Cash and cash equivalents	9	7 959 558	10 002 492
Trade receivables from exchange transactions	10	1 392 303	1 091 691
Receivables from non-exchange transactions	11	1 527 349	2 289 382
Inventories	12	1 203 239	1 112 371
Current portion of long-term receivables from exchange transactions	3	4 266	17 088
VAT receivable	13	1 387 004	335 713
		13 473 719	**14 848 737**
Non-Current Assets			
Long-term receivables from exchange transactions	3	-	379
Operating lease asset	4	10 399	5 137
Heritage assets	5	43 354	43 354
Investment property	6	4 563 880	4 934 280
Property, plant and equipment	7	146 275 502	142 673 157
Intangible assets	8	534 296	756 078
		151 427 431	**148 412 385**
Total Assets		**164 901 150**	**163 261 122**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	3 256 918	3 222 677
Unspent conditional grants and receipts	15	3 228 083	2 493 129
Provisions	16	249 314	187 047
Consumer deposits	17	350 868	318 772
Retirement benefit obligation	18	123 000	75 000
		7 208 183	**6 296 625**
Non-Current Liabilities			
Provisions	16	3 261 710	2 972 602
Retirement benefit obligation	18	5 089 000	4 327 000
		8 350 710	**7 299 602**
Total Liabilities		**15 558 893**	**13 596 227**
Net Assets		**149 342 257**	**149 664 895**
Accumulated surplus	19	149 342 257	149 664 895

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Property rates	24	2 117 636	1 802 399
Service charges	25	12 711 856	11 142 304
Rental of facilities and equipment	26	909 888	2 008 113
Income from agency services		101 938	88 488
Fines		2 324 691	2 160 119
Licences and permits		233 766	277 663
Government grants & subsidies	27	24 599 043	20 776 487
Other income	28	202 351	413 255
Interest received	29	1 047 918	764 980
Total revenue		**44 249 087**	**39 433 808**
Expenditure			
Employee related costs	30	(9 592 564)	(8 449 739)
Remuneration of councillors	31	(2 144 267)	(2 036 905)
Transfer payments		-	(6 510)
Depreciation and amortisation	32	(7 938 921)	(8 015 507)
Finance costs	33	(192 578)	(170 735)
Debt impairment	34	(217 502)	(2 815 431)
Collection costs		(6 244)	(1 258)
Repairs and maintenance		(1 692 648)	(1 479 900)
Bulk purchases	35	(5 676 814)	(4 781 653)
Contracted services	36	(35 124)	(73 081)
Grants and subsidies paid	37	(2 132 741)	(1 481 759)
General expenses	38	(14 831 560)	(8 759 607)
Total expenditure		**(44 460 963)**	**(38 072 085)**
Operating (deficit) surplus		**(211 876)**	**1 361 723**
Loss on disposal of assets		(110 765)	(114 004)
(Deficit) surplus for the year		**(322 641)**	**1 247 719**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	144 143 895	144 143 895
Adjustments		
Correction of errors (note 50)	4 273 281	4 273 281
Balance at 01 July 2011 as restated	**148 417 176**	**148 417 176**
Changes in net assets		
Surplus for the year	1 247 719	1 247 719
Total changes	1 247 719	1 247 719
Balance at 01 July 2012	**149 664 898**	**149 664 898**
Changes in net assets		
Surplus for the year	(322 641)	(322 641)
Total changes	(322 641)	(322 641)
Balance at 30 June 2013	**149 342 257**	**149 342 257**

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		14 311 378	10 070 251
Grants		25 333 997	19 039 460
Interest income		1 047 918	764 980
Other receipts		5 252 432	7 537 326
		45 945 725	37 412 017
Payments			
Cash paid to employees		(10 926 831)	(10 143 519)
Cash paid to suppliers		(23 732 296)	(12 953 528)
Finance costs		(192 578)	(170 735)
Other payments		(2 132 741)	(1 488 269)
		(36 984 446)	(24 756 051)
Net cash flows from operating activities	39	**8 961 279**	**12 655 966**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(11 017 414)	(8 542 609)
Purchase of intangible assets	8	-	(549 371)
Proceeds from long-term receivables from exchange transactions		13 201	103 917
Net cash flows from investing activities		**(11 004 213)**	**(8 988 063)**
Net increase / (decrease) in cash and cash equivalents		**(2 042 934)**	**3 667 903**
Cash and cash equivalents at the beginning of the year		10 002 492	6 326 679
Cash and cash equivalents at the end of the year	9	**7 959 558**	**10 002 492**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	13 195 034	(975 482)	**12 219 552**	12 711 856	**492 304**	
Rental of facilities and equipment	611 365	35 109	**646 474**	909 888	**263 414**	**54.1**
Income from agency services	80 000	(80 000)	**-**	101 938	**101 938**	**54.2**
Licences and permits	206 250	29 000	**235 250**	233 766	**(1 484)**	
Other income	556 150	13 373 461	**13 929 611**	202 351	**(13 727 260)**	**54.3**
Interest received	520 000	40 000	**560 000**	1 047 918	**487 918**	**54.4**
Total revenue from exchange transactions	**15 168 799**	**12 422 088**	**27 590 887**	**15 207 717**	**(12 383 170)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	2 262 524	(177 524)	**2 085 000**	2 117 636	**32 636**	
Government grants & subsidies	28 573 262	183 300	**28 756 562**	24 599 043	**(4 157 519)**	**54.5**
Transfer revenue						
Fines	2 200 000	(400 000)	**1 800 000**	2 324 691	**524 691**	**54.6**
Total revenue from non-exchange transactions	**33 035 786**	**(394 224)**	**32 641 562**	**29 041 370**	**(3 600 192)**	
Total revenue	**48 204 585**	**12 027 864**	**60 232 449**	**44 249 087**	**(15 983 362)**	
Expenditure						
Personnel	(12 528 370)	349 800	**(12 178 570)**	(9 592 564)	**2 586 006**	**54.7**
Remuneration of councillors	(3 091 716)	963 100	**(2 128 616)**	(2 144 267)	**(15 651)**	
Depreciation and amortisation	(16 537 565)	3 424 041	**(13 113 524)**	(7 938 921)	**5 174 603**	**54.8**
Finance costs	-	-	**-**	(192 578)	**(192 578)**	**54.9**
Debt impairment	-	(180 000)	**(180 000)**	(217 502)	**(37 502)**	**54.10**
Collection costs	(5 000)	2 000	**(3 000)**	(6 244)	**(3 244)**	
Repairs and maintenance	(1 629 800)	1 629 800	**-**	(1 692 648)	**(1 692 648)**	**54.11**
Bulk purchases	(5 924 885)	-	**(5 924 885)**	(5 676 814)	**248 071**	
Contracted Services	(795 000)	(5 410 500)	**(6 205 500)**	(35 124)	**6 170 376**	**54.12**
Grants and subsidies paid	(2 204 000)	(501 000)	**(2 705 000)**	(2 132 741)	**572 259**	**54.13**
General Expenses	(6 667 711)	(14 579 544)	**(21 247 255)**	(14 831 560)	**6 415 695**	**54.14**
Total expenditure	**(49 384 047)**	**(14 302 303)**	**(63 686 350)**	**(44 460 963)**	**19 225 387**	
Operating deficit	**(49 384 047)**	**(14 302 303)**	**(63 686 350)**	**(44 460 963)**	**19 225 387**	
Loss on disposal of assets and liabilities	-	-	**-**	(110 765)	**(110 765)**	**54.15**
Surplus / (Deficit)	**(1 179 462)**	**(2 274 438)**	**(3 453 900)**	**(322 641)**	**3 131 259**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1 179 462)**	**(2 274 438)**	**(3 453 900)**	**(322 641)**	**3 131 259**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	**-**	1 203 239	**1 203 239**	**54.16**
Receivables from non-exchange transactions	6 436 200	-	**6 436 200**	1 527 349	**(4 908 851)**	**54.17**
VAT receivable	-	-	**-**	1 387 004	**1 387 004**	**54.18**
Consumer debtors	991 661	-	**991 661**	1 392 303	**400 642**	**54.19**
Current portion of long-term receivables from exchange transactions	36 422	-	**36 422**	4 266	**(32 156)**	**54.20**
Cash and cash equivalents	7 248 537	-	**7 248 537**	7 959 558	**711 021**	**54.21**
	14 712 820	**-**	**14 712 820**	**13 473 719**	**(1 239 101)**	
Non-Current Assets						
Investment property	1 591 600	-	**1 591 600**	4 563 880	**2 972 280**	**54.22**
Property, plant and equipment	114 812 620	-	**114 812 620**	146 275 502	**31 462 882**	**54.22**
Intangible assets	-	-	**-**	534 296	**534 296**	**54.22**
Heritage assets	-	-	**-**	43 354	**43 354**	**54.22**
Operating lease asset	-	-	**-**	10 399	**10 399**	**54.23**
Long-term receivables from exchange transactions	12 117	-	**12 117**	-	**(12 117)**	**54.20**
	116 416 337	**-**	**116 416 337**	**151 427 431**	**35 011 094**	
Total Assets	**131 129 157**	**-**	**131 129 157**	**164 901 150**	**33 771 993**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	404 140	-	**404 140**	3 256 918	**2 852 778**	**54.24**
Consumer deposits	-	-	**-**	350 868	**350 868**	**54.25**
Retirement benefit obligation	-	-	**-**	123 000	**123 000**	**54.28**
Unspent conditional grants and receipts	6 302 090	-	**6 302 090**	3 228 083	**(3 074 007)**	**54.26**
Provisions	746 294	-	**746 294**	249 314	**(496 980)**	**54.27**
	7 452 524	**-**	**7 452 524**	**7 208 183**	**(244 341)**	
Non-Current Liabilities						
Retirement benefit obligation	3 956 000	-	**3 956 000**	5 089 000	**1 133 000**	**54.28**
Provisions	-	-	**-**	3 261 710	**3 261 710**	**54.27**
	3 956 000	**-**	**3 956 000**	**8 350 710**	**4 394 710**	
Total Liabilities	**11 408 524**	**-**	**11 408 524**	**15 558 893**	**4 150 369**	
Net Assets	**119 720 633**	**-**	**119 720 633**	**149 342 257**	**29 621 624**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Housing development fund	1 960 162	-	**1 960 162**	-	**(1 960 162)**	**54.29**
Accumulated surplus	117 760 471	-	**117 760 471**	149 342 257	**31 581 786**	**54.30**
Total Net Assets	**119 720 633**	**-**	**119 720 633**	**149 342 257**	**29 621 624**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	31 902 438	637 000	**32 539 438**	14 300 680	**(18 238 758)**	**54.1 - 6**
Grants	28 606 562	150 000	**28 756 562**	22 898 997	**(5 857 565)**	**54.5**
Interest income	460 000	(50 000)	**410 000**	1 047 918	**637 918**	**54.4**
Other receipts	-	-	**-**	3 891 819	**3 891 819**	**54.3**
	60 969 000	**737 000**	**61 706 000**	**42 139 414**	**(19 566 586)**	
Payments						
Suppliers and employees	(58 751 234)	2 230 000	**(56 521 234)**	(32 268 913)	**24 252 321**	**54.7 - 12**
Finance costs	-	-	**-**	(10 745)	**(10 745)**	**54.9**
Transfer and grants	(2 203 766)	501 234	**(1 702 532)**	(2 132 031)	**(429 499)**	**54.13**
	(60 955 000)	**2 731 234**	**(58 223 766)**	**(34 411 689)**	**23 812 077**	
Net cash flows from operating activities	**14 000**	**3 468 234**	**3 482 234**	**7 727 725**	**4 245 491**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(16 637 561)	-	**(16 637 561)**	(9 783 858)	**6 853 703**	**54.22**
Movement in other non-current receivables	36 422	-	**36 422**	13 201	**(23 221)**	**54.23**
Net cash flows from investing activities	**(16 601 139)**	**-**	**(16 601 139)**	**(9 770 657)**	**6 830 482**	
Net increase / (decrease) in cash and cash equivalents	(16 587 139)	3 468 234	**(13 118 905)**	(2 042 932)	**11 075 973**	**54.21**
Cash and cash equivalents at the beginning of the year	13 288 995	-	**13 288 995**	10 002 492	**(3 286 503)**	
Cash and cash equivalents at the end of the year	**(3 298 144)**	**3 468 234**	**170 090**	**7 959 560**	**7 789 470**	

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	2 262 524	(177 524)	2 085 000	-		2 085 000	2 117 636		32 636	102 %	94 %
Service charges	13 195 034	(975 482)	12 219 552	-		12 219 552	12 711 856		492 304	104 %	96 %
Investment revenue	520 000	40 000	560 000	-		560 000	1 047 918		487 918	187 %	202 %
Transfers recognised	28 573 262	183 300	28 756 562	-		28 756 562	24 599 043		(4 157 519)	86 %	86 %
Other own revenue	3 653 765	12 957 570	16 611 335	-		16 611 335	3 772 634		(12 838 701)	23 %	103 %
Total revenue (excluding capital transfers and contributions)	**48 204 585**	**12 027 864**	**60 232 449**	**-**		**60 232 449**	**44 249 087**		**(15 983 362)**	**73 %**	**92 %**
Employee costs	(12 528 370)	349 800	(12 178 570)	-	-	(12 178 570)	(9 592 564)	748 714	2 586 006	79 %	77 %
Remuneration of councillors	(3 091 716)	963 100	(2 128 616)	-	-	(2 128 616)	(2 144 267)	-	(15 651)	101 %	69 %
Debt impairment	-	-	-			-	(217 502)	255 931	(217 502)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(16 537 565)	3 424 041	(13 113 524)			(13 113 524)	(7 938 921)	2 859 437	5 174 603	61 %	48 %
Finance charges	-	-	-	-	-	-	(192 578)	192 578	(192 578)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(5 924 885)	-	(5 924 885)	-	-	(5 924 885)	(5 676 814)	-	248 071	96 %	96 %
Transfers and grants	(2 204 000)	(501 000)	(2 705 000)	-	-	(2 705 000)	(2 132 741)	8 385	572 259	79 %	97 %
Other expenditure	(9 097 511)	(18 538 244)	(27 635 755)	-	-	(27 635 755)	(16 676 341)	8 162 636	10 959 414	60 %	183 %
Total expenditure	**(49 384 047)**	**(14 302 303)**	**(63 686 350)**	**-**	**-**	**(63 686 350)**	**(44 571 728)**	**12 227 681**	**19 114 622**	**70 %**	**90 %**
Surplus / (Deficit)	**(1 179 462)**	**(2 274 439)**	**(3 453 901)**	**-**		**(3 453 901)**	**(322 641)**		**3 131 260**	**9 %**	**27 %**
Surplus / (Deficit) for the year	**(1 179 462)**	**(2 274 439)**	**(3 453 901)**	**-**		**(3 453 901)**	**(322 641)**		**3 131 260**	**9 %**	**27 %**

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
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	15 628 562	-	15 628 562	-		15 628 562	-		(15 628 562)	- %	- %
Internally generated funds	1 009 000	364 000	1 373 000	-		1 373 000	-		(1 373 000)	- %	- %
Total sources of capital funds	**16 637 562**	**364 000**	**17 001 562**	**-**		**17 001 562**	**-**		**(17 001 562)**	**- %**	**- %**
Cash flows											
Net cash from (used) operating	(4 393 532)	991 766	(3 401 766)	-		(3 401 766)	8 961 279		12 363 045	(263)%	(204)%
Net cash from (used) investing	(16 673 983)	-	(16 673 983)	-		(16 673 983)	(11 004 213)		5 669 770	66 %	66 %
Net increase / (decrease) in cash and cash equivalents	**(21 067 515)**	**991 766**	**(20 075 749)**	**-**		**(20 075 749)**	**(2 042 934)**		**18 032 815**	**10 %**	**10 %**
Cash and cash equivalents at the beginning of the year	13 288 995	-	13 288 995	-		13 288 995	10 002 492		(3 286 503)	75 %	75 %
Cash and cash equivalents at year end	**(7 778 520)**	**991 766**	**(6 786 754)**	**-**		**(6 786 754)**	**7 959 558**		**(14 746 312)**	**(117)%**	**(102)%**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2012				
Financial performance				
Property rates				1 802 399
Service charges				11 142 304
Investment revenue				764 980
Transfers recognised - operational				17 980 376
Other own revenue				4 947 638
Total revenue (excluding capital transfers and contributions)				**36 637 697**
Employee related costs	-	-	-	(8 449 739)
Remuneration of councillors	-	-	-	(2 036 905)
Debt impairment	-	-	-	(2 815 431)
Depreciation and amortisation	-	-	-	(8 015 507)
Finance charges	-	-	-	(170 735)
Bulk purchases	(608 060)	(608 060)	-	(4 781 653)
Transfers and grants	-	-	-	(1 481 759)
General expenses	(4 678 278)	(4 678 278)	-	(10 434 360)
Total expenditure	**(5 286 338)**	**(5 286 338)**	**-**	**(38 186 089)**
Transfers recognised - capital				2 796 111
Surplus / (Deficit) after capital transfers and contributions				**1 247 719**
Surplus / (Deficit) for the year				**1 247 719**

Capital expenditure and funds sources

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				12 655 966
Net cash from (used) investing				(8 988 063)
Net increase / (decrease) in cash and cash equivalents				**3 667 903**
Cash and cash equivalents at the beginning of the year				6 326 678
Cash and cash equivalents at year end				**9 994 581**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2.1 Standards and Interpretations early adopted.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including supply demand, together with economic factors such as interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 Provisions.

Useful lives of property, plant and equipment, investment property and intangible assets

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for property, plant and equipment, investment property and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment

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

Defined benefit plan and other long-term employee benefits

The municipality obtains actuarial valuations of its defined benefit plan and other long term employee benefits.

The defined benefit plan and other long-term employee benefits identified are post-retirement health benefit obligations. The estimated liabilities are recorded in accordance with GRAP 25. Additional information is disclosed in Note 18.

1.2 Heritage assets

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

Recognition

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

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 5 Heritage assets.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at its cost less any accumulated impairment losses.

Impairment

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

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.3 Investment property

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

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

1.3 Investment property (continued)

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

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

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	**Useful life**
Property - land	indefinite
Property - buildings	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.

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

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

1.4 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Average useful life
Land	Indefinite
Buildings	7 - 100 years
Other furniture and fixtures	1 - 20 years
Motor vehicles	1 - 6 years
Community	15 - 100 years
Housing schemes	1 - 10 years
Landfill site	30 years
Infrastructure - Electricity	45 - 60 years
Infrastructure - Roads	7 - 100 years
Infrastructure - Sanitation and refuse	5 - 80 years
Infrastructure - Water supply	5 - 80 years
Infrastructure - Storm water	5 - 50 years

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

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

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

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

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

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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.

1.6 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	5 years

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

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

1.7 Financial instruments

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

Classification

The municipality has the following types of financial assets (classes) as reflected on the face of the statement of financial position or in the notes thereto, all of which are categorised as financial assets at amortised cost:
Cash and cash equivalents
Trade receivables from exchange transactions
Receivables from non-exchange transactions
Long-term receivables from exchange transactions

The municipality has the following types of financial liabilities (classes) as reflected on the face of the statement of financial position or in the notes thereto, all of which are categorised as financial liabilities at amortised cost:
Payables from exchange transactions
Consumer deposits

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all financial assets and financial liabilities initially at its fair value.

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

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

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

1.7 Financial instruments (continued)

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

1.8 Leases

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

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

Accounting Policies

1.8 Leases (continued)

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

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

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

Water is regarded as inventories when the municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in water dams under the control of the municipality, that are filled by natural resources and that has not yet been treated, cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised as inventories.

The basis of determining the cost of water purified and not yet sold at the reporting date comprises all costs of purification, cost of conversion and cost incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are therefore valued at purified cost insofar as it is stored and controlled in reservoirs at the reporting date.

Accounting Policies

1.9 Inventories (continued)

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

1.10 Non-current assets held for sale and disposal groups

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

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

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

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

1.11 Impairment of cash-generating assets

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

Identification

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

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

The recoverable amount of a cash generating asset or cash-generating unit is the higher of its fair value less cost to sell and its value in use.

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

Value in use

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

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

Discount rate

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

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

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

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

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

Identification

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

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

The recoverable service amount of a non-cash-generating asset is the higher of its fair value less cost to sell and its value in use.

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 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 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

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 the municipality provides post-employment benefits for one or more employees.

Multi-employer 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 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.

Post-employment benefits: Defined contribution plans

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

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

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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 laible for a certain portion of the medical aid membership fee.

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

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

1.13 Employee benefits (continued)

- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are 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.

1.13 Employee benefits (continued)

Long-term service awards

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term 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 the employee's rendering their services and is based on an actuarial valuation.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

1.14 Provisions and contingencies (continued)

Provisions are not recognised for future operating expenditure.

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

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

A 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.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52&53.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

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

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

1.15 Revenue from exchange transactions

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

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

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Interest

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

1.16 Revenue from non-exchange transactions

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

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

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

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

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

1.16 Revenue from non-exchange transactions (continued)

Recognition

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

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

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

Measurement

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

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

Transfers

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

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

Fines

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

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

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

Property rates

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements.

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Accumulated surplus

Included in the accumulated surplus of the municipality, is the following reserve that is maintained in terms of specific requirements. Refer to note 19.

Housing Development Fund/Housing Operating Account:
Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the municipality maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- the Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the municipality;
- the proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements;
- any contributions to or withdrawals from the fund are shown as transfers within accumulated surplus in the statement of changes in net assets; and
- interest earned on the investment of the fund is disclosed as interest received in the statement of financial performance.

Capital Replacement Reserve
The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced financial instruments. The Capital Replacement Reserve is included in accumulated surplus as required by GRAP 1.89.

Accounting Policies

1.19 Value added tax (VAT)

The municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value Added Tax Act (Act No. 89 of 1991).

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.22 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.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

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

1.24 Budget information

The approved budget is prepared on an accrual 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 annual financial statements and the budget are on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison between the statement of financial performance and the budget for the reporting period have been included in the statement of comparison of budget and actual amounts.

Comparative information is not required with regards to the presentation of budget information.

1.25 Related parties

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

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

Accounting Policies

1.25 Related parties (continued)

Management is defined as the Council, the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

1.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.27 Offsetting

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

1.28 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

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

1.29 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events after the reporting date have been accounted for in the annual financial statements and non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements. Refer to note 44.

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

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

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments are applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

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

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

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments are applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendmentsare applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments are applied retrospectively.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments are applied prospectively.

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

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

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are applied prospectively.

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

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

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The impact of the standard is currently being assessed.

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

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

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

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

The impact of the standard is currently being assessed.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the combined municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

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

The impact of the standard is currently being assessed.

GRAP 20: Related Party Disclosures

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

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

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

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

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:

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

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

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

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

The impact of this interpretation is currently being assessed.

IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

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

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

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

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance

The municipality does not envisage the adoption of this standard until such time as it becomes applicable to the municipality's operations.

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

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

3. Long-term receivables from exchange transactions

Housing - Self build	113 110	101 986
Current portion transferred to current receivables	(4 266)	(17 088)
Less: Allowance for impairment	(108 844)	(84 519)
	-	**379**

As from 1 January 2006 no loan agreements are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

Housing - Self build: Gross balances		
Current	1 337	2 263
31 - 60 days	1 153	989
61 - 90 days	946	1 057
91 - 120 days	1 007	853
> 120 days	108 667	96 824
	113 110	**101 986**

Housing Self build: Allowance for debt impairment		
Current	(368)	-
31 - 60 days	(368)	-
61 - 90 days	(368)	-
91 - 120 days	(368)	-
> 120 days	(107 372)	(84 519)
	(108 844)	**(84 519)**

Housing Self build: Net balances		
Current	969	2 263
31 - 60 days	785	989
61 - 90 days	578	1 057
91 - 120 days	639	853
> 120 days	1 295	12 305
	4 266	**17 467**

Reconciliation of allowance for impairment of long-term receivables from exchange transactions		
Opening balance	(84 519)	-
Allowance for impairment	(24 325)	(84 519)
	(108 844)	**(84 519)**

4. Operating lease asset

Opening balance	5 137	2 113
Operating lease payments effected	5 262	3 024
	10 399	**5 137**

Refer to note 40 for minimum lease payments receivable.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

5. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Public statues	43 354	-	43 354	43 354	-	43 354

Pledged as security

None of the above heritage assets have been pledged as security.

6. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	9 379 080	(4 815 200)	4 563 880	9 379 080	(4 444 800)	4 934 280

Reconciliation of investment property - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	4 934 280	-	-	(370 400)	4 563 880

Reconciliation of investment property - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	5 304 680	-	-	(370 400)	4 934 280

Details of investment property

Investment property consists of:

	2013	2012
- Land	3 823 080	3 823 080
- Buildings	5 556 000	5 556 000
- Accumulated depreciation on buildings	(4 815 200)	(4 444 800)

Pledged as security

None of the above investment properties have been pledged as security.

Other disclosures

	2013	2012
Rental revenue from investment property	767 008	507 847
Direct operating expenses - incurred to generate rental revenue	373 762	112 681

All of the municipality's investment property is held under freehold interests.

There are no contractual obligations on investment property.

7. 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	37 688 016	-	37 688 016	37 688 016	-	37 688 016
Buildings	9 326 775	(6 188 632)	3 138 143	9 326 775	(5 905 837)	3 420 938
Furniture and equipment	3 271 681	(2 249 830)	1 021 851	3 450 045	(2 336 286)	1 113 759
Motor vehicles	3 208 527	(1 986 016)	1 222 511	3 252 698	(1 652 398)	1 600 300
Infrastructure	162 001 054	(83 970 680)	78 030 374	159 903 917	(78 729 760)	81 174 157
Community	19 534 069	(11 592 141)	7 941 928	19 360 722	(11 052 107)	8 308 615
Refuse site	4 449 547	(552 083)	3 897 464	4 407 112	(404 016)	4 003 096
Assets under construction	12 300 790	-	12 300 790	4 182 076	-	4 182 076
Housing schemes	2 955 500	(1 921 075)	1 034 425	2 955 500	(1 773 300)	1 182 200
Total	**254 735 959**	**(108 460 457)**	**146 275 502**	**244 526 861**	**(101 853 704)**	**142 673 157**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Change in rehabilitation provision	Depreciation	Total
Land	37 688 016	-	-	-	-	-	37 688 016
Buildings	3 420 938	-	-	-	-	(282 795)	3 138 143
Furniture and equipment	1 113 759	231 317	-	-	-	(323 225)	1 021 851
Motor vehicles	1 600 300	-	-	-	-	(377 789)	1 222 511
Infrastructure	81 174 157	-	(110 765)	2 494 036	-	(5 527 054)	78 030 374
Community	8 308 615	-	-	173 347	-	(540 034)	7 941 928
Refuse site	4 003 096	-	-	-	42 435	(148 067)	3 897 464
Assets under construction	4 182 076	10 786 097	-	(2 667 383)	-	-	12 300 790
Housing schemes	1 182 200	-	-	-	-	(147 775)	1 034 425
	142 673 157	**11 017 414**	**(110 765)**	**-**	**42 435**	**(7 346 739)**	**146 275 502**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Change in rehabilitation provision	Depreciation	Total
Land	37 688 016	-	-	-	-	-	37 688 016
Buildings	3 704 223	-	-	-	-	(283 285)	3 420 938
Furniture and equipment	1 489 129	248 269	(114 004)	-	-	(509 635)	1 113 759
Motor vehicles	1 773 690	207 500	-	-	-	(380 890)	1 600 300
Infrastructure	81 525 012	5 057 490	-	-	-	(5 408 345)	81 174 157
Community	8 848 199	-	-	-	-	(539 584)	8 308 615
Refuse site	4 151 163	-	-	-	-	(148 067)	4 003 096
Assets under construction	1 152 725	4 182 076	-	(1 152 725)	-	-	4 182 076
Housing schemes	1 329 975	-	-	-	-	(147 775)	1 182 200
	141 662 132	**9 695 335**	**(114 004)**	**(1 152 725)**	**-**	**(7 417 581)**	**142 673 157**

Pledged as security

None of the above assets are pledged as security.

7. Property, plant and equipment (continued)

Other information

Non core fully depreciated and still in use (Gross carrying amount)	2013	2012
Buildings	20 800	-
Furniture and equipment	1 187 871	564 134
Motor vehicles	-	750
Infrastructure	1 559 071	88 200
Community	146 082	-
	2 913 824	**653 084**

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.

8. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	974 803	(440 507)	534 296	1 097 036	(340 958)	756 078

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	756 078	-	(221 782)	534 296

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	434 233	549 371	(227 526)	756 078

Pledged as security

None of the above intangible assets are pledged as security.

Non core fully amortised intangible assets still in use

	2013	2012
Gross carrying value	8 831	8 831

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Cash on hand	7 009	2 050
Bank balances	531 148	945 479
Current investment deposits	7 421 401	9 054 963
	7 959 558	**10 002 492**

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash on hand, cash in banks and investments in Money Market instruments, net of outstanding bank overdrafts.

9. Cash and cash equivalents (continued)

Call deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 6% per annum.

Deposits of R 2 258 915 (2012: R 2 588 564) are ring-fenced and attributable to the capital replacement reserve (Note 20).

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Laingsburg - Current Account - 2540140874	494 014	1 624 857	620 041	531 148	945 479	(921 859)
ABSA Laingsburg - Call Account - 5064314329	3 119 151	4 923 814	3 313 018	3 119 151	4 923 814	3 313 018
Standard Bank - Money Market Call Account - 288704800	4 302 249	4 131 149	3 933 469	4 302 249	4 131 149	3 933 469
ABSA Laingsburg - Traffic fines sweeping account - 4074336029	-	-	-	-	-	-
Total	**7 915 414**	**10 679 820**	**7 866 528**	**7 952 548**	**10 000 442**	**6 324 628**

10. Receivables from exchange transactions

	2013	2012
Gross balances		
Electricity	738 660	609 997
Water	754 902	585 027
Sewerage	896 608	679 272
Refuse	578 968	506 421
Housing rental	187 316	99 840
	3 156 454	**2 480 557**
Less: Allowance for impairment		
Electricity	(191 040)	(131 776)
Water	(498 393)	(407 472)
Sewerage	(627 015)	(444 979)
Refuse	(356 290)	(352 610)
Housing rental	(91 413)	(52 029)
	(1 764 151)	**(1 388 866)**
Net balance		
Electricity	547 620	478 221
Water	256 509	177 555
Sewerage	269 593	234 293
Refuse	222 678	153 812
Housing rental	95 903	47 810
	1 392 303	**1 091 691**
Electricity		
Current (0 -30 days)	501 792	413 229
31 - 60 days	12 287	21 371
61 - 90 days	12 202	11 423
91 - 120 days	13 533	34 402
> 120 days	198 846	129 572
Less: Allowance for impairment	(191 040)	(131 776)
	547 620	**478 221**

Figures in Rand	2013	2012

10. Receivables from exchange transactions (continued)

Water		
Current (0 -30 days)	90 526	75 352
31 - 60 days	35 953	37 437
61 - 90 days	31 411	30 745
91 - 120 days	31 400	28 441
> 120 days	565 612	413 052
Less: Allowance for impairment	(498 393)	(407 472)
	256 509	**177 555**
Sewerage		
Current (0 -30 days)	95 280	91 636
31 - 60 days	43 192	46 914
61 - 90 days	39 132	43 336
91 - 120 days	40 011	40 346
> 120 days	678 993	457 040
Less: Allowance for impairment	(627 015)	(444 979)
	269 593	**234 293**
Refuse		
Current (0 -30 days)	102 595	82 963
31 - 60 days	26 393	28 160
61 - 90 days	22 605	24 685
91 - 120 days	23 096	21 793
> 120 days	404 279	348 821
Less: Allowance for impairment	(356 290)	(352 610)
	222 678	**153 812**
Housing rental		
Current (0 -30 days)	40 990	26 629
31 - 60 days	9 868	3 994
61 - 90 days	13 742	3 790
91 - 120 days	7 919	4 610
> 120 days	114 797	60 816
Less: Allowance for impairment	(91 413)	(52 029)
	95 903	**47 810**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

10. Receivables from exchange transactions (continued)

Summary of receivables by customer classification

	2013	2012
Consumers		
Current (0 -30 days)	481 417	460 468
31 - 60 days	112 867	118 573
61 - 90 days	103 638	102 975
91 - 120 days	106 934	121 641
> 120 days	1 726 524	1 352 084
Less: Allowance for impairment	(1 557 232)	(1 368 832)
	974 148	**786 909**
Businesses		
Current (0 -30 days)	239 334	188 018
31 - 60 days	5 679	7 935
61 - 90 days	7 456	9
91 - 120 days	5 679	4 843
> 120 days	114 033	37 980
Less: Allowance for impairment	(101 576)	(1 381)
	270 605	**237 404**
Industry		
Current (0 -30 days)	16 476	13 686
Less: Allowance for impairment	-	-
	16 476	**13 686**
Municipal		
Current (0 -30 days)	-	3 833
31 - 60 days	-	5 537
> 120 days	144	-
Less: Allowance for impairment	(144)	-
	-	**9 370**
Government		
Current	44 549	4 571
31 - 60 days	5 334	4 240
61 - 90 days	8 838	4 584
91 - 120 days	3 659	2 827
> 120 days	135 897	22 111
Less: Allowance for impairment	(101 002)	(16 088)
	97 275	**22 245**
Institutions		
Current	1 613	1 076
31 - 60 days	900	976
61 - 90 days	713	-
91 - 120 days	1 613	-
> 120 days	6 739	-
Less: Allowance for impairment	(810)	-
	10 768	**2 052**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

10. Receivables from exchange transactions (continued)

Churches		
Current	9 314	7 374
31 - 60 days	1 729	-
61 - 90 days	1 113	-
Less: Allowance for impairment	-	-
	12 156	**7 374**

Officials		
Current	2 717	2 968
31 - 60 days	2 679	615
61 - 90 days	387	489
91 - 120 days	239	267
> 120 days	3 866	2 885
Less: Allowance for impairment	(3 388)	(2 565)
	6 500	**4 659**

Councillors		
Current	2 683	2 312
Less: Allowance for impairment	-	-
	2 683	**2 312**

Vacant land		
Current	881	86
31 - 60 days	809	-
Less: Allowance for impairment	-	-
	1 690	**86**

Reconciliation of allowance for impairment of receivables from exchange transactions

Balance at beginning of the year	(1 388 866)	(511 034)
Contributions to allowance	(375 285)	(877 832)
Sundry receivables	**(1 764 151)**	**(1 388 866)**

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from exchange transactions past due but not impaired

At 30 June 2013, R 513 926 (2012: R 467 116) of receivables from exchange transactions were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	108 004	113 215
2 months past due	100 497	82 738
> 3 months past due	305 425	271 163

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

10. Receivables from exchange transactions (continued)

Receivables from exchange transactions impaired

As of 30 June 2013, receivables from exchange transactions of R 375 285 (2012: R 877 832) were impaired and provided for.

The amount of the allowance was R 1 764 152 as of 30 June 2013 (2012: R 1 388 866).

The ageing of these receivables is as follows:

0 to 6 months	75 306	333 465
Over 6 months	1 688 846	1 055 401

11. Receivables from non-exchange transactions

Government grants and subsidies	604 491	1 914 779
Assessment rates	2 064 821	2 237 942
Sundry receivables	820 441	281 174
Sundry deposits	40 140	40 140
Less: Allowance for impairment	(2 002 544)	(2 184 653)
	1 527 349	**2 289 382**

Assessment rates: Gross balance		
Current	6 919	6 307
31 - 60 days	14 199	30 941
61 - 90 days	12 016	26 313
91 - 120 days	11 980	25 207
> 120 days	2 019 707	2 149 174
	2 064 821	**2 237 942**

Assessment rates: Allowance for impairment		
Current	-	(261)
31 - 60 days	(4 294)	(1 535)
61 - 90 days	(3 785)	(2 758)
91 - 120 days	(3 614)	(1 718)
> 120 days	(1 990 851)	(2 178 381)
	(2 002 544)	**(2 184 653)**

Assessment rates: Net balance		
Current	6 919	6 047
31 - 60 days	9 904	25 007
61 - 90 days	8 232	23 554
91 - 120 days	8 365	23 489
> 120 days	28 857	14 759
	62 277	**92 856**

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

11. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

At 30 June 2013, receivables from non-exchange transactions amounting to R 42 833 (2012: R 86 809) were past due but not considered to be impaired.

The ageing of amounts past due but not impaired are as follows:

1 month past due	9 818	25 007
2 months past due	8 158	23 554
> 3 months past due	24 857	38 248

Receivables from non-exchange transactions impaired

As of 30 June 2013, receivables from non-exchange transactions of R - (2012: R 1 853 080) were impaired and provided for.

The amount of the allowance for impairment was R 2 002 544 as of 30 June 2013 (2012: R 2 184 653).

The ageing of these other receivables are as follows:

0 to 3 months	8 079	6 272
3 to 6 months	10 153	22 441
Over 6 months	1 984 312	2 155 940

Reconciliation of allowance for impairment of receivables from non-exchange transactions

Opening balance	(2 184 653)	(331 573)
Allowance for impairment	-	(1 853 080)
Unused amounts reversed	182 109	-
	(2 002 544)	**(2 184 653)**

12. Inventories

Building materials	328 501	125 246
Consumable stock	610 321	731 566
Electric cable	243 700	243 700
Water	20 717	11 859
	1 203 239	**1 112 371**

Inventory pledged as security

No inventory was pledged as security.

13. VAT receivable

VAT receivable	1 387 004	335 713

VAT is accounted for on the payments basis.

All VAT returns were submitted throughout the year.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to the VAT act. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

Notes to the Annual Financial Statements

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13. VAT receivable (continued)

During the year the South African Revenue Services (SARS) has completed the VAT review for the December 2008 to June 2012 VAT periods. The findings was mainly on the following matters
- Apportionments not being applied to expenses that cannot be directly attributed to the making of taxable supplies;
- Input tax claimed on expenses relating to the traffic department;
- The income declared in the financial statements and income declared for the VAT purposes did not agree.

The findings resulted in additional tax, penalties and interest to be paid by the municipality. The total amounted to R1,4 million.

The municipality already made payments amounting to approximately R1,24 million relating to the additional VAT. The municipality is however objecting the penalties and interest. SARS has indicated that there is a possibility that the interest and penalties will become payable. The outcome of this objection is expected in October 2013.

Furthermore there is currently uncertainty regarding the amount of penalties and interest, due to inconsistencies in the documentation received from SARS. Due to this uncertainty the amount payable as penalties and interest is not recognised as a liability, but rather disclosed as a contingent liability.

14. Payables from exchange transactions

Trade payables	1 900 554	1 531 473
Payments received in advanced	29 247	28 358
Other payables	-	1 326
Salary related amounts accrued	282 593	123 377
Deposits received	71 357	37 621
Receivables in credit	228 915	680 752
Thirteenth cheque	234 894	204 343
Leave accrual	509 358	615 427
	3 256 918	**3 222 677**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Equitable share	-	-
Municipal Infrastructure Grant	-	-
Financial Management Grant	-	-
Municipal Systems Improvement Grant	-	-
Expanded Public Works Programme	-	-
Community Workers Development	1 106	68 678
Provincial library services	-	-
Maintenance of proclaimed roads	-	-
Matjiesfontein UISP	1 262 137	363 513
Shared services: Internal audit	150 000	-
Shared services: Legal services	250 000	-
Organisational Development Project	500 000	-
Provincial: Sub Seta	-	-
Department of Water Affairs (DWA)	575 883	575 883
Water	-	240 184
Refuse	-	-
Department of Housing, Local Government and Traditional Affairs	-	-
Department Environmental Affairs and Tourism	106 667	204 913
Provincial: Department Transport	270 150	602 311
Local Government: Local Municipalities	112 140	112 140
Local Government: MOU & Business Plan	-	325 507
	3 228 083	**2 493 129**

Figures in Rand	2013	2012

15. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	2 493 129	4 230 156
Additions during the year	25 333 994	19 039 460
Income recognition during the year	(24 599 040)	(20 776 487)
	3 228 083	**2 493 129**

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

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

16. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	2 797 429	42 435	-	181 833	3 021 697
Performance bonuses	116 342	-	-	-	116 342
Insurance Workman's Compensation Act	56 645	64 535	-	-	121 180
Long service awards	189 233	76 950	(14 378)	-	251 805
	3 159 649	**183 920**	**(14 378)**	**181 833**	**3 511 024**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation - Landfill sites	2 626 694	-	-	170 735	2 797 429
Performance bonuses	92 335	116 342	(92 335)	-	116 342
Insurance Workman's Compensation Act	77 372	56 645	(77 372)	-	56 645
Long service awards	207 360	44 989	(63 116)	-	189 233
	3 003 761	**217 976**	**(232 823)**	**170 735**	**3 159 649**

Non-current liabilities	3 261 710	2 972 602
Current liabilities	249 314	187 047
	3 511 024	**3 159 649**

Environmental rehabilitation provision - Landfill sites

At 30 June 2013 the municipality will incur estimated rehabilitation costs of R3 021 697 (2012: R2 797 429) to restore the landfill site at the end of its useful life, estimated to be 19 years. The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption. The discount rate of the provision was 6.4% (2012: 6.5%).

The financial implications of rehabilitating the landfill site was determined by the independent valuator, DCR Consulting.

Performance bonuses

Performance bonuses are paid based on the individual performance as determined by the assessment of key performance indicators, per the performance management system of the municipality. No additional provision was raised during the year as the performance management system of the municipality does not make provision for performance bonuses any longer. These are now included in the annual package of the respective officials.

Figures in Rand	2013	2012

16. Provisions (continued)

Insurance Workman's Compensation Act

The provision for WCA insurance is made in terms of the Workman's Compensation Act. This ampount is payable upon and based on assessment by the Workman's Compensation Comissioner.

The provision is based on the returns submitted to the Compensation Commissioner.

Long service awards

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

17. Consumer deposits

Electricity	116 120	73 805
Water	234 748	244 967
	350 868	**318 772**

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

18. Employee benefit obligations

Post retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. 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) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

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

The plan is a post employment medical benefit plan.

Multi-employer pension funds

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Figures in Rand	2013	2012

18. Employee benefit obligations (continued)

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(5 212 000)	(4 402 000)
Non-current liabilities	(5 089 000)	(4 327 000)
Current liabilities	(123 000)	(75 000)
	(5 212 000)	**(4 402 000)**

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

Opening balance	4 402 000	4 023 000
Net expense recognised in the statement of financial performance	810 000	379 000
	5 212 000	**4 402 000**

Net expense recognised in the statement of financial performance

Current service cost	235 000	235 000
Interest cost	338 000	349 000
Actuarial (gains) losses	314 000	(138 000)
Benefits paid	(77 000)	(67 000)
	810 000	**379 000**

Key assumptions used

Assumptions used at the reporting date:

Expected retirement age	60	60
Discount rates used	9,90 %	7,75 %
Health care cost inflation rate	9,10 %	7,00 %
Expected increase in salaries	8,60 %	6,50 %

The discount rate of 9.90% per annum is based on current bond yields of appropriate term gross of tax. South Africa does not have a deep market in high quality corporate bonds. The discount rate is therefore determined by reference to current market yields on government bonds.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

18. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	170 000	(129 000)
Effect on defined benefit obligation	1 125 000	(870 000)

Amounts for the current and previous four years are as follows:

	2013	2012	2011	2010	2009
Defined benefit obligation	5 212 000	4 402 000	4 023 000	2 780 000	2 098 000

19. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2013

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	2 588 564	32 994 672	1 928 824	37 512 060
Property, plant and equipment purchases	(329 649)	-	-	(329 649)
Expenditure incurred	-	-	(89 022)	(89 022)
Rental income	-	-	8 059	8 059
	2 258 915	**32 994 672**	**1 847 861**	**37 101 448**

Ring-fenced internal funds and reserves within accumulated surplus - 2012

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	2 987 536	32 611 823	1 960 166	37 559 525
Property, plant and equipment purchases	(207 966)	350 432	-	142 466
Capital grants used to purchase property, plant and equipment	-	32 417	-	32 417
Expenditure incurred	(191 006)	-	(31 342)	(222 348)
	2 588 564	**32 994 672**	**1 928 824**	**37 512 060**

20. Capital replacement reserve

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced financial instruments. The Capital Replacement Reserve is included in accumulated surplus as required by GRAP 1.89.

	2013	2012
Capital Replacement Reserve	2 258 915	2 588 564

21. Housing development fund

	2013	2012
Loans extinguished by Government on 1 April 1998	1 847 861	1 928 824

Figures in Rand	2013	2012

21. Housing development fund (continued)

The housing development fund is represented by the following assets and liabilities

Revaluation of assets	1 847 861	1 928 824

The Housing Development Fund has its origin from loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the housing development fund are used only for the funding of housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

22. Financial instruments

Categories of financial instruments

2013

Financial assets

	At amortised cost	Total
Trade receivables from exchange transactions	1 392 303	1 392 303
Receivables from non-exchange transactions	1 527 349	1 527 349
Cash and cash equivalents	7 959 558	7 959 558
Long-term receivables from exchange transactions	4 266	4 266
	10 883 476	**10 883 476**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	3 256 918	3 256 918
Consumer deposits	350 868	350 868
	3 607 786	**3 607 786**

2012

Financial assets

	At amortised cost	Total
Trade receivables from exchange transactions	1 091 691	1 091 691
Receivables from non-exchange transactions	2 289 382	2 289 382
Cash and cash equivalents	10 002 492	10 002 492
Long-term receivables from non-exchange transactions	17 467	17 467
	13 401 032	**13 401 032**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	3 222 677	3 222 677
Consumer deposits	318 772	318 772
	3 541 449	**3 541 449**

Financial instruments in the statement of financial performance

2013

	At amortised cost	Total
Interest received (calculated using effective interest method) for financial instruments at amortised cost	1 047 918	1 047 918
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(10 745)	(10 745)
Impairment loss	(217 502)	(217 502)
	819 671	**819 671**

2012

	At amortised cost	Total
Interest received (calculated using effective interest method) for financial instruments at amortised cost	764 980	764 980
Impairment loss	(2 815 431)	(2 815 431)
	(2 050 451)	**(2 050 451)**

23. Revenue

	2013	2012
Service charges	12 711 856	11 142 304
Rental of facilities and equipment	909 888	2 008 113
Income from agency services	101 938	88 488
Licences and permits	233 766	277 663
Interest received	1 047 918	764 980
Property rates	2 117 636	1 802 399
Government grants & subsidies	24 599 043	20 776 487
Fines	2 324 691	2 160 119
	44 046 736	**39 020 553**

The amount included in revenue arising from exchanges of goods or services is as follows:		
Service charges	12 711 856	11 142 304
Rental of facilities and equipment	909 888	2 008 113
Income from agency services	101 938	88 488
Licences and permits	233 766	277 663
Other income	110 612	165 267
Interest received	853 830	668 199
	14 921 890	**14 350 034**

Figures in Rand	2013	2012

23. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	2 117 636	1 802 399
Property rates - interest on arrear rates	194 088	96 781
Other income	76 086	247 988
Fines	2 324 691	2 160 119
Transfer revenue		
Government grants & subsidies	24 599 043	20 776 487
	29 311 544	**25 083 774**

24. Property rates

Rates revenue

Laingsburg	1 975 551	1 668 375
Agriculture	3 633 776	3 265 188
Less: Income forgone	(3 491 691)	(3 131 164)
	2 117 636	**1 802 399**

Valuations

Laingsburg	185 132 622	176 494 312
Agriculture	522 647 274	525 622 303
	707 779 896	**702 116 615**

Matjiesfontein area was not included separately in the latest valuation roll due to it's insignificance.

Assessment rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. An interim valuation has been performed during the financial year and was applied with effect from 1 July 2012.

A new general valuation was undertaken during the financial year and comes into effect on 1 July 2013.

A uniform rate of 7.81c/R (2012: 7.1c/R) is applied on property valuations in terms of the Property Rates Act to determine assessment rates.

A rebate of 92,50% (2012: 75,00%) is allowed on agricultural properties.

Rates are levied monthly on property and are payable by 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 on outstanding amounts is levied at a rate determined by Council.

Figures in Rand	2013	2012

25. Service charges

Sale of electricity	7 809 206	6 836 882
Sale of water	1 741 172	1 443 677
Sewerage and sanitation charges	1 620 435	1 522 265
Refuse removal	1 501 711	1 304 259
Cemetery and encroachment fees	39 332	35 221
	12 711 856	**11 142 304**

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Water losses

Laingsburg Municipality experiences major problems with water losses which originated from the floods in 1981. Laingsburg experienced an average water loss of R641 582 (29.84%) for the 2012/2013 financial period (2012: R317 678 (22.78%)). An investigation was done to try to find the cause of these water losses. The investigation could not identify the cause of the losses. Due to these findings the Department of Water Affairs allocated funds to Laingsburg Municipality to do a water leakage detection investigation during the 2009/2010 financial year and more funds were allocated for further studies in the 2010/2011 financial year as well as the 2011/2012 financial year. The municipality is in the process of installing water meters to accurately calculate water losses. Potential losses could not be calculated.

During the financial year there were two instances of burst main water pipes, contributing to the water losses for the year.

Electricity losses

Laingsburg experienced an average electricity loss of R692 757 (9.1%) for the 2012/2013 financial period (2012: R 568 574 (7,5%)). The loss can be ascribed to the fact that streets lights, municipal offices and some outer municipal electricity users are not metered. This will be investigated and corrected as soon as possible.

26. Rental of facilities and equipment

Premises		
Operating lease rental revenue Soutkloof	81 005	75 159
Rental revenue from buildings	746 223	563 417
Rental revenue from land	2 178	4 660
	829 406	**643 236**
Facilities and equipment		
Rental revenue from cutlery	980	1 982
Rental revenue from machinery and equipment	604	1 272 711
Rental revenue from houses	29 082	27 146
Rental revenue from hawkers	16 397	17 473
Rental revenue sundry	33 419	45 565
	80 482	**1 364 877**
	909 888	**2 008 113**

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

Sundry rental revenue consists of the following:
- Rental received from the IEC for the rental of the voting offices;
- Rental received from Allpay for the rental of the Matjiesfontein hall for the purposes of paying out social pension;
- Rental received from Provincial Western Cape for the rental of the Thusong Centre.

The operating lease of the Soutkloof farm is between the municipality and the Van Der Vyver Trust. The original lease agreement was for the period 1 November 2006 to 31 October 2011, but was extended in the 2011/2012 financial year for a further period from 1 November 2011 to 31 October 2016. The operating lease rental revenue on the Soutkloof farm is straightlined over the period of the lease. For lease commitments disclosure refer to note 40.

Figures in Rand	2013	2012

27. Government grants and subsidies

Equitable share	9 536 000	8 029 000
Municipal Infrastructure Grant (MIG)	8 194 000	2 750 348
Financial Management Grant (FMG)	1 500 000	1 500 000
Municipal Systems Improvement Grant (MSIG)	800 000	790 000
Expanded Public Works Program	1 000 000	-
Community Workers Development	202 572	100 164
Provincial Library Services	587 000	319 000
Maintenance of proclaimed roads	32 967	32 886
Matjiesfontein UISP	1 509 538	-
Matjiesfontein 39 houses	-	407 487
Shared services: Internal audit	-	250 000
Shared services: Legal services	-	-
Organisational Development Grant	-	-
Provincial: Sub-Seta	22 867	38 536
Department of Water Affairs (DWA)	-	139 678
Water	240 185	1 253 149
Refuse	-	226 260
Department of Housing, Local Government and Traditional Affairs	-	-
Dept Environmental Affairs and Tourism	98 246	-
Provincial: Department of Transport	332 161	-
Bus routes	-	2 370 128
Local Government: Local Municipalities	-	113 610
Local Government: Mou & Business Plan	325 507	474 493
Streets (MIG)	-	1 981 748
Thusong submission	218 000	-
	24 599 043	**20 776 487**

National Grants

Equitable Share

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

All registered indigents receive a monthly subsidy equal to the basic monthly charges for water supply, refuse removal and sanitation based on the monthly billing, towards the consumer account. The subsidy is determined annually by Council. All consumers also receive 10 kl water and the indigent households receive 50 kWh electricity free every month.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	509 092
Current year receipt	8 194 000	2 241 256
Conditions met - transferred to revenue: capital expenses	(8 194 000)	(2 750 348)
	-	**-**

The Municipal Infrastructure Grant (MIG) is allocated to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Financial Management Grant (FMG)

Current year receipt	1 500 000	1 500 000
Conditions met - transferred to revenue: operating expenses	(1 490 140)	(1 500 000)
Conditions met - transferred to revenue: capital expenses	(9 860)	-
	-	**-**

27. Government grants and subsidies (continued)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).

Municipal Systems Improvement Grant

Current year receipt	800 000	790 000
Conditions met - transferred to revenue: operating expenses	(781 794)	(243 171)
Conditions met - transferred to revenue: capital expenses	(18 206)	(546 829)
	-	**-**

The Municipal Systems Improvement Grant (MSIG) is allocated to assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and the local government turnaround strategy.

Expanded Public Works Program

Current year receipt	1 000 000	-
Conditions met - transferred to Revenue: operating expenses	(944 110)	-
Conditions met - transferred to Revenue: capital expenses	(55 890)	-
	-	**-**

The grant is received to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:
- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure.

Provincial Grants

Community Workers Development

Balance unspent at beginning of year	68 678	38 842
Current year receipt	135 000	130 000
Conditions met - transferred to revenue: operating expenses	(202 572)	(100 164)
	1 106	**68 678**

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

The grant is received to provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators.

Provincial Library Services

Current year receipt	587 000	319 000
Conditions met - transferred to revenue: operating expenses	(559 818)	(319 000)
Conditions met - transferred to Revenue: capital expenses	(27 182)	-
	-	**-**

This grant was allocated to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial level in support of local government and national initiatives.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

27. Government grants and subsidies (continued)

Maintenance of proclaimed roads

Current year receipt	32 967	32 886
Conditions met - transferred to revenue: operating expenses	(32 967)	(32 886)
	-	-

This grant was received for maintenance of Provincial roads.

Matjiesfontein UISP

Balance unspent at beginning of year	363 513	-
Current year receipt	2 408 162	363 513
Conditions met - transferred to Revenue: capital expenses	(1 509 538)	-
	1 262 137	**363 513**

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

This grant was received for development of houses as set out in terms of the Turnkey Contracting Strategy as set out in the National Housing Code, within the boundaries of the municipality.

Matjiesfontein 39 houses

Current year receipt	-	407 487
Conditions met - transferred to revenue: capital expenses	-	(407 487)
	-	-

This grant was received for the construction and development of 39 houses in Matjiesfontein.

Shared services: Internal audit

Current year receipt	150 000	250 000
Conditions met - transferred to revenue	-	(250 000)
	150 000	-

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

Funds received to establish a cooperative partnership between the Central Karoo Internal Audit and Risk Management Shared Service Centre and its customers. The Legal Shared Service Centre will provide a shared business environment for internal audit, risk management and compliance monitoring to the municipalities within the Central Karoo District.

Shared services: Legal services

Current year receipt	250 000	-

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

The grant is received to establish a cooperative partnership between the Central Karoo Legal Shared Service Centre and its customers. The Legal Shared Service Centre will provide a shared business environment for legal services to the municipalities within the Central Karoo District.

Figures in Rand	2013	2012

27. Government grants and subsidies (continued)

Organisational Development Grant

Current year receipt	500 000	-

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

The grant is received to identify the organisational needs of the municipality and to improve the organisational structure of the municipality.

Provincial: Sub-Seta

Current year receipt	22 867	38 536
Conditions met - transferred to revenue: operating expenses	(22 867)	(38 536)
	-	**-**

This grant was received for general training at the municipality.

Department Water Affairs (DWA)

Balance unspent at beginning of year	575 883	715 561
Conditions met - transferred to revenue: operating expenses	-	(139 678)
	575 883	**575 883**

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

This grant is used for water supply at Matjiesfontein, ground water investigation and the draw up of a water master plan. The water master plan needs to be drafted and submitted and the water meters need to be installed.

Water

Balance unspent at beginning of year	240 184	-
Current year receipt	-	1 493 333
Conditions met - transferred to revenue: operating expenses	(240 184)	(45 066)
Conditions met - transferred to revenue: capital expenses	-	(1 208 083)
	-	**240 184**

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

This grant was received for long term monitoring and construction of water infrastructure. A water master monitoring plan needs to be drafted and submitted.

Refuse

Balance receivable at beginning of year	-	(70 170)
Current year receipt	-	226 260
Conditions met - transferred to revenue	-	(226 260)
Amount written off by council	-	70 170
	-	**-**

Conditions met - balance due by government transferred to current assets (see note 11).

This grant was received for construction of infrastructure on refuse.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

27. Government grants and subsidies (continued)

Department Housing, Local Government and Traditional Affairs (DHLGTA)

	2013	2012
Balance receivable at beginning of year	-	(563 461)
Amount written off by council	-	563 461
	-	**-**

Conditions met - balance due by government transferred to current assets (see note 11).

This grant was received for development and construction of 39 houses at Matjiesfontein.

Department Environmental Affairs & Tourism

	2013	2012
Balance unspent at beginning of year	204 913	204 913
Conditions met - transferred to revenue	(98 246)	-
	106 667	**204 913**

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

This grant was received to develop a spatial development plan.

Provincial: Department of Transport

	2013	2012
Balance unspent at beginning of year	602 311	602 311
Conditions met - transferred to Revenue: capital expenses	(332 161)	-
	270 150	**602 311**

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

The grant was received for construction of a long distance taxi zone area.

Local Government: Local Municipalities

	2013	2012
Balance unspent at beginning of year	112 140	112 140
Current year receipt	-	113 610
Conditions met - transferred to revenue	-	(113 610)
	112 140	**112 140**

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

This grant is used for the compiling of a sewerage master plan and investigation of electricity tariffs.

Local Government: Mou & Business Plan

	2013	2012
Balance unspent at beginning of year	325 507	500 000
Current year receipt	-	300 000
Conditions met - transferred to revenue: operating expenses	(325 507)	(86 150)
Conditions met - transferred to revenue: capital expenses	-	(388 343)
	-	**325 507**

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

Funds received for the installation of a new financial system.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

27. Government grants and subsidies (continued)

Bus routes

Balance unspent at beginning of year	-	284 299
Current year receipt	-	2 085 829
Conditions met - transferred to revenue: capital expenses	-	(2 370 128)
	-	-

This grant has been used for development and construction of the new Matjiesfontein bus route.

Streets (MIG)

Balance unspent at beginning of year	-	1 262 998
Current year receipt	-	718 750
Conditions met - transferred to revenue: capital expenses	-	(1 981 748)
	-	-

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

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.

Thusong submission

Current year receipt	218 000	-
Conditions met - transferred to revenue	(218 000)	-
	-	-

Allocation received from the Western Cape Government for operating expenditure related to the Thusong Centre.

28. Other income

Building plan and rezoning application fees	26 100	9 662
Donations	88 830	247 988
Fire brigade availability	26 798	-
Sales - Sand and stone	15 108	99 798
Sundry income	39 226	35 489
Valuation certificates	5 830	6 704
Other sales	459	13 614
	202 351	**413 255**

The amounts disclosed above for other income are in respect of services, other than described in notes 17 to 27, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Sales - Sand and stone: The sale of sand and stone mostly relates to the supply of sand and stone to the projects under the current financial period, namely Goldnerville Cul-de-Sac; Matjies new sanitation, Gabions 9de & 10de Laan, New roads & stormwater and Nuwe busroete Matjiesfontein: Fase 2. Sales are made at approved tariffs. Sand is obtained from the riverbed as needed, and is therefore not recognised as inventory.

Donations: Donations were received for the Mayor Gholfday, for the Karoo Marathon and for the Thusong Centre.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

29. Interest received

Interest revenue		
Investments	392 770	308 476
Bank	258 568	212 376
Interest charged on trade receivables from exchange transactions	202 492	147 347
Interest charged on receivables from non-exchange transactions	194 088	96 781
	1 047 918	**764 980**

30. Employee related costs

Employee related costs - salaries and wages	6 210 813	5 734 280
Defined benefit plan expense - current service cost	810 000	379 000
Employee related costs - contributions	1 151 101	1 055 268
Housing benefits and allowances	24 717	24 085
Leave pay	116 720	231 393
Long-service awards	76 950	44 989
Overtime payments	163 569	177 494
Performance bonuses	-	116 342
Skills Development Levy (SDL)	78 161	55 701
Thirteenth cheque	427 724	204 343
Travel, motor car, accommodation, subsistence and other allowances	403 960	315 532
Unemployment Insurance Fund (UIF)	64 313	54 667
Workmans Compensation Act (WCA)	64 536	56 645
	9 592 564	**8 449 739**

Remuneration of Williams PA - Municipal Manager

Annual Remuneration	895 225	745 679
Performance and other bonuses	-	116 342
Contributions to UIF, medical aid and pension funds	1 713	1 497
Travel, motor car, accommodation, subsistence and other allowances	-	152 648
Backpay of salary	91 273	-
	988 211	**1 016 166**

The Municipal Manager was in office for the entire financial year.

The Municipal Manager was re-appointed for a 5 year term in December 2012.

Remuneration of Groenewald A - Chief Finance Officer

Annual Remuneration	380 084	355 434
Acting allowance	55 993	-
Long service bonus	-	59 739
Contributions to UIF, medical aid and pension funds	83 844	76 024
Travel, motor car, accommodation, subsistence and other allowances	144 728	161 258
Leave encashed	83 118	-
	747 767	**652 455**

Remuneration of staff

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

Figures in Rand	2013	2012

31. Remuneration of councillors

Remuneration	2 079 342	1 698 877
Allowances	64 925	338 028
	2 144 267	**2 036 905**

Theron W Du P - Executive Major		
Remuneration	604 460	493 890
Allowances	19 972	99 067
	624 432	**592 957**

Van As BJ - Deputy Executive Mayor		
Remuneration	265 962	217 406
Allowances	12 496	48 162
	278 458	**265 568**

Horn H - Speaker		
Remuneration	483 568	395 215
Allowances	19 972	83 152
	503 540	**478 367**

Bobbejee M - Councillor		
Remuneration	181 338	148 011
Allowances	-	23 873
	181 338	**171 884**

Botes PJ - Councillor		
Remuneration	181 338	148 333
Allowances	12 485	36 028
	193 823	**184 361**

Botha J - Councillor		
Remuneration	181 338	148 011
Allowances	-	23 873
	181 338	**171 884**

Gouws M - Councillor		
Remuneration	181 338	148 011
Allowances	-	23 873
	181 338	**171 884**

In-kind benefits

The Mayor may utilise official Council transportation when engaged in official duties.

Remuneration of political office-bearers and councillors

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

Figures in Rand	2013	2012

32. Depreciation and amortisation

Property, plant and equipment	7 346 739	7 417 581
Investment property	370 400	370 400
Intangible assets	221 782	227 526
	7 938 921	**8 015 507**

33. Finance costs

Payables from exchange transactions	10 745	-
Finance costs - landfill site rehabilitation provision	181 833	170 735
	192 578	**170 735**

34. Debt impairment

Contributions to allowance for debt impairment	217 502	2 815 431

35. Bulk purchases

Electricity	5 676 814	4 781 653

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

There was no bulk purchases for water during the year. This is as a result of the municipality being supplied with water from the river as well as from a municipal farm with a natural water resource.

36. Contracted services

Information Technology Services	-	2 075
Town planning	35 124	71 006
	35 124	**73 081**

37. Grants and subsidies paid

Acacia Primary School	200	-
AIDS program and Cancer awareness	9 311	2 300
Area committee	24 367	852
Christmas for children	11 299	300
Donald Duck Pre-Primary	16 083	10 092
Equitable share households	1 773 780	1 057 313
Gardening	600	-
LaDaag	9 918	9 450
Laingsburg High School	3 900	-
Municipal sport	12 315	21 707
SMME development	30 735	29 632
Soup kitchen	-	88 055
Tourism grant	226 752	253 186
Youth Week	7 981	6 899
Other grants and subsidies paid	5 500	1 973
	2 132 741	**1 481 759**

Figures in Rand	2013	2012

38. General expenses

Administration costs	89 000	60 000
Advertising	13 356	31 102
Auditors remuneration	1 580 265	1 567 737
Bank charges	155 931	118 879
Bargaining council	3 201	2 273
Chemicals	1 314	350
Cleaning	945 295	10 694
Commission for collection of traffic fines	1 462 477	622 751
Commission paid	102 039	56 107
Community development and training	203 620	153 355
Computer expenses	325 507	19 500
Consumables	445 910	302 279
Consulting and professional fees	3 021 211	62 644
Delegation costs	-	21 135
Electricity	223 787	177 595
Entertainment	83 874	55 200
Fuel and oil	503 958	413 452
Grant expenditure	2 272 293	2 241 525
Insurance	171 812	155 784
Inventory - write-offs	-	8 316
Lease rentals on operating lease	13 300	3 000
Levy: District Municipality (Health Services)	29 923	23 362
Marketing	265 260	244 719
Management fees - Water catchment area	67 171	59 965
Motor vehicle expenses	424	60 230
Pauper burials	4 320	5 960
Pest control	-	7 500
Postage and courier	1 536	4 680
Printing and stationery	257 485	176 622
Quality control	160 360	110 006
Registration of boreholes	-	1 913
Rental: other	1 770	1 036
Security (Guarding of municipal property)	514 595	460 347
Shrubs, plants and trees	4 750	69
Software expenses	71 837	44 413
Spatial planning	98 246	-
Subscriptions and membership fees	186 093	108 846
Telephone and fax	270 688	240 708
Tools and equipment	135 569	62 145
Training	212 893	467 063
Travel - local	859 113	522 393
Uniforms and protective clothing	34 288	43 644
Valuation costs	4 620	1 247
Vehicle licences	30 022	29 061
Water - Municipal services	2 447	-
	14 831 560	**8 759 607**

Due to various burglaries at the municipality, a security firm was hired.

Consulting fees includes fees paid to consultants for preparation of the annual financial statements.

Consumables consist of household requirements and general material and stores.

Cleaning expense increased as a result of the employment of casual workers for the cleaning of streets. This was funded by the Expanded Public Works Program Grant, received during the year.

Computer expenses increased as a result of assistance provided relating to the IT system.

Training decreased as training related to installation of the new IT system was not repeated in the current year.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

39. Cash generated from operations

(Deficit) surplus	(322 641)	1 247 719
Adjustments for:		
Depreciation and amortisation	7 938 921	8 015 507
Loss on sale of assets and liabilities	110 765	114 004
Debt impairment	217 502	2 815 431
Movements in operating lease asset and accruals	(5 262)	(3 024)
Movements in retirement benefit assets and liabilities	810 000	379 000
Movements in provisions	351 375	155 888
Change in rehabilitation asset	(42 435)	-
Changes in working capital:		
Inventories	(90 868)	(643 512)
Receivables from non-exchange transactions	762 033	2 611 283
Trade receivables from exchange transactions	(518 114)	(2 874 453)
Payables from exchange transactions	34 244	1 841 030
VAT	(1 051 291)	680 637
Unspent conditional grants and receipts	734 954	(1 737 027)
Consumer deposits	32 096	53 483
	8 961 279	**12 655 966**

40. Commitments

Capital commitments

Already contracted for but not provided for		
• Property, plant and equipment	10 455 423	2 493 129
Not yet contracted for		
• Property, plant and equipment	1 372 583	-

Open purchase orders

Items ordered before year-end, but delivered after year-end	17 388	-

Operating leases - as lessor (income)

Minimum lease payments receivable		
- within one year	79 529	75 742
- in second to fifth year inclusive	200 885	280 415
	280 414	**356 157**

The operating lease on the Soutfkloof farm was extended on 1 November 2011 for an additional 5 years. No restrictions have been imposed by the municipality in terms of the operating lease agreement.

The rent escalates with 5% per annum on 1 November.

The yearly rent is receivable in advance each year on 1 November.

41. Related parties

Relationships

For disclosures of remuneration to management and councillors:	Refer to notes 30&31
Close family member of management	Mrs A van As

Lusern land was rented to Mrs A van As, the wife of one of the council members (Mr BJ van As). The lusern land was rented to her based on a public tender that was awarded to her. No transactions occurred during the year.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

42. Risk management

Financial risk management

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

Liquidity risk

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3 256 918	-	-	-
Consumer deposits	350 868	-	-	-

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3 222 677	-	-	-
Consumer deposits	318 772	-	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to consumers are settled in cash or using major credit cards.

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

Financial instrument		
Receivables from non-exchange transactions	1 527 349	2 289 382
Trade receivables from exchange transactions	1 392 303	1 091 691
Long-term receivables from exchange transactions	4 266	17 467
Cash and cash equivalents	7 959 558	10 002 492

Market risk

Interest rate risk

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

43. Going concern

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

Figures in Rand	2013	2012

44. Events after the reporting date

The municipality received two garbage compactor trucks as a donation from the Saldanha Municipality. The trucks were registered in the name of Laingsburg Municipality on 7 July 2013. Management is in the process of determining fair values for these vehicles. The vehicles are included in the fixed asset register of the municipality in the 2013/2014 financial year.

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

45. Unauthorised expenditure

	2013	2012
Unauthorised expenditure	12 227 681	5 286 338

No disciplinary steps have been followed to date as the Municipality was of the opinion that the unauthorised expenditure was incurred due to unforseen circumstances.

All unauthorised expenditure was written-off by Council.

46. Fruitless and wasteful expenditure

	2013	2012
Interest on late payment of suppliers	10 745	14 106
Advertisement for tenders that never went through	-	11 622
	10 745	**25 728**

All fruitless and wasteful expenditure was written-off by Council.

47. Irregular expenditure

	2013	2012
Opening balance	3 585 707	2 152 391
Add: Irregular Expenditure - current year	7 709 381	8 452 005
Less: Amounts condoned	(10 784 811)	(7 018 689)
	510 277	**3 585 707**

Analysis of expenditure awaiting condonation per age classification

	2013	2012
Current year	119 687	3 585 707
Prior years	390 590	-
	510 277	**3 585 707**

Details of irregular expenditure – current year

R0 - R2 000	859 139
R2 001 - R10 000	1 395 926
R10 001 - R30 000	1 672 001
R30 001 - R200 000	2 804 497
> R200 000	977 818
	7 709 381

Figures in Rand		2013	2012

47. Irregular expenditure (continued)

Details of irregular expenditure condoned - current year

	Condoned by:	
Deviatons from Regulation 12 and Supply Chain Policies	Council	10 784 811

The irregular expenditure relates to deviations from Regulation 12 and the supply chain management policies.

No disciplinary steps have been followed to date as the Municipality was of the opinion that irregular expenditure was incurred due to unforseen circumstances.

Deviation on procurement of goods and services amounted to R7 709 381 (2012: R 8 452 005).

All irregular expenditure of previous year and current year will be condoned by Council at the next council meeting.

48. Auditors' remuneration

	2013	2012
Fees	1 580 265	1 567 737

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

	2013	2012
Opening balance	-	-
Current year subscription / fee	200 000	100 000
Amount paid - current year	(200 000)	(100 000)
	-	**-**

Material losses through criminal conduct

Management is not aware of any material losses through criminal conduct.

Audit fees

	2013	2012
Opening balance	291 199	-
Current year fee	1 580 265	1 567 737
Amount paid - current year	(1 580 265)	(1 276 538)
Amount paid - previous years	(291 199)	-
	-	**291 199**

PAYE and UIF

	2013	2012
Opening balance	55 150	5 187
Current year subscription / fee	1 499 163	1 248 086
Amount paid - current year	(1 375 787)	(1 198 123)
	178 526	**55 150**

Pension and medical aid deductions

	2013	2012
Opening balance	(45 094)	(29 837)
Current year subscription / fee	(1 598 584)	(1 055 268)
Amount paid - current year	1 528 374	1 040 011
	(115 304)	**(45 094)**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

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

VAT

VAT receivable	1 387 004	335 713

VAT output payables and VAT input receivables are shown in note13.

All VAT returns have been submitted throughout the year.

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

During the year no Councillors' had arrear accounts outstanding for more than 90 days.

50. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a description of each individual prior period error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.

1. Items incorrectly capitalised as intangible assets

Items were incorrectly capitalised as intangible asset prior to the 2011/2012 reporting period where it should have been expensed.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening accumulated surplus 1 July 2011	-	10 283
Adjustments affecting the statement of financial position		
Increase in intangible assets - accumulated depreciation	-	149 334
Decrease in intangible assets - cost	-	(152 762)
	-	**(3 428)**
Adjustments affecting the statement of financial position		
Decrease in amortisation expense	-	(6 855)

2. Expenses not accrued in prior years

Some expenses were not accrued in prior years. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of these adjustments on the prior year are as follows:

Adjustment against opening accumulated surplus 1 July 2011	-	66 415
Adjustments affecting the statement of financial position		
Increase in receivables from non-exchange transactions	-	30 410
Increase in payables from exchange transactions	-	(263 456)
	-	**(233 046)**
Adjustments affecting the statement of financial performance		
Increase in general expenses	-	166 631

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

50. Prior period errors (continued)

3. Revenue incorrectly accounted in the prior year

Some service charges, rental revenue and property rates were incorrectly billed in the 2010/2011 and 2011/2012 years. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening accumulated surplus 1 July 2011	-	6 875

Adjustments affecting the statement of financial position		
Decrease in receivables from non-exchange transactions	-	(38 278)
Decrease in receivables from exchange transactions	-	(18 098)
Decrease in payables from exchange transactions	-	49
	-	**(56 327)**

Adjustments affecting the statement of financial performance		
Decrease in property rates	-	36 353
Decrease in service charges	-	8 231
Decrease in rental of facilities and equipment	-	1 628
Decrease in interest received	-	3 239
	-	**49 451**

4. Revenue and expenditure items incorrectly accounted for in prior year

Some revenue and expenditure items were incorrectly accounted for in the prior year. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of these adjustments on the prior year are as follows:

Adjustment against opening accumulated surplus 1 July 2011	-	(20 563)

Adjustments affecting the statement of financial position		
Increase in receivables from non-exchange	-	3 160
Decrease in payables from exchange transactions	-	20 613
	-	**23 773**

Adjustments affecting the statement of financial performance		
Increase in revenue from fines	-	(2 550)
Increase in rental of facilities and equipment	-	(5 000)
Increase in general expenses	-	5 000
Increase in other income	-	(660)
	-	**(3 210)**

5. Property, plant and equipment

The depreciation was incorrectly calculated for certain items of Property, plant and equipment for the 2010/2011 and the 2011/2012 years. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of these adjustments on the prior year are as follows:

Figures in Rand	2013	2012

50. Prior period errors (continued)

Adjustment against opening accumulated surplus 1 July 2011	-	(76 497)
Adjustments affecting the statement of financial position		
Decrease in PPE - Accumulated depreciation	-	612 044
Adjustments affecting the statement of financial performance		
Decrease in depreciation	-	(535 547)

6. Property, plant and equipment

The cost and accumulated depreciation of certain items of property, plant and equipment were incorrectly captured prior to the 2011/2012 reporting period. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of these adjustments on the prior year are as follows:

Adjustment against opening accumulated surplus 1 July 2011	-	(1 266 629)
Adjustments affecting the statement of financial position		
Increase in PPE - cost	-	1 423 268
Increase in PPE - accumulated depreciation	-	(156 639)
	-	**1 266 629**

7. Workman's Compensation Act provision

The Workmans Compensation Act provision was incorrectly calculated in 2012. This has been corrected and the 2011/2012 amounts restated accordingly.

The effect of the adjustment on the prior year is as follows:

Adjustments affecting the statement of financial position		
Decrease in provisions	-	35 876
Adjustments affecting the statement of financial performance		
Decrease in employee related expenses	-	(35 876)

8. Income received in advance - Soutkloof lease

In terms of the lease agreement, the rental receivable is received in advance during November of each year. This rent received is in respect of the period from 1 November each year until 31 October of the following year. The resulting Income received in advance was not recognised in the past. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening accumulated surplus 1 July 2011	-	26 528
Adjustments affecting the statement of financial position		
Decrease in sundry receivables	-	(82 234)
Decrease in sundry payables	-	55 707
	-	**(26 527)**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

50. Prior period errors (continued)

9. External investments

External investments were incorrectly accounted for in the prior year. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening accumulated surplus 1 July 2011	-	(178 240)
Adjustments affecting the statement of financial position		
Increase in cash and cash equivalents	-	178 240

10. Useful lives - Property, plant and equipment

Useful life of certain items of property, plant and equipment were incorrectly estimated in the past. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening accumulated surplus 1 July 2011	-	(2 841 452)
Adjustments affecting the statement of financial position		
Decrease in accumulated depreciation - property, plant and equipment	-	2 742 198
Adjustments affecting the statement of financial performance		
Increase in depreciation expense	-	99 255

50. Prior period errors (continued)

Statement of Financial Performance for the year ended 30 June 2012	Balance as previously reported	Prior period error	Reclassified (note 51)	Restated balance
Revenue				
Property rates	(1 838 752)	36 353	-	(1 802 399)
Service charges	(11 150 536)	8 232	-	(11 142 304)
Rental of facilities and equipment	(2 004 741)	(3 372)	-	(2 008 113)
Income from agency services	(88 488)	-	-	(88 488)
Fines	(2 157 569)	(2 550)	-	(2 160 119)
Licences and permits	(277 663)	-	-	(277 663)
Government grants and subsidies	(20 776 487)	-	-	(20 776 487)
Other income	(412 595)	(660)	-	(413 255)
Interest received	(768 218)	3 238	-	(764 980)
Total revenue	**(39 475 049)**	**41 241**	**-**	**(39 433 808)**
Expenditure				
Employee related costs	8 549 899	(35 874)	(64 286)	8 449 739
Remuneration of councillors	1 972 619	-	64 286	2 036 905
Transfer payments	6 510	-	-	6 510
Depreciation and amortisation	8 458 654	(443 147)	-	8 015 507
Finance costs	170 735	-	-	170 735
Debt impairment	2 815 431	-	-	2 815 431
Collection costs	1 258	-	-	1 258
Repairs and maintenance	1 443 480	36 420	-	1 479 900
Bulk purchases	4 781 653	-	-	4 781 653
Contracted services	73 081	-	-	73 081
Grants and subsidies paid	1 481 759	-	-	1 481 759
General expenses	8 624 396	135 211	-	8 759 607
Total expenditure	**38 379 475**	**(307 390)**	**-**	**38 072 085**
Operating surplus / (deficit)	(1 095 574)	(266 149)	-	(1 361 723)
Loss on disposal of assets and liabilities	114 004	-	-	114 004
Surplus / (deficit) for the year	**(981 570)**	**(266 149)**	**-**	**(1 247 719)**

50. Prior period errors (continued)

Statement of Financial Position as at 30 June 2012

	Balance as previously reported	Prior period error	Restated balance
Assets			
Current Assets			
Inventories	1 112 371	-	1 112 371
Receivables from non-exchange transactions	2 376 325	(86 943)	2 289 382
VAT receivable	335 713	-	335 713
Trade receivables from exchange transactions	1 109 789	(18 098)	1 091 691
Current portion of long-term receivables from exchange	17 088	-	17 088
Cash and cash equivalents	9 824 252	178 240	10 002 492
Total current assets	**14 775 538**	**73 199**	**14 848 737**
Non-current Assets			
Heritage assets	43 354	-	43 354
Investment property	4 934 280	-	4 934 280
Property, plant and equipment	138 052 286	4 620 871	142 673 157
Intangible assets	759 506	(3 428)	756 078
Operating lease assets	5 137	-	5 137
Long term receivables from exchange transactions	379	-	379
Total non-current assets	**143 794 942**	**4 617 443**	**148 412 385**
Liabilities			
Current Liabilities			
Payables from exchange transactions	(3 035 590)	(187 087)	(3 222 677)
Consumer deposits	(318 772)	-	(318 772)
Retirement benefit obligation	(75 000)	-	(75 000)
Unspent conditional grants and receipts	(2 493 129)	-	(2 493 129)
Provisions	(222 922)	35 875	(187 047)
Total current liabilities	**(6 145 413)**	**(151 212)**	**(6 296 625)**
Non-current Liabilities			
Retirement benefit obligation	(4 327 000)	-	(4 327 000)
Provisions	(2 972 602)	-	(2 972 602)
Total non-current liabilities	**(7 299 602)**	**-**	**(7 299 602)**
Net Assets			
Accumulated surplus - Opening balance	(144 143 895)	(4 273 281)	(148 417 176)
Surplus / (deficit)	(981 570)	(266 149)	(1 247 719)
Total net assets	**(145 125 465)**	**(4 539 430)**	**(149 664 895)**

Figures in Rand	2013	2012

51. Comparative amounts

Certain comparative amounts have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Performance		
Decrease in employee related costs	-	(64 286)
Increase in remuneration of councillors	-	64 286

52. Contingent asset

An employee who was found guilty of fraud, was dismissed. The case was finalised during the current year and no amounts were recovered from the former employee.

53. Contingent liability

During the previous financial year the municipality was involved in a court case with a citizen of the town regarding a claim in respect of prohibited access to a business premises. During the previous year a settlement agreement was signed.

The municipality is involved in a civil matter where a citizen did not pay amounts due. The municipality is in the process of issuing a warrant of execution and thereafter sale in execution. Estimated legal costs are R3 000.

Refer to note 13 regarding the contingent liability relating to VAT.

54. Budget differences

Material differences between budget and actual amounts

Differences of more than 5% when compared to the final budget amount is considered to be material differences. Reasons for these differences are summarised below.

<u>Statement of financial performance</u>

54.1 Rental of facilities and equipment: A higher occupancy rate lead to income exceeding budgeted income.

54.2 Income from agency services: Received more income than expected.

54.3 Other income: Included in other income for budget purposes is internal recoveries.

54.4 Interest received: Receivables are higher than budgeted, leading to increased interest charged on receivables.

54.5 Government grants and subsidies: Allocations were less than budgeted, and an unspent grants are not recognised as revenue yet. Housing not received due to EIA-building of houses not started. Money will be received when claimed.

54.6 Fines: Better recovery of fines

54.7 Employee related costs: Vacancies existed during the year resulting in less than budgeted expenditure.

54.8 Depreciation and amortisation: Additions were less than budgeted leading to less depreciation and some assets are fully depreciated.

54.9 Finance costs: Interest charge on rehabilitation provision and interes on supplier invoices.

54.10 Debt impairment: More than budgeted due to increase in long outstanding receivables.

54.11 Repairs and maintenance was allocated to general expenses for budget purposes.

54.12 Contracted services: Consulting and professional fees are included for budget purposes, but allocated to general expenses on the actual amounts.

54.13 Grants and subsidies paid: Actual payments related to indigent households were below budget.

54. Budget differences (continued)

54.14 General expenses: Allocation differences as noted above.

54.15 Loss on disposal of assets: Broken water meters were replaced during the year.

54.16 Inventories were not included in the budget.

54.17 Receivables from non-exchange were based on gross amount without taking into account the allowance for impairment as well as income foregone on the related assessment rate revenue.

54.18 VAT receivable due to material capital spending in the last quarter.

54.19 Consumer debtors were longer outstanding than budgeted.

54.20 Long term receivables from exchange transactions were gross amount without taking into account the allowance for impairment.

54.21 Cash and cash equivalents exceed budget due to better cash management and less than budgeted expenditure.

54.22 Investment property, property, plant and equipment, intangible assets and heritage assets were estimated before restatements done in the 2012 annual financial statements. In addition GRAP now requires the disclosure of these asset classes as separate line items in the statement of financial position.

54.23 Operating lease asset due to straight-lining of operating lease income.

54.24 Increased capital expenditure in the last quarter of 2013 lead to an increase in payables at 30 June 2013.

54.25 Consumer deposits were not included in the budget amounts.

54.26 Increased capital expenditure in the last quarter of 2013 lead to a decrease in unspent grants at 30 June 2013.

54.27 Rehabilitation of the landfill site provision was not included in the budget amounts.

54.28 Retirement benefit obligation is a result of an actuarial valuation done annually.

54.29 Housing development fund is included in accumulated surplus.

54.30 Differences in accumulated surplus as a reult of above differences.

54.30 Differences in accumulated surplus as a reult of above differences.

Changes from the approved budget to the final budget

Revenue from service charges, rental of facilities and equipment and licence and permits were adjusted due to changes in the approved rates related to these revenue items.

Income from agency services were decrease due to an expected decline in the income from agency services.

Other income was increase to include internal recoveries between departments within the municipality.

Interest received was increased due to an increase in the expected investment interest received.

Property rates were decreased due to an expected decrease in property values resulting from the interim valuation during the financial year.

Government grants and subsidies were increased due to additional allocations received by the municipality.

Fines were decreased due to an expected decrease in the fines received due to a low income rate for the first six months of the financial year.

Employee related costs were decreased due to vacancies leading to an underspending.

54. Budget differences (continued)

Remuneration of councillors were decreased as the initial budget amount was too much.

Depreciation and amortisation were decreased due to a decrease in capital additions from budgeted additions.

Debt impairment was increased to an expected debt impairment expense.

Repairs and maintenance were moved to be included in general expenses for budget purposes.

Contracted services were amended to include consultant expenditures for budget purposes.

Grants and subsidies paid were adjusted due to an expected increase in payment of grants and subsidies.

General expenses were adjusted to include repairs and maintenance as well as internal charges for budget purposes.

Adjustments made to the budgeted cash flows were as a result of the adjustments made to the budgeted statement of financial performance.