MAKHADO LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2013

Auditor General (S.A)
Registered Auditors

General Information

Executive committee

Mayor and chairperson of executive committee	F D Mutavhatsindi
Municipal manager	IP Mutshinyali
Speaker	L.B Mogale
Chief whip	Ludere R

General Information

Councillors	M T Matumba A Kennealy J P Underwood T M Mutele P F Mashimbye M Q Ratshivhombela S M Sinyosi M G Mahani D Ratshikuni S R Baloyi N R Thandavhathu M M Hlabioa M S Machete N G Ndzovela F F Madavhu V S Luduvhungu T P Mamorobela A T Neluvhola Z A Jooma resigned effective 20 May 2013 S Masuka M G Nemafhohoni T P Netshivhulana T A Mmbadi M R Madzivhandila A M Matodzi I Sakhwari N S Munyai M R Selepe M R Magada M D Mulovhedzi T M Malange F D Mutavhatsindi M E Malima N E Ngobeni M T Ndwammbi F J Rikhotso M P Mazibuko F B Hlongwani H F Mathavha O S Maphala M P Mathoma R T Makhubela F N Madzhiga N J Matumba M S Tshilambyana J Baloyi V S Makhuvha R G Machovani N F Chililo A J Mukhaha N D Davhana A Du Plooy T C Mamafha M D Mboyi R Malange T G Tshavhuyo N P Balibali S M Rekhotso N Kutama M W Netsianda M S Mamatsiari V C Ramabulana M J Gabara T P Nesengani

General Information

	M J Shandukani N T L Mashamba A Z Maphahla T R V Mashau M F Mukhari L B Mogale S V Mahladisa H M Majosi T J Mamafha S A Molema M P Rasimphi M S Bungeni K A Hlungwani S T Mukhari S Z Mthombeni M C Masakona E H Ludere M M Lerule L M Mathalise S D Ramudzuli R Ludere M T Mutele R J Nkanyane
The following traditional leaders were appointed by MEC of Local Government and Housing to participate in council meetings	
	Hosi M S Bungeni Hosi S A Mulima Hosi H N Majosi Hosi S T Mukhari Hosi J Baloyi Khosi M A Madzivhandila Hosi T J Mukhari Khosi M W Netsianda Khosi N T L Mashamba Khosi V C Ramabulana
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	M.P Makhubela
Accounting Officer	I.P Mutshinyali
Registered office	Corner Krogh and Erasmus Street Makhado 0920
Business address	Corner Krogh and Erasmus Street Makhado 0920
Postal address	Private Bag X2596 Makhado 0920
Auditors	Auditor General (S.A) Registered Auditors

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The reports and statements set out below comprise the annual financial statements presented to the Council of Makhado Local Municipality:

Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 60, 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:

I.P Mutshinyali
Municipal Manager

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note	2013	2012
Assets			
Current Assets			
Inventories	3	315,418,492	314,744,707
Sundry debtors	4	11,394,618	9,103,787
Receivables from non-exchange transactions	5	8,957,169	966,400
Prepayments	6	-	66,171
Consumer receivables from exchange transactions	7	62,656,504	53,919,649
Cash and cash equivalents	8	10,213,786	15,198
		408,640,569	**378,815,912**
Non-Current Assets			
Investment property	9	52,491,463	52,491,463
Property, plant and equipment	10	1,771,512,873	1,797,234,158
Intangible assets	11	388,008	202,003
Heritage assets	12	520,979	520,979
		1,824,913,323	**1,850,448,603**
Total Assets		**2,233,553,892**	**2,229,264,515**
Liabilities			
Current Liabilities			
Borrowings	13	3,119,310	1,807,413
Finance lease liability	14	3,373,337	2,873,932
Operating lease liability	15	21,400	22,967
Payables from exchange transactions	16	120,301,638	74,668,885
VAT payable	17	7,924,303	15,068,211
Current portion of unspent conditional grants and receipts	18	42,149,361	36,130,084
Consumer deposits	19	9,592,126	8,511,940
Deferred income	20	48,296	1,037
Bank overdraft	8	-	5,302,747
		186,529,771	**144,387,216**
Non-Current Liabilities			
Borrowings	13	6,027,907	10,245,861
Finance lease liability	14	17,656,286	21,029,841
Retirement benefit obligation	21	13,980,348	12,231,850
Provisions	22	5,964,393	5,497,139
		43,628,934	**49,004,691**
Total Liabilities		**230,158,705**	**193,391,907**
Net Assets		**2,003,395,187**	**2,035,872,608**
Reserves			
Revaluation reserve	23	1,101,246,127	1,101,246,128
Accumulated surplus		902,149,060	934,626,480
Total Net Assets		**2,003,395,187**	**2,035,872,608**

Statement of Financial Performance

Figures in Rand	Note	2013	2012
Revenue			
Revenue from exchange transactions			
Service charges	24	216,006,170	222,630,583
Rental of facilities and equipment		170,380	359,814
Interest received - outstanding debtors		16,356,985	16,694,669
Licences and permits		12,207,035	11,667,462
Other income	25	8,545,595	12,742,977
Interest received - investment		1,339,096	1,035,379
Total revenue from exchange transactions		**254,625,261**	**265,130,884**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	28,090,803	26,433,850
Transfer revenue			
Government grants & subsidies	27	311,526,834	254,821,425
Fines		3,848,594	2,670,045
Total revenue from non-exchange transactions		**343,466,231**	**283,925,320**
Total revenue	28	**598,091,492**	**549,056,204**
Expenditure			
Personnel	29	(196,668,008)	(171,974,241)
Remuneration of councillors	30	(18,470,236)	(16,799,647)
Depreciation and amortisation	31	(112,193,170)	(123,163,294)
Impairment of non cash generating assets		(292,541)	(54,814,951)
Finance costs	32	(5,240,364)	(4,811,777)
Debt impairment	33	(34,942,474)	(40,022,325)
Repairs and maintenance	34	(14,391,289)	(19,993,650)
Bulk purchases	35	(156,721,190)	(141,762,394)
General Expenses	36	(91,624,047)	(110,058,368)
Total expenditure		**(630,543,319)**	**(683,400,647)**
Deficit for the year		**(32,451,827)**	**(134,344,443)**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2011	**655,325,337**	**785,757,480**	**1,441,082,817**
Changes in net assets			
Correction of error	-	283,213,443	283,213,443
Net income (losses) recognised directly in net assets	-	283,213,443	283,213,443
Surplus for the year	-	(134,344,443)	(134,344,443)
Total recognised income and expenses for the year	-	148,869,000	148,869,000
Changes in revaluation surplus	445,920,791	-	445,920,791
Total changes	445,920,791	148,869,000	594,789,791
Balance at 01 July 2012	**1,101,246,128**	**934,600,887**	**2,035,847,015**
Changes in net assets			
Surplus for the year	-	(32,451,827)	(32,451,827)
Total changes	-	(32,451,827)	(32,451,827)
Balance at 30 June 2013	**1,101,246,127**	**902,149,060**	**2,003,395,187**
Note	23		

Cash Flow Statement

Figures in Rand	Note	2013	2012
Cash flows from operating activities			
Receipts			
Property rates		28,090,803	26,433,850
Service charges		216,006,170	222,630,583
Grants		305,507,557	243,070,979
Interest income		1,339,096	1,035,379
Other income		23,230,367	53,667,045
		574,173,993	546,837,836
Payments			
Employee costs		(196,668,008)	(171,974,241)
Remuneration of council		(18,470,236)	(16,799,647)
Finance costs		(1,724,732)	(1,533,473)
Payment to suppliers		(264,394,205)	(152,624,597)
Other cash item		17,679,263	(177,934,312)
		(463,577,918)	(520,866,270)
Net cash flows from operating activities	40	**110,596,075**	**25,971,566**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(86,676,346)	(77,498,864)
Proceeds from sale of property, plant and equipment	10	-	72,722,512
Purchase of other intangible assets	11	(250,000)	-
Net cash flows from investing activities		**(86,926,346)**	**(4,776,352)**
Cash flows from financing activities			
Repayment of borrowings		(2,906,057)	(2,624,900)
Movement in deferred income		47,259	1,037
Movement in loans to directors, managers and employees		-	31,462
Finance lease payments		(6,389,782)	(20,959,610)
Distributions to owners		1,080,186	(474,468)
Net cash flows from financing activities		**(8,168,394)**	**(24,026,479)**
Net increase/(decrease) in cash and cash equivalents		**15,501,335**	**(2,831,265)**
Cash and cash equivalents at the beginning of the year		(5,287,549)	(2,456,284)
Cash and cash equivalents at the end of the year	8	**10,213,786**	**(5,287,549)**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	267,753,815	(88,610,815)	**179,143,000**	216,006,170	**36,863,170**	53
Rental of facilities and equipment	366,000	(261,000)	**105,000**	170,380	**65,380**	
Interest earned-outstanding receivables	16,944,233	1,297,767	**18,242,000**	16,356,985	**(1,885,015)**	
Licences and permits	10,112,589	394,423	**10,507,012**	12,207,035	**1,700,023**	53
Other income	10,181,000	(4,033,000)	**6,148,000**	-	**(6,148,000)**	53
Other income - (rollup)	-	3,631,465	**3,631,465**	8,545,595	**4,914,130**	53
Interest earned-external investment	966,663	(404,402)	**562,261**	1,339,096	**776,835**	53
Total revenue from exchange transactions	**306,324,300**	**(87,985,562)**	**218,338,738**	**254,625,261**	**36,286,523**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	36,699,000	70,000	**36,769,000**	28,090,803	**(8,678,197)**	53
Government grants & subsidies	312,134,000	-	**312,134,000**	311,526,834	**(607,166)**	
Transfer revenue						
Fines	2,085,755	673,883	**2,759,638**	3,848,594	**1,088,956**	53
Total revenue from non-exchange transactions	**350,918,755**	**743,883**	**351,662,638**	**343,466,231**	**(8,196,407)**	
Total revenue	**657,243,055**	**(87,241,679)**	**570,001,376**	**598,091,492**	**28,090,116**	
Expenditure						
Personnel	(184,577,000)	(16,937,000)	**(201,514,000)**	(196,668,008)	**4,845,992**	
Remuneration of councillors	(9,175,000)	(9,054,000)	**(18,229,000)**	(18,470,236)	**(241,236)**	
Depreciation and amortisation	(60,000,000)	(70,000,000)	**(130,000,000)**	(112,193,170)	**17,806,830**	53
Impairment loss/ Reversal of impairments	-	-	**-**	(292,541)	**(292,541)**	
Finance costs	(1,215,782)	981,782	**(234,000)**	(5,240,364)	**(5,006,364)**	53
Debt impairment	(8,762,270)	(38,237,730)	**(47,000,000)**	(34,942,474)	**12,057,526**	53
Repairs and maintenance	(25,896,637)	6,050,867	**(19,845,770)**	(14,391,289)	**5,454,481**	53
Bulk purchases	(149,787,068)	(1,095,770)	**(150,882,838)**	(156,721,190)	**(5,838,352)**	
General Expenses	(217,871,298)	24,834,851	**(193,036,447)**	(91,624,047)	**101,412,400**	53
Total expenditure	**(657,285,055)**	**(103,457,000)**	**(760,742,055)**	**(630,543,319)**	**130,198,736**	
Deficit before taxation	**(42,000)**	**(12,583,856)**	**(190,698,680)**	**(32,451,827)**	**(102,150,620)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(42,000)**	**(12,583,856)**	**(190,698,680)**	**(32,451,827)**	**(102,150,620)**	

Accounting Policies

1. Basis of preparation

These annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

1.2 Going concern assumption

These annual financial statements were prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative figures

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Certain comparative figures have been reclassified.

The nature and reasons for the reclassification and restatement are disclosed in note 43 correction of prior period error to the Financial Statements.

1.4 Significant judgements and sources of estimation uncertainty

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the municipality's accounting policies the following estimates, were made:

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Fair value determination of properties(excluding heritage assets)

In determining the fair value of investment property (and / or property, plant and equipment) the entity applies a valuation methodology to determine the fair value of the properties based on any one of, or a combination of the following factors:
- The market related selling price of the property; or
- The market related rental that can be earned for the property; or
- The market related selling price of similar properties in the area; or
- The rentals currently or previously earned by the property.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. 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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as list economic factors such as exchange rates inflation interest.

Other provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the 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 22 - Provisions.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

Post-employment benefits offered by the entity take the form of defined benefit plans. The cost of defined benefit pension plans, other post employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of landfill site

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value at 8.5%, representing the time value of money.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

Impairment of non financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

1.5 Investment property

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

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

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

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

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

Cost model

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

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
Land	indefinite
Buildings	50 years

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

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

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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.

1.6 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 entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

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

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

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

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

Item	**Average useful life**
Buildings	30 years
Vehicles	5-7 years
Furniture and fittings	7-10 years
Office equipment	
• Air Conditioners	5-7 years
• Office Machines	3-5 years
• Computer hardware	5 years

1.6 Property, plant and equipment (continued)

Infrastructure	
• Roads	10-30 years
• Pedestrian malls	20 years
• Electricity	20-30 years
• Water	15-20 years
• Sewerage	15-20 years
• Security measures	3-5 years
Community	
• Buildings and other assets	30 years
• Recreational facilities	20 years
Watercraft	15 years
Emergency equipment	5-15 years
Plant and equipment	2-15 years
Landfill sites	5 years
Other assets	
• Bins and containers	5-10 years
• Buildings	30 years

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

1.7 Intangible assets

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

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

1.7 Intangible assets (continued)

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

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

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

Item	**Useful life**
Computer software	6 years

1.8 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

The municipality recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

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

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies

1.8 Financial instruments (continued)

Receivables from exchange transactions

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

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

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

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

Impairment of financial assets

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

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Accounting Policies

1.9 Leases

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

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

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the transitional requirements of GRAP 3.

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

Initial recognition and measurement

Inventories are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.10 Inventories (continued)

Subsequent measurement

Inventories, consisting of consumable stores and raw materials, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is the [first-in, first-out (FIFO) method / weighted-average method]

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. 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 of inventories recognised as an expense in the period in which the reversal occurs.

Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

It is the municipality's policy to writte down the obsolete and slow moving inventory to the net realisable value of 66.67%.

1.11 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

1.11 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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 amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Accounting Policies

1.12 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest earned

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

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

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

Prepaid Electricity

Prepaid electricity is estimated based on the average unit sales and rate per unit as at 30 June 2012 and 30 June 2013 based on the Contour Prepaid Electricity vending system.

Service charges from sewerage and sanitation

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Service charges relating to water and electricity

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly. Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption. Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not. Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Refuse removal

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly based.

Rental income

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly based.

1.14 Revenue from non-exchange transactions

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

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

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

Measurement

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

Fines

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

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

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

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

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

Revenue from public contributions and donations

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the entity. Where public contributions have been received but the entity has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a differential rating system i.e business, farming and residential properties. In terms of this system, assessment rates are levied on the market value in respect of properties. Rebates are granted according to the use of the property concerned.

Collection charges

Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid bills is recognised on a time proportion basis.

1.15 Investment income

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

1.16 Borrowing costs

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

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

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

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

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

1.20 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.21 Conditional grants and receipts

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

1.22 Budget information

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

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

The approved budget is prepared on a 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 therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.23 Related parties

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

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

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

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

- Eskom
- Vhembe District Municipality
- SALGA
- Bargaining Council

1.24 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

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

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

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

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

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

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

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

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

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

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

2. New standards and interpretations (continued)

GRAP 103: Heritage Assets

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

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets. 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 the notes to the financial statements.

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

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

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

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset’s deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be 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 should be 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.

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 21: Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

GRAP 26: Impairment of cash-generating assets

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

GRAP 104: Financial Instruments

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

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

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

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

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

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

- a derivative;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

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

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

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

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

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

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

2.2 Standards and interpretations not yet effective

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:

Standard/ Interpretation:

- Grap 18 Segment reporting
- Grap 20 Related party disclosures
- Grap 106 Transfer of functions between entities under common control
- Grap 108 Mergers
- Grap 107 Transfer of functions between entities not under common control

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

3. Inventories

Inventories	6,391,053	4,102,087
Land inventory	309,115,200	310,673,200
Water	661,116	560,488
Water inventory written off	(661,116)	(560,488)
	315,506,253	314,775,287
Slow moving inventory written down	(87,761)	(30,580)
	315,418,492	**314,744,707**

4. Sundry debtors

Other receivables	9,827,821	9,053,787
Debt collection commision	1,516,797	-
Deposit paid on office rental	50,000	50,000
	11,394,618	**9,103,787**

5. Receivables from non-exchange transactions

Vhembe District Municipality : Water related transactions	6,760,703	-
Traffic fines	2,196,466	966,400
	8,957,169	**966,400**

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

Vhembe District Municipality : Water related transactions	13,768,775	52,775,742
Impairment	(7,008,072)	-
Amounts written off as uncollectible	-	(52,775,742)
	6,760,703	**-**

6. Prepayments

The prepayments are paid for DBSA loan, the loan is unsecured, bears interest at 9.86% and is repayable on 31 March 2018.

7. Consumer receivables from exchange transactions

Gross balances		
Rates	48,092,118	39,745,929
Electricity	76,533,494	64,362,655
Interest	54,235,528	41,469,511
Grazing	90,844	102,207
Hostel	249,755	205,002
Refuse	16,459,675	15,295,303
Sundries	12,510,775	9,351,121
RD Cheques	227,047	338,197
Value added tax	17,661,260	19,854,564
	226,060,496	**190,724,489**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

7. Consumer receivables from exchange transactions (continued)

Less: Provision for doubtful debts		
Rates	(37,885,213)	(33,365,117)
Electricity	(41,138,298)	(30,501,419)
Interest	(46,287,650)	(35,157,529)
Grazing	(90,844)	(16,642)
Hostel	(231,108)	(190,084)
Refuse	(14,615,452)	(13,494,926)
Sundries	(10,036,693)	(9,667,331)
RD Cheques	(227,047)	(338,197)
Value added tax	(12,891,687)	(14,073,595)
	(163,403,992)	**(136,804,840)**

Net balance		
Rates	10,206,905	6,380,812
Electricity	35,395,196	33,861,236
Interest	7,947,878	6,311,982
Grazing	-	85,565
Hostel	18,647	14,918
Refuse	1,844,223	1,800,377
Sundries	2,474,082	(316,210)
Vallue added tax	4,769,573	5,780,969
	62,656,504	**53,919,649**

Rates		
Current (0 -30 days)	5,794,373	3,103,186
31 - 60 days	1,103,493	1,071,688
61 - 90 days	1,079,559	984,570
91 - 120 days	1,025,581	34,586,503
121 - 365 days	39,089,112	-
	48,092,118	**39,745,947**

Electricity		
Current (0 -30 days)	26,248,799	25,589,144
31 - 60 days	2,714,506	3,889,928
61 - 90 days	1,922,088	3,772,319
91 - 120 days	2,262,458	31,111,263
121 - 365 days	43,385,644	-
	76,533,495	**64,362,654**

Interest		
Current (0 -30 days)	2,827,912	2,672,142
31 - 60 days	1,365,515	1,361,560
61 - 90 days	1,316,623	1,292,078
91 - 120 days	1,306,257	36,143,731
121 - 365 days	47,419,222	-
	54,235,529	**41,469,511**

Grazing		
Current (0 -30 days)	-	85,564
91 - 120 days	-	16,642
121 - 365 days	90,844	-
	90,844	**102,206**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

7. Consumer receivables from exchange transactions (continued)

Hostel		
Current (0 -30 days)	7,459	7,459
31 - 60 days	3,729	3,729
61 - 90 days	3,729	3,729
91 - 120 days	3,729	190,084
121 - 365 days	231,108	-
	249,754	**205,001**

Refuse		
Current (0 -30 days)	749,573	790,404
31 - 60 days	272,071	263,213
61 - 90 days	256,033	245,153
91 - 120 days	252,723	13,996,533
121 - 365 days	14,929,274	-
	16,459,674	**15,295,303**

Sundries		
Current (0 -30 days)	1,592,506	390,690
31 - 60 days	206,363	(1,000,804)
61 - 90 days	303,714	45,769
91 - 120 days	215,299	9,915,466
121 - 365 days	10,192,892	-
	12,510,774	**9,351,121**

RD cheques		
91 - 120 days	-	338,197
121 - 365 days	227,047	-
	227,047	**338,197**

Value added tax		
Current (0 -30 days)	3,012,654	3,612,171
31 - 60 days	465,249	844,930
61 - 90 days	347,710	806,534
91 - 120 days	533,985	14,590,929
121 - 365 days	13,301,662	-
	17,661,260	**19,854,564**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

7. Consumer receivables from exchange transactions (continued)

Summary of debtors by customer classification

Residential		
Current (0 -30 days)	27,335,802	24,709,483
31 - 60 days	4,895,612	5,458,259
61 - 90 days	4,249,903	5,611,685
91 - 120 days	4,719,680	131,479,501
121 - 365 days	156,708,412	-
	197,909,409	167,258,928
Less: Allowance for impairment	(156,708,412)	(131,479,501)
	41,200,997	**35,779,427**

Business		
Current (0 -30 days)	3,507,199	2,936,795
31 - 60 days	491,482	356,701
61 - 90 days	474,698	407,894
91 - 120 days	438,951	4,923,801
121 - 365 days	6,279,098	-
	11,191,428	8,625,191
Less: Allowance for impairment	(6,279,098)	(4,923,801)
	4,912,330	**3,701,390**

Government		
Current (0 -30 days)	2,702,926	1,147,656
31 - 60 days	763,612	607,531
61 - 90 days	498,594	1,118,020
91 - 120 days	435,272	4,084,510
121 - 365 days	5,462,814	-
	9,863,218	**6,957,717**

Total		
Current (0 -30 days)	40,233,275	36,250,751
31 - 60 days	6,130,926	6,434,239
61 - 90 days	5,229,456	7,150,149
91 - 120 days	5,600,033	140,889,350
121 - 365 days	168,866,806	-
	226,060,496	190,724,489
Less: Allowance for impairment	(163,403,992)	(136,804,840)
	62,656,504	**53,919,649**

Less: Allowance for impairment		
121 - 365 days	(163,403,992)	(136,804,840)

Reconciliation of provision for doubtful debts

Opening balance	136,804,840	128,898,256
Debts written off against provision	(1,369,328)	(32,030,822)
Contribution to the provision	27,968,480	63,873,202
Reversal of provision for water and sewer	-	(23,935,796)
	163,403,992	**136,804,840**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2,381,532	-
Short-term deposits	7,813,554	1,998
Other cash and cash equivalents	18,700	13,200
Bank overdraft	-	(5,302,747)
	10,213,786	**(5,287,549)**

Current assets	10,213,786	15,198
Current liabilities	-	(5,302,747)
	10,213,786	**(5,287,549)**

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
FNB BANK - Current Account - 623-0832-9988	2,272,136	766,434	-	2,381,532	(6,224,568)	-
FNB BANK - Investment Account - 623-0833-0779	7,310,810	1,000	-	7,813,554	1,998	-
FNB BANK - Account Type - Investment Account - 624-0465-0435	502,744	-	-	-	-	-
Total	**10,085,690**	**767,434**	**-**	**10,195,086**	**(6,222,570)**	**-**

9. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	52,491,463	-	52,491,463	52,491,463	-	52,491,463

Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	52,491,463	52,491,463

Reconciliation of investment property - 2012

	Opening balance	Fair value adjustments	Total
Investment property	604,753	51,886,710	52,491,463

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

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	327,580,901	(14,230,854)	313,350,047	326,257,571	(10,909,547)	315,348,024
Infrastructure assets	1,862,286,121	(493,696,996)	1,368,589,125	1,801,361,620	(396,562,866)	1,404,798,754
Community assets	46,818,151	(16,377,301)	30,440,850	40,221,491	(15,122,495)	25,098,996
Other assets	75,637,681	(29,773,005)	45,864,676	57,781,742	(23,016,397)	34,765,345
Finance lease assets	25,428,907	(12,160,732)	13,268,175	25,428,907	(8,205,868)	17,223,039
Total	**2,337,751,761**	**(566,238,888)**	**1,771,512,873**	**2,251,051,331**	**(453,817,173)**	**1,797,234,158**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Additions under construction	Depreciation	Impairment loss	Total
Land and buildings	315,348,024	49,108	1,250,141	(3,297,226)	-	313,350,047
Infrastructure assets	1,404,798,754	-	60,924,500	(97,095,620)	(38,509)	1,368,589,125
Community assets	25,098,996	6,596,661	-	(1,000,775)	(254,032)	30,440,850
Other assets	34,765,345	17,855,936	-	(6,756,605)	-	45,864,676
Finance lease assets	17,223,039	-	-	(3,954,864)	-	13,268,175
	1,797,234,158	**24,501,705**	**62,174,641**	**(112,105,090)**	**(292,541)**	**1,771,512,873**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Additions under construction	Disposals	Correction of errors	Depreciation	Impairment loss	Total
Land and buildings	175,925,866	567,500	184,620	-	142,258,328	(2,074,820)	(1,513,470)	315,348,024
Infrastructure assets	1,288,722,872	23,905,509	38,085,050	(21,826,082)	231,570,948	(107,859,102)	(47,800,441)	1,404,798,754
Community assets	65,167,637	2,344,637	3,129,264	-	(39,224,335)	(1,184,103)	(5,134,104)	25,098,996
Other assets	23,424,586	2,207,660	-	(2,963,084)	17,919,877	(5,456,758)	(366,936)	34,765,345
Finance lease assets	64,159,343	7,074,624	-	(47,933,346)	-	(6,077,582)	-	17,223,039
	1,617,400,304	**36,099,930**	**41,398,934**	**(72,722,512)**	**352,524,818**	**(122,652,365)**	**(54,814,951)**	**1,797,234,158**

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.

11. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	1,384,395	(996,387)	388,008	1,134,395	(932,392)	202,003

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Intangible assets	202,003	250,000	(63,995)	388,008

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

11. Intangible assets (continued)

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Intangible assets	277,208	(75,205)	202,003

12. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	520,979	-	520,979	520,979	-	520,979

Reconciliation of heritage assets 2013

	Opening balance	Total
Mayoral chain	520,979	520,979

Reconciliation of heritage assets 2012

	Opening balance	Total
Mayoral chain	520,979	520,979

13. Borrowings

	2013	2012
Annuity loans		
Infrustructure finance corporation limited (INCA)	3,119,310	3,828,081
The loan is unsecured, bears interest at 11.47% ands repayable on 30 June 2014.		
Development bank of South Africa(DBSA) 1	4,591,853	6,192,434
The loan is unsecured, bears interest at 9.86% ands repayable on 31 March 2018.		
Development bank of South Africa (DBSA) 2	1,436,054	2,032,759
The loan is unsecured, bears interest at 5% ands repayable on 31 March 2018.		
	9,147,217	**12,053,274**

	2013	2012
Non-current liabilities		
At amortised cost	6,027,907	10,245,861
Current liabilities		
At amortised cost	3,119,310	1,807,413

Figures in Rand	2013	2012

14. Finance lease liability

	2013	2012
Minimum lease payments due		
- within one year	5,228,267	5,026,778
- in second to fifth year inclusive	20,268,095	20,779,179
- later than five years	2,906,008	7,623,554
	28,402,370	33,429,511
less: future finance charges	(7,372,747)	(9,525,738)
Present value of minimum lease payments	**21,029,623**	**23,903,773**
Present value of minimum lease payments due		
- within one year	3,373,337	2,873,932
- in second to fifth year inclusive	14,840,718	13,989,410
- later than five years	2,815,568	7,040,431
	21,029,623	**23,903,773**
Non-current liabilities	17,656,286	21,029,841
Current liabilities	3,373,337	2,873,932
	21,029,623	**23,903,773**

The average lease term is 5 years and the average effective borrowing rate was 10% (2012: 10%).

Interest rates are fixed at the contract date. All leases escalate between 6% and 10% p.a and no arrangements have been entered into for contingent rent.

15. Operating lease liability

	2013	2012
Minimum lease payments due		
Within one year	341,400	310,000
In second to fifth year inclusive	242,800	584,200
	584,200	**894,200**

16. Payables from exchange transactions

	2013	2012
Accruals	107,340,382	62,106,066
Retentions	7,914,062	7,099,207
Debtors with credit balances	2,744,022	2,175,751
Other Creditors	2,303,172	3,287,861
	120,301,638	**74,668,885**

There is no material difference between the fair value of payables from exchange transactions and their book value.

17. VAT payable

	2013	2012
VAT payables	7,924,303	15,068,211

VAT is payable on the receipts basis. Vat is paid over to the receiver of revenue only once the payment is received from debtors.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

18. Current portion of unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	32,032,658	27,414,583
INEP	384,504	2,610,551
DWAF grant	2,567,495	2,567,495
VDM electrification grant	1,297,297	1,297,297
Finance management grant	50,483	993,454
Municipal system improvement grant	-	533,976
PHP grant	413,643	414,495
Department of sports, arts and culture grant	207,369	207,369
VDM refuse removal truck grant	56,418	56,418
Drought relief grant	33,801	33,801
VDM graveyards grant	645	645
Electricity efficiency demand side management	2,929,133	-
Expanded public works programmes	715,915	-
Disaster management grant	1,460,000	-
	42,149,361	**36,130,084**

Movement during the year

Balance at the beginning of the year	36,130,084	24,379,639
Additions during the year	85,086,000	11,750,445
Income recognition during the year	(79,066,723)	-
	42,149,361	**36,130,084**

19. Consumer deposits

Electricity

Opening balance	8,511,940	8,986,408
Movement	1,080,186	(474,468)
	9,592,126	**8,511,940**

Guarantees held in lieu of consumer deposits.

20. Deferred income

The deferred income was estimated based on the average unit sales and rate per unit as at 30 June 2012 and 2013 based on the Contour Prepaid Electricity vending system.

Deferred income	48,296	1,037

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

21. Employee benefit obligations

Reconciliation and projection of the unfunded accrued liability

Opening balance	(12,231,859)	(11,704,626)
Current services cost	(1,648,596)	(1,531,234)
Interest cost	(885,059)	(828,184)
Acturial gain/loss	(609,296)	-
Expected employer benefit	1,394,453	1,832,185
	(13,980,357)	**(12,231,859)**

Unfunded accrued liability		
Projected accrued liability	13,371,052	12,231,850

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

Carrying value		
Opening balance	(12,231,850)	(11,704,617)
Current service cost	(1,648,596)	(1,531,234)
Interest cost	(885,059)	(828,184)
Expected employer benefit vestings	1,394,453	1,832,185
Acturial (Gain)/Loss recognised in profit and loss	(609,296)	-
	(13,980,348)	**(12,231,850)**

The fair value of plan assets includes:

Calculation of actuarial gains and losses

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.09 %	7.66 %
General salary inflation	6.73 %	6.24 %
Net effective discount rate	0.33 %	1.34 %

The low net discount rate indicates that expected salary iflation over the term of the liabilities is almost equal to the return earned on government bonds.The salaries used in the valuation include an assumed increase on 1 July 2013 of 6.84% as per the SALGBC Circular No 4/2013. The next salary increase was assumed to take place in July 2014.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

22. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Movement	Total
Rehabilitation of landfill site	5,497,139	467,254	5,964,393

Reconciliation of provisions - 2012

	Opening Balance	Movement	Total
Rehabilitation of landfill site	4,930,865	566,274	5,497,139

Provision for rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate land fill sites used for waste disposal. It is calculated as the present value of future obligation, discounted at prime interest rate of 8.5% over an estimated useful life of 1 year. Rehabilitation cost is assumed to increase at inflation rate of 7.10%. The payment of expenditures relating to rehabilitation is expected to occur after the 30th June 2013.

23. Revaluation reserve

	2013	2012
Opening balance	1,101,246,128	655,325,337
Change during the year	-	446,053,988
Movement for the year	-	(133,197)
	1,101,246,127	**1,101,246,128**

24. Service charges

	2013	2012
Sale of electricity	209,662,921	215,062,842
Refuse removal	6,343,249	7,567,741
	216,006,170	**222,630,583**

25. Other income

	2013	2012
Burial fees	92,167	70,581
Advertising	27,033	9,089
Employee benefit vesting	1,394,453	1,832,185
Traiding licence	108,273	114,250
Land sales	2,156,140	4,165,630
Sundries	4,767,529	6,551,242
	8,545,595	**12,742,977**

26. Property rates

Rates received

	2013	2012
Residential	24,969,389	23,672,812
Commercial	9,773,979	8,957,004
State	2,224,404	2,206,612
Less: Revenue forgone (Residential)	(8,876,969)	(8,402,578)
	28,090,803	**26,433,850**

Figures in Rand	2013	2012

26. Property rates (continued)

Valuations

Residential	4,420,116,719	4,461,163,901
Commercial	1,136,627,468	1,228,860,108
State	2,154,263,800	1,929,719,700
Municipal	207,660,000	329,748,200
	7,918,667,987	**7,949,491,909**

The last valuation came into effect on 01 July 2008. A general rate of 0.005 (2012: 0.005) is applied to property valuation (Market Value) to determine assessment rates. Rebates are granted to residential and state property owners. Rates are levied on a monthly basis to property owners.

27. Government grants and subsidies

Operating grants		
Equitable share	235,434,000	212,830,000
VDM electrification grant	-	1,090,401
Electricity efficiency demand side management	2,070,867	-
Expanded public works programmes	1,210,085	-
Intergrated national electrification programme	6,615,572	3,499,924
Finance management grant	1,620,424	1,079,725
Municipal systems management grant	800,000	800,003
PHP grant	852	6,721
Grants received from district municipalities	-	1,339,313
Local Government Sector for Education and Training Authority	993,109	553,557
	248,744,909	221,199,644
Capital grants		
Municipal Infrastructure Grant (MIG)	62,781,925	33,621,781
	62,781,925	33,621,781
	311,526,834	**254,821,425**

Equitable Share

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

All registered indigents receive a monthly subsidy of R8,876,969 (2012: R 8,402,578), which is funded from the grant.

28. Revenue

Fines	3,848,594	2,670,045
Government grants & subsidies	311,526,834	254,821,425
Interest earned - outstanding receivables	16,356,985	16,694,669
Interest received - investment	1,339,096	1,035,379
Licences and permits	12,207,035	11,667,462
Other income	8,545,595	12,742,977
Property rates	28,090,803	26,433,850
Rental of facilities and equipment	170,380	359,814
Service charges	216,006,170	222,630,583
	598,091,492	**549,056,204**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

28. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	216,006,170	222,630,583
Rental of facilities and equipment	170,380	359,814
Interest earned- outstanding receivables	16,356,985	16,694,669
Licences and permits	12,207,035	11,667,462
Other income	8,545,595	12,742,977
Interest received - investment	1,339,096	1,035,379
	254,625,261	**265,130,884**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	28,090,803	26,433,850
Transfer revenue		
Government grants & subsidies	311,526,834	254,821,425
Fines	3,848,594	2,670,045
	343,466,231	**283,925,320**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

29. Employee related costs

Basic	119,783,468	103,372,690
Bonus	9,549,557	9,680,707
Medical aid - company contributions	9,661,404	9,152,224
UIF	1,056,894	1,024,278
Other payroll levies	54,567	41,347
Leave pay provision charge	7,214,828	(1,896,392)
Post-employment benefits - Pension - Defined contribution plan	25,606,923	24,871,947
Travel, motor car, accommodation, subsistence and other allowances	8,149,910	7,036,680
Overtime payments	12,198,910	15,180,374
Long-service awards	1,648,596	1,531,234
Housing benefits and allowances	219,291	218,054
Standby allowance	1,038,891	1,369,301
Group life insurance	484,769	391,797
	196,668,008	**171,974,241**

Remuneration of municipal manager

Annual Remuneration	590,000	487,333
Group life	11,800	-
Contributions to UIF, Medical and Pension Funds	170,225	62,040
Travel, motor car, accommodation, subsistence and other allowance	211,308	324,951
	983,333	**874,324**

Remuneration of chief finance officer

Annual Remuneration	380,026	337,144
Contributions to UIF, Medical and Pension Funds	66,879	70,972
Travel, motor car, accommodation, subsistence and other allowance	186,472	162,668
Other back pay	-	100,253
	633,377	**671,037**

Remuneration of director technical services

Annual Remuneration	448,124	473,996
Contributions to UIF, Medical and Pension Funds	92,970	96,258
Travel, motor car, accommodation, subsistence and other allowance	205,779	262,254
Other backpay	27,255	-
	774,128	**832,508**

Remuneration of director corporate services

Annual Remuneration	481,830	465,761
Contributions to UIF, Medical and Pension Funds	91,652	86,925
Travel, motor car, accommodation, subsistence and other allowance	229,567	237,052
Other backpay	26,781	-
	829,830	**789,738**

Remuneration of director planning and development

Annual Remuneration	481,830	465,761
Contributions to UIF, Medical and Pension Funds	61,942	59,718
Travel, motor car, accommodation, subsistence and other allowance	259,278	265,699
Other backpay	26,781	-
	829,831	**791,178**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

29. Employee related costs (continued)

Remuneration of director community services

Annual Remuneration	356,889	465,761
Performance Bonuses	-	84,120
Contributions to UIF, Medical and Pension Funds	45,806	59,718
Travel, motor car, accommodation, sunsistence and other allowance	192,120	306,758
Leave payout	27,778	-
Other backpay	25,229	-
	647,822	**916,357**

30. Remuneration of councillors

Mayor	678,925	637,103
Speaker	549,200	516,556
Councillors	17,242,111	15,645,988
	18,470,236	**16,799,647**

31. Depreciation and amortisation

Property, plant and equipment	112,193,170	123,163,294

32. Finance costs

Finance leases	3,515,632	3,278,304
Other interest	1,724,732	1,533,473
	5,240,364	**4,811,777**

33. Provision for doubtful debts

Provision for doubtful debt	34,942,474	40,022,325

34. Repairs and maintenance

Repairs and maintenance during the year	14,865,252	19,993,650

35. Bulk purchases

Electricity	156,721,190	141,762,394

Included in the electricity bulk purchases is the 17% (2012: 11%) which relate to distribution losses. Makhado Municipality gets billed by Eskom on a monthly basis for electricity used/or given to Makhado based on readings. Therefore the amount paid to/billed by Eskom includes electricity losses and the losses were R 26 642 602 (2012: R 15 593 863).

Figures in Rand	2013	2012

36. General expenses

Acturial losses	609,296	828,184
Advertising	321,539	325,051
Assets expensed	-	57,511
Auditors remuneration	5,361,947	5,470,179
Bank charges	719,310	329,508
Bursaries	121,630	56,058
Consulting and professional fees	7,800,297	10,763,612
Consumables	2,226,702	1,845,761
Cost of sales : Land	1,558,000	970,000
Delivery expenses	1,186	24,527
Departmental consumption	461,259	533,932
Dumping site	-	493,086
Employees assistance programmes	652,885	790,801
Expanded Public Works Programmes	1,185,254	-
Fuel and oil	8,051,589	7,521,531
IT expenses	36,125	29,264
Indigent policy	6,690,140	6,053,702
Insurance	1,898,522	1,962,222
Inventory written off	57,181	30,580
Lease rentals on operating lease	331,501	110,467
Levies	1,606,735	1,459,521
Loss on disposal of assets	-	24,790,866
Meter reading	1,596,190	905,248
Non asset iems	1,245,834	3,267,510
Other expenses	11,488,141	9,452,620
Postage and courier	39,767	40,064
Printing and stationery	2,720,507	2,819,772
Royalties and license fees	458,438	281,422
Security costs	13,929,355	12,241,369
Special programmes	156,928	1,004,571
Subscriptions and membership fees	1,677,466	563,796
Subscriptions and publications	2,368,888	3,347,971
Telephone and fax	2,320,084	2,364,662
Training	2,748,628	1,585,256
Travel - local	2,803,509	2,820,603
Uniforms	378,902	667,871
Ward committees allowances	6,310,613	2,464,385
Water transactions write off	661,116	1,195,253
Workmens compensation	1,028,583	589,632
	91,624,047	**110,058,368**

37. Investment earned - external investments

Bank	1,339,096	1,035,379

38. Interest earned- outstanding receivables

Receivables	16,356,985	16,694,669

39. Auditors' remuneration

Fees	5,361,947	5,470,179

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

40. Cash generated from operations

Deficit	(32,451,827)	(134,344,443)
Adjustments for:		
Depreciation and amortisation	112,193,170	123,163,294
Finance costs - Finance leases	3,515,632	3,278,304
Impairment deficit	292,541	54,814,951
Debt impairment	34,942,474	40,022,325
Movements in operating lease assets and accruals	(1,567)	22,967
Movements in retirement benefit assets and liabilities	1,748,498	12,231,850
Movements in provisions	467,254	566,274
Other non-cash items	(49,679)	255,305,943
Changes in working capital:		
Inventories	(673,785)	(310,193,425)
Sundry debtors	(2,290,831)	3,044,550
Other receivables from non-exchange transactions	(7,990,769)	48,402,740
Consumer debtors	(43,679,329)	(86,884,402)
Prepayments	66,171	(66,171)
Payables from exchange transactions	45,632,753	(1,481,852)
VAT	(7,143,908)	6,338,215
Current portion of unspent conditional grants and receipts	6,019,277	11,750,446
	110,596,075	**25,971,566**

41. Commitments

Authorised capital expenditure

Already contracted for		
• Infrastructure-Roads	73,868,330	16,408,213
• Infrastructure-Electricity supply	3,405,647	28,605,399
• Community halls	17,429,584	2,307,873
	94,703,561	**47,321,485**

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses and existing cash resources.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

42. Contingencies

Litigations is in process against the municipality relating to a dispute with defendants in the following cases, should the judgement or ruling be in favour of the defendants the municipality will have to pay the estimated damages as indicated below

Tricor Signs/MLM : The claimant sold second hand broom machine to MLM	102,030	
Vhuthi Security/MLM : Unlawful cancellation of security contract without proper notice and damaged reputation	1,540,000	
NE Mudavhula/MLM : Malicious prosecution and arrest damages claim	100,000	
NE Mashige/MLM : Recession of warrant of execution	26,400	
M Makananise/MLM : Claim for damages against MLM for unlawful use of private information to motivate for the name change of Louis Trichardt Town to Makhado	100,000	
South African Advanced Skills Institute : Failure to pay for services rendered in preparing strategic document on priority skills need in Makhado area	1,320,000	
Dique Jan Arnold/MLM : Claim for damages for unlawful arrest by municipal Traffic Officers and South African Police	60,000	
Antoinette Albertus Geerdts/MLM : Claim for payment of damages for unlawful arrest	216,000	
Gobela Traiding/MLM : Claim for damages in regard to the unlawful appointment of thhe service provider to provide training to municipal officials and councillors on fraud and corruption	6,300,000	
SGL Engineers Consulting/MLM : Payment for outstanding consulting services on Tsianda Mutsha Road	66,000	
Munaka Mpho/MLM : Claim for damages for broken leg after he fell on the side walk during the reconstruction of a street	70,000	
Synergy Income Fund/MLM : Claim for damages for costs of repairing a blocked sewerage pipeline at the Shopping Center	279,515	
Damages for failure to pay for services rendered	1,320,000	1,320,000
Claim regarding loss of life involving municipal infrustructure	2,005,000	2,005,000
Defendant made to pay more licence fee for his vehicle	19,318	19,318
Wrongful and unlawful detention of defendant by municipal traffic officers	60,350	60,350
Getrudesburg Communal Property Association/MLM: The municipality is being sued for extraction of water in a private property without the approval of the owner.	16,000,000	-
Claim for breach of contract	-	6,369,750
	29,584,613	**9,774,418**

43. Prior period errors

VAT

The vat balance for the 2012 financial statements has been restated to agree to the South African Revenue Services vat statement.

Property, plant and equipment

In 2012 errors were made in the calculation of depreciation for property, plant and equipment. The comparative amount for 2013 has been restated.

Prepaid Electricity

The defered income estimate for prepaid electricity in the 2012 financial statements was not raised, the effect of this has been adjusted as a prior period error.

Receivables from non exchange transactions

Water transactions were included in the receivables in the 2012 financial year which were subsequently written off due to the water service level agreement with the district municipality.

Payables from non exchange transactions

Water transactions were included in the payables in the 2012 financial year which were subsequently written off due to the water service level agreement by the district municipality.

Finance leases

A profit on derecognition of finance lease was incorrectly raised in the 2012 financial year. Subsequently a correction was made on the finance lease accounting treatment relating to defered finance charges and the finance lease liability.

Bank and Cash

During the financial year 2012 interest earned on the primary bank account and other income and expenditure related transactions was not accounted for and the effect of the transactions is recorded as correction of error.

The comparative amounts affacted the accumulated surplus / (deficit) as at 30 June 2012, and has been restated as follows:

Statement of financial position		
Accumulated surplus / (deficit) for the year as previously reported	-	**622,745,321**
Land inventory increased by	-	(310,673,200)
Receivables reduced by	-	1,862,695
Property, plant and equipment reduced by	-	30,490,933
Intangible assets increased by	-	(249,321)
Vat payable increased by	-	4,052,403
Trade payables reduced by	-	(38,533,976)
Cash and cash equivalents increased by	-	344,140
Revaluation reserve increased by	-	850,760
Restated accumulated surplus/ (deficit) opening balance	-	**934,600,887**

44. Comparative figures

Certain comparative figures in the statement of financial performance and the statement of financial position have been reclassified to ensure proper disclosure of other items considered to be material.

The effects of the reclassification are as follows:

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

44. Comparative figures (continued)

Statement of financial position		
Other receivables in consumer receivables note have been further reclassified to ensure proper disclosure of material items as follows :	-	**7,365,619**
Grazing	-	85,565
Hostel	-	14,918
Refuse	-	1,800,377
Sundries	-	(316,210)
Value added tax	-	5,780,969
Heritage assets have been seperately disclosed from property, plant and equipment in compliance with GRAP	-	**520,979**
The following provisions have been reclassified as accruals in prior and current year:	-	**(10,980,093)**
Provision for leave	-	(10,935,766)
Provision for bonuses : Section 57 Managers	-	(44,327)
Statement of Financial Performance		
The following revenue items have been reclassified as revenue from non exhange transactions in terms of GRAP 23 disclosure requirement:	-	**(283,925,320)**
Taxation revenue: Property rates	-	(26,433,850)
Transfer revenue: Government grants and subsidies	-	(254,821,425)
Fines	-	(2,670,045)
Other expenditure in note 36 to the financial statements have further been broken down into the following disclosure items:	-	**9,043,099**
Bursaries	-	56,058
Special programmes	-	1,004,571
Departmental consumption	-	533,932
Ward committees allowances	-	2,464,385
Employees assistance programme	-	790,801
Workmens compensation	-	589,632
Consumables	-	1,845,761
Delivery expenses	-	24,527
Acturial loss	-	828,184
Meter reading	-	905,248

45. Risk management

Liquidity risk

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

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

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

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2,020,668	-	7,126,549	-
Finance lease liability	3,373,337	17,656,286	-	-
Trade and other payables	107,942,402	-	-	-

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1,807,413	2,020,667	-	8,225,193
Finance lease liability	2,269,154	-	21,306,289	10,555,757
Trade and other payables	242,013,137	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

45. Risk management (continued)

Credit risk

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

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

46. Fruitless and wasteful expenditure

	2013	2012
Opening balance	1,100,631	930,235
Fruitless and wasteful expenditure current year	1,694,512	170,396
	2,795,143	**1,100,631**

47. Irregular expenditure

	2013	2012
Opening balance	821,257	821,257
Add: Irregular Expenditure - current year	47,389,556	-
	48,210,813	**821,257**

Analysis of expenditure awaiting condonation per age classification

	2013	2012
Current year	47,389,556	-
Prior years	821,257	821,257
	48,210,813	**821,257**

Details of irregular expenditure – current year

Deviated from supply chain requirements	Review of the Local Economic Development(LED) strategy	35,580
	Cleaning materials	27,444
	Purhasing of three graders	6,375,906
	Purhase of municipal vehicles	643,000
	Construction of Dzanani community hall	4,081,083
	Sereni to Mashamba road construction	4,937,891
	Mphaila access road and bridge construction	6,029,720
	Eltivillas extension 2 street surfacing	2,896,347
	Rehabilitation of streets in Eltivillas business area	2,519,586
	Rehabilitation of Watervall streets	11,968,985
	Supply and delivery of six new Toyota sedans	1,476,000
	Supply and delivery of six new double cabs	2,322,009
	Design and refurbishment of Bungeni sports field	570,000
	Construction of piesanghoek to khunda road	3,506,005
		47,389,556

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	520,996
Current year subscription	1,633,296	1,628,296
Amount paid - current year	(1,633,296)	(1,628,296)
Amount paid - previous years	-	(520,996)
	-	-

Audit fees

Current year audit fee	5,361,947	5,470,171
Amount paid - current year	(5,361,947)	(5,470,171)
	-	-

PAYE and UIF

Current year payroll deductions	28,139,324	25,497,575
Amount paid - current year	(28,139,324)	(25,497,575)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions and council contributions	50,913,978	46,690,015
Amount paid - current year	(50,913,978)	(46,690,015)
	-	-

VAT

VAT payable	7,924,303	15,068,211

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

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

Councillors' arrear consumer accounts

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

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Underwood KG	1,290	-	1,290
Nemafhohoni N	498	668	1,166
Wilson LE	2,588	-	2,588
Malima E	69	1,416	1,485
Chililo NF	131	3,981	4,112
Mahladisa SV	667	2,973	3,640
Ahmed MO	7,040	(25)	7,015
Baloyi SR	398	12,769	13,167
Mboyi MD	29,106	-	29,106
Ngobeni NE	408	(45)	363
Mamafha TJ	631	5,491	6,122
Kennealy MD	6,124	2,611	8,735
Mathoma MP	1,404	21,732	23,136
	50,354	**51,571**	**101,925**

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Underwood JP	1,187	-	1,187
Jooma ZA	385	30,782	31,167
Nemafhohoni MG	234	995	1,229
Malange TM	1,761	-	1,761
Malima ME	279	2,981	3,260
Mathavha HF	335	4,070	4,405
Mathoma MP	246	3	249
Mamatsiara MS	123	-	123
Mukhari MF	56	1,060	1,116
Mahlalisa SV	500	12,910	13,410
Ahmed MO	3,507	-	3,507
Baloyi SR	460	16,059	16,519
Mutavhatsindi FD	131	-	131
Ngobeni NE	1,177	-	1,177
Mboyi MD	470	-	470
Selepe MR	1,916	-	1,916
Mboyi MD	427	5,568	5,995
Mashau TR	116	-	116
Kennealy A	3,139	8,295	11,434
	16,449	**82,723**	**99,172**

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

30 June 2012	Highest outstanding amount	Aging (in days)
Mathoma MP	21,732	90
Kennealy MD	2,611	90
Baloyi SR	12,769	90
Mamafha TJ	5,491	90

Figures in Rand	2013	2012

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

Mahlalisa SV	2,973	90
Chililo NF	3,981	90
Malima E	1,416	90
	50,973	**630**

49. Events after the reporting date

There were no events after reporting date (30 June 2013), known to management that can lead to signaficant changes in the statement of financial position in future.

50. Unauthorised expenditure

Opening balance	145,627,236	24,702,467
Current year	-	124,208,021
Condoned by council	-	(11,750,446)
Unspent conditional grants not surrendered in terms of DORA Act	-	8,467,194
	145,627,236	**145,627,236**

Unauthorised expenditures resulted from the following:

R 124 208 021 resulted from the depreciation that had to be processed as a result of unbudling of assets and was not sufficiently provided for in the approved budget of the municipality. R 33 169 661 (R 24 702 467 and R 8 467 194) relates to the unspent conditional grants utilised for operational purposes.The council condoned 11 750 446 in 11/12 financial year.

51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	9,147,217	12,053,274

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

52. Deviation from supply chain management regulations

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

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

The following is the quotation and tender deviation for the year as approved by the Accounting Officer. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Quotation deviations for the 2012/2013 financial year in terms of the Supply Chain Management Regulations amounted to R 3 729 889.

Below is a table with tender deviations for the 2012/2013 financial year.

Tender Deviation For 2012/13 Financial Year Service Provider	**Date**	**Description of items**	**Motivation**	**Department**	**Amount**
SKC Masakhiwe Engineers (Pty) Ltd	09/01/2013	Engineers for development of new landfill site	The service provider had already done preliminary designs of the site and effort to get engineers failed through tender	Technical	278,640
Musanda Chartered Accountants	15/02/2013	Compilation of Interim Annual Financial Statements and AG queries	Continuation of the work done the previous financial year	Finance	620,000
PWC	15/03/2013	Finalisation of asset register	Continuation of the work done the previous financial year	Finance	693,120
					1,591,760

53. Detailed explanation of variances between actual and budgeted amounts 30 June 2013

	Current year 2013 Actuals	Current year 2013 Adjusted budget	Variance	% variance	Explanations
Property rates	28,090,803	36,769,000	(8,678,197)	(24)	Less revenue on property rates was collected during the year than actually budgeted for.
Service charges	216,006,170	179,143,000	36,863,170	20	Water transactions revenue not accounted for as a result of the splitting of financial systems.
Government grants and subsidies	311,526,834	312,134,000	(607,166)	-	
Rental of facilities and equipments	170,380	147,000	23,380	16	Less rental of municipal facilities than anticipated.
Interest received-outstanding receivables	16,356,985	18,242,000	(1,885,015)	(10)	
Licences and permits	12,207,035	10,507,000	1,700,035	16	Licences and permits revenue raised during the year was slightly higher than predicted.
Other income	-	6,148,000	(6,148,000)	(100)	The variance is due to reclassification of material other income items to other income roll-up for seperate disclosure purposes and creation of the note thereof.
Other income-(rollup)	8,545,595	3,631,465	4,914,130	135	
Interest received-investments	1,339,096	562,261	776,835	138	Increased interest from call account and primary account and timing differences on compilation of the adjustment budget.
Fines	3,848,594	2,759,637	1,088,957	40	The increase is due to the implementation of GRAP 23 by recognising accrued traffic fines at year end.
Total revenue	**598,091,492**	**570,043,363**	**28,048,129**	**5**	
Personnel	(196,668,008)	(201,514,000)	4,845,992	(2)	
Remuneration of councillors	(18,470,236)	(18,229,000)	(241,236)	1	
Depreciation	(112,193,170)	(130,000,000)	17,806,830	(14)	Increased for budget to cover revaluation of assets
Impairments	(292,541)	-	(292,541)	-	
Finance costs	(5,240,364)	(234,000)	(5,006,364)	140	Increase finance cost due to correction of errors on finance leased assets.
Debt impairment	(34,942,474)	(47,000,000)	12,057,526	(26)	Reduced movement on provision than budgeted for as a result of basis of provision for bad debts made.
Repairs and maintenance	(14,391,289)	(19,845,770)	5,454,481	(28)	Less expenditure on roads maintenance was incurred during the year as compared to prior periods.
Bulk purchases	(156,721,190)	(150,882,839)	(5,838,351)	4	
General expenses	(91,624,047)	(193,036,447)	101,412,400	(53)	Capitalisation of assets on the capital budget and under expenditure on other operational expenditures
Total expenditure	**(630,543,319)**	**(760,742,056)**	**130,198,737**	**(17)**	

MAKHADO LOCAL MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2013

	Loan Number	Amount	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Current portion Rand	Long term portion Rand
Annuity Loans								
INCA	Makh-00-0001	12,656,600	3,828,081	-	1,807,413	2,020,668	2,020,668	-
Development Bank of South Africa 1	61000712	7,000,000	6,192,434	-	800,291	5,392,143	-	5,392,143
Development Bank of South Africa 2	61000713	2,110,000	2,032,759	-	298,353	1,734,406	-	1,734,406
			12,053,274	**-**	**2,906,057**	**9,147,217**	**2,020,668**	**7,126,549**
Total external loans								
Annuity Loans			12,053,274	-	2,906,057	9,147,217	2,020,668	7,126,549
			12,053,274	**-**	**2,906,057**	**9,147,217**	**2,020,668**	**7,126,549**

MAKHADO LOCAL MUNICIPALITY
Appendix B

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment/Revaluations Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Developed land	211,048,050	-	-	-	-	**-**	**211,048,050**	-	-	-	-	-	**-**	211,048,050
Undeveloped land	56,297,763	-	-	-	-	**-**	**56,297,763**	-	-	-	-	-	**-**	56,297,763
Dwellings	17,846,547	-	-	-	-	**-**	**17,846,547**	740,173	-	568,910	-	-	**1,309,083**	16,537,464
Landfill site	5,497,139	-	-	-	-	**1,250,141**	**6,747,280**	1,591,151	-	1,650,055	-	-	**3,241,206**	3,506,074
Non residential structures	35,641,261	-	-	-	-	**-**	**35,641,261**	8,578,224	-	1,102,341	-	-	**9,680,565**	25,960,696
	326,330,760	**-**	**-**	**-**	**-**	**1,250,141**	**327,580,901**	**10,909,548**	**-**	**3,321,306**	**-**	**-**	**14,230,854**	**313,350,047**
Infrastructure														
Electricity	912,886,949	-	-	-	-	**8,493,080**	**921,380,029**	253,664,631	-	40,739,020	-	-	**294,403,651**	626,976,378
Roads	888,474,671	-	-	-	-	**52,431,421**	**940,906,092**	142,898,235	-	56,356,601	-	38,509	**199,293,345**	741,612,747
	1,801,361,620	**-**	**-**	**-**	**-**	**60,924,501**	**1,862,286,121**	**396,562,866**	**-**	**97,095,621**	**-**	**38,509**	**493,696,996**	**1,368,589,125**
Other														
Machinery and equipment	18,359,762	-	6,733,230	-	-	**-**	**25,092,992**	7,994,883	-	2,103,937	-	-	**10,098,820**	14,994,172
Furniture and office equipment	8,544,372	-	557,694	-	-	**-**	**9,102,066**	3,423,228	-	566,392	-	-	**3,989,620**	5,112,446
Computer equipment	4,985,139	-	813,911	-	-	**-**	**5,799,050**	2,652,563	-	663,811	-	-	**3,316,374**	2,482,677
Transport assets	25,892,471	-	8,062,550	-	-	**-**	**33,955,021**	8,945,724	-	3,085,914	-	-	**12,031,638**	21,923,383
Library books	-	-	1,688,551	-	-	**-**	**1,688,551**	-	-	336,554	-	-	**336,554**	1,351,997
	57,781,744	**-**	**17,855,936**	**-**	**-**	**-**	**75,637,680**	**23,016,398**	**-**	**6,756,608**	**-**	**-**	**29,773,006**	**45,864,675**

MAKHADO LOCAL MUNICIPALITY
Appendix B

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment/Revaluations Rand	Closing Balance Rand	Carrying value Rand
Finance lease														
Finance leased assets	25,428,907	-	-	-	-	-	**25,428,907**	8,205,868	-	3,954,864	-	-	**12,160,732**	13,268,174
	25,428,907	**-**	**-**	**-**	**-**	**-**	**25,428,907**	**8,205,868**	**-**	**3,954,864**	**-**	**-**	**12,160,732**	**13,268,174**
Community assets														
Cemetries	6,293,689	-	-	-	-	**-**	**6,293,689**	1,747,054	-	209,066	-	-	**1,956,120**	4,337,569
Cemetries perimeter protection	183,978	-	-	-	-	**-**	**183,978**	90,966	-	4,278	-	-	**95,244**	88,734
Community center	22,182,818	-	-	-	-	**5,601,712**	**27,784,530**	9,651,404	-	437,923	-	-	**10,089,327**	17,695,203
Liabraries	1,567,592	-	-	-	-	**-**	**1,567,592**	394,635	-	39,465	-	-	**434,100**	1,133,494
Sport and recreational facilities	9,993,413	-	-	-	-	**994,949**	**10,988,362**	3,238,438	-	310,042	-	254,032	**3,802,512**	7,185,850
	40,221,490	**-**	**-**	**-**	**-**	**6,596,661**	**46,818,151**	**15,122,497**	**-**	**1,000,774**	**-**	**254,032**	**16,377,303**	**30,440,850**

MAKHADO LOCAL MUNICIPALITY
Appendix B

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment/Revaluations Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	326,330,760	-	-	-	-	1,250,141	327,580,901	10,909,548	-	3,321,306	-	-	14,230,854	313,350,047
Infrastructure	1,801,361,620	-	-	-	-	60,924,501	1,862,286,121	396,562,866	-	97,095,621	-	38,509	493,696,996	1,368,589,125
Other	57,781,744	-	17,855,936	-	-	-	75,637,680	23,016,398	-	6,756,608	-	-	29,773,006	45,864,675
Finance lease	25,428,907	-	-	-	-	-	25,428,907	8,205,868	-	3,954,864	-	-	12,160,732	13,268,174
Community assets	40,221,490	-	-	-	-	6,596,661	46,818,151	15,122,497	-	1,000,774	-	254,032	16,377,303	30,440,850
	2,251,124,521	-	17,855,936	-	-	68,771,303	2,337,751,760	453,817,177	-	112,129,173	-	292,541	566,238,891	1,771,512,871
Investment properties														
Developed land	44,033,525	-	-	-	-	-	44,033,525	-	-	-	-	-	-	44,033,525
Dwellings	6,482,575	-	-	-	-	-	6,482,575	-	-	-	-	-	-	6,482,575
Non residential structures	1,975,362	-	-	-	-	-	1,975,362	-	-	-	-	-	-	1,975,362
	52,491,462	-	-	-	-	-	52,491,462	-	-	-	-	-	-	52,491,462
Intangible assets														
Computers - software & programming	1,134,395	-	250,000	-	-	-	1,384,395	932,385	-	63,996	-	-	996,381	388,014
	1,134,395	-	250,000	-	-	-	1,384,395	932,385	-	63,996	-	-	996,381	388,014
Heritage assets														
Mayoral chain	520,979	-	-	-	-	-	520,979	-	-	-	-	-	-	520,979
	520,979	-	-	-	-	-	520,979	-	-	-	-	-	-	520,979
Total														
Land and buildings	326,330,760	-	-	-	-	1,250,141	327,580,901	10,909,548	-	3,321,306	-	-	14,230,854	313,350,047
Infrastructure	1,801,361,620	-	-	-	-	60,924,501	1,862,286,121	396,562,866	-	97,095,621	-	38,509	493,696,996	1,368,589,125
Other	57,781,744	-	17,855,936	-	-	-	75,637,680	23,016,398	-	6,756,608	-	-	29,773,006	45,864,675
Finance lease	25,428,907	-	-	-	-	-	25,428,907	8,205,868	-	3,954,864	-	-	12,160,732	13,268,174
Community assets	40,221,490	-	-	-	-	6,596,661	46,818,151	15,122,497	-	1,000,774	-	254,032	16,377,303	30,440,850
Investment properties	52,491,462	-	-	-	-	-	52,491,462	-	-	-	-	-	-	52,491,462
Intangible assets	1,134,395	-	250,000	-	-	-	1,384,395	932,385	-	63,996	-	-	996,381	388,014
Heritage assets	520,979	-	-	-	-	-	520,979	-	-	-	-	-	-	520,979
	2,305,271,357	-	18,105,936	-	-	68,771,303	2,392,148,596	454,749,562	-	112,193,169	-	292,541	567,235,272	1,824,913,326

MAKHADO LOCAL MUNICIPALITY
Appendix B

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment/Revaluations Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Developed land	115,711,200	95,336,850	-	-	-	**-**	**211,048,050**	-	-	-	-	-	**-**	211,048,050
Undeveloped land	42,018,700	14,279,062	-	-	-	**-**	**56,297,762**	-	-	-	-	-	**-**	56,297,762
Dwellings	207,844	17,010,202	567,500	-	-	**61,203**	**17,846,749**	41,588	6,522	574,321	-	117,743	**740,174**	17,106,374
Landfill site	59,017	5,438,121	-	-	-	**-**	**5,497,138**	-	1,275,350	315,800	-	-	**1,591,150**	3,905,988
Non residential structures	25,746,516	9,771,327	-	-	-	**123,418**	**35,641,261**	7,775,824	(1,704,838)	1,184,699	-	1,395,727	**8,651,412**	26,989,849
	183,743,277	**141,835,562**	**567,500**	**-**	**-**	**184,621**	**326,330,960**	**7,817,412**	**(422,966)**	**2,074,820**	**-**	**1,513,470**	**10,982,736**	**315,348,023**
Infrastructure														
Electricity	892,542,861	(8,628,889)	438,676	-	-	**28,534,304**	**912,886,952**	121,624,538	83,362,376	39,877,290	-	8,800,426	**253,664,630**	659,222,322
Roads	702,305,365	177,894,615	23,466,833	(24,742,890)	-	**9,550,746**	**888,474,669**	184,553,149	(145,667,599)	67,975,052	(2,962,382)	39,000,014	**142,898,234**	745,576,436
Solid waste disposal	67,543	-	-	(67,543)	-	**-**	**-**	15,211	-	6,759	(21,970)	-	**-**	-
	1,594,915,769	**169,265,726**	**23,905,509**	**(24,810,433)**	**-**	**38,085,050**	**1,801,361,621**	**306,192,898**	**(62,305,223)**	**107,859,101**	**(2,984,352)**	**47,800,440**	**396,562,864**	**1,404,798,758**
Other														
Machinery and equipment	12,244,486	6,802,559	836,741	(1,524,025)	-	**-**	**18,359,761**	7,757,155	(682,586)	1,649,127	(812,031)	83,218	**7,994,883**	10,364,879
Furniture and office equipment	7,619,749	2,011,545	654,386	(1,741,310)	-	**-**	**8,544,370**	1,335,490	1,543,328	864,704	(517,963)	197,669	**3,423,228**	5,121,144
Computer equipment	5,572,358	658,233	716,531	(1,961,983)	-	**-**	**4,985,139**	2,414,617	144,219	942,342	(934,241)	85,626	**2,652,563**	2,332,576
Transport assets	18,246,578	7,645,893	-	-	-	**-**	**25,892,471**	8,751,324	(1,806,608)	2,000,585	-	423	**8,945,724**	16,946,748
	43,683,171	**17,118,230**	**2,207,658**	**(5,227,318)**	**-**	**-**	**57,781,741**	**20,258,586**	**(801,647)**	**5,456,758**	**(2,264,235)**	**366,936**	**23,016,398**	**34,765,347**

MAKHADO LOCAL MUNICIPALITY
Appendix B

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment/Revaluations Rand	Closing Balance Rand	Carrying value Rand
Finance leases														
Finance lease assets	66,287,630	-	7,074,624	(47,933,346)	-	-	**25,428,908**	2,128,286	-	6,077,582	-	-	**8,205,868**	17,223,038
	66,287,630	**-**	**7,074,624**	**(47,933,346)**	**-**	**-**	**25,428,908**	**2,128,286**	**-**	**6,077,582**	**-**	**-**	**8,205,868**	**17,223,038**
Investment property														
Community assets														
Cemetries	5,038,968	1,254,720	-	-	-	**-**	**6,293,688**	412,352	1,100,114	209,933	-	24,655	**1,747,054**	4,546,635
Cemetries perimeter protection	136,103	-	47,875	-	-	**-**	**183,978**	31,908	3,183	4,544	-	51,331	**90,966**	93,012
Community center	17,475,324	-	2,296,762	-	-	**2,410,731**	**22,182,817**	5,833,408	(1,803,806)	582,803	-	5,038,999	**9,651,404**	12,531,414
Liabraries	1,183,251	-	-	-	-	**384,341**	**1,567,592**	315,750	39,416	39,469	-	-	**394,635**	1,172,959
Sport and recreational facilities	8,871,721	787,500	-	-	-	**334,192**	**9,993,413**	3,622,037	(750,071)	347,353	-	19,119	**3,238,438**	6,754,975
Township development	42,677,721	(42,677,721)	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	75,383,088	**(40,635,501)**	**2,344,637**	**-**	**-**	**3,129,264**	**40,221,488**	**10,215,455**	**(1,411,164)**	**1,184,102**	**-**	**5,134,104**	**15,122,497**	**25,098,995**

MAKHADO LOCAL MUNICIPALITY
Appendix B

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment/Revaluations Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	183,743,277	141,835,562	567,500	-	-	**184,621**	**326,330,960**	7,817,412	(422,966)	2,074,820	-	1,513,470	**10,982,736**	315,348,023
Infrastructure	1,594,915,769	169,265,726	23,905,509	(24,810,433)	-	**38,085,050**	**1,801,361,621**	306,192,898	(62,305,223)	107,859,101	(2,984,352)	47,800,440	**396,562,864**	1,404,798,758
Other	43,683,171	17,118,230	2,207,658	(5,227,318)	-	**-**	**57,781,741**	20,258,586	(801,647)	5,456,758	(2,264,235)	366,936	**23,016,398**	34,765,347
Finance leases	66,287,630	-	7,074,624	(47,933,346)	-	**-**	**25,428,908**	2,128,286	-	6,077,582	-	-	**8,205,868**	17,223,038
Community assets	75,383,088	(40,635,501)	2,344,637	-	-	**3,129,264**	**40,221,488**	10,215,455	(1,411,164)	1,184,102	-	5,134,104	**15,122,497**	25,098,995
	1,964,012,935	**287,584,017**	**36,099,928**	**(77,971,097)**	**-**	**41,398,935**	**2,251,124,718**	**346,612,637**	**(64,941,000)**	**122,652,363**	**(5,248,587)**	**54,814,950**	**453,890,363**	**1,797,234,161**
Investment properties														
Developed land	-	44,033,525	-	-	-	**-**	**44,033,525**	-	-	-	-	-	**-**	44,033,525
Dwellings	754,718	5,727,857	-	-	-	**-**	**6,482,575**	149,965	(149,965)	-	-	-	**-**	6,482,575
Non residential structures	-	1,975,362	-	-	-	**-**	**1,975,362**	-	-	-	-	-	**-**	1,975,362
	754,718	**51,736,744**	**-**	**-**	**-**	**-**	**52,491,462**	**149,965**	**(149,965)**	**-**	**-**	**-**	**-**	**52,491,462**
Intangible assets														
Computers - software & programming	1,134,395	-	-	-	-	**-**	**1,134,395**	857,188	(6)	75,203	-	-	**932,385**	202,010
	1,134,395	**-**	**-**	**-**	**-**	**-**	**1,134,395**	**857,188**	**(6)**	**75,203**	**-**	**-**	**932,385**	**202,010**
Heritage assets														
Mayoral chain	520,979	-	-	-	-	**-**	**520,979**	364,685	(416,819)	52,134	-	-	**-**	520,979
	520,979	**-**	**-**	**-**	**-**	**-**	**520,979**	**364,685**	**(416,819)**	**52,134**	**-**	**-**	**-**	**520,979**
Total														
Land and buildings	183,743,277	141,835,562	567,500	-	-	**184,621**	**326,330,960**	7,817,412	(422,966)	2,074,820	-	1,513,470	**10,982,736**	315,348,023
Infrastructure	1,594,915,769	169,265,726	23,905,509	(24,810,433)	-	**38,085,050**	**1,801,361,621**	306,192,898	(62,305,223)	107,859,101	(2,984,352)	47,800,440	**396,562,864**	1,404,798,758
Other	43,683,171	17,118,230	2,207,658	(5,227,318)	-	**-**	**57,781,741**	20,258,586	(801,647)	5,456,758	(2,264,235)	366,936	**23,016,398**	34,765,347
Finance leases	66,287,630	-	7,074,624	(47,933,346)	-	**-**	**25,428,908**	2,128,286	-	6,077,582	-	-	**8,205,868**	17,223,038
Community assets	75,383,088	(40,635,501)	2,344,637	-	-	**3,129,264**	**40,221,488**	10,215,455	(1,411,164)	1,184,102	-	5,134,104	**15,122,497**	25,098,995
Investment properties	754,718	51,736,744	-	-	-	**-**	**52,491,462**	149,965	(149,965)	-	-	-	**-**	52,491,462
Intangible assets	1,134,395	-	-	-	-	**-**	**1,134,395**	857,188	(6)	75,203	-	-	**932,385**	202,010
Heritage assets	520,979	-	-	-	-	**-**	**520,979**	364,685	(416,819)	52,134	-	-	**-**	520,979
	1,966,423,027	**339,320,761**	**36,099,928**	**(77,971,097)**	**-**	**41,398,935**	**2,305,271,554**	**347,984,475**	**(65,507,790)**	**122,779,700**	**(5,248,587)**	**54,814,950**	**454,822,748**	**1,850,448,612**

MAKHADO LOCAL MUNICIPALITY
Appendix C
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2013

	2013/2012														2012/2011
	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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Executive and Council	301,846,843	(18,753,254)	283,093,589	-		283,093,589	280,897,800		(2,195,789)	99 %	93 %				-
Waste Management	9,640,586	(5,235,163)	4,405,423	-		4,405,423	6,198,275		1,792,852	141 %	64 %				-
Road Transport	14,657,842	(1,166,360)	13,491,482	-		13,491,482	15,033,789		1,542,307	111 %	103 %				-
Water	18,924,645	(18,921,045)	3,600	-		3,600	(973,622)		(977,222)	(27,045)%	(5)%				-
Electricity	254,502,259	(40,691,041)	213,811,218	-		213,811,218	241,769,989		27,958,771	113 %	95 %				-
Corporate Services	25,768,988	(43,399)	25,725,589	-		25,725,589	26,663,295		937,706	104 %	103 %				-
Planning and Development	100,846	(79,346)	21,500	-		21,500	16,150		(5,350)	75 %	16 %				-
Community and Social Services	158,819	(94,214)	64,605	-		64,605	102,240		37,635	158 %	64 %				-
Housing	98,626	(49,675)	48,951	-		48,951	46,570		(2,381)	95 %	47 %				-
Other	-	-	-	-		-	219,555		219,555	DIV/0 %	DIV/0 %				-
Sports and Recreation	142,023	(101,813)	40,210	-		40,210	27,546		(12,664)	69 %	19 %				-
Budget and Treasury	31,443,578	(2,106,369)	29,337,209	-		29,337,209	28,089,905		(1,247,304)	96 %	89 %				-
Total Revenue by Vote	**657,285,055**	**(87,241,679)**	**570,043,376**	**-**		**570,043,376**	**598,091,492**		**28,048,116**	**105 %**	**91 %**				**-**
Expenditure by Vote to be appropriated															
Executive and Council	224,347,588	(9,983,530)	214,364,058	-	-	214,364,058	201,300,890	-	(13,063,168)	94 %	90 %	-	-	-	-
Waste Management	3,315,496	2,104,301	5,419,797	-	-	5,419,797	6,191,837	-	772,040	114 %	187 %	-	-	-	-
Road Transport	18,713,228	2,763,506	21,476,734	-	-	21,476,734	20,282,607	-	(1,194,127)	94 %	108 %	-	-	-	-
Water	4,684,919	2,105,241	6,790,160	-	-	6,790,160	11,126,605	-	4,336,445	164 %	237 %	-	-	-	-
Electricity	213,634,652	(16,835,158)	196,799,494	-	-	196,799,494	190,789,600	-	(6,009,894)	97 %	89 %	-	-	-	-
Corporate Services	39,605,489	(610,494)	38,994,995	-	-	38,994,995	36,040,040	-	(2,954,955)	92 %	91 %	-	-	-	-
Planning and Development	6,443,507	4,079,095	10,522,602	-	-	10,522,602	9,909,113	-	(613,489)	94 %	154 %	-	-	-	-
Community and Social Services	13,806,080	2,567,043	16,373,123	-	-	16,373,123	15,243,862	-	(1,129,261)	93 %	110 %	-	-	-	-
Housing	-	1,849	1,849	-	-	1,849	748	-	(1,101)	40 %	DIV/0 %	-	-	-	-
Other	12,661,862	3,414,100	16,075,962	-	-	16,075,962	13,482,032	-	(2,593,930)	84 %	106 %	-	-	-	-
Sports and Recreation	9,158,917	19,201	9,178,118	-	-	9,178,118	8,380,546	-	(797,572)	91 %	92 %	-	-	-	-
Budget and Treasury	110,913,317	113,831,848	224,745,165	-	-	224,745,165	117,795,439	-	(106,949,726)	52 %	106 %	-	-	-	-
Total Expenditure by Vote	**657,285,055**	**103,457,002**	**760,742,057**	**-**	**-**	**760,742,057**	**630,543,319**	**-**	**(130,198,738)**	**83 %**	**96 %**	**-**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**-**	**(190,698,681)**	**(190,698,681)**	**-**		**(190,698,681)**	**(32,451,827)**		**158,246,854**	**17 %**	**DIV/0 %**				**-**