

PIXLEY KA SEME DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2013

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 54, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

R E PIETERSE
Acting Municipal Manager

2013/08/30
Date

PIXLEY KA SEME DISTRICT MUNICIPALITY

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PIXLEY KA SEME DISTRICT MUNICIPALITY

GENERAL INFORMATION

GRADING

Grade 4 - Category C Municipality

DOMICILE AND LEGAL FORM

- **Head Office** Culvert Road Private Bag X1012 Tel: 053-6310891
DE AAR DE AAR Fax: 053-6312529
7000 7000

- The Municipality is a category C Municipality [Municipal Structures Act, 1998, Act 117 of 1998, Section 10(b) with an mayoral executive system.
- The Municipality was establish in 2000 by the MEC for Lical Government in the Northern Cape in terms of Section 12 of the Municipal Structures Act, 1998, Act 117 of 1988.
- The MEC published in the Northern Cape Provincial Gazette the establishment of the Municipality.

OPERATIONS AND ACTIVITIES

- The Municipality is a Local Government institution and its operations and activities is that of a district municipality as set out in Chapter 5 (Sections 83-89) of the Municipal Structures Act, 1998, Act 117 of 1998.
- Schedules 4B and 5B of the Constitution also rules the powers and functions of municipalities.

RELEVANT LEGISLATION

- Constitution
- Municipal Structures Act (Act no 117 Of 1998)
- Municipal Systems Act (Act no 32 of 2000)
- Municipal Finance Management Act (Act no 56 of 2003)
- Division of Revenue Act
- The Income Tax Act
- Value Added Tax Act
- Basic Conditions of Employment Act (Act no 75 of 1997)
- Skills Development Levies Act (Act no 9 of 1999)
- Employment Equity Act (Act no 55 of 1998)
- Supply Chain Management Regulations, 2005
- Labour Relations Act
- Health and Safety Act
- Preferential Procurement Act
- Environmental Law
- Etc.

AUDITORS

The Office of the Auditor-General
Private Bag X5013
KIMBERLEY

BANKERS

ABSA Bank
DE AAR

Type of Account: Current Account
Account Number: 1850000197

COUNCILLORS

• **Executive Mayor**

Councillor J Z Lolwana

ANC

• **Speaker**

Councillor M T Kibi

ANC

• **Members of the Mayoral Committee**

Councillor J Z Lolwana (Chairperson)
Councillor K J Arens
Councillor U R Itumeleng
Councillor M T Kibi
Councillor T A Sintu

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• **Ordinary Council Members**

Councillor M E Bitterbos
Councillor W J Du Plessis
Councillor A Fritz
Councillor J H George
Councillor J Grobbelaar
Councillor D P Jason
Councillor P Louw
Councillor G L Nkumbi
Councillor E L Schütz
Councillor N S Thomas
Councillor L C Van Niekerk
Councillor F M Van Wyk
Councillor P N Signeur

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MUNICIPAL MANAGER (Acting)

Mr. R E Pieterse

CHIEF FINANCIAL OFFICER

Mr. B F James

AUDIT MANAGER

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PIXLEY KA SEME DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Note	2013 R	2012 R
NET ASSETS AND LIABILITIES			
Net Assets		(5 814 904.98)	(1 982 089.81)
Accumulated Surplus/(Accumulated Deficit)		(5 814 904.98)	(1 982 089.81)
Non-current liabilities		18 755 455.48	19 314 021.88
Borrowings	1	2 463 239.48	3 457 932.88
Non-Current Employee Benefits	2	16 292 216.00	15 856 089.00
Current liabilities		18 633 210.34	9 594 690.54
Employee Benefits	3	1 222 910.79	1 269 027.79
Trade Payables	4	13 703 333.30	1 564 055.77
Unspent conditional grants and receipts	5	2 712 937.32	5 950 686.72
Taxes	6	-	-
Cash and Cash Equivalents	13	-	-
Current portion of long-term borrowings	1	994 028.93	810 920.26
Total Net Assets and Liabilities		31 573 760.84	26 926 622.61
ASSETS			
Non-current assets		15 683 875.85	16 308 149.05
Property, plant and equipment	7	13 711 611.84	15 514 855.59
Investment Property	8	1 840 600.00	623 850.00
Intangible Assets	9	122 046.12	152 389.60
Operating Lease Assets/Receivables	10	9 617.89	17 053.86
Current assets		15 889 884.99	10 618 473.56
Trade Receivables from Exchange Transactions	11	-	-
Trade Receivables from Non-Exchange Transactions	12	260 630.06	248 226.85
Current Portion of Operating Lease Assets/Receivables	10	7 435.97	12 007.40
Taxes	6	155 714.37	630 083.67
Cash and Cash Equivalents	13	15 466 104.59	9 728 155.64
Total Assets		31 573 760.84	26 926 622.61

PIXLEY KA SEME DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2013

Budget		Actual		
2012 R	2013 R	Note	2013 R	2012 R
REVENUE				
-	-		-	20 442.10
-	-		79 500.00	-
157 997	-		155 323.24	157 997.64
270 000	160 000		487 459.93	363 574.42
42 960 640	37 514 683	14	35 775 004.79	36 210 014.39
4 709 731	3 931 642	15	3 849 287.07	6 964 139.11
48 098 368	41 606 325		40 346 575.03	43 716 167.66
EXPENDITURE				
22 815 200	22 092 900	16	21 888 090.27	20 855 729.75
3 038 802	3 136 000	17	3 177 719.18	3 054 001.52
-	65 000		63 733.64	-
-	170 000		40 233.34	298 014.80
-	2 058 000		2 042 429.99	1 776 197.35
-	-	18	15 476.82	-
308 020	416 500		419 813.94	240 649.68
915 000	1 000 000		822 464.19	630 602.91
431 000	1 498 250	19	1 497 300.71	1 929 274.38
11 775 462	6 980 000	20	4 788 990.68	6 214 718.85
8 477 915	7 957 130	21	9 331 095.27	8 328 673.22
47 761 399	45 373 780		44 087 348.03	43 327 862.46
336 969	(3 767 455)		(3 740 773.00)	388 305.20
-	-		(1 097.12)	-
-	-		-	-
336 969	(3 767 455)		(3 741 870.12)	388 305.20
NET SURPLUS/(DEFICIT) FOR THE YEAR				

PIXLEY KA SEME DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Accumulated Surplus/ (Deficit)	Total
	R	R
2012		
Balance at 1 July 2011	(2 005 967.86)	(2 005 967.86)
Correction of error (Note 20)	(259 244.29)	(259 244.29)
Property, Plant and Equipment	(497 055.39)	(497 055.39)
Intangible Assets	(96 957.55)	(96 957.55)
Investment Property	295 488.97	295 488.97
Operating Lease Asset (Liability)	39 279.68	39 279.68
Restated Balance	(2 265 212.15)	(2 265 212.15)
Surplus/(deficit) for the year	388 305.21	388 305.21
As disclosed in 2012 Annual Financial Statements	680 886.65	680 886.65
Property, Plant and Equipment	(274 719.18)	(274 719.18)
Intangible Assets	6 665.28	6 665.28
Intangible Assets	(2 679.04)	(2 679.04)
Investment Property	10 967.35	10 967.35
Operating Lease Asset (Liability)	(10 218.42)	(10 218.42)
Long-term Liability (Finance Lease)	(22 597.43)	(22 597.43)
Appropriations for the year	224 066.80	224 066.80
Revaluation of Land & Buildings	-	-
Interest received	22 350.87	22 350.87
Property, Plant and Equipment purchased	(402 728.07)	(402 728.07)
Capital grants used to purchase PPE	-	-
Donated/contributed PPE	51 127.52	51 127.52
Asset disposals	-	-
Balance at 30 June 2012	(1 982 089.82)	(1 982 089.82)
2013		
Restated balance	(1 982 089.82)	(1 982 089.82)
Surplus/(defecit) for the year	(3 759 409.12)	(3 759 409.12)
Appropriations for the year	96 750.16	96 750.16
Revaluation of Land & Buildings	-	-
Interest received	18 434.24	18 434.24
Property, Plant and Equipment purchased	(189 757.91)	(189 757.91)
Capital grants used to purchase PPE	-	-
Donated/contributed PPE	1 167.47	1 167.47
Asset disposals	-	-
Offsetting of depreciation	-	-
Balance at 30 June 2013	(5 814 904.98)	(5 814 904.98)

PIXLEY KA SEME DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 R	2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		48 482 161.40	42 606 606.25
Payments		41 702 558.15	40 536 158.71
Cash generated from/(utilised in) operations	24	<u>6 779 603.25</u>	<u>2 070 447.54</u>
Interest received		487 459.93	363 574.42
Interest paid		(323 053.71)	(403 498.38)
NET CASH FROM OPERATING ACTIVITIES		<u>6 944 009.47</u>	<u>2 030 523.58</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(225 416.72)	(125 704.67)
Proceeds on disposal of property, plant and equipment		1 097.13	-
Increase/(decrease) in statutory funds		(170 156.20)	(329 249.68)
Increase/(decrease) in non current receivables		-	-
NET CASH FROM INVESTING ACTIVITIES		<u>(394 475.79)</u>	<u>(454 954.35)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(811 584.73)	(1 334 394.48)
NET CASH FROM FINANCING ACTIVITIES		<u>(811 584.73)</u>	<u>(1 334 394.48)</u>
TOTAL CASH FROM ACTIVITIES		<u>5 737 948.95</u>	<u>241 174.75</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		<u>5 737 948.95</u>	<u>241 174.75</u>
Cash and cash equivalents at the beginning of the year		9 728 155.64	9 486 980.89
Cash and cash equivalents at the end of the year	25	15 466 104.59	9 728 155.64

PIXLEY KA SEME DISTRICT MUNICIPALITY

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarized as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associate
GRAP 8	Investments in Associate
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from non-cash-generating Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets

GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IFRS 7 (AC 144)	Financial Instruments: Disclosure
IFRS 19 (AC 116)	Employee Benefits
IFRS 32 (AC 125)	Financial Instruments: Presentation
IFRS 39 (AC 133)	Recognition and Measurement
IFRIC 4 (AC 437)	Determining whether an Arrangement contains a Lease

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviation display format. No foreign exchange transactions are included in the statements.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

Council did at various occasions met to asses the Going Concern issue facing the Municipality and concluded that taken into account our futute promised allocations and also the envisaged amendments into the future Equitable Share Formula which will benefit the District Municipalities and also the new envisaged role of Distrct Municipalities that we are definetely a GOING CONCERN.

4. COMPARATIVE INFORMATION

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as 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 practicable, and the prior year comparatives are restated accordingly.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

GRAP 18	Segment Reporting
GRAP 20	Related Party Disclosures
GRAP 25	Employee Benefits
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

The above mentioned standards, not yet effective, will not have a major impact on the Municipality as it is not applicable to the Municipality, except for impairment.

6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than allowed by the MFMA.

7. RESERVES

a. Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grant Reserve equal to the value of the government grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus.

When an item of property, plant and equipment, financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

The purpose of the Government Grant Reserve is to promote community equity by ensuring and funding the future depreciation expenses that will be incurred over the useful lives of Government Grant funded items of property, plant and equipment.

b. Capital Replacement Reserve

When items of property, plant and equipment are financed using the CRR cash resources, a corresponding transfer is made from the CRR bank account to the accumulated surplus/(deficit) in the Statement of Financial Performance as income. The expenses relating to these items are applied against the accumulated surplus/(deficit) in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, it is done against the accumulated surplus/(deficit) in the Statement of Financial Performance.

When an item of property, plant and equipment financed from the CRR is disposed, the amount received for that item, if any, is transferred to the CRR bank account.

The Capital Replacement Reserve may only be utilized for the purpose of purchasing or the construction of property, plant and equipment and may not be used for the maintenance of these items.

c. Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized 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 charged to the Statement of Financial Performance.

8. LEASES

Lease Classification

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Transfer of ownership is not required to be recognized as a finance lease.

a. Municipality as Lessee

Amounts held under finance leases are initially recognized as assets of the Municipality at their fair value at the inception of the lease or, if lower at 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.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Municipality's policy on borrowing costs.

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts is recognised as an expence and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

b. Municipality as Lessor

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

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. The difference between recognised income and receipts is recognised as an operating lease asset or liability.

9. INVESTMENTS

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

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorized as financial assets: loans and receivables and are initially recognized at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

11. BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalization of borrowing costs when substantially all the activities to prepare the assets for its intended use or sale are complete. It is considered inappropriate to capitalize borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognized as an expense in the Statement of Financial Performance when incurred.

12. CONDITIONAL GRANTS

Revenue received from conditional grants, donations and funding are recognized 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 recognized.

Revenue received from conditional grants, donations and funding are received in a separate bank account. Expenditure incurred against these accounts and the balance at year-end are stated as unspent conditional grants in the annual financial statements

10.1 Unspent Conditional Grants

Unspent conditional grants are reflected on the Statement of Financial Position under Current Liabilities.

- The balance of the unspent conditional grants is separately invested.
- Interest earned on the investments is treated in accordance with the grant conditions. If it is payable to the funder, it is recorded as part of the unspent conditional grant. If it is not a condition, interest is recognized as interest earned in the Statement of Financial Performance of the Municipality.

13. PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates. Provisions are only used for the purposes for which they were originally recognized.

The Municipality does not recognize contingent liabilities or contingent assets. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognized for future operating losses. The present obligation under an onerous contract is recognized and measured as a provision.

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

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

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

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

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

14. EMPLOYEE BENEFITS

(a) Pension Obligations : In-service Members

The District Municipality contributes to the following post retirement funds:

- Cape Joint Pension Fund
- Cape Joint Retirement Fund
- SAMWU Provident Fund

The retirement benefits are calculated in accordance with the rules of the funds.

Current contributions are charged against the operating account of the Council at a percentage of the pensionable remuneration paid to the employees.

(b) Pension Obligations : Post Retirement Pension Benefits

Currently five retired employees benefited from this obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. (See note 2)

(c) Post Retirement Medical Obligations

The District Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pay 70% of the contributions and the remaining 30% is paid by the members. The entitlement to those benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. (See note 2)

(d) Provision for Leave Pay

Liabilities for annual leave are recognized as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

(e) Bonuses

Bonuses are paid to employees in November and December in the form of a thirteenth cheque or pro-rata for employees with less than one year service. Provision has been made for this expense in the budget of the Municipality.

(f) Performance Bonuses

Performance bonuses are paid to section 57 employees if they qualify. Provision has been made for this expense in the budget of the Municipality.

(g) Long Service Bonus

Long service bonuses will be paid to employees when they qualify. Provision been made for this expense in the budget of the Municipality.

15. PROPERTY, PLANT AND EQUIPMENT

a. Initial Recognition

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 for more than one year. Items of property, plant and equipment are initially recognized as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset 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 that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets 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.

b. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognizes the part of the asset being replaced and capitalizes the new component. Subsequent expenditure incurred on an asset is capitalized when it increases the capacity or future economic benefits associated with the asset.

c. Depreciation and Impairment

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

	Years
<u>Community</u>	
Buildings	30
<u>Heritage Assets</u>	
No depreciation	
<u>Finance Lease Assets</u>	
Other Assets	3-5
<u>Other Assets</u>	
Vehicles	1-5
Office Equipment	1-10
Specialised Plant and Equipment	10
Computer Equipment	1-5

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

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

d. Derecognition

Items of property, plant and equipment are derecognized when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

16. INTANGIBLE ASSETS

a. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs. The municipality recognizes an intangible asset in the Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalized. Research expenditure is never capitalized, while development expenditure is only capitalized to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognized at cost.

Where an intangible asset 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 that asset on the date acquired.

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

b. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortization and impairments. The cost of an intangible asset is amortized over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortized but is subject to an annual impairment test.

c. Amortization and Impairment

Amortization is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. The annual amortization rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Website	5
Financial System	5
Computer Software	5

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognized as a change in accounting estimate in the Statement of Financial Performance.

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

d. Derecognition

Intangible assets are derecognized when the asset is disposed of or when there are no further economic benefits or potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

17. INVESTMENT PROPERTY

a. Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- * All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within 12 months are classified as Investment Properties;
- * Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- * A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality; and
- * A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

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

b. Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises. The circumstances surrounding the investment properties are considered annually to establish whether conditions and circumstances changed that may affect the fair value significantly. If such indicators are identified, the investment properties are valued to establish the fair value thereof.

c. Derecognition

Investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

18. NON CURRENT ASSETS HELD FOR SALE

a. Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

b. Subsequent Measurement

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

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

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

19. CONSTRUCTION CONTRACTS

Where the outcomes of a construction contract can be estimated reliably, contract revenue and costs are recognized by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent that contract costs incurred are recoverable. Contract costs are recognized as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

20. IMPAIRMENT OF ASSETS

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognized in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Financial Performance.

21. INVENTORIES

Stores and materials were held by Council for the use in Roads Agency operations. There are no materials held any more for this function. Materials are bought by order when needed.

22. FINANCIAL INSTRUMENTS

Financial instruments recognized on the Statement of Financial Position include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

22.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

22.2 Subsequent Measurement

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

22.2.1 Investments

Fixed deposits and short-term deposits are invested in registered commercial banks and are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

22.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortized cost, the Municipality first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments (more than 120 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

22.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortized cost, are initially recognized at fair value and subsequently measured at amortized cost which is the initial carrying amount, less repayments, plus interest.

22.2.4 Cash and Cash Equivalents

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

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

22.3 Derecognition of Financial Instruments

22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the municipality’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality’s continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

22.3.2 Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Financial Performance.

22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

22.5 Impairment of Financial Assets

The Municipality assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

23. REVENUE

23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognized to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate basis as an exchange transaction.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognized 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 Municipality. Where public contributions have been received but the Municipality has not met the conditions, it is recognized as an unspent public contribution (liability).

Contributed property, plant and equipment is recognized when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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

23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Revenue from the rental of facilities and equipment is recognized on a time proportion basis.

External interest received is interest received on investments and is recognized in the Statement of Financial Performance.

In the case of interest earned on unspent conditional grants, the interest is recognized in the Statement of Financial Performance, only if it is not a condition of the grant.

Revenue from the sale of goods is recognized when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

23.3 Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognized when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

24. RELATED PARTIES

A related party is related to the Municipality if the party:

- are full-time councilors, being the Executive Mayor, Speaker and members of the Mayoral Committee;
- is a member of the key management personnel of the Municipality. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager (section 57 managers);
- are individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the party in making financial and/or operating decisions;
- rely on the Municipality for the settlement of liabilities on behalf of the party.

The amount recognized must be significant.

25. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

In the case of agency functions, when a deficit occurs, the deficit is shown as a debtor in the Statement of Financial Position and recovered from the grant allocation for the next financial year.

26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. 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.

27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

28. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

29. AGENCY SERVICES

Council performs a cost-based roads maintenance service on behalf of the Department of Transport, Roads and Public Works of the Northern Cape Province.

Inter-authority obligations relevant to the agency service on the reporting date are reflected in the Statement of Financial Position.

30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of current liabilities or current assets in the statement of financial position.

31. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

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

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

32. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendments to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

PIXLEY KA SEME DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
1. BORROWINGS		
Annuity Loans	2 980 212.09	3 449 295.08
Capitalised Lease Liability	477 056.32	819 558.06
Sub-total	3 457 268.41	4 268 853.14
Less: Current portion transferred to current liabilities	994 028.93	810 920.26
Annuity Loans	516 972.61	468 418.52
Finance Leases	477 056.32	342 501.74
Total External Loans	2 463 239.48	3 457 932.88

Refer to Appendix A for more detail on long-term liabilities.
 Interest Rate : 9,89% and 9,863%
 Monthly Instalments : R65 724.38
 Redemption Date : 2018/03/31

1.1 Finance lease liability

Total finance lease liability	477 056.32	911 671.40
Less: Current portion	-	(569 169.72)
Carrying amount of finance leases	477 056.32	342 501.68

The lease assets are insured with the insurance company of the council. The interest rate used for leased assets are the prime rates at the time when the leases commenced (Canon) and 0% for BCX. The lease agreements make provision for monthly payments of the instalments with an annual escalation of 15%. Assets will be transferred to the Municipality at the end of the redeemable period (BCX).

1.2 Reconciliation between the minimum lease payments and their present value

	Next year	Years 2 through 5	Beyond 5 years	Total
Minimum lease payments : Capital	477 056.32	-	-	477 056.32
Minimum lease payments : Interest	199 666.93	-	-	199 666.93
Total lease payments	676 723.25	-	-	676 723.25

2. NON-CURRENT EMPLOYEE BENEFITS

Obligation at the beginning of the year	15 856 089.00	17 515 089.00
Interest cost	1 174 247.00	1 525 776.00
Current service cost	338 328.00	450 823.00
Benefits paid	(1 076 448.00)	(1 010 729.00)
Actuarial (Gain)/Loss	-	(2 624 870.00)
Obligation at the end of the year	16 292 216.00	15 856 089.00

EMPLOYEE BENEFIT PROVISIONS

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Paragraph 155 (a).

2.1 Pension Benefits

Obligation at the beginning of the year	188 312.00	205 983.00
Interest cost	12 382.00	15 411.00
Current service cost	-	-
Benefits paid	(23 400.00)	(29 304.00)
Actuarial (Gain)/Loss	-	(3 778.00)
Obligation at the end of the year	<u>177 294.00</u>	<u>188 312.00</u>

i) Rate of interest

Discount rate	7.00%	7.00%
Pension Increase Rate	10.00%	10.00%
Post Retirement Interest Rate	-2.72%	-2.72%

ii) Mortality rates

The PA (90) ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age of employees is 60. It has been assumed that in-service members will retire at age 58, which then implicitly allows for expected rates of early and ill-health retirement.

2.2 Medical Aid Benefits

Obligation at the beginning of the year	15 667 777.00	17 309 106.00
Interest cost	1 161 865.00	1 510 365.00
Current service cost	338 328.00	450 823.00
Benefits paid	(1 053 048.00)	(981 425.00)
Actuarial (Gain)/Loss	-	(2 621 092.00)
Obligation at the end of the year	<u>16 114 922.00</u>	<u>15 667 777.00</u>

Key actuarial assumptions used:

i) Rate of interest

Discount rate	7.67%	7.67%
Health Care Cost Inflation Rate	7.48%	7.48%
Net Effective Discount Rate	0.18%	0.18%

ii) Mortality rates

The PA (90) ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age of employees is 60. It has been assumed that in-service members will retire at age 58, which then implicitly allows for expected rates of early and ill-health retirement.

3. EMPLOYEE BENEFITS

Provision for Staff Leave

Balance at beginning of the year	1 269 027.79	2 412 965.58
Transfer from non-current	-	-
Contributions to provision - current year provision	40 233.34	(1 090 999.93)
Contributions to provision - prior year over provision	-	-
Expenditure incurred	(86 350.34)	(52 937.86)
Balance at end of the year	1 222 910.79	1 269 027.79

Annual leave provision is based on the total number of leave days due on 30 June, at individual salary values effective on the reporting date.

4. TRADE PAYABLES

Trade creditors	341 743.24	890 528.87
Payments received in advance	19 558.52	16 131.53
Control Accounts	13 101 281.35	414 524.78
Advances from Roads Department	240 750.19	242 870.59
Total Creditors	13 703 333.30	1 564 055.77

5. UNSPENT CONDITIONAL & UNCONDITIONAL GRANTS AND RECEIPTS (Section 123 of the MFMA, 56 of 2003)

Conditional Grants from other spheres of Government

Financial Management Grant (FMG)	1 363.03	-
Municipal Systems Improvement Grant (MSIG)	1 313.35	-
Grant : MIG	9 718.71	9 702.32
Fire Fighting Equipment	607 775.61	117 146.34
Sport Facilities	2 081 648.69	5 823 838.06
	2 701 819.39	5 950 686.72

Unconditional Grants from other spheres of Government

Equitable Share	9 932.25	-
Woman Empowerment Fund	8.37	-
EPWP Renosterberg	1 177.31	-
Roads	-	-
	11 117.93	-

Total Conditional and Unconditional Grants and Receipts

2 712 937.32	5 950 686.72
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These amounts are invested in a ring-fenced investment until utilized.

5.1 Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year interest	12 970.43	1 156.65
Current year grants	1 250 000.00	1 250 000.00
Conditions met - transferred to revenue	(1 250 000.00)	(1 250 000.00)
Interest received - transferred to revenue	(11 607.40)	(1 156.65)
Conditions still to be met	1 363.03	(0.00)

To finance the reform programme for municipal budgeting and financial management practices.

5.2 Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
Current year interest	12 383.77	1 032.26
Current year grants	1 200 000.00	1 200 000.00
Conditions met - transferred to revenue	(1 200 000.00)	(1 200 000.00)
Interest received - transferred to revenue	(11 070.42)	(1 032.26)
Conditions still to be met	<u>1 313.35</u>	<u>0.00</u>

To assist the municipality to build capacity for the new development system of local government.

5.3 Municipal Improvement Grant

Own MIG

Balance unspent at beginning of year	9 702.32	2 054 330.51
Current year interest	212.73	13 311.81
Current year grants	-	579 959.81
Conditions met - transferred to revenue	-	(2 624 588.00)
Interest received - transferred to revenue	(196.34)	(13 311.81)
Conditions still to be met	<u>9 718.71</u>	<u>9 702.32</u>

Other MIG

Balance unspent at beginning of year	-	16 432.40
Current year interest	-	-
Current year grants	-	-
Conditions met - transferred to revenue	-	-
Interest received - transferred to revenue	-	(16 432.40)
Conditions still to be met	<u>-</u>	<u>-</u>

To provide service delivery infrastructure to households in poorer infrastructure

5.4 Bulk Water Supply

Balance unspent at beginning of year	-	41 261.85
Current year interest	-	863.46
Current year grants	-	-
Conditions met - transferred to revenue	-	(41 261.85)
Interest received - transferred to revenue	-	(863.46)
Conditions still to be met	<u>-</u>	<u>(0.00)</u>

To develop regional bulk infrastructure for water supply to supplement water treatment works at resource development and link such water resource development with the local bulk and local distribution networks.

5.5 Drought Relief Funds

Balance unspent at beginning of year	-	17 170.00
Current year interest	-	344.64
Current year grants	-	-
Conditions met - transferred to revenue	-	(17 170.00)
Interest received - transferred to revenue	-	(344.64)
Conditions still to be met	-	(0.00)

To assist municipalities to fund emergency water services supply to communities affected by drought.

5.6 Regravelling

Balance unspent at beginning of year	-	853 402.96
Current year interest	-	12 773.96
Current year grants	-	-
Conditions met - transferred to revenue	-	(853 402.96)
Interest received - transferred to revenue	-	(12 773.96)
Conditions still to be met	-	(0.00)

To regravell some of the gravel roads in the region.

5.7 NEAR and Fire Fighting Equipment

Balance unspent at beginning of year	117 146.34	18 876.37
Current year interest	1 201.70	1 353.04
Current year grants - Fire Fighting Equipment	990 000.00	371 000.00
Conditions met - transferred to revenue - Fire Fighting Equipment	(499 370.73)	(272 730.03)
Interest received - transferred to revenue	(1 201.70)	(1 353.04)
Conditions still to be met	607 775.61	117 146.34

To enhance municipalities capacity to deal with fire hazards.

5.8 EPWP

Balance unspent at beginning of year	-	-
Current year interest	9 856.56	-
Current year grants	1 000 000.00	-
Conditions met - transferred to revenue	(999 650.00)	-
Conditions met - transferred to creditor	(350.00)	-
Interest received - transferred to revenue	(9 856.56)	-
Conditions still to be met	0.00	-

Extended public works program in the Siyancuma Municipal area

5.9 Sport Facilities

Balance unspent at beginning of year	5 823 838.06	-
Current year interest	109 150.59	41 869.60
Current year grants	-	7 000 000.00
Conditions met - transferred to revenue	(3 836 581.96)	(1 176 161.94)
Conditions met - transferred to debtor	88 242.00	
Interest received - transferred to revenue	(103 000.00)	(41 869.60)
Conditions still to be met	<u>2 081 648.69</u>	<u>5 823 838.06</u>

To upgrade or build new sporting facilities at the municipalities.

5.10 Equitable Share

Balance unspent at beginning of year	-	5 049.02
Current year interest	95 771.99	82 593.37
Current year grants	26 571 000.00	22 196 500.00
Conditions met - transferred to revenue	(26 571 000.00)	(22 196 500.00)
Interest received - transferred to revenue	(85 839.74)	(87 642.39)
Conditions still to be met	<u>9 932.25</u>	<u>0.00</u>

Equitable Share, Levy Replacement and Councillor Remuneration

5.11 Woman Empowerment Fund

Balance unspent at beginning of year	-	-
Current year interest	99.40	-
Current year grants	-	-
Conditions met - transferred to revenue	-	-
Interest received - transferred to revenue	(91.03)	-
Conditions still to be met	<u>8.37</u>	<u>-</u>

5.12 EPWP Renosterberg

Balance unspent at beginning of year	-	-
Current year interest	177.31	-
Current year grants	99 791.64	-
Conditions met - transferred to revenue	(25 480.35)	-
Conditions met - transferred to creditors	(73 311.29)	-
Interest received - transferred to revenue	-	-
Conditions still to be met	<u>1 177.31</u>	<u>-</u>

Extended public works program in the Renosterberg Municipal Area.

5.13 Project Skietfontein

Balance unspent at beginning of year	-	20 414.98
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Current year interest		407.56
Current year grants	-	-
Conditions met - transferred to revenue	-	(20 414.98)
Interest received - transferred to revenue		(407.56)
Conditions still to be met	<u>-</u>	<u>0.00</u>

To improve the standard of living of the Skietfontein community.

5.14 Flood Damage

Balance unspent at beginning of year	-	354 742.71
Current year interest		3 102.42
Current year grants	-	-
Conditions met - transferred to revenue	-	(354 742.71)
Interest received - transferred to revenue		(3 102.42)
Conditions still to be met	<u>-</u>	<u>(0.00)</u>

To repair flood damage to gravel roads in the district.

5.15 Lotto

Balance unspent at beginning of year	-	2 103.49
Current year interest		47.57
Current year grants	-	-
Conditions met - transferred to revenue	-	(2 103.49)
Interest received - transferred to revenue		(47.57)
Conditions still to be met	<u>-</u>	<u>0.00</u>

6. TAXES

VAT Payable	-	-
VAT Receivable	155 714.37	630 083.67
VAT (payable)/receivable	<u>155 714.37</u>	<u>630 083.67</u>

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date through out the year.

7. PROPERTY, PLANT AND EQUIPMENT

30 June 2013

	Land and Buildings R	Leased R	Other R	Total R
Carrying values at 1 July 2012	10 618 009.55	1 270 138.17	3 626 707.87	15 514 855.59
Cost	13 814 365.79	2 025 043.89	5 816 550.76	21 655 960.44
Accumulated impairment	-	-	-	-
Accumulated depreciation	(3 196 356.24)	(754 905.72)	(2 189 842.89)	(6 141 104.85)
Movement for the year	-	-	193 139.14	193 139.14
Correction of error (note 20)	-	-	-	-
Acquisitions	-	-	196 019.72	196 019.72
Disposals	-	-	(2 880.58)	(2 880.58)
Capital under Construction	-	-	-	-
Revaluations	-	-	-	-
Impairment	-	-	-	-
Depreciation	(857 780.00)	(468 727.00)	(654 399.07)	(1 980 906.07)
Correction of error (note 20)	-	-	-	-
Depreciation for the year	(857 780.00)	(468 727.00)	(656 182.07)	(1 982 689.07)
Disposals	-	-	1 783.00	1 783.00
Other movements	-	-	-	-
Impairment	-	-	(15 476.82)	(15 476.82)
Impairment expense for the year	-	-	(15 476.82)	(15 476.82)
Other movements	-	-	-	-
Carrying values at 30 June 2013	9 760 229.55	801 411.17	3 149 971.12	13 711 611.84
Cost	13 814 365.79	2 025 043.89	6 009 689.90	21 849 099.58
Accumulated impairment	-	-	(15 476.82)	(15 476.82)
Accumulated depreciation	(4 054 136.24)	(1 223 632.72)	(2 844 241.96)	(8 122 010.92)

Refer to Appendix B for more detail on property, plant and equipment.

	Land and Buildings	Leased	Other	Total
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	R	R	R	R
Carrying values at 1 July 2011	11 554 741.84	1 502 546.04	4 282 403.45	17 339 691.33
Cost	13 964 365.79	1 831 507.81	5 920 274.73	21 716 148.33
Accumulated depreciation	(2 409 623.95)	(328 961.77)	(1 637 871.28)	(4 376 457.00)
Movement for the year	(150 000.00)	193 536.08	(103 723.97)	(60 187.89)
Correction of error (note 20)	-	-	-	-
Acquisitions	-	193 536.08	40 025.63	233 561.71
Transfers	(150 000.00)	-	-	(150 000.00)
Disposals	-	-	(143 749.60)	(143 749.60)
Capital under Construction	-	-	-	-
Revaluations	-	-	-	-
Impairment	-	-	-	-
Depreciation	(786 732.29)	(425 943.95)	(551 971.61)	(1 764 647.85)
Correction of error (note 20)	-	-	-	-
Depreciation for the year	(857 787.58)	(425 943.95)	(638 995.66)	(1 922 727.19)
Disposals	-	-	87 024.05	87 024.05
Transfers	71 055.29	-	-	71 055.29
Other movements	-	-	-	-
Impairment	-	-	-	-
Impairment expense for the year	-	-	-	-
Other movements	-	-	-	-
Carrying values at 30 June 2012	10 618 009.55	1 270 138.17	3 626 707.87	15 514 855.59
Cost	13 814 365.79	2 025 043.89	5 816 550.76	21 655 960.44
Accumulated impairment	-	-	-	-
Accumulated depreciation	(3 196 356.24)	(754 905.72)	(2 189 842.89)	(6 141 104.85)

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

Property, Plant and Equipment have been restated to adhere to the measurement provisions of GRAP 17. Refer to Note 22 on "Correction of Error" for details of the restatement.

8. INVESTMENT PROPERTY

2013
Cost

623 850.00

Accumulated amortisation	-
Carrying value at 1 July 2012	623 850.00
Movements for the year	1 216 750.00
Acquisitions	-
Fair value adjustment	1 216 750.00
Transfers	-
Disposals	-
Amortisation	-
Amortisation for the year	-
Disposals	-
Transfers	-
Other movements	-
Cost	1 840 600.00
Accumulated amortisation	-
Carrying value at 30 June 2013	1 840 600.00

2012	
Cost	623 850.00
Accumulated amortisation	-
Carrying value at 1 July 2011	623 850.00
Movements for the year	-
Acquisitions	-
Transfers	-
Disposals	-
Amortisation	-
Amortisation for the year	-
Disposals	-
Transfers	-
Other movements	-
Cost	623 850.00
Accumulated amortisation	-
Carrying value at 30 June 2012	623 850.00

Investment Property have been restated to adhere to the change in accounting policy. Refer to Note 22 on "Correction of Error" for details of the restatement.

9. INTANGIBLE ASSETS

2013	
Cost	368 294.60

Accumulated amortisation	(215 905.00)
Carrying value at 1 July 2012	152 389.60
Movements for the year	29 397.00
Acquisitions	29 397.00
Transfers	-
Disposals	-
Amortisation	(59 740.48)
Amortisation for the year	(59 740.48)
Disposals	-
Transfers	-
Other movements	-
Cost	397 691.60
Accumulated amortisation	(275 645.48)
Carrying value at 30 June 2013	122 046.12

2012	
Cost	368 294.60
Accumulated amortisation	(161 480.15)
Carrying value at 1 July 2011	206 814.45
Movements for the year	-
Acquisitions	-
Transfers	-
Disposals	-
Amortisation	(54 424.85)
Amortisation for the year	(54 424.85)
Disposals	-
Transfers	-
Other movements	-
Cost	368 294.60
Accumulated amortisation	(215 905.00)
Carrying value at 30 June 2012	152 389.60

Intangible Assets have been restated to adhere to the measurement provisions of GRAP 102. Refer to Note 22 on "Correction of Error" for details of the restatement.

10. OPERATING LEASE ASSETS/RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised.

Balance at beginning of the year	29 061.26	39 279.68
Operating Lease Revenue effected	(12 007.40)	(10 218.42)
Total Operating Lease Assets	<u>17 053.86</u>	<u>29 061.26</u>
Transfer to Current Portion	(7 435.97)	(12 007.40)
Non-Current Portion	<u>9 617.89</u>	<u>17 053.86</u>

Operating Lease Assets have been restated to adhere to the disclosure provisions of GRAP 13. Refer to note 22 for detail regarding the correction of the prior period error.

Leasing Arrangements
The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 3 to 5 (2012: 3 to 5) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its investment property, all of which is leased out under operating leases, amounted to R155 323 (2012: R157 998).

Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	7 435.98	12 007.40
2 to 5 years	9 617.88	7 435.98
More than 5 years	-	9 617.88
Total Operating Lease Arrangements	<u>17 053.86</u>	<u>29 061.26</u>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease in current year income of R12 007 (2012: R10 218).

The following payments have been recognised for Rental Income and Repairs and Maintenance Expense in the Statement of Financial Performance.

Rental Income	-	153 636.45
Repairs and Maintenance	-	-

11. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

-	-
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12. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Sundries	260 630.06	773 219.10
Less: Provision for bad debts	-	(524 992.25)
Control Accounts	-	-
Advances to	-	-
Total Other Debtors	<u>260 630.06</u>	<u>248 226.85</u>

12.1 Sundries

Internal Audit Functions	-	524 992.25
Shared Services	150 000.00	200 000.00
Property Rent	2 594.14	2 594.26
Loan paid in advance BCX	-	9 211.34

Ex Gratia Medical Aid	24 122.91	20 098.09
Provision for interest on investments	80 868.05	16 323.16
	<u>257 585.10</u>	<u>773 219.10</u>

12.2 Control Accounts

Contra Advances	3 044.96	-
Sport Facilities	-	-
EPWP Renosterberg	-	-
	<u>3 044.96</u>	<u>-</u>

12.3 Provision for Bad Debts

Balance at the beginning of the financial year	524 992.25	350 416.47
Contributions	63 733.64	174 575.78
Write Off's	(588 725.89)	-
Balance at the end of the financial year	<u>-</u>	<u>524 992.25</u>

13. CASH AND CASH EQUIVALENTS

Assets

13.1 Call Investment Deposits	15 410 211.20	9 689 878.54
13.2 Primary Bank Account	55 893.39	38 277.10
Total Cash and Cash Equivalents	<u>15 466 104.59</u>	<u>9 728 155.64</u>

13.1 Call Investment Deposits

Call Accounts

- ABSA Bank

Term Deposits

- ABSA Bank

15 410 211.20	9 689 878.54
14 897 530.82	9 007 041.96
512 680.38	682 836.58

The Municipality has the following bank accounts:-

13.2 Current Account (Primary Bank Account)

ABSA Bank - De Aar Branch
Account Number 1850000197

Cash book balance at beginning of year	38 277.10	586 684.49
Cash book balance at end of year	<u>55 893.39</u>	<u>38 277.10</u>

Bank statement balance at beginning of year	174 951.25	847 567.41
Bank statement balance at end of year	<u>235 340.12</u>	<u>174 951.25</u>

40

Term Deposits

Capital Replacement Reserve	6054384570	ABSA	512 680.38	682 836.58
			<u>512 680.38</u>	<u>682 836.58</u>

Call Accounts

MIG	9122853831	ABSA	9 718.71	9 702.32
Sport Facilities	9269389573	ABSA	2 081 648.69	5 823 838.06
Housing Accreditation	9274634894	ABSA	1 224.49	441 666.66
Surplus	9123552505	ABSA	1 658 221.46	2 609 850.40
FMG	9275386731	ABSA	1 363.03	-
MSIG	9276388425	ABSA	1 313.35	-
DORA	9206499543	ABSA	9 932.25	-
Fire Fighting Equipment	9177555141	ABSA	6 775.61	117 146.34
Housing Kareeberg	9284952305	ABSA	92 546.26	-
EPWP Renosterberg	9284510400	ABSA	1 177.31	-
Ouboks	9199458399	ABSA	11 028 763.11	-
Woman Empowerment Fund	9243449513	ABSA	4 846.55	4 838.18
			<u>14 897 530.82</u>	<u>9 007 041.96</u>

14. GOVERNMENT GRANTS AND SUBSIDIES

Grant : Equitable Share			8 646 000.00	7 615 444.29
Grant : Levy Replacement			15 683 000.00	15 398 738.29
Grant : Councillor Remuneration			2 242 000.00	1 242 917.42
Grant : FMG			1 250 000.00	1 250 000.00
Grant : NEAR			499 370.73	821 379.23
Grant : MIG			-	2 618 599.60
Grant : Flood Damage			-	353 000.00
Grant : EPWP			999 650.00	2 000 000.60
Grant : Project Skietfontein			-	20 379.73
Grant : Sport Facilities			3 748 339.96	1 050 918.14
Grant : EPWP Renosterberg			-	-
Grant : Project Nala			-	350 000.00
Grant : MSIG			1 200 000.00	1 200 000.00
Grant : National Housing			150 000.00	1 549 999.97
			34 418 360.69	35 471 377.27
Subsidy : Roadworks			1 356 644.10	738 637.12
Total Government Grants and Subsidies			<u>35 775 004.79</u>	<u>36 210 014.39</u>

The unspent portions of the conditional grants are treated as current liabilities and disclosed per Note 5 above. Only the actual expenditure amounts are transferred to the relevant operating statement to cover the expenditure incurred in terms of the grant conditions.

14.1 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act of 2008, no significant changes in the level of government grant funding are expected over the forthcoming three financial years.

15. OTHER INCOME

Money Various			45 531.04	595 093.80
Seta Claims			371 923.22	171 987.24
Administration Cost			50 000.00	733 731.83

Actuarial gain	-	2 624 870.00
Fair Value Adjustment	1 216 750.00	-
Income from Insurance Claim	41 049.27	20 510.88
Income - Vostersdam	700.00	16 856.00
Telephone deductions	490.83	11 704.32
Travel & Subsistence paid back	740.00	907.00
Salaries paid back	-	937.80
Income from investments	303 703.51	1 110 401.68
Contribution from Municipalities	1 818 399.20	1 677 138.56
Total	<u>3 849 287.07</u>	<u>6 964 139.11</u>

The fair value adjustment of R1 216 750 relates to investment property which is now carried at fair value. The change in accounting policy is included in Note 23: Change in Accounting Policy.

16. EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	16 056 475.63	16 283 685.07
Employee related costs - Social contributions	2 634 489.87	1 491 256.68
Bonuses	1 247 697.10	1 362 393.63
Car allowances	1 497 004.29	1 281 814.90
Housing benefits	70 219.96	79 220.00
Overtime	103 794.47	122 545.59
Unemployment Insurance Fund	110 057.60	106 076.88
Other employee related costs	168 351.35	128 737.00
Total Employee Related Costs	<u>21 888 090.27</u>	<u>20 855 729.75</u>

Remuneration of the Municipal Manager

Annual Remuneration	684 587.00	697 544.50
Bonus	170 606.00	159 768.20
Backpay	5 472.84	-
Car Allowance	160 027.88	201 945.00
Cellphone Allowance	7 700.00	8 600.00
Pension contributions	123 225.66	122 926.14
UIF	1 564.10	1 497.36
Total	<u>1 153 183.48</u>	<u>1 192 281.20</u>

Remuneration of the Chief Finance Officer

Annual Remuneration	690 253.00	622 261.62
Bonus	130 809.08	128 437.57
Backpay	5 294.66	-
Car Allowance	96 668.92	106 485.00
Cellphone Allowance	6 000.00	6 200.00
Medical contributions	-	21 661.20
Pension contributions	124 245.54	109 808.46
UIF	1 712.82	1 497.36
Total	<u>1 054 984.02</u>	<u>996 351.21</u>

Remuneration of the Chief Internal Auditor

Annual Remuneration	326 547.00	374 230.66
Bonus	27 283.00	25 851.00
Backpay	1 665.00	-
Car Allowance	84 000.00	67 840.00
Cellphone Allowance	4 200.00	4 305.00

Medical contributions	12 812.40	11 732.40
Pension contributions	58 778.46	54 721.62
UIF	1 712.82	1 497.36
Total	<u>516 998.68</u>	<u>540 178.04</u>

Remuneration of the Manager Infrastructure

Annual Remuneration	557 313.00	531 118.14
Bonus	120 756.00	74 938.25
Backpay	3 825.11	-
Car Allowance	83 161.35	72 000.00
Cellphone Allowance	6 000.00	6 200.00
Medical contributions	-	-
Pension contributions	100 316.34	93 811.50
UIF	1 712.82	1 497.36
Total	<u>873 084.62</u>	<u>779 565.25</u>

Remuneration of the Planner PIMS

Annual Remuneration	717 899.00	669 383.74
Bonus	120 121.74	112 474.85
Backpay	4 302.00	-
Car Allowance	133 113.42	132 201.90
Cellphone Allowance	6 000.00	6 200.00
Medical contributions	-	-
UIF	1 712.82	1 497.36
Total	<u>983 148.98</u>	<u>921 757.85</u>

Remuneration of the Chief Corporate Services

Annual Remuneration	600 934.00	563 109.36
Bonus	114 300.32	125 482.38
Backpay	4 052.12	-
Car Allowance	89 964.08	90 072.00
Cellphone Allowance	6 000.00	6 200.00
Pension contributions	108 168.12	99 431.28
UIF	1 712.82	1 497.36
Total	<u>925 131.46</u>	<u>885 792.38</u>

17. REMUNERATION OF COUNCILLORS

Executive Mayor	645 549.00	550 050.02
Speaker	516 438.96	442 940.52
Members of the Mayoral Committee	1 271 147.88	1 105 342.22
Councillors	702 583.34	591 676.52
Telephone allowance	42 000.00	-
Travelling allowances	-	363 992.24
Total	<u>3 177 719.18</u>	<u>3 054 001.52</u>

In-kind Benefits

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

18. IMPAIRMENT LOSSES

Property, plant and equipment	15 476.82	-
Total	<u>15 476.82</u>	<u>-</u>

19. INTEREST PAID

Long-term liabilities	320 277.54	400 308.10
Employee Benefits	1 174 247.00	1 525 776.00
Bank Account	2 776.17	3 190.28
Total Interest on External Borrowings	<u>1 497 300.71</u>	<u>1 929 274.38</u>

20. GRANTS AND SUBSIDIES PAID

To IDP Projects	4 788 990.68	6 214 718.85
Total Grants and Subsidies paid	<u>4 788 990.68</u>	<u>6 214 718.85</u>

21. GENERAL EXPENSES

Total General Expenses	<u>9 331 095.27</u>	<u>8 328 673.22</u>
Advertisements	110 511.12	24 790.53
Consulting Cost	694 130.66	2 109 644.70
Insurance Casualty	-	171 000.00
Current Service Cost	338 328.00	450 823.00
Bank Cost	50 096.36	41 238.47
Protective clothing	3 183.51	1 021.58
Fire Extinguishers	-	1 616.79
Injury on duty	-	3 601.80
Training	552 471.93	180 118.42
Audit Cost	2 042 382.52	690 940.25
Printing & Stationary	313 251.95	427 140.75
Sundries	17 238.63	12 649.89
Bursaries	20 305.00	48 099.61
PKS Newsletter	126 233.42	120 277.72
Property tax	42 199.73	29 783.84
Electricity and Water	150 267.75	198 237.21
GRAP Implementing	85 604.00	33 600.00
Office expenditure	65 715.86	37 021.90
Congress cost	6 000.00	8 000.00
Seta payments	225 099.51	212 200.47
Membership Fees	828 647.85	193 910.63
Licences	-	2 260.00
Audit Committee	6 877.02	64 918.94
Travel and Subsistence	1 727 897.38	1 540 525.92
Fuel and Oil	495 936.01	523 908.19
Cellphone & Telephone	357 643.71	374 094.87
Entertainment : Councillors	15 051.46	40 711.00
Public Entertainment	171 497.52	127 784.43
Postage	-	7 856.22
Legal Cost	1 541.39	46 400.00
Strategic planning	22 500.00	3 570.00
Water samples	7 288.04	31 981.08

Sewerage	9 544.27	2 183.44
Insurance claims	1 302.90	2 760.00
Fire Fighting Equipment for Municipalities	557 870.74	268 112.61
Insurance General	284 477.03	260 394.07
Computer Expenses - Intangible Assets	-	2 679.04
Operating Lease Assets	-	10 218.42
Computer Expenses - Long Term Liabilities	-	22 597.43

22. CORRECTION OF ERROR IN ACCORDANCE WITH GRAP 3

- 22.1** Adjustment of Note 5 to split the interest received and transferred to revenue on unspent conditional grants invested and the conditions met - transferred to revenue (previously the interest was included in the conditions met).
- 22.2** Adjust note 21 to include all general expense items and not only the items more than R150 000.00.
- 22.3** Corrections were made during the previous financial years. Details of the appropriations are as follows:

	2012 (Previous)	Correction	2012 (Restated)
Statement of Financial Position:			
Property, Plant and Equipment	16 286 630.16	(771 774.57)	15 514 855.59
Investment Property	317 393.68	306 456.32	623 850.00
Intangible Assets	245 360.90	(92 971.30)	152 389.60
Operating Lease Asset	-	17 053.86	17 053.86
Trade Receivables from Non-Exchange Transactions	48 226.85	-	48 226.85
Current Portion of Operating Lease Asset	-	12 007.40	12 007.40
Taxes	630 083.67	-	630 083.67
Cash and Cash Equivalents	9 728 155.64	-	9 728 155.64
Borrowings	(3 298 560.27)	(24 818.03)	(3 323 378.30)
Non-Current Employee Benefits	(15 856 089.00)	-	(15 856 089.00)
Employee Benefits	(1 269 027.79)	-	(1 269 027.79)
Trade Payables	(1 560 797.99)	-	(1 560 797.99)
Unspent Conditional Grants and Receipts	(5 950 686.72)	-	(5 950 686.72)
Current Portion of Finance Lease Liability	(947 695.44)	2 220.60	(945 474.84)
Capital Replacement Reserve	(682 836.58)	-	(682 836.58)
Accumulated Surplus/(Deficit) - Opening Balance	2 309 842.89	-	2 309 842.89
Accumulated Surplus/(Deficit) - Prior Year Adjustments	-	554 733.25	554 733.25
Accumulated Surplus/(Deficit) - Change in Accounting Policy (Note 23)	-	(295 488.97)	(295 488.97)
Accumulated Surplus/(Deficit) - (Surplus)/Deficit for the Year	-	292 581.44	292 581.44
	<u>0.00</u>	<u>-</u>	<u>(0.00)</u>

Statement of Financial Performance:

Depreciation Expense	274 719.18
Depreciation Expense (Refer to Note 23)	(10 967.35)
Amortisation Expense	(6 665.28)
Computer Expense	25 276.47
Rental of Facilities and Equipment	10 218.42

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22.4 Results from total verification performed (Property, Plant and Equipment)

Management performed a total verification of all property, plant and equipment items during the financial year. A number of misstatement and errors were identified that has been subsequently been corrected.

The effect of the Correction of error is as follows:

Statement of Financial Position:

Increase/(Decrease) in Property, Plant and Equipment	(771 774.57)	(771 774.57)
(Increase)/Decrease in Accumulated Surplus	771 774.57	497 055.39

Statement of Financial Performance:

Increase/(Decrease) in Depreciation Expense	-	274 719.18
	-	-

22.5 Results from total verification performed (Intangible Assets)

Management performed a total verification of all Intangible Assets items during the financial year. A number of misstatement and errors were identified that has been subsequently been corrected.

Statement of Financial Position:

Increase/(Decrease) in Intangible Assets		(92 971.31)
(Increase)/Decrease in Accumulated Surplus/(Deficit)		96 957.55

Statement of Financial Performance:

Increase/(Decrease) in Amortisation Expense		(6 665.28)
Increase/(Decrease) in Computer Expense		2 679.04
		0.00

22.6 Operating Lease Asset not previously recognised

The Operating Lease Asset was not previously recognised in terms of GRAP 13. This has subsequently been corrected and the correction has been made retrospectively.

Statement of Financial Position:

Increase/(Decrease) in Operating Lease Asset		29 061.26
(Increase)/Decrease in Accumulated Surplus/(Deficit)		(39 279.68)

Statement of Financial Performance:

(Increase)/Decrease in Rental of Facilities and Equipment		10 218.42
		-

22.7 Finance Lease Obligation recalculated

During the financial year management recalculated the finance lease obligations to ensure the balances are correct at yearend.

The effect of the Correction of Error is as follows:**Statement of Financial Position:**

(Increase)/Decrease in Long-term Liabilities		(22 597.43)
(Increase)/Decrease in Accumulated Surplus		-

Statement of Financial Performance:

Increase/(Decrease) in Computer Expense		22 597.43
		-

23. CHANGE IN ACCOUNTING POLICY

23.1 Investment Property

Investment property is now recognised in accordance with the fair value method in terms of GRAP 16: *Investment Property*. The prior year figures of Investment Properties and Accumulated Surplus have been restated to correctly disclose the balance in terms of GRAP 16.

The effect of the Change in Accounting Policy is as follows:

Statement of Financial Position

Increase/(Decrease) in Investment Property	306 456.32	306 456.32
(Increase)/Decrease in Accumulated Surplus	(306 456.32)	(295 488.97)

Statement of Financial Performance

Increase/(Decrease) in Depreciation Expense	-	(10 967.35)
	-	0.00

24. CASH GENERATED BY OPERATIONS

Surplus for the year	(3 741 870.12)	188 305.20
Adjustments in respect of previous years	79 211.17	487 925.33
Net surplus for the year	(3 662 658.95)	676 230.53
Adjustment for:-		
Depreciation	2 057 906.81	1 776 197.35
Non-current employee benefits	436 127.00	(1 659 000.00)
Current employee benefits	(46 117.00)	(1 143 937.79)
Fair Value Adjustment	(1 216 750.00)	-
Interest received	(487 459.93)	(363 574.42)
Interest paid	323 053.71	403 498.38
Operating surplus before working capital changes:	(2 595 898.36)	(310 585.95)
(Increase)/Decrease in inventories	-	-
(Increase)/Decrease in debtors	-	-
(Increase)/Decrease in other debtors	473 973.49	(176 509.17)
Increase/(Decrease) in conditional grants and receipts	(3 237 749.40)	2 468 869.22
(Increase)/Decrease in investments	-	-
Increase/(Decrease) in creditors	12 139 277.53	88 673.44
Cash generated by/(utilised in) operations	6 779 603.26	2 070 447.54

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:-

Bank balances and cash	55 893.39	38 277.10
Bank overdraft	-	-
Call investment deposits	15 410 211.20	9 689 878.54

Total cash and cash equivalents	15 466 104.59	9 728 155.64
--	----------------------	---------------------

26. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see note 1)	3 457 268.41	4 268 853.14
Used to finance property, plant and equipment	<u>3 457 268.41</u>	<u>4 268 853.14</u>
Sub-total	-	-
Cash set aside for the repayment of long-term liabilities	<u>-</u>	<u>-</u>
Cash invested for repayment of long-term liabilities	<u>-</u>	<u>-</u>

External loans have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that external loans can be repaid on redemption date.

27. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

27.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	661 416.72	-
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Unauthorised expenditure awaiting condonement	<u>661 416.72</u>	<u>-</u>

Incident

1. Overspending of the capital budget 2012/2013

Disciplinary steps/criminal proceedings

1. The matter will be investigated for possible Council condonement.

27.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	382 535.59	6 830.85
Fruitless and wasteful expenditure current year	88 819.61	375 704.74
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>471 355.20</u>	<u>382 535.59</u>

Incident

1. Interest was raised on the overdue account of the Auditor-General (R88 819.61).
2. An amount of R6 830.85 (30% of R22 769.50) is paid to Erika Hardware Store for windows broken by naughty children. The windows are for the Ouboks Housing Project.
3. Overpayment of Councillor Renumeration 2010/2011 (R148 514.22).
4. Overpayment of Councillor Renumeration 2011/2012 (R227 190.52).

Disciplinary steps/criminal proceedings

- (1) The way forward in solving the account of the Auditor -General are investigated.
- (2 - 4) The matter are still under investigation.

27.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	26 895 772.99	20 483 140.44

Irregular expenditure current year	4 580 472.75	6 412 632.55
Condoned by National Treasury	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	<u>31 476 245.74</u>	<u>26 895 772.99</u>

Incident

There are several reasons for this deviations, such as:
 Sole providers;
 Ask three companies for quotations but only two respond; etc.

28. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

28.1 Contributions to SALGA

Opening balance	-	-
Council subscriptions	808 806.90	153 985.09
Amount paid - current year	(808 806.90)	(153 985.09)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

28.2 Audit fees

Opening balance	-	-
Current year audit fee	438 620.76	690 940.25
Amount paid - current year	(438 620.76)	(690 940.25)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

28.3 VAT

VAT inputs receivables and VAT outputs receivables are calculated. All VAT returns have been submitted by the due date throughout the year.

28.4 PAYE, SDL and UIF

Opening balance	-	-
Current year payroll deductions	4 625 891.36	4 680 275.19
Amount paid - current year	(4 625 891.36)	(4 680 275.19)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

28.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	2 652 029.72	2 229 978.24
Amount paid - current year	(2 652 029.72)	(2 229 978.24)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

28.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days:-

30 June 2013

None

Total Councillor Arrear Consumer Accounts

Total	Outstanding less than 90 days	Outstanding more than 90 days
-	-	-

30 June 2012

None

Total Councillor Arrear Consumer Accounts

Total	Outstanding less than 90 days	Outstanding more than 90 days
-	-	-

28.7 Non-compliance with chapter 11 of the MFMA

Fully compliant

29. IDP PAYMENTS

EPWP Renosterberg	22 351.19	-
EPWP Projects	942 978.39	2 000 000.60
Project Nala	105 000.00	182 669.29
Lotto Siyathemba	-	-
Lotto Thembelihle	-	-
Powerlines	-	-
MIG Projects	-	1 568 952.20
Sport Facilities	2 580 581.09	1 694 127.35
Cleaning Project	-	-
School Sanitation Project	-	-
Flood Damage	-	309 649.12
Gender	-	-
HIV/AIDS	-	-
District Wide Programs	1 050 492.71	397 504.50
L E D	7 780.00	61 815.79
Tourism	-	-
Youth	-	-
	4 709 183.38	6 214 718.85

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This expenditure will be financed from:-

Grants

4 709 183.38	6 214 718.85
4 709 183.38	6 214 718.85

29. RETIREMENT BENEFIT INFORMATION

29.1 Pension Fund Contributions

The District Municipality contributes to the following post retirement funds:-

- Cape Joint Pension Fund
- Cape Joint Retirement Fund
- SAMWU Retirement Fund

These funds are subject to a triennial actuarial valuation.

29.2 Continued Medical Aid Contributions

The municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pay 70% as contribution and the remaining 30% are paid by the members.

30. CAPITAL COMMITMENTS

Authorised Capital Expenditure

Commitments in respect of capital expenditure

Sportfield Project : Philipstown and Victoria West

Contracted 2011/2012		7 000 000.00
Expenditure 2011/2012		<u>(1 050 918.14)</u>
Closing Balance 30/06/2012		<u>5 949 081.86</u>
Opening Balance 01/07/2012	5 949 081.86	
Contracted 2012/2013		-
Expenditure 2012/2013		<u>(3 836 581.96)</u>
Closing Balance 30/06/2013		<u>2 112 499.90</u>

Ouboks Housing Project : Phase 5

Contracted 2011/2012		40 054 127.21
Expenditure 2011/2012		<u>(21 489 145.12)</u>
Closing Balance 30/06/2012		<u>18 564 982.09</u>
Opening Balance 01/07/2012	18 564 982.09	
Contracted 2012/2013		-
Expenditure 2012/2013		<u>(8 441 612.09)</u>
Closing Balance 30/06/2013		<u>10 123 370.00</u>
	<u>12 235 869.90</u>	<u>24 514 063.95</u>

These expenditure will be funded from national and provincial grants. Capital commitments are specific capital projects. Some of these projects were still in progress at year end.

31. RELATED PARTY TRANSACTIONS

The Section 57 employees as well as the Councillor remuneration are included in notes 16 and 17 to the annual financial statements.

32. CONTINGENT LIABILITY

The Municipality is at this stage involved in a leagal dispute with Musscle Construction regarding the Ouboks Housing Project in Colesberg. The possible liability will be R339,021.69 (this amount is subject to interest @ 15.5% p.a.)

339 021.69

339 021.69

There's a possibility of legal proceedings against the Municipality as a result of the Vaal River that burst its banks during the period 26 January to 6 February 2010 causing extensive damage to properties and the accusation that the Municipality failed to establish an early warning system. (Santam Insurance) - 1 033 421.84

This case has prescribed (Not valid anymore)

There's a possibility of legal proceedings against the Municipality as a result of the Vaal River that burst its banks during the period 26 January to 6 February 2010 causing extensive damage to properties and the accusation that the Municipality failed to establish and implement an early warning system. (Mutual & Federal Insurance) - 26 807 401.17

This case has prescribed (Not valid anymore)

33. CONTINGENT ASSETS

The Municipality has no contingent assets.

34. IN-KIND DONATIONS AND ASSISTANCE

The Municipality received no in-kind donations.

35. FINANCIAL RISK MANAGEMENT

The activities of the municipality exposed it to a variety of financial risks, including market risk (comprising currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(i) Foreign exchange currency risk

The municipality does not engage in foreign currency transactions.

(ii) Price Risk

The Municipality is not exposed to price risk.

(iii) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

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(iv) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and othe receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provosions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers,dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial conditions of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate

due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practise this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All debtors are payable within 30 days from invoice date.

Due to the short term nature and other receivables, the carrying value disclosed in note 11 of the financial statements is an approximation of its fair value.

The entity only only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review.

(v) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end 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.

	Less than 1 year	Between 1 and 5 years	Over 5 Years	Total
2013				
Long-term Liabilities	516 972.61	2 940 295.80	-	3 457 268.41
Trade and Other Payables	1 022 008.17	-	-	1 022 008.17
Unspent conditional government grants and receipts	13 233 246.69	-	-	13 233 246.69
Cash and Cash Equivalents	-	-	-	-
	<u>14 772 227.47</u>	<u>2 940 295.80</u>	<u>-</u>	<u>17 712 523.27</u>
2012				
Long-term Liabilities	945 474.84	3 323 378.30	-	4 268 853.14
Trade and Other Payables	1 560 797.99	-	-	1 560 797.99
Unspent conditional government grants and receipts	5 950 686.72	-	-	5 950 686.72
Cash and Cash Equivalents	-	-	-	-
	<u>8 456 959.55</u>	<u>3 323 378.30</u>	<u>-</u>	<u>11 780 337.85</u>

(v) Capital Management

The primary objective of the Municipality's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to maintain a sound financial position.

No changes were made in the objectives, policies or processes during the year ended 30 June 2013.

The financial liabilities of the Municipality are backed by appropriate assets and have adequate liquid resources.

36. EVENTS AFTER REPORTING DATE

Management is not aware of any events after reporting date.

37. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2013

	Original	Budget	Final	Actual	Unauthorised	Actual Outcome As % Of Final	Actual Outcome As % Of Original
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	Budget	Adjustments	Virement	Budget	Outcome	Expenditure	Variance	Budget	Budget
Financial Performance									
Revenue by source									
Administration Cost	-	-	-	-	-	-	-	0	0
Interest earned	260 000	160 000	-	160 000	469 025.59	-	(309 025.59)	293	180
Government grants and subsidies : Dora	29 505 000	29 505 000	-	#####	29 021 000.00	-	484 000.00	98	98
Government grants and subsidies : Other	441 666	150 000	-	150 000	150 000.00	-	-	100	0
Contribution : Provincial Government	1 000 000	7 859 683	-	7 859 683	7 368 727.14	-	490 955.86	94	737
Contribution : Municipalities	1 677 139	1 789 364	-	1 789 364	1 897 899.20	-	(108 535.20)	106	113
Income from Investment	1 424 475	129 397	-	129 397	303 703.51	-	(174 306.51)	235	21
Income Vostersdam	-	700	-	700	700.00	-	-	100	0
Medical Ex Gratia	450 000	-	-	-	-	-	-	0	0
Office Rental : Ex Gratia	158 000	158 000	-	158 000	155 323.24	-	2 676.76	98	98
Other Income	50 000	1 854 181	-	1 854 181	1 676 484.36	-	177 696.64	90	3353
Total revenue (excluding capital transfers and contributions)	34 966 280	41 606 325	-	#####	41 042 863.04	-	563 461.96	99	117
Expenditure by nature									
Employee related costs	22 884 016	22 092 900	-	#####	21 905 630.16	-	187 269.84	99	96
Remuneration of Councillors	3 154 650	3 136 000	-	3 136 000	3 135 718.18	-	281.82	100	99
Repairs and maintenance	335 500	416 500	-	416 500	419 813.94	-	(3 313.94)	101	125
Provision for leave and bad debts	-	235 000	-	235 000	103 966.98	-	131 033.02	44	0
Depreciation and amortisation	-	2 058 000	-	2 058 000	2 042 429.99	-	15 570.01	99	0
Interest Paid	324 280	324 000	-	324 000	1 497 300.71	-	(1 173 300.71)	462	462
Contracted services	911 000	1 000 000	-	1 000 000	908 690.51	-	91 309.49	91	100
General expenses	6 981 834	16 111 380	-	#####	14 088 744.16	-	2 022 635.84	87	202
Total Expenditure	34 591 280	45 373 780	-	#####	44 102 294.63	-	1 271 485.37	97	127
Transfers recognised - capital	-	-	-	-	-	-	-	0	0
Contributions recognised - capital	-	-	-	-	-	-	-	0	0
Surplus/(Deficit) after capital transfers and contributions	375 000	(3 767 455)	-	(3 767 455)	(3 059 431.59)	-	(708 023.41)	81	-816
Share of surplus/(deficit) of associate	-	-	-	-	-	-	-	0	0
Surplus/(Deficit) for the year	375 000	(3 767 455)	-	(3 767 455)	(3 059 431.59)	-	(708 023.41)	81	-816

Capital Expenditure & Funds Sources

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Capital Expenditure

Transfers recognised - capital	-	-	-	-	-	-	-	0	0
Public contributions & donations	-	-	-	-	-	-	-	0	0
Borrowings	-	-	-	-	-	-	-	0	0
Internally generated funds	375 000	165 000	-	165 000	145 916.72	-	19 083.28	88	39
Total sources of capital funds	375 000	165 000	-	165 000	145 916.72	-	19 083.28	88	39

Cash Flows

Net cash from (used) operating	(14 375 324)	(2 456 205)	-	(2 456 205)	8 158 976.02	-	(10 615 181.02)	-332	-57
Net cash from (used) investing	7 000 162	(165 000)	-	(165 000)	(1 609 442.34)	-	1 444 442.34	975	-23
Net cash from (used) financing	-	(469 083)	-	(469 083)	(811 584.73)	-	342 501.73	173	0
Cash/cash equivalents at year end	(7 375 162)	(3 090 288)	-	(3 090 288)	5 737 948.95	-	(8 828 236.95)	-186	-78

Capital Expenditure and Funds Sources

(i) The Final Adjustment Budget was compiled on accrual basis.

(ii) The reasons for compiling an adjustment budget are as follows:

- To budget for allocations from government and expenditure on those allocations. These allocation has been received after the approval and implementation of the original budget.
- To move from cash based budget to accrual basis.
- To give a more realistic picture after the half year assessment has been done.

38. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements

The accounting policies of the Municipality are implemented and there were no judgement necessary for this financial year.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the Statement of Financial Position, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are disclosed below.

Revaluation of property, plant and equipment

No revaluations was done except market values were calculated for assets on the asset register with R1 values.

Investment property carried at fair value

As stated in Note 23: Change in accounting policy, the municipality has changed its accounting policy to carry its investment properties at fair value. This adjustment was made retrospectively as required by GRAP 3: Change in Accounting Policies, Change in Accounting Estimates and Errors.

The market values were determined by professional valuers in each district and the movement was accounted for as a fair value adjustment in the Statement of Financial Performance as required by GRAP 16: Investment Property.

The estimates and assumptions used by the valuers included the market performance and the price (fair value) that can be expected to be generated through the sale thereof between two willing parties at arm's length.

Impairment

The impairment is calculated by taking into account the recoverable service amount expected to be received from the use of the property, plant and equipment item, as required by GRAP 21: Impairment of Cash-generating Assets and GRAP 26: Impairment of Non-cash-generating Assets.

Employee Benefits

The cost of defined benefit pension plans and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about:

- discount rates
- average retirement age
- anflation rates
- average age of employees
- pre-retirement mortality

- post-retirement mortality
- continuation of membership
- average number of dependents
- average period of employment
- average of employer contributions
- future salary increases

39. FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast doubt about the going concern assumption are as follows:

Financial indicators

Current Liabilities exceeds current assets with the current ratio being 0.85:1 (2012 - 1.11:1).

Part of the current liabilities are employee benefits which is improvable to materialised at 100%.

A bank overdraft facility is available amounting to R1 500 000.

The Municipality is in arrears with the Auditor General of South Africa to an amount of R2 628 740.15 as at 31 October 2013.

Action taken by Council

The Municipality have budgeted for a surplus of R1 979 662.00 for the 2013/2014 financial year. The Municipality is also budgeting for positive cash flows during 2013/2014. 2014/2015 and 2015/2016 amounting to R3 569 349, R9 758 404 and R9 164 619 respectively.

Council is in process of negotiating with AGSA to redeem the liability.

Council is busy negotiating with National Treasury and SALGA to assist with the financial situation.

APPENDIX A

PIXLEY KA SEME DISTRICT MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/2012	Received during the period	Redeemed written off during the period	Balance at 30/06/2013	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
LONG-TERM LOANS			R	R	R	R		
DBSA Bank @ 9.863%	102850	2018/03/31	3 449 295.08	-	469 082.99	2 980 212.09	-	-
Total long-term loans			3 449 295.08	-	469 082.99	2 980 212.09	-	-
Finance Leases								
Canon		Various	819 558.06	-	342 501.74	477 056.32	-	-
Total Finance Leases			819 558.06	-	342 501.74	477 056.32	-	-
TOTAL EXTERNAL LOANS			4 268 853.14	-	811 584.73	3 457 268.41	-	-

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost/Revaluation						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Fair Value Adjustments	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals		Closing Balance
Land and Buildings													
Land	110 200.00	-	-	-	-	-	110 200.00	-	-	-	-	-	110 200.00
Buildings	13 704 165.79	-	-	-	-	-	13 704 165.79	3 196 356.24	857 780.37	-	-	4 054 136.61	9 650 029.18
	13 814 365.79	-	-	-	-	-	13 814 365.79	3 196 356.24	857 780.37	-	-	4 054 136.61	9 760 229.18
Leased Assets													
Leased Assets	2 025 043.89	-	-	-	-	-	2 025 043.89	754 905.72	468 727.09	-	-	1 223 632.81	801 411.08
	2 025 043.89	-	-	-	-	-	2 025 043.89	754 905.72	468 727.09	-	-	1 223 632.81	801 411.08
Other Assets													
Emergency Equipment													
Emergency Equipment	156 082.86	-	-	-	-	-	156 082.86	68 882.82	18 916.66	-	-	87 799.48	68 283.38
Vehicles													
Motor Vehicles	1 178 760.09	-	-	-	-	-	1 178 760.09	172 268.23	72 369.59	-	-	244 637.82	934 122.27
Trucks	627 230.17	-	-	-	-	-	627 230.17	189 005.66	29 827.10	-	-	218 832.76	408 397.41
Trailers	10 890.00	-	-	-	-	-	10 890.00	3 946.18	233.03	-	-	4 179.21	6 710.79
Furniture & Fittings													
Tables and Desks	732 320.66	-	-	-	-	-	732 320.66	313 066.83	93 061.50	-	-	406 128.33	326 192.33
Furniture & Fittings	832 112.10	-	-	-	-	-	832 112.10	368 125.90	103 608.91	-	-	471 734.81	360 377.29
Chairs	449 952.01	-	-	-	-	-	449 952.01	158 462.95	63 394.54	-	-	221 857.49	228 094.52
Office Equipment													
Electronic Equipment	270 300.80	3 903.51	-	-	-	-	274 204.31	122 463.54	41 086.32	-	-	163 549.86	110 654.45
Air Conditioner	349 441.81	-	-	-	-	-	349 441.81	173 407.45	57 493.24	-	-	230 900.69	118 541.12
Computer Hardware	976 826.83	192 116.21	-	-	-	2 880.58	1 166 062.46	524 141.78	156 673.62	-	1 783.45	679 031.95	487 030.51
Other Office Equipment	185 633.43	-	-	-	-	-	185 633.43	66 801.32	31 952.03	-	-	98 753.35	86 880.08
Plant and Equipment													
Compressor/Generator	47 000.00	-	-	-	-	-	47 000.00	29 270.23	3 042.34	-	-	32 312.57	14 687.43
Total Other Assets	5 816 550.76	196 019.72	-	-	-	2 880.58	6 009 689.90	2 189 842.89	671 658.88	-	1 783.45	2 859 718.32	3 149 971.58
Total PPE	21 655 960.44	196 019.72	-	-	-	2 880.58	21 849 099.58	6 141 104.85	1 998 166.34	-	1 783.45	8 137 487.74	13 711 611.84
Intangible Assets													
Computer Software	368 294.60	29 397.00	-	-	-	-	397 691.60	215 905.00	59 740.48	-	-	275 645.48	122 046.12
	368 294.60	29 397.00	-	-	-	-	397 691.60	215 905.00	59 740.48	-	-	275 645.48	122 046.12
Investment Property													
Investment Property	623 850.00	-	1 216 750.00	-	-	-	1 840 600.00	-	-	-	-	-	1 840 600.00
	623 850.00	-	1 216 750.00	-	-	-	1 840 600.00	-	-	-	-	-	1 840 600.00
Total carried forward	22 648 105.04	225 416.72	1 216 750.00	-	-	2 880.58	24 087 391.18	6 357 009.85	2 057 906.82	-	1 783.45	8 413 133.22	15 674 257.96

* Includes correction of error referred to in Note 22

APPENDIX C

PIXLEY KA SEME DISTRICT MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30 JUNE 2013

	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Fair Value Adjustments	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals		Closing Balance
Budget and Treasury	21 655 960.44	196 019.72	-	-	-	2 880.58	21 849 099.58	6 141 104.85	1 998 166.34	-	1 783.45	8 137 487.74	13 711 611.84
TOTAL	21 655 960.44	196 019.72	-	-	-	2 880.58	21 849 099.58	6 141 104.85	1 998 166.34	-	1 783.45	8 137 487.74	13 711 611.84

	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Fair Value Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals		Closing Balance
DM Vote	21 655 960.44	196 019.72	-	-	-	2 880.58	21 849 099.58	6 141 104.85	1 998 166.34	-	1 783.45	8 137 487.74	13 711 611.84
TOTAL	21 655 960.44	196 019.72	-	-	-	2 880.58	21 849 099.58	6 141 104.85	1 998 166.34	-	1 783.45	8 137 487.74	13 711 611.84

APPENDIX D

PIXLEY KA SEME DISTRICT MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
160 340.81	5 694 921.75	-5 534 580.94	Administration	155 323.24	6 537 339.81	-6 382 016.57
23 138 069.26	9 934 339.52	13 203 729.74	Finance	20 768 317.56	11 350 951.85	9 417 365.71
350 000.00	3 460 452.75	-3 110 452.75	Development and Infrastructure	50 000.00	2 766 191.61	-2 716 191.61
-	1 301 752.39	-1 301 752.39	Environmental Health	-	1 063 551.31	-1 063 551.31
1 554 978.30	2 099 710.10	-544 731.80	Housing	150 000.00	1 862 519.63	-1 712 519.63
1 083 180.10	1 869 258.50	-786 078.40	Internal Audit	925 381.20	2 604 455.02	-1 679 073.82
1 244 298.15	5 910 575.55	-4 666 277.40	Council Expenses	2 242 000.00	7 181 202.42	-4 939 202.42
5 579.45	3 107 978.26	-3 102 398.81	Municipal Manager	740.00	1 840 749.21	-1 840 009.21
13 658 342.36	6 601 547.21	7 056 795.15	I D P	13 507 712.31	5 109 268.22	8 398 444.09
821 379.23	1 931 362.27	-1 109 983.04	Protection Services	1 193 388.73	2 319 860.87	-1 126 472.14
1 700 000.00	1 415 964.16	284 035.84	Shared Services	2 050 000.00	1 466 203.67	583 796.33
43 716 167.66	43 327 862.46	388 305.20	Sub Total	41 042 863.04	44 102 293.62	-3 059 430.58
-	-	-	Loss on disposal of Property, Plant and Equipment	-	1 097.13	-1 097.13
-	-	-	Gain on disposal of Property, Plant and Equipment	-	-	-
43 716 167.66	43 327 862.46	388 305.20	Total	41 042 863.04	44 103 390.75	-3 060 527.71

APPENDIX E(1)

PIXLEY KA DISTRICT MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

	2013 Actual	2013 Budget	2013 Variance	2013 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Administration Cost	-	-	-	0	
Interest earned	469 025.59	160 000.00	309 025.59	193	Received more interest on investments than expected
Government grants and subsidies : Dora	29 021 000.00	29 505 000.00	(484 000.00)	-2	
Government grants and subsidies : Other	150 000.00	150 000.00	-	0	
Contribution : Provincial Government	7 368 727.14	7 859 683.00	(490 955.86)	-6	
Contribution : Municipalities	1 897 899.20	1 789 364.00	108 535.20	6	
Income from Investment	303 703.51	129 397.00	174 306.51	135	Use more income from investments than expected
Income Vostersdam	700.00	700.00	-	100	Received more income than expected
Office Rental : External	155 323.24	158 000.00	(2 676.76)	-2	
Other income	1 676 484.36	1 854 181.00	(177 696.64)	-10	
Total Revenue	41 042 863.04	41 606 325.00	(563 461.96)	-1	
EXPENDITURE					
Administration	6 537 339.81	6 537 500.00	(160.19)	0	
Finance	11 352 048.98	10 265 380.00	1 086 668.98	11	Expenditure om non-cash items
Development and Infrastructure	2 766 191.61	2 783 000.00	(16 808.39)	-1	
Health	1 063 551.31	1 148 000.00	(84 448.69)	-7	
Housing	1 862 519.63	1 946 000.00	(83 480.37)	-4	
Internal Audit	2 604 455.02	2 604 500.00	(44.98)	0	
Council	7 181 202.42	7 183 400.00	(2 197.58)	0	
Municipal Manager	1 840 749.21	1 933 000.00	(92 250.79)	-5	
GOP/IDP	5 109 268.22	7 301 000.00	(2 191 731.78)	-30	Budget for sport facilities did not realised in this financial year. Invested as unspent conditional grants.
Public Safety	2 319 860.87	2 320 000.00	(139.13)	0	
Shared Services	1 466 203.67	1 517 000.00	(50 796.33)	-3	
Total Expenditure	44 103 390.75	45 538 780.00	(1 435 389.25)	-3	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(3 060 527.71)	(3 932 455.00)	871 927.29		

APPENDIX E(2)

PIXLEY KA SEME DISTRICT MUNICIPALITY : ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2013

	2013 Actual R	2013 Under Construction R	2013 Total Additions R	2013 Budget R	2013 Variance R	2013 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Computer Equipment	221 513.21	-	221 513.21	161 000.00	60 513.21	38	Bought critical computer equipment
Office Equipment	3 903.51	-	3 903.51	4 000.00	(96.49)	-2	Need less equipment then budgeted for
Council Vehicles	-	-	-	-	-	0	
Leased Assets	-	-	-	-	-	0	
Total	225 416.72	-	225 416.72	165 000.00	60 416.72	37	

CERTIFICATE OF INVENTORY AND ASSETS

This is to certify that a stock take, according to Article 63 of the MFMA no 63 of the MFMA no 56 of 2003, was done of all the assets and inventory of the municipality for the 2012/2013 financial year.

1. The municipality no longer keeps any inventory. Inventory items are purchased when needed.
2. The value of the assets of the municipality is R24 087 391.18.
3. The municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality.
4. The municipality's assets are valued in accordance with the standards of generally recognised accounting practice.
5. The municipality has and maintains a system of internal control of assets, including an asset register.

B F JAMES
FINANCIAL MANAGER

30/06/2013
Date

