

THEEWATERSKLOOF

MUNICIPALITY



[These financial statements have been audited]

FINANCIAL STATEMENTS

30 JUNE 2013

THEEWATERSKLOOF MUNICIPALITY

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THEEWATERSKLOOF MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Theewaterskloof Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Theewaterskloof Municipality includes the following areas:

<i>Caledon</i>	<i>Greyton</i>
<i>Grabouw</i>	<i>Genadendal</i>
<i>Villiersdorp</i>	<i>Botrivier</i>
<i>Riviersonderend</i>	<i>Tesselaarsdal</i>

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Mr. C. Punt
Deputy Executive Mayor	Mr. M. Tshaka
Executive Councillor	Mr. N.H. De Wet
Executive Councillor	Mr. G.E.M. Carelse
Executive Councillor	Mrs. P.U. Stanfliet
Executive Councillor	Mr K Papier
Executive Councillor	Mrs. C. Vosloo (Speaker)

MUNICIPAL MANAGER

Mr. H.S.D. Wallace

CHIEF FINANCIAL OFFICER

Mr. D Louw

REGISTERED OFFICE

6 Plein Street, CALEDON, 7230

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA Bank, P.O. Box 145, Caledon. 7230

ATTORNEYS

Bosman & Smit
Fairbridges Attorneys
Herold Gie Attorneys
IAJ Malherbe Incorporated
Johnson Kuun & Co
Cloughton & Wehmeyer
Guthrie & Theron
Du Plessis & Mostert

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

THEEWATERSKLOOF MUNICIPALITY

MEMBERS OF THE THEEWATERSKLOOF MUNICIPALITY

WARD	COUNCILLOR
1	Mr. K.R. Tiemie
2	Mrs. M.L. Hector
3	Mr K Papier
4	Mrs M.M. Koegelenberg
5	Mr. N.H. De Wet
6	Mrs. J. Nellie
7	Mrs. P.U. Stanfiet
8	Mrs. C.V. Thembani
9	Mr. N. Pieterse
10	Mrs. M. Plato
11	Mr M Mathews
12	Mr. U.T. Sipunzi
13	Mr. M Tshaka
Proportional	Mr. C Punt
Proportional	Mrs. C. Vosloo
Proportional	Mr. G.E.M. Carelse
Proportional	Mr. C.D. November
Proportional	Mr. I.M. Sileku
Proportional	Mr. P. De Wet
Proportional	Mrs. F.V. Mankayi
Proportional	Mr J.P. Hendricks
Proportional	Mrs. S.R. Witbooi
Proportional	Mr. M.R. Nongxaza
Proportional	Mr J. van Niekerk

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2013, which are set out on pages 1 to 85 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. H.S.D. Wallace
Municipal Manager

Date

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R	2012 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		513,957,798	472,067,955
Capital Replacement Reserve	2	499,770	-
Revaluations Reserve	2	41,091,455	11,422,657
Social Contribution Reserve	2	55,278	55,278
Accumulated Surplus		472,311,295	460,590,020
Non-Current Liabilities		165,533,703	168,910,096
Long-term liabilities	3	105,788,042	112,746,943
Employee benefits	4	34,765,580	32,265,034
Non-current provisions	5	24,980,081	23,898,119
Current Liabilities		69,815,910	57,714,506
Consumer deposits	6	3,306,227	3,244,769
Current Employee benefits	7	12,700,309	16,005,222
Payables from exchange transactions	9	39,664,582	23,440,586
Unspent conditional government grants and receipts	10	4,667,034	7,387,066
Unspent Public Contributions	11	862,121	167,235
Taxes	12.1	1,636,956	951,382
Operating lease liability	22.1	-	-
Current portion of long-term liabilities	3	6,978,681	6,518,246
Total Net Assets and Liabilities		749,307,411	698,692,557
ASSETS			
Non-Current Assets		687,776,490	655,213,973
Property, plant and equipment	13	554,230,168	448,372,084
Capitalised restoration costs	14	136,945	186,592
Investment property	15	131,492,025	204,491,260
Intangible assets	16	1,892,950	2,126,200
Heritage Assets	17	-	-
Long-term receivables	18	24,402	37,837
Current Assets		61,530,922	43,478,583
Inventory	19	1,921,526	2,256,683
Receivables from exchange transactions	20	15,136,430	8,459,620
Receivables from non-exchange transactions	21	9,161,785	8,617,578
Unpaid conditional government grants and receipts	10	2,377,909	109,943
Operating lease asset	22.2	442,097	272,777
Taxes	12.2	4,940,903	2,343,654
Current portion of long-term receivables	18	5,356	4,601
Cash and cash equivalents	23	27,544,916	21,413,727
Total Assets		749,307,411	698,692,557

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R	Correction of Error - Note 40 R	2012 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		224,480,267	164,972,155	872,654	164,099,501
Taxation Revenue		47,606,616	42,098,594	(1,127,794)	43,226,388
Property taxes	24	47,606,616	42,098,594	(1,127,794)	43,226,388
Transfer Revenue		147,125,821	110,839,198	-	110,839,198
Government Grants and Subsidies	25	146,123,243	110,270,199	-	110,270,199
Public Contributions and Donations	26	1,002,578	568,999	-	568,999
Other Revenue		29,747,830	12,034,362	2,000,447	10,033,915
Actuarial Gains		1,363,962	-	-	-
Third Party Payments		401,174	2,062,155	2,000,447	61,708
Fines		5,465,859	2,941,835	-	2,941,835
Fair Value Adjustments	29	22,516,835	7,030,372	-	7,030,372
Revenue from Exchange Transactions		152,797,429	139,001,174	-	139,001,174
Service Charges	27	131,967,496	120,756,522	-	120,756,522
Rental of Facilities and Equipment		2,717,236	1,104,844	-	1,104,844
Interest Earned - external investments		2,407,250	1,738,106	-	1,738,106
Interest Earned - outstanding debtors		7,616,931	7,833,546	-	7,833,546
Licences and Permits		2,625,949	2,926,316	-	2,926,316
Agency Services		1,956,810	1,836,310	-	1,836,310
Other Income	28	3,505,757	2,805,530	-	2,805,530
Total Revenue		377,277,696	303,973,329	872,654	303,100,675
EXPENDITURE					
Employee related costs	30	107,707,329	109,178,511	-	109,178,511
Remuneration of Councillors	31	7,410,014	7,167,744	-	7,167,744
Debt Impairment	32	22,703,382	32,421,930	-	32,421,930
Depreciation and Amortisation	33	8,466,350	8,029,356	(435,424)	8,464,780
Impairments	34	89,844,857	41,290,590	-	41,290,590
Repairs and Maintenance		17,849,287	15,553,160	-	15,553,160
Actuarial losses	4	256,662	423,426	-	423,426
Finance Charges	35	12,779,822	12,928,250	(929,187)	13,857,437
Bulk Purchases	36	45,334,371	41,474,697	-	41,474,697
Contracted services		14,491,471	11,307,937	-	11,307,937
Grants and Subsidies	37	782,625	638,395	-	638,395
Operating Grant Expenditure	38	9,587,883	15,360,442	-	15,360,442
General Expenses	39	26,542,228	25,297,503	(1,127,794)	26,425,297
Loss on disposal of Property, Plant and Equipment		1,300,370	247,037	-	247,037
Total Expenditure		365,056,651	321,318,978	(2,492,404)	323,811,383
NET SURPLUS/(DEFICIT) FOR THE YEAR		12,221,045	(17,345,649)	3,365,058	(20,710,708)

THEEWATERSKLOOF MUNICIPALITY

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

	Revaluations Reserve	Capital Replacement Reserve	Social Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
Balance at 30 JUNE 2011	11,158,466	-	39,200	486,642,827	497,840,493
Correction of error - Note - 40	-	-	-	(8,691,080)	(8,691,080)
Restated balance at 1 JULY 2011	11,158,466	-	39,200	477,951,747	489,149,413
Net Deficit for the year	-	-	-	(17,345,649)	(17,345,649)
Revaluation of PPE	264,191	-	-	-	264,191
Transfer to Social contribution Reserve	-	-	16,078	(16,078)	-
Balance at 30 JUNE 2012	11,422,657	-	55,278	460,590,020	472,067,955
Net Surplus for the year	-	-	-	12,221,045	12,221,045
Revaluation of PPE	29,668,798	-	-	-	29,668,798
Transfer to/from reserves	-	499,770	-	(499,770)	-
Balance at 30 JUNE 2013	41,091,455	499,770	55,278	472,311,295	513,957,798

THEEWATERSKLOOF MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

		30 JUNE 2013	30 JUNE 2012 (Restated)
	Notes	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other (Restated 2012)		164,170,571	153,019,751
Government grants		141,135,247	115,400,793
Public Contributions		1,697,464	650,602
Interest		10,024,181	9,571,652
Payments			
Suppliers and employees (Restated 2012)		(210,906,392)	(218,692,225)
Finance charges	35	(12,779,822)	(12,928,250)
Transfers and Grants		(782,625)	(638,395)
Cash generated by operations	42	92,558,625	46,383,928
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(88,322,664)	(64,897,856)
Proceeds on Disposal of Fixed Assets		8,398,109	3,689,320
Purchase of Intangible Assets	16	(78,553)	(348,493)
Decrease in Long-term Receivables	18	12,680	2,969
Net Cash from Investing Activities		(79,990,428)	(61,554,060)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(6,521,067)	(7,520,217)
New loans raised		22,600	21,385,121
Increase in Consumer Deposits		61,458	95,421
Net Cash from Financing Activities		(6,437,009)	13,960,325
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,131,189	(1,209,807)
Cash and Cash Equivalents at the beginning of the year		21,413,727	22,623,534
Cash and Cash Equivalents at the end of the year	43	27,544,916	21,413,727
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,131,189	(1,209,807)

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013
COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	6,805,048	(972,266)	7,777,314	
Call investment deposits	20,739,868	10,000,000	10,739,868	
Consumer debtors	15,136,430	20,981,445	(5,845,015)	
Other Receivables	16,922,694	8,840,000	8,082,694	
Current portion of long-term receivables	5,356	4,000	1,356	
Inventory	1,921,526	2,500,000	(578,474)	
Total current assets	61,530,922	41,353,179	20,177,743	
Non current assets				
Long-term receivables	24,402	40,000	(15,598)	
Investment property	131,492,025	257,746,144	(126,254,119)	
Property, plant and equipment	554,367,115	558,731,061	(4,363,946)	
Intangible Assets	1,892,950	2,500,000	(607,050)	
Total non current assets	687,776,493	819,017,205	(131,240,712)	
TOTAL ASSETS	749,307,413	860,370,384	(111,062,971)	
LIABILITIES				
Current liabilities				
Borrowing	6,978,681	6,954,000	24,681	
Consumer deposits	3,306,227	3,381,200	(74,973)	
Trade and other payables	46,830,694	28,160,023	18,670,671	
Provisions and Employee Benefits	12,700,309	16,000,000	(3,299,691)	
Total current liabilities	69,815,910	54,495,223	15,320,687	
Non current liabilities				
Borrowing	105,788,042	118,134,768	(12,346,726)	
Provisions and Employee Benefits	59,745,662	54,052,932	5,692,730	
Total non current liabilities	165,533,704	172,187,700	(6,653,996)	
TOTAL LIABILITIES	235,349,615	226,682,923	8,666,692	
NET ASSETS	513,957,799	633,687,461	(119,729,662)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	472,311,295	621,632,461	(149,321,166)	
Reserves	41,646,504	12,055,000	29,591,504	
TOTAL COMMUNITY WEALTH/EQUITY	513,957,799	633,687,461	(119,729,662)	

The municipality is in a process of budget reforms and the budget, in terms of the Financial Position, was not adjusted in line with the latest requirements of GRAP.

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	4,266,600	(5,238,866)	(972,266)	
Call investment deposits	15,000,000	(5,000,000)	10,000,000	
Consumer debtors	32,844,877	(11,863,432)	20,981,445	
Other Receivables	6,840,000	2,000,000	8,840,000	
Current portion of long-term receivables	2,000	2,000	4,000	
Inventory	1,500,000	1,000,000	2,500,000	
Total current assets	60,453,477	(19,100,298)	41,353,179	
Non current assets				
Long-term receivables	40,000	-	40,000	
Investment property	239,093,689	18,652,455	257,746,144	
Property, plant and equipment	558,731,061	-	558,731,061	
Intangible Assets	2,182,236	317,764	2,500,000	
Heritage Assets	-	-	-	
Total non current assets	800,046,986	18,970,219	819,017,205	
TOTAL ASSETS	860,500,463	(130,079)	860,370,384	
LIABILITIES				
Current liabilities				
Borrowing	8,954,000	(2,000,000)	6,954,000	
Consumer deposits	3,381,200	-	3,381,200	
Trade and other payables	36,160,023	(8,000,000)	28,160,023	
Provisions and Employee Benefits	12,000,000	4,000,000	16,000,000	
Total current liabilities	60,495,223	(6,000,000)	54,495,223	
Non current liabilities				
Borrowing	118,134,768	-	118,134,768	
Provisions and Employee Benefits	54,052,932	-	54,052,932	
Total non current liabilities	172,187,700	-	172,187,700	
TOTAL LIABILITIES	232,682,923	(6,000,000)	226,682,923	
NET ASSETS	627,817,540	5,869,921	633,687,461	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	608,304,540	13,327,921	621,632,461	
Reserves	20,040,000	(7,985,000)	12,055,000	
TOTAL COMMUNITY WEALTH/EQUITY	628,344,540	5,342,921	633,687,461	

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	47,606,616	48,850,000	(1,243,384)	
Service charges	131,967,496	134,632,710	(2,665,214)	
Rental of facilities and equipment	2,717,236	1,396,000	1,321,236	Subsidised library rental not previously budgeted for.
Interest earned - external investments	2,407,250	2,130,000	277,250	
Interest earned - outstanding debtors	7,616,931	7,900,000	(283,069)	
Fines	5,465,859	5,324,000	141,859	
Licences and permits	2,625,949	2,375,000	250,949	
Agency services	1,956,810	2,000,000	(43,190)	
Government Grants and Subsidies	146,123,243	157,552,273	(11,429,030)	
Other revenue	28,790,306	4,093,832	24,696,474	Fair value adjustments on Investment Properties not budgeted for.
Gains on disposal of PPE	-	4,500,000	(4,500,000)	Properties sold for less than originally budget for causing a loss on sales.
Total Operating Revenue	377,277,696	370,753,815	6,523,881	
EXPENDITURE BY TYPE				
Employee related costs	107,707,329	114,444,912	(6,737,583)	
Remuneration of councillors	7,410,014	7,871,986	(461,972)	
Debt impairment	22,703,382	13,341,080	9,362,302	Under budgeted for revenue collection percentage.
Depreciation & asset impairment	98,311,207	14,895,297	83,415,910	Impairments on Property, Plant and Equipment not budgeted for.
Finance charges	12,779,822	12,694,451	85,371	
Bulk purchases	45,334,371	45,932,300	(597,929)	
Contracted services	14,491,471	16,515,089	(2,023,618)	Over budgeted for information technology services.
Grants and subsidies paid	782,625	-	782,625	
Other expenditure	54,236,060	71,552,160	(17,316,100)	Housing top-structures not built according to budget.
Loss on disposal of PPE	1,300,370	-	1,300,370	Properties sold for less than originally budget for causing a loss on sales.
Total Operating Expenditure	365,056,651	297,247,275	67,809,376	
Operating Surplus for the year	12,221,045	73,506,540	(61,285,495)	

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	2013 R Final Virements	2013 R (Final Year-end Budget)	Reasons for material adjustments
REVENUE BY SOURCE						
Property rates	43,765,789	2,133,776	45,899,565	2,950,435	48,850,000	The interim valuation caused additional unbudgeted revenue. In addition, the revenue was adjusted according to GRAP classifications.
Service charges	144,078,203	(5,410,493)	138,667,710	(4,035,000)	134,632,710	
Rental of facilities and equipment	2,711,586	12,000	2,723,586	(1,327,586)	1,396,000	The revenue was adjusted according to GRAP classifications for Revenue foregone.
Interest earned - external investments	1,800,000	330,000	2,130,000	-	2,130,000	
Interest earned - outstanding debtors	7,000,000	900,000	7,900,000	-	7,900,000	
Fines	5,375,798	(51,798)	5,324,000	-	5,324,000	
Licences and permits	3,033,000	(658,000)	2,375,000	-	2,375,000	
Agency services	2,015,000	(15,000)	2,000,000	-	2,000,000	
Transfers recognised	139,885,000	14,697,391	154,582,391	2,969,882	157,552,273	Additional allocations in the National- and Provincial budgets.
Other revenue	6,096,130	1,973,433	8,069,563	(3,975,731)	4,093,832	Re-classification to comply with GRAP classifications.
Gains on disposal of PPE	3,750,000	750,000	4,500,000	-	4,500,000	
Total Operating Revenue	359,510,506	14,661,309	374,171,815	(3,418,000)	370,753,815	
EXPENDITURE BY TYPE						
Employee related costs	111,274,284	(824,372)	110,449,912	3,995,000	114,444,912	
Remuneration of councillors	7,871,986	-	7,871,986	-	7,871,986	
Debt impairment	13,211,299	129,781	13,341,080	-	13,341,080	
Depreciation & asset impairment	14,795,787	(490)	14,795,297	100,000	14,895,297	
Finance charges	15,010,214	(215,763)	14,794,451	(2,100,000)	12,694,451	Budgeted loan not raised.
Bulk purchases	47,609,471	(1,677,171)	45,932,300	-	45,932,300	
Contracted services	17,501,870	(978,781)	16,523,089	(8,000)	16,515,089	
Other expenditure	55,937,616	21,019,544	76,957,160	(5,405,000)	71,552,160	Additional allocations for grant expenditure in the National- and Provincial budgets.
Total Operating Expenditure	283,212,527	17,452,748	300,665,275	(3,418,000)	297,247,275	
Operating Surplus/(Deficit) for the year	76,297,979	(2,791,439)	73,506,540	0	73,506,540	

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	165,868,035	191,718,344	(25,850,309)	The municipality is in a process of budget reforms and the budget, in terms of the Financial Position, was not adjusted in line with the latest requirements of GRAP.
Government Grants	141,135,247	146,411,000	(5,275,753)	
Interest	10,024,181	10,030,000	(5,819)	
Payments				
Suppliers and Employees	(210,906,392)	(257,734,447)	46,828,055	
Finance charges	(12,779,822)	(14,794,451)	2,014,629	
Transfers and Grants	(782,625)	-	(782,625)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>92,558,624</u>	<u>75,630,446</u>	<u>16,928,178</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	8,398,109	4,500,000	3,898,109	
Decrease/(increase) in non-current receivables	12,680	-	12,680	
Payments				
Capital assets	(88,401,217)	(97,518,594)	9,117,377	Underspending on approved capital budget due to EIA requirements as well as the late receipt of grants.
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(79,990,428)</u>	<u>(93,018,594)</u>	<u>13,028,166</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	22,600	11,275,461	(11,252,861)	Loan not raised.
Increase/(decrease) in consumer deposits	61,458	250,470	(189,012)	
Payments				
Repayment of borrowing	(6,521,067)	(6,954,000)	432,933	
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>(6,437,009)</u>	<u>4,571,931</u>	<u>(11,008,940)</u>	
NET INCREASE/(DECREASE) IN CASH HELD	6,131,187	(12,816,217)	18,947,404	
Cash and Cash Equivalents at the beginning of the year	21,413,727	21,843,951	(430,224)	Trade payables increased by R18m over the budgeted amount.
Cash and Cash Equivalents at the end of the year	27,544,916	9,027,734	18,517,182	

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	193,864,207	(2,145,863)	191,718,344	
Government - operating	79,029,000	26,000	79,055,000	
Government - capital	60,856,000	6,500,000	67,356,000	
Interest	8,800,000	1,230,000	10,030,000	
Payments				
Suppliers and Employees	(256,841,587)	(892,860)	(257,734,447)	
Finance charges	(15,010,214)	215,763	(14,794,451)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>70,697,406</u>	<u>4,933,040</u>	<u>75,630,446</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	3,750,000	750,000	4,500,000	
Payments				
Capital assets	<u>(76,078,332)</u>	<u>(21,440,262)</u>	<u>(97,518,594)</u>	Additional allocations from National and Provincial Government
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(72,328,332)</u>	<u>(20,690,262)</u>	<u>(93,018,594)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	11,275,461	-	11,275,461	
Increase/(decrease) in consumer deposits	250,470	-	250,470	
Payments				
Repayment of borrowing	<u>(8,954,000)</u>	<u>2,000,000</u>	<u>(6,954,000)</u>	Loans not raised.
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>2,571,931</u>	<u>2,000,000</u>	<u>4,571,931</u>	
NET INCREASE/(DECREASE) IN CASH HELD	<u>941,005</u>	<u>(13,757,222)</u>	<u>(12,816,217)</u>	
Cash and Cash Equivalents at the beginning of the year	18,325,595	3,518,356	21,843,951	
Cash and Cash Equivalents at the end of the year	<u>19,266,600</u>	<u>(10,238,866)</u>	<u>9,027,734</u>	

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

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

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 otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

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

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statements of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statements of Comparison of Budget and Actual Amounts. Material differences for budget comparison purposes are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.8. 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:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown

THEEWATERSKLOOF MUNICIPALITY

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

Standard	Description	Effective Date
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does have any interest in associates.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	Unknown
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to formulate an Accounting Policy based on the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown

THEEWATERSKLOOF MUNICIPALITY

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

GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
Standard	Description	Effective Date
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality</p>	Unknown

THEEWATERSKLOOF MUNICIPALITY

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

	does not have any JCE's at this stage.	
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized. The CRR will be created once sufficient cash resources are available.

1.9.2 Social Contribution Reserve

Theewaterskloof Municipality's approach to ensuring Social upliftment is underpinned by the view of achieving realistic balance between meeting the development needs of our communities while simultaneously ensuring that the particular project makes financially viable sense for the Municipality, i.e. deriving value for our business.

In this context, the primary objectives of this policy are to:

- Ascribe relevant and notable contributions to Development and Construction companies to the social development agenda related solely to initiatives targeted for the previously disadvantaged communities. This can include, but is not limited to education programs, community programs, job creation initiatives, Health programs, conservation, community tourism initiatives and marketing initiatives to develop the local black tourist market.
- Nurture a reputation amongst our stakeholders (businesses) for being compassionate organizations playing its part in the upliftment of the poorest of the poor within our Municipal jurisdiction.
- As a local government, we are able to guide business sector into focus areas, which our communities have identified as their priority areas (through the IDP engagements), where private sector contributions would make a tangible difference.

Theewaterskloof Municipality recognises that business are not social development experts and therefore, the social development contributions ascribed can be contributed via the mechanism of financial and/or in-kind grant making, to the Municipality.

Contribution: 1% of selling price of property.

1.9.3 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance. .

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.10. LEASES

1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the 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 instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The

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

accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.13. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

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

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- Unspent public contributions are recognised as a liability when the grant is received.
 - When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
 - The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
 - Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.14. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential 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 recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised 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 is the best estimate of the expenditure required to settle the present obligation at the reporting date.

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 provision is de-recognised.

1.15. EMPLOYEE BENEFITS

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

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

1.15.1 Post Retirement Medical Obligations

The 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 pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the

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

period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3 Provision for Staff Leave

Liabilities for annual leave are recognised 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.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.15.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.15.5 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.15.6 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.15.7 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
 - as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 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 during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised 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 a 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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 Subsequent Measurement – Cost Model

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

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.16.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.16.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Stormwater	5 - 150	Buildings	20 - 100
Refuse	20 - 50	Specialist vehicles	10 - 35
Electricity	10 - 100	Other vehicles	5 - 30
Water	10 - 200	Office equipment	3 - 15
Sewerage	10 - 200	Furniture and fittings	5 - 20
Housing	20 - 100	Watercraft	15 - 30
		Bins and containers	5 - 15
<u>Community</u>		Specialised plant and	
Buildings	20 - 100	Equipment	5 - 35
Recreational Facilities	20 - 30	Other plant and	
Security	5 - 15	Equipment	2 - 25
Halls	20 - 30	Landfill sites	20 - 100
Libraries	20 - 30	Quarries	20 - 100
Parks and gardens	15 - 20	Emergency equipment	5 - 25
Other assets	15 - 30	Computer equipment	3 - 15
<u>Finance lease assets</u>			
Office equipment	3 - 15		
Other assets	5 - 15		

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

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.16.5 De-recognition

Items of property, plant and equipment are derecognised 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 recognised in the Statement of Financial Performance.

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its 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 capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised 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;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

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

1.17.2 Subsequent Measurement – Cost Model

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

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	5-10

1.17.4 De-recognition

Intangible assets are derecognised 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 intangible asset is determined as

the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property 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

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

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. Property with a currently undetermined use, is also classified as investment property.

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. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

1.18.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19. NON-CURRENT ASSETS HELD FOR SALE

1.19.1 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.

1.19.2 Subsequent Measurement

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

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in the Statement of Financial Performance.

1.20 HERITAGE ASSETS

1.20.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

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

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.20.2 Subsequent Measurement – Revaluation Model

After recognition as an asset, heritage assets are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in the Statement of Financial Performance.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Statement of Financial Performance. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.20.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.20.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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

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asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2 Non-cash-generating assets

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying

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amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured,

constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

The basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1 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, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.23.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses 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 reorganisation and default or delinquency in payments (more than 90 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, recognised 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 not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised 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 realised or has been

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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 material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. 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 purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.23.2.4 Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance 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 recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised 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 asset 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, the old asset is derecognised and a new asset is recognised 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 the 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.

1.23.3.2 Financial Liabilities

A financial liability is derecognised 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.24. REVENUE

1.24.1 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 recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised 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.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such

amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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

Revenue from the recovery of unauthorised, 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 recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

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

1.24.2 Revenue from Exchange Transactions

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

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

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

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised 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.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

The Municipality resolved to formulate an Accounting Policy based on the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,

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

-
- or exercise significant influence over the other party, or vice versa,
 - or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. 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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.30.1 *Post retirement medical obligations and Long service awards*

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.30.2 *Impairment of Receivables*

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.30.3 *Property, Plant and Equipment*

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.30.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

1.30.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based

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

on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.30.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.30.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.), specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

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

1.30.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.30.10 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.30.11 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days worth of unused electricity.

1.30.12 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31. 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 receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

THEEWATERSKLOOF MUNICIPALITY

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

	2013 R	2012 R
2 NET ASSET RESERVES		
Capital Replacement Reserve	499,770	-
Revaluations Reserve	41,091,455	11,422,657
Social Contributions Reserve	55,278	55,278
Total Net Asset Reserves	41,646,503	11,477,935

3 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	95,637,175	102,144,132
Capitalised Lease Liability - At amortised cost	106,576	98,087
Stock loans	17,022,971	17,022,971
	112,766,723	119,265,189
Current Portion transferred to Current Liabilities	(6,978,681)	(6,518,246)
Annuity Loans - At amortised cost	(6,936,610)	(6,506,297)
Capitalised Lease Liability - At amortised cost	(42,071)	(11,949)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	105,788,042	112,746,943

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year	16,797,201	17,054,300
Payable within two to five years	58,724,358	61,409,629
Payable after five years	102,146,159	116,236,596

Less: Future finance obligations

Present value of annuity obligations

	177,667,717	194,700,525
	(82,030,542)	(92,556,393)
	95,637,175	102,144,132

Annuity loans at amortised cost is calculated at 9.46%-16.5% interest rate, with first maturity date of 30 June 2013 and last maturity date of 31 December 2030.

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year	139,599	113,680
Payable within two to five years	93,066	189,467

Less: Future finance obligations

Present value of lease obligations

	232,665	303,148
	(126,089)	(205,061)
	106,576	98,087

The capitalised lease liability consist out of the following contracts:

<u>Supplier</u>	<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
DFA Solutions	Laptop computers	9%	0%	3 Years	28/02/2015

Leases are secured by property, plant and equipment, which consist of laptop computers - Note 13

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

3 LONG-TERM LIABILITIES (CONTINUED)

The obligations under stock loans are scheduled below:

Amounts payable under stock loans:

Payable within one year

Payable within two to five years

Payable after five years

Less: Future finance obligations

Present value of stock loan obligations

2013 R	2012 R
Minimum stock loan payments	
1,598,273	1,598,480
6,004,346	6,004,458
28,928,069	30,526,230
36,530,688	38,129,168
(19,507,718)	(21,106,197)
17,022,971	17,022,971

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

4 EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 4.1

Long Service Awards - Refer to Note 4.2

Total Non-current Employee Benefit Liabilities

30,573,825	28,744,130
4,191,755	3,520,904
34,765,580	32,265,034

Post Retirement Benefits

Balance 1 July

Contribution for the year

Interest Cost

Expenditure for the year

Actuarial Loss/ (Gain)

Total post retirement benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

29,679,626	26,514,500
2,105,785	1,681,047
2,314,910	2,255,069
(1,065,782)	(940,761)
(1,363,962)	169,771
31,670,577	29,679,626
(1,096,752)	(935,496)
30,573,825	28,744,130

Long Service Awards

Balance 1 July

Contribution for the year

Interest Cost

Expenditure for the year

Actuarial Loss

Total long service 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

3,890,156	3,252,067
542,491	469,887
248,177	242,855
(371,965)	(328,309)
256,662	253,656
4,565,521	3,890,156
(373,766)	(369,252)
4,191,755	3,520,904

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July

Contribution for the year

Interest cost

Expenditure for the year

Actuarial Loss

Total employee benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

33,569,782	29,766,567
2,648,276	2,150,934
2,563,087	2,497,924
(1,437,747)	(1,269,069)
(1,107,300)	423,426
36,236,098	33,569,782
(1,470,518)	(1,304,748)
34,765,580	32,265,034

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

4 EMPLOYEE BENEFITS (CONTINUED)

2013
R2012
R

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	151	154
In-service (employee) non-members	414	420
Continuation members (e.g. Retirees, widows, orphans)	33	31
Total Members	598	605

The liability in respect of past service has been estimated to be as follows:

In-service members	16,644,037	16,503,387
Continuation members	15,026,540	13,176,239
Total Liability	31,670,577	29,679,626

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011 R	2010 R	2009 R
Members	26,514,500	19,691,820	17,762,374
Total Liability	26,514,500	19,691,820	17,762,374

Experience adjustments were calculated as follows:

	2013 R	2012 R	2011 R	2010 R	2009 R
Liabilities: (Gain) / loss	(515,000)	(1,390,000)	4,680,000	-	1,250,000
Assets: Gain / (loss)			-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Samwumed; and
Keyhealth.

Key actuarial assumptions used:

2013
%2012
%

i) Rate of interest

Discount rate	8.78%	7.92%
Health Care Cost Inflation Rate	7.67%	6.94%
Net Effective Discount Rate	1.03%	0.92%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Mortality rates

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

iii) Normal retirement age

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

2013
R2012
R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	31,670,577	29,679,626
Net liability	31,670,577	29,679,626

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

4	EMPLOYEE BENEFITS (CONTINUED)	2013 R	2012 R
	Reconciliation of present value of fund obligation:		
	Present value of fund obligation at the beginning of the year	29,679,626	26,514,500
	Total expenses	3,354,913	2,995,355
	Current service cost	2,105,785	1,681,047
	Interest Cost	2,314,910	2,255,069
	Benefits Paid	(1,065,782)	(940,761)
	Actuarial loss	(1,363,962)	169,771
	Present value of fund obligation at the end of the year	31,670,577	29,679,626
	Less: Transfer of Current Portion - Note 7	(1,096,752)	(935,496)
	Balance 30 June	30,573,825	28,744,130

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability	Continuation members liability	Total liability (Rm)
Central Assumptions	16,644,037	15,026,540	31,670,577

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	19,597,000	16,694,000	36,291,000	15%
Health care inflation	-1%	14,166,000	13,592,000	27,758,000	-12%
Post-retirement mortality	-1 year	17,192,000	15,622,000	32,814,000	4%
Average retirement age	-1 year	18,236,000	15,027,000	33,263,000	5%
Withdrawal Rate	-50%	18,950,000	15,027,000	33,977,000	7%
Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		2,105,800	2,314,900	4,420,700	
Health care inflation	1%	2,603,600	2,717,800	5,321,400	20%
Health care inflation	-1%	1,721,400	1,990,900	3,712,300	-16%
Post-retirement mortality	-1 year	2,174,500	2,400,100	4,574,600	3%
Average retirement age	-1 year	2,205,600	2,431,100	4,636,700	5%
Withdrawal Rate	-50%	2,474,500	2,491,000	4,965,500	12%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

Key actuarial assumptions used:

i) Rate of interest

Discount rate	7.50%	6.69%
General Salary Inflation (long-term)	6.85%	5.97%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.61%	0.68%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

	2013 R	2012 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4,565,521	3,890,156
Net liability	4,565,521	3,890,156

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

4 EMPLOYEE BENEFITS (CONTINUED)

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011 R	2010 R	2009 R
Total Liability	3,252,067	2,654,371	2,306,200
Experience adjustments were calculated as follows:			
	2013 R	2012 R	2011 R
Liabilities: (Gain) / loss	243,969	21,373	(25,172)
Assets: Gain / (loss)	-	-	-

The municipality performed their first actuarial valuation on 30 June 2009. Thus there are no experience adjustment figures available on or before 30 June 2009 to fully comply with GRAP 25

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	3,890,156	3,252,067
Total expenses	418,703	384,433
Current service cost	542,491	469,887
Interest Cost	248,177	242,855
Benefits Paid	(371,965)	(328,309)
Actuarial loss	256,662	253,656
Present value of fund obligation at the end of the year	4,565,521	3,890,156
Less: Transfer of Current Portion - Note 7	(373,766)	(369,252)
Balance 30 June	4,191,755	3,520,904

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		4,565,521	
General salary inflation	1%	4,927,000	8%
General salary inflation	-1%	4,242,000	-7%
Average retirement age	-2 yrs	3,862,000	-15%
Average retirement age	2 yrs	5,141,000	13%
Withdrawal rates	-50%	5,811,000	27%

4.3 Retirement funds

CAPE JOINT PENSION FUND

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 108% (30 June 2011 - 116.9%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 99.4% (30 June 2011 - 98.1%).

THEEWATERSKLOOF MUNICIPALITY

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

4 EMPLOYEE BENEFITS (CONTINUED)

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

Total Non-current Provisions

Landfill Sites

Balance 1 July

Contribution for the year

Total provision 30 June

The municipality did not, as yet, rehabilitate any of its Landfill sites which are full, neither budgeted for the outflows in the Medium Term Revenue and Expenditure Framework. All Landfill Sites are fully contaminated, although not fully utilised. The provision is in respect of the rehabilitation costs of all contaminated areas.

6 CONSUMER DEPOSITS

Water & Electricity

Total Consumer Deposits

Guarantees held in lieu of Electricity and Water Deposits

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4

Current Portion of Long-Service Provisions - Note 4

Staff Leave

Performance Bonuses

Annual Bonuses

Compensation for injuries on duty contribution

Pension

Group Insurance

Total Current Employee Benefits

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year

Contribution / (reversal) for the year - Note 30

Expenditure incurred

Balance at end of year

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Performance Bonuses

Balance at beginning of year

Contribution / (reversal) for the year

Expenditure incurred

Balance at end of year

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

	2013 R	2012 R
	24,980,081	23,898,119
	24,980,081	23,898,119
	23,898,119	22,760,113
	1,081,963	1,138,006
	24,980,081	23,898,119
	3,306,227	3,244,769
	3,306,227	3,244,769
	238,217	266,050
	1,096,752	935,496
	373,766	369,252
	7,794,181	10,482,871
	484,953	579,733
	2,734,793	2,584,120
	-	810,366
	74,000	128,604
	141,864	114,781
	12,700,309	16,005,222
	10,482,871	7,295,790
	(1,657,061)	3,743,862
	(1,031,630)	(556,781)
	7,794,181	10,482,871
	579,733	677,399
	462,172	579,733
	(556,953)	(677,399)
	484,953	579,733

THEEWATERSKLOOF MUNICIPALITY

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

7	CURRENT EMPLOYEE BENEFITS (CONTINUED)	2013 R	2012 R
	<u>Annual Bonuses</u>		
	Balance at beginning of year	2,584,120	2,320,994
	Contribution for the year	5,657,238	4,920,726
	Expenditure incurred	(5,506,565)	(4,657,600)
	Balance at end of year	2,734,793	2,584,120

Annual bonuses are being paid as a 13th cheque in November of each year. There is no possibility of reimbursement.

Compensation for injuries on duty contribution

Balance at beginning of year	810,366	1,082,385
Contribution for the year	210,089	1,928,203
Expenditure incurred	(1,020,455)	(2,200,222)
Balance at end of year	-	810,366

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

Pension Fund shortfall

Balance at beginning of year	-	749,717
Expenditure incurred	-	(749,717)
Balance at end of year	-	-

The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year.

Pension

Balance at beginning of year	128,604	128,604
Expenditure incurred	(54,604)	-
Balance at end of year	74,000	128,604

Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.

Group Insurance

Fair Value at beginning of year	114,781	89,487
Fair Value adjustment during the year.	27,083	25,294
Fair value at end of year	141,864	114,781

Shares accruing and to be apportioned to staff contributing to the Sanlam Group insurance scheme. The timing of the payment is uncertain. The possibility of reimbursement is being investigated.

8 PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 5	-	-
Total Provisions	-	-

THEEWATERSKLOOF MUNICIPALITY

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

	2013 R	2012 R
9 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	23,478,357	13,536,896
Less: Correction of error - Pro-rata finance charges previously duplicated - Note 40.04		(929,187)
Interest Accrued	1,374,789	1,938,215
Payments received in advance	2,915,874	2,018,944
Prepaid unused electricity units	527,699	450,662
Retentions	10,270,477	5,698,589
Sundry Deposits	942,239	709,628
Land Sales deposits	155,147	16,839
Total Trade Payables	39,664,582	23,440,586

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts. The municipality did not default on any of its obligations.

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include Hall, Builders and Housing Deposits.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	4,667,034	7,387,066
National Government Grants	956,572	4,836,471
Provincial Government Grants	3,245,700	2,183,622
Other Grant Providers	464,762	366,973
Less: Unpaid Grants	2,377,909	109,943
National Government Grants	2,153,027	109,943
Provincial Government Grants	224,882	-
Total Conditional Grants and Receipts	2,289,126	7,277,123

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

11 UNSPENT PUBLIC CONTRIBUTIONS

HAN	227,349	167,235
IDC - Industrial Development Corporation	634,772	-
Total Unspent Public Contributions	862,121	167,235

Reconciliation of public contributions

HAN		
Opening balance	167,235	85,632
Contributions received	897,464	650,602
Conditions met - Transferred to revenue	(837,350)	(568,999)
Closing balance	227,349	167,235

The grant is for the upliftment of previously disadvantaged communities

Industrial Development Corporation

Opening balance	-	-
Contributions received	800,000	-
Conditions met - Transferred to revenue	(165,228)	-
Closing balance	634,772	-

The grant is for the promotion of local economic development and tourism.

THEEWATERSKLOOF MUNICIPALITY

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

		2013 R	2012 R
12	TAXES		
12.1	VAT PAYABLE		
	VAT Payable	11,720,681	9,599,001
	Less: Contribution to provision for impairment of trade receivables from exchange transactions	(10,083,725)	(8,647,619)
	Vat payable	<u>1,636,956</u>	<u>951,382</u>
12.2	VAT RECEIVABLE		
	VAT Receivable	4,940,903	2,343,654
	Total VAT receivable	<u>4,940,903</u>	<u>2,343,654</u>
12.3	NET VAT RECEIVABLE/(PAYABLE)	<u>3,303,947</u>	<u>1,392,272</u>
	VAT is receivable/payable on the cash basis.		

THEEWATERSKLOOF MUNICIPALITY

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

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost						Accumulated Depreciation Charges and Impairment Losses						Carrying Value		
	Opening Balance R	Correction of error R	Additions R	Revaluations	Impairments R	Disposals R	Closing Balance R	Opening Balance R	Correction of error	Additions R	Correction of error	Revaluation Reversal R	Disposals R	Closing Balance R	R
Land and Buildings	103,800,900	-	4,613,192	33,372,876	7,576,531	-	134,210,437	-	-	603,212	-	(603,212)	-	-	134,210,437
Land	47,062,600	-	170,031	3,148,900	4,830,531	-	45,551,000	-	-	-	-	-	-	-	45,551,000
Buildings	56,738,300	-	4,443,162	30,223,976	2,746,000	-	88,659,437	-	-	603,212	-	(603,212)	-	-	88,659,437
Infrastructure	382,528,671	-	81,262,969	-	-	1,252,966	462,538,674	66,819,818	-	5,851,140	-	-	669,368	72,001,591	390,537,083
Roads and Storm water	104,118,769	-	8,571,122	-	-	1,241,209	111,448,682	30,349,551	-	2,268,853	-	-	658,897	31,959,507	79,489,175
Electricity Network	37,936,317	-	7,888,790	-	-	11,757	45,813,350	7,465,122	-	875,865	-	-	10,471	8,330,515	37,482,834
Sewerage Network	90,648,516	-	21,096,954	-	-	-	111,745,470	11,559,634	-	1,055,693	-	-	-	12,615,327	99,130,143
Water Network	112,964,695	-	10,245,956	-	-	-	123,210,651	16,961,582	-	1,548,019	-	-	-	18,509,601	104,701,049
Refuse Removal	1,191,613	-	347,127	-	-	-	1,538,741	126,179	-	13,273	-	-	-	139,452	1,399,289
Housing Infrastructure	35,668,761	-	33,113,019	-	-	-	68,781,780	357,750	-	89,437	-	-	-	447,187	68,334,593
Community Assets	401,088	-	816,105	-	-	-	1,217,194	180,396	-	20,863	-	-	-	201,259	1,015,935
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Gardens	199,389	-	816,105	-	-	-	1,015,494	133,327	-	14,144	-	-	-	147,470	868,024
Cemeteries	201,699	-	-	-	-	-	201,699	47,070	-	6,719	-	-	-	53,789	147,910
Lease Assets	339,000	-	22,600	-	-	-	361,600	138,423	-	53,610	-	-	-	192,033	169,566
Office Equipment	339,000	-	22,600	-	-	-	361,600	138,423	-	53,610	-	-	-	192,033	169,566
Other Assets	35,814,974	-	1,607,798	-	-	243,539	37,179,233	7,373,913	-	1,579,751	-	-	71,580	8,882,084	28,297,149
Vehicles	3,886,671	-	-	-	-	67,144	3,819,528	553,155	-	87,667	-	-	16,939	623,883	3,195,644
Tools & Equipment	3,285,088	-	493,255	-	-	-	3,778,343	744,803	-	324,317	-	-	-	1,069,119	2,709,223
Furniture	1,187,426	-	26,926	-	-	-	1,214,352	352,982	-	66,586	-	-	-	419,568	794,784
Equipment	2,882,996	-	201,606	-	-	-	3,084,602	1,075,466	-	252,340	-	-	-	1,327,806	1,756,796
Special Vehicles	19,374,222	-	263,787	-	-	126,000	19,512,009	3,111,737	-	432,264	-	-	49,492	3,494,509	16,017,501
Tables	371,832	-	22,117	-	-	-	393,949	118,031	-	21,610	-	-	-	139,641	254,308
Chairs	678,265	-	30,754	-	-	-	709,019	170,764	-	39,650	-	-	-	210,415	498,604
Office Equipment	1,560,862	-	244,562	-	-	2,396	1,803,028	558,897	-	141,368	-	-	602	699,662	1,103,365
Computer Hardware	2,419,102	-	324,792	-	-	-	2,743,894	673,947	-	204,721	-	-	-	878,668	1,865,226
Other	168,510	-	-	-	-	48,000	120,510	14,131	-	9,228	-	-	4,547	18,812	101,697
	522,884,633	-	88,322,664	33,372,876	7,576,531	1,496,505	635,507,138	74,512,550	-	8,108,577	-	(603,212)	740,948	81,276,967	554,230,171

THEEWATERSKLOOF MUNICIPALITY

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

30 JUNE 2012

Reconciliation of Carrying Value

(Restated 2012)	Cost							Accumulated Depreciation Charges and Impairment Losses							Carrying Value	
	Opening Balance R	Correction of error - Note 40.01 R	Additions R	Revaluations	Impairment and Disposals R	Residual Value Disposals R	Closing Balance R	Opening Balance R	Correction of error	Additions R	Correction of error	Revaluation Reversal R	Disposals R	Closing Balance R	R	R
Land and Buildings	105,735,100	(1,290,100)	8,052,064	799,015	9,495,179	-	103,800,900	-	-	595,826	-	(595,826)	-	-	103,800,900	
Land	48,068,800	(740,100)	6,821,355	899,900	7,987,355	-	47,062,600	-	-	-	-	-	-	-	47,062,600	
Buildings	57,666,300	(550,000)	1,230,709	(100,885)	1,507,824	-	56,738,300	-	-	595,826	-	(595,826)	-	-	56,738,300	
Infrastructure	328,600,021	-	53,928,650	-	-	-	382,528,671	61,366,851	-	5,452,967	-	-	-	66,819,818	315,708,853	
Roads and Storm water	99,809,316	-	4,309,453	-	-	-	104,118,769	28,183,312	-	2,166,239	-	-	-	30,349,551	73,769,218	
Electricity Network	31,940,789	-	5,995,528	-	-	-	37,936,317	6,894,282	-	570,839	-	-	-	7,465,122	30,471,195	
Sewerage Network	75,636,905	-	15,011,611	-	-	-	90,648,516	10,497,371	-	1,062,263	-	-	-	11,559,634	79,088,882	
Water Network	102,341,962	-	10,622,733	-	-	-	112,964,695	15,410,704	-	1,550,878	-	-	-	16,961,582	96,003,112	
Refuse Removal	383,832	-	807,781	-	-	-	1,191,613	112,869	-	13,310	-	-	-	126,179	1,065,434	
Housing	18,487,217	-	17,181,544	-	-	-	35,668,761	268,312	-	89,437	-	-	-	357,750	35,311,011	
Community Assets	10,869,988	(10,468,899)	-	-	-	-	401,088	5,584,024	(5,420,354)	452,150	(435,424)	-	-	180,396	220,692	
Recreation Grounds	3,579,935	(3,579,935)	-	-	-	-	-	1,288,652	(1,288,652)	179,364	(179,364)	-	-	-	-	
Community Halls	839,927	(839,927)	-	-	-	-	-	429,990	(429,990)	28,056	(28,056)	-	-	-	-	
Libraries	3,894,000	(3,894,000)	-	-	-	-	-	2,466,046	(2,466,046)	130,073	(130,073)	-	-	-	-	
Parks & Gardens	1,753,024	(1,553,635)	-	-	-	-	199,389	1,092,591	(969,254)	87,831	(77,841)	-	-	133,327	66,063	
Cemeteries	803,102	(601,403)	-	-	-	-	201,699	306,745	(266,413)	26,826	(20,089)	-	-	47,070	154,630	
Lease Assets	506,891	-	100,000	-	-	267,891	339,000	147,051	-	44,911	-	-	53,539	138,423	200,577	
Office Equipment	506,891	-	100,000	-	-	267,891	339,000	147,051	-	44,911	-	-	53,539	138,423	200,577	
Other Assets	33,078,320	-	2,817,142	-	-	80,488	35,814,974	5,930,599	-	1,451,583	-	-	8,270	7,373,913	28,441,061	
Vehicles	3,911,544	-	55,615	-	-	80,488	3,886,671	472,413	-	89,012	-	-	8,270	553,155	3,333,516	
Tools & Equipment	2,577,726	-	707,361	-	-	-	3,285,088	464,879	-	279,923	-	-	-	744,803	2,540,285	
Furniture	1,148,530	-	38,897	-	-	-	1,187,426	288,227	-	64,754	-	-	-	352,982	834,444	
Equipment	2,602,774	-	280,222	-	-	-	2,882,996	831,728	-	243,738	-	-	-	1,075,466	1,807,531	
Special Vehicles	18,320,650	-	1,053,573	-	-	-	19,374,222	2,714,473	-	397,264	-	-	-	3,111,737	16,262,485	
Tables	339,075	-	32,757	-	-	-	371,832	97,843	-	20,189	-	-	-	118,031	253,801	
Chairs	649,528	-	28,737	-	-	-	678,265	132,395	-	38,369	-	-	-	170,764	507,501	
Office Equipment	1,454,255	-	106,607	-	-	-	1,560,862	431,196	-	127,701	-	-	-	558,897	1,001,965	
Computer Hardware	1,905,729	-	513,373	-	-	-	2,419,102	494,569	-	179,378	-	-	-	673,947	1,745,155	
Other	168,510	-	-	-	-	-	168,510	2,874	-	11,257	-	-	-	14,131	154,379	
	478,790,320	(11,758,999)	64,897,856	799,015	9,495,179	348,379	522,884,633	73,028,524	(5,420,354)	7,997,438	(435,424)	(595,826)	61,809	74,512,550	448,372,083	

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

13

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets pledged as security:

No property, plant and equipment, save for those financed from finance leases, are pledged as security for finance.

Third party payments received for losses incurred:

Payments received (Excluding VAT) - Retstated 2012 - Note 41

Surplus/Deficit

2013
R

2012
R

401,174

2,062,155

401,174

2,062,155

Impairment of property plant and equipment for the year

Impairment charges on Property, plant and equipment recognised in statement of financial performance.

Land and Buildings

7,576,531

9,495,179

7,576,531

9,495,179

The current economic climate with resultant declining property values is the main reason for impairment charges.

Fair value of Land and Buildings was determined by a registered Valuator - Mr W.M. De Kock of W.M. de Kock and Associates. The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.

Changes in accounting estimates

Useful lives of Property, Plant and Equipment were reviewed and the effect of the changes in Accounting Estimates in terms of GRAP 3, are as follows:

2012
R

2013
R

2014
R

Depreciation on Property, Plant and Equipment subject to review of useful lives
Effect of the Change in Accounting Estimates on depreciation Charges

87,453
-

72,182
(15,271)

72,182
-

2013
R

2012
R

Fully Depreciated assets still in use were as follows:

18,000

-

Carrying value of assets retired from active use and held for disposal:

-

-

Carrying value of property plant and equipment in the course of construction:

52,261,422

43,319,588

Carrying value of temporarily idle property plant and equipment:

-

-

Reconciliation of revaluation surplus:

Opening balance

11,422,657

11,158,466

Movement for the period

29,668,798

264,191

Closing balance

41,091,455

11,422,657

14

CAPITALISED RESTORATION COST

Net Carrying amount at 1 July

186,592

373,638

Cost

3,432,613

3,432,613

Accumulated Depreciation

(3,166,855)

(2,980,520)

Accumulated Impairments

(79,166)

(78,455)

Depreciation for the year

(45,970)

(186,335)

Impairment for the year

(3,677)

(711)

Net Carrying amount at 30 June

136,945

186,592

Cost

3,432,613

3,432,613

Accumulated Depreciation

(3,212,825)

(3,166,855)

Accumulated Impairments

(82,843)

(79,166)

THEEWATERSKLOOF MUNICIPALITY

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

	2013 R	2012 R
15 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	204,491,260	234,076,830
Cost - Balance previously reported	204,491,260	234,076,830
Disposals	(8,942,920)	(3,689,320)
Fair Value Adjustments - Impairment (Restated 2011)	(86,571,939)	(32,925,350)
Revaluation increase	22,515,624	7,029,100
Net Carrying amount at 30 June	131,492,025	204,491,260
Cost	131,492,025	204,491,260

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. There are no investment properties pledged as security for liabilities.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Fair value of Land and Buildings was determined by a registered Valuator - Mr W.M. De Kock of W.M. de Kock Associates. The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.

Revenue derived from the rental of investment property	2,666,076	1,112,828
Operating expenditure incurred on all municipal properties	5,085,536	5,772,020

16 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	2,126,200	2,058,713
Cost	3,119,145	2,770,652
Accumulated Amortisation	(992,946)	(711,939)
Additions	78,553	348,493
Amortisation	(311,803)	(281,007)
Net Carrying amount at 30 June	1,892,950	2,126,200
Cost	3,197,698	3,119,145
Accumulated Amortisation	(1,304,749)	(992,946)

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Remaining Amortisation Period</u>	Carrying Value 2013 R	2012 R
Computer software	9 years	1,892,950	2,126,200

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

THEEWATERSKLOOF MUNICIPALITY

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

17 HERITAGE ASSETS

The municipality has four registered Heritage Assets, however, the principal usage of the assets is that of service delivery and is therefore recognised in Property, Plant and Equipment. The assets are as follows:

	Recognised as :	Valuation R
Erf 614, Caledon - Utilised as the Town Hall	Property, Plant and Equipment	6,369,300
Erven 12 and 14 - Villiersdorp - Utilised as a Restaurant.	Investment Properties	1,386,000
Bridge at Meul Street, Caledon	Property, Plant and Equipment	3,527
Bridge at Farm 39, Genadendal	Property, Plant and Equipment	1,481

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There were no third party payments received for losses and impairments incurred.

18 LONG-TERM RECEIVABLES

	2013 R	2012 R
Officials' Housing Loans - At amortised cost	34,282	48,173
Less: Unamortised Discount on Loans	(4,524)	(5,735)
Balance 1 July	(5,735)	(7,008)
Adjustment for the period	1,211	1,272
	29,758	42,438
Less: Current portion transferred to current receivables	(5,356)	(4,601)
Officials Housing Loans - At amortised cost	(5,356)	(4,601)
	24,402	37,837
Total Long Term Receivables	24,402	37,837

HOUSING LOANS

Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2020.

All remaining amounts are collectable.

19 INVENTORY

Maintenance Materials - At cost	1,580,468	1,988,866
Water – at cost	341,058	267,817
Total Inventory	1,921,526	2,256,683

A reconciliation of water losses is included in Note 46.4

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	9,506,842	6,593,314
Water	38,864,981	35,185,712
Refuse	30,659,040	25,931,432
Sewerage	27,064,562	23,995,942
Other	5,918,460	7,090,626
Correction of error - Note 40.02	-	(2,352,433)
Total Receivables from Exchange Transactions	112,013,885	96,444,592
Less: Allowance for Doubtful Debts	(96,877,455)	(87,984,971)
Total Net Receivables from Exchange Transactions	15,136,430	8,459,620

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

THEEWATERSKLOOF MUNICIPALITY

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

	2013 R	2012 R
21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	22,111,576	20,406,649
Other Receivables	5,479,532	2,742,553
Correction of error - Note 40.03	-	2,000,447
Accrued Fines	1,825,044	-
Total Receivables from Non-Exchange Transactions	29,416,152	25,149,649
Less: Allowance for Doubtful Debts	(20,254,367)	(16,532,071)
Total Net Receivables from Non-Exchange Transactions	9,161,785	8,617,578

Ageing of receivables

Current (0 - 30 days)	10,731,901	13,740,228
1 to 3 months	10,072,299	6,652,275
Longer than 3 months	120,625,836	101,201,737
Total	141,430,037	121,594,241

Reconciliation of Provision for Bad Debts

Balance at beginning of year	104,517,042	90,028,638
Contribution to provision	24,139,487	31,170,780
Bad Debts Written Off	(11,524,708)	(16,682,376)
Balance at end of year	117,131,822	104,517,042

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

22 OPERATING LEASE ARRANGEMENTS

22.1 The Municipality as Lessee (Liability)

Balance on 1 July	-	3,451
Movement during the year	-	(3,451)
Balance on 30 June	-	-

22.2 The Municipality as Lessor (Asset)

Balance on 1 July	272,777	184,700
Movement during the year	169,320	88,077
Balance on 30 June	442,097	272,777

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows: (Restated 2012 - Note 40.06)

Up to 1 Year	731,233	696,440
1 to 5 Years	2,318,889	2,821,499
More than 5 Years	1,826,775	2,055,398
Total Operating Lease Arrangements	4,876,897	5,573,337

Theewaterskloof Municipality is leasing a number of land and some buildings to different rate payers for periods ranging from 2 to 99 years, with escalations of between 1% and 12% per year.

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2094

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

THEEWATERSKLOOF MUNICIPALITY

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

23

CASH AND CASH EQUIVALENTS

Assets

	2013 R	2012 R
Call Investments Deposits	20,739,868	15,042,204
Primary Bank Account	6,794,698	6,365,123
Cash Floats	10,350	6,400
Total Cash and Cash Equivalents - Assets	27,544,916	21,413,727

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding deposits and outstanding cheques at year-end are recognised as part of cash and cash equivalents.

Call Investments Deposits to an amount of R5 529 155 are held to fund the Unspent Conditional Grants (2012: R7 554 301).

The municipality has one guarantee of R15 000 in the name of the beneficiary, Eskom.

An amount of R 430 224 (2012: R 430 224), included in Call Investment Deposits above, is invested in an institution which is under curatorship. The curators are encashing property developments financed by the investment company before distribution of funds will continue, however it is expected significant capital losses will be incurred. The dates of any possible future cashflows are not known at the reporting date and the full amount has been impaired due to the uncertainty of collectability.

The municipality has the following bank accounts:

Current Accounts

Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):	6,794,698	6,365,123
	6,794,698	6,365,123

Traffic account is cleared daily to Primary Bank Account.

Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):

Cash book balance at beginning of year	6,365,123	7,222,673
Cash book balance at end of year	6,794,698	6,365,123
Bank statement balance at beginning of year	6,016,898	7,506,549
Bank statement balance at end of year	6,622,653	6,016,898

The municipality has a standing overdraft limit of R2 500 000 at ABSA Bank.

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Nedbank	03/7881715316/001	Notice deposit	151,164
Interneuron Capital Ltd	CA 002	Notice deposit	430,224
ABSA	9095225460	Notice deposit	18,598,079
ABSA	90 8877 0478	Redemption Fund	1,999,925
Sanlam		Shares Investment	141,864
Less: Provision for impairment			(430,224)
			20,739,868
			15,042,204

24

PROPERTY TAXES

Actual

Rateable Land and Buildings

Residential, Commercial Property, State	Restated 2012 - Note 41	49,680,039	44,091,385
Less: Rebates		(2,073,423)	(1,992,791)
Total Assessment Rates		47,606,616	42,098,594

Valuations - 1 JULY 2009

Rateable Land and Buildings

Residential	3,869,478,500	3,769,813,500
Business & Commercial	704,819,000	831,144,000
Public benefit Organizations	227,207,500	114,289,000
State-owned	132,607,000	193,514,000
Agricultural	4,050,564,500	3,891,759,500
Other	229,646,000	387,746,000
Total Assessment Rates	9,214,322,500	9,188,266,000

THEEWATERSKLOOF MUNICIPALITY

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

24 PROPERTY TAXES (CONTINUED)

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R15 000 (R50 000 for those earning less than R3500 p.m.) on the valuation is exempted.

Rates:

Residential	0.68c/R	0.62 c/R
Commercial	1.36 c/R	1.24 c/R
Agricultural	0.17 c/R	0.155 c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25 GOVERNMENT GRANTS AND SUBSIDIES

	2013 R	2012 R
Unconditional Grants	53,343,000	44,750,000
Equitable Share	53,343,000	44,750,000
Conditional Grants	92,780,243	65,520,199
EPWP	1,159,737	1,464,372
National Electrification Program	3,000,000	1,000,000
Municipal Infrastructure Grant	28,092,338	19,549,524
MSIG Funds	940,872	1,336,458
Finance Management Grant	1,640,849	1,715,976
Neighbourhood Development Program Grant	1,795,824	127,272
Regional Bulk Infrastructure Grant	10,500,000	276,983
Public Infrastructure Grant	1,500,000	-
Development of Recreational Facilities	144,000	-
CDW's	142,306	145,238
Housing	37,308,218	31,623,753
Main Roads Subsidy	108,000	2,828,000
Library Subsidy	5,671,000	4,234,000
DBSA GIS	-	22,225
DBSA Local Economic Development	368,427	556,600
SETA	408,673	639,798
Total Government Grants and Subsidies	146,123,243	110,270,199

The municipality does not expect any significant changes to the level of grants.

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	53,343,000	44,750,000
Executive & Council	2,236,356	2,946,069
Finance & Administration	84,252,460	57,761,305
Planning & Development	368,427	578,824
Community & Social Services	5,671,000	4,234,000
Sport & Recreation	144,000	-
Road Transport	108,000	-
	146,123,244	110,270,198

25.01 Equitable share

Opening balance	-	-
Grants received	53,343,000	44,750,000
Conditions met - Transferred to revenue	(53,343,000)	(44,750,000)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services of R396.33 per month (2012: R361.46)

THEEWATERSKLOOF MUNICIPALITY

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

25	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2013 R	2012 R
25.02	EPWP		
	Opening balance	936,267	1,427,639
	Grants received	994,000	973,000
	Conditions met - Transferred to revenue	(1,159,737)	(1,464,372)
	Conditions still to be met	<u>770,530</u>	<u>936,267</u>
	To extend services to communities through a nationally co-ordinated approach.		
25.03	National Electrification Program		
	Opening balance	-	-
	Grants received	3,000,000	1,000,000
	Conditions met - Transferred to revenue	(3,000,000)	(1,000,000)
	Conditions still to be met	<u>-</u>	<u>-</u>
	To implement the Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure, in order to improve the quality of supply.		
25.04	Municipal Infrastructure Grant		
	Opening balance	2,027,476	-
	Grants received	26,174,000	21,577,000
	Conditions met - Transferred to revenue	(28,092,338)	(19,549,524)
	Conditions still to be met	<u>109,138</u>	<u>2,027,476</u>
	The grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.		
25.05	MSIG Funds		
	Opening balance	-	136,458
	Grants received	800,000	1,200,000
	Conditions met - Transferred to revenue	(940,872)	(1,336,458)
	Grant expenditure to be recovered	<u>(140,872)</u>	<u>-</u>
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
25.06	Finance Management Grant		
	Opening balance	(109,943)	356,033
	Grants received	1,500,000	1,250,000
	Conditions met - Transferred to revenue	(1,640,849)	(1,715,976)
	Grant expenditure to be recovered	<u>(250,792)</u>	<u>(109,943)</u>
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.		
25.07	Neighbourhood Development Program Grant		
	Opening balance	1,872,728	-
	Grants received	-	2,000,000
	Conditions met - Transferred to revenue	(1,795,824)	(127,272)
	Conditions still to be met	<u>76,904</u>	<u>1,872,728</u>
	The NDPG is being utilised for development of economic nodes within previously disadvantaged areas.		

THEEWATERSKLOOF MUNICIPALITY

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

25	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2013 R	2012 R
25.08	Regional Bulk Infrastructure Grant		
	Opening balance	-	-
	Grants received	8,738,637	276,983
	Conditions met - Transferred to revenue	(10,500,000)	(276,983)
	Grant expenditure to be recovered	<u>(1,761,363)</u>	<u>-</u>
	The grant is utilised to construct sewerage bulk infrastructure in Grabouw.		
25.09	Spatial Development Framework		
	Opening balance	30,469	30,469
	Conditions still to be met	<u>30,469</u>	<u>30,469</u>
	The grant is utilised to develop and update a SDF for the municipality..		
25.10	Botrivier Development Contribution		
	Opening balance	38,889	38,889
	Conditions still to be met	<u>38,889</u>	<u>38,889</u>
	To obtain a policy for dealing with development applications and the payment of development contributions		
25.11	CDW's		
	Opening balance	98,146	52,484
	Grants received	189,000	190,900
	Conditions met - Transferred to revenue	(142,306)	(145,238)
	Conditions still to be met	<u>144,840</u>	<u>98,146</u>
	To provide financial assistance to municipalities to cover the operational costs pertaining to the functions of the community development workers including the regional coordinators.		
25.12	Project Reparation		
	Opening balance	69,400	69,400
	Conditions still to be met	<u>69,400</u>	<u>69,400</u>
	Development of project plans.		
25.13	Housing		
	Opening balance	1,484,615	(182,255)
	Grants received	35,598,721	33,290,623
	Conditions met - Transferred to revenue	(37,308,218)	(31,623,753)
	Grant expenditure to be recovered	<u>(224,881)</u>	<u>1,484,615</u>
	Provide housing to the indigents.		
25.14	Financial Support Grant		
	Opening balance	400,000	-
	Grants received	-	400,000
	Conditions still to be met	<u>400,000</u>	<u>400,000</u>
	The grant is intended to be utilised for the improvement of financial governance.		
25.15	Multi Purpose Bus		
	Opening balance	62,102	62,102
	Conditions still to be met	<u>62,102</u>	<u>62,102</u>
	The grant is intended to be utilised to purchase a bus.		
25.16	Thusong Multi Purpose Centre		
	Opening balance	-	-
	Grants received	2,500,000	-
	Conditions still to be met	<u>2,500,000</u>	<u>-</u>
	The grant is intended to be utilised to build a Multi purpose centre in Grabouw.		

THEEWATERSKLOOF MUNICIPALITY

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

25	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2013 R	2012 R
25.17	Public Infrastructure Grant		
	Opening balance	-	-
	Grants received	1,500,000	-
	Conditions met - Transferred to revenue	(1,500,000)	-
	Conditions still to be met	-	-
	The grant was utilised to implement the Public Transport Infrastructure Mobility Strategy.		
25.18	Development of Recreational Facilities		
	Opening balance	-	-
	Grants received	144,000	-
	Conditions met - Transferred to revenue	(144,000)	-
	Conditions still to be met	-	-
	The grant was utilised to develop recreational facilities in the municipal area.		
25.19	Main Roads Subsidy		
	Opening balance	-	-
	Grants received	108,000	2,828,000
	Conditions met - Transferred to revenue	(108,000)	(2,828,000)
	Conditions still to be met	-	-
	The subsidy is utilised for the maintenance of the provincial main roads which runs through the town centres.		
25.20	Library Subsidy		
	Opening balance	-	-
	Grants received	5,671,000	4,234,000
	Conditions met - Transferred to revenue	(5,671,000)	(4,234,000)
	Conditions still to be met	-	-
	The subsidy is utilised for the operational costs of libraries which is a provincial function.		
25.21	Other Grant Providers		
	Opening balance	366,973	155,309
	Grants received	874,889	1,430,286
	Conditions met - Transferred to revenue	(777,100)	(1,218,622)
	Conditions still to be met	464,762	366,973
	Various grants were received from other spheres of government (e.g. DBSA and SETA)		
25.22	Total Grants		
	Opening balance	7,277,123	2,146,528
	Grants received	141,135,247	115,400,793
	Conditions met - Transferred to revenue	(146,123,243)	(110,270,198)
	Conditions still to be met/(Grant expenditure to be recovered)	2,289,126	7,277,123
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	4,667,034	7,387,066
	Unpaid Conditional Government Grants and Receipts	(2,377,909)	(109,943)
		2,289,126	7,277,123

THEEWATERSKLOOF MUNICIPALITY

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

		2013 R	2012 R
26	PUBLIC CONTRIBUTIONS AND DONATIONS		
	Conditional Grants	1,002,578	568,999
	HAN - Students	837,350	568,999
	Industrial Development Corporation - Local Economic Development	165,228	-
	Total Government Grants and Subsidies	1,002,578	568,999
26.01	HAN - Students		
	Opening balance	167,235	85,632
	Grants received	897,464	650,602
	Conditions met - Transferred to revenue	(837,350)	(568,999)
	Conditions still to be met	227,349	167,235
26.02	Industrial Development Corporation - Local Economic Development		
	Opening balance	-	-
	Grants received	800,000	-
	Conditions met - Transferred to revenue	(165,228)	-
	Conditions still to be met	634,772	-
26.03	Total Public Contributions and donations		
	Opening balance	167,235	85,632
	Grants received	1,697,464	650,602
	Conditions met - Transferred to revenue	(1,002,578)	(568,999)
	Conditions still to be met/(Grant expenditure to be recovered)	862,121	167,235
27	SERVICE CHARGES		
	Electricity	60,368,740	54,639,120
	Water	35,113,602	35,254,594
	Refuse removal	18,459,864	16,074,033
	Sewerage and Sanitation Charges	18,025,288	14,622,826
	Other Service Charges	-	165,950
	Total Service Charges	131,967,494	120,756,523
28	OTHER INCOME		
	Plot Rental	69,271	333,618
	Building Plan fees	1,549,974	765,149
	Cemetery fees	439,931	315,857
	Valuation Certificates	181,499	157,816
	Vehicle Registration fees	360,268	349,385
	Sundry income	904,811	883,706
	Total Other Income	3,505,755	2,805,533
29	FAIR VALUE ADJUSTMENTS		
	Unamortised Discount - Interest	1,211	1,272
	Investment Property	22,515,624	7,029,100
		22,516,835	7,030,372

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

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EMPLOYEE RELATED COSTS

	2013 R	2012 R
Salaries	72,041,530	68,112,262
Overtime	2,143,597	2,045,763
Standby Allowances	1,055,141	1,004,797
Transport Allowance	4,745,826	4,620,994
Housing Subsidy	540,314	668,810
Other Allowance	453,595	379,047
Bonus	5,483,786	5,598,124
Group Insurance	1,485,412	1,370,088
Medical Aid Contribution	3,355,214	3,195,445
Pension Fund Contribution	11,968,811	11,252,155
Unemployment Fund	669,712	610,102
Leave Reserve Fund	(1,657,061)	3,743,862
Workmens Compensation Contributions	210,089	1,928,204
Contribution to provision - Long Service Awards	542,491	469,887
Contribution to provision - Post Retirement Medical	2,105,785	1,681,047
Post Retirement Finance Charges	2,563,087	2,497,924
Total Employee Related Costs	107,707,329	109,178,511

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 7-year contract and the Director Technical Services on a 5 year contract. All other Directors are appointed on 10-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period. Acting allowances are immaterial.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - HSD Wallace

Annual Remuneration	1,078,086	1,002,889
Car Allowance	125,641	125,641
Contributions to UIF, Medical and Pension Funds	32,656	29,498
Performance Bonuses	127,383	150,544
Total	1,363,766	1,308,572

Remuneration of the Director Technical Services - C van Heerden

Annual Remuneration	936,825	869,850
Car Allowance	120,000	120,000
Performance Bonuses	89,086	79,188
Total	1,145,911	1,069,038

Remuneration of the Director Corporate Services - J Isaacs

Annual Remuneration	846,270	791,674
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	149,738	138,175
Performance Bonuses	79,188	98,985
Total	1,135,196	1,088,834

Remuneration of the Director Development Services - MH Gxoyiya

Annual Remuneration	935,872	709,298
Car Allowance	120,000	120,000
Performance Bonuses	68,289	108,883
Total	1,124,161	938,181

Remuneration of the Director Financial Services - SN Jacobs (Pro-rata)

Annual Remuneration	25,281	940,471
Car Allowance	2,419	90,000
Performance Bonuses	103,047	133,961
Total	130,747	1,164,432

Remuneration of the Director Financial Services - D Louw (Pro-rata from 1 September 2012)

Annual Remuneration	580,019	-
Car Allowance	90,000	-
Contributions to UIF, Medical and Pension Funds	121,647	-
Total	791,666	-

THEEWATERSKLOOF MUNICIPALITY

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

30	EMPLOYEE RELATED COSTS (CONTINUED)	2013 R	2012 R
	<i>Remuneration of the Director Operational Services - J Barnard</i>		
	Annual Remuneration	726,582	688,790
	Car Allowance	62,428	62,428
	Contributions to UIF, Medical and Pension Funds	159,946	138,367
	Performance Bonuses	88,859	106,750
	Total	1,037,815	996,336
31	REMUNERATION OF COUNCILLORS		
	Mayor	665,116	622,270
	Deputy Mayor	533,849	504,724
	Speaker	535,973	504,568
	Mayoral Committee Members	2,014,320	2,197,017
	Councillors	3,660,756	3,339,165
	Total Councillors' Remuneration	7,410,014	7,167,744
	<i>In-kind Benefits</i>		
	The Executive Mayor, Deputy Executive Mayor, Speaker and three mayoral committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.		
	I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the Framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearer's Act and the Minister of Provincial and Local Government's determination, in accordance with this Act. Disclosure of the remuneration of individual Councillors are considered immaterial.		
	H S D Wallace Municipal Manager		
32	DEBT IMPAIRMENT		
	Receivables from exchange and non-exchange transactions - Note 21	22,703,381	32,421,930
	Total Contribution to Debt Impairment	22,703,381	32,421,930
33	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment - previously reported	8,108,577	7,997,438
	Less: Correction of error - Note 40.01		(435,424)
	Capitalised restoration costs	45,970	186,335
	Intangible Assets	311,803	281,007
		8,466,350	8,029,356
34	IMPAIRMENTS		
	Property Plant & Equipment (Non-cash generating)	3,269,241	8,364,529
	Capitalised restoration costs (Cash generating assets)	3,677	711
	Investment Property (Cash generating assets)	86,571,939	32,925,350
		89,844,857	41,290,590
	The current economic climate with resultant declining property values is the main reason for impairment charges.		
35	FINANCE CHARGES		
	Long-term Liabilities Restated 2012 - Note 41	11,697,859	11,790,244
	Non-current provisions	1,081,963	1,138,006
	Total finance charges	12,779,822	12,928,250
36	BULK PURCHASES		
	Electricity	37,759,471	34,770,298
	Water	7,574,900	6,704,399
	Total Bulk Purchases	45,334,371	41,474,697

THEEWATERSKLOOF MUNICIPALITY

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

		2013 R	2012 R
37	GRANTS AND SUBSIDIES		
	Indigent Subsidies : Escom payments	782,625	638,395
	Total Grants and Subsidies	782,625	638,395
38	OPERATING GRANT EXPENDITURE		
	Operating grant expenditure per vote		
	Executive & Council	2,380,831	3,175,750
	Finance & Administration	6,673,397	11,516,450
	Planning & Development	533,656	668,242
	Total Operating grant expenditure	9,587,884	15,360,443
39	GENERAL EXPENSES		
	Audit Fees	1,835,490	2,489,126
	Bank Charges	317,938	273,133
	Clean and Green Project	355,109	378,001
	Computer charges	182,222	69,627
	Fuel Cost	4,044,153	3,594,743
	Insurance	995,427	781,157
	Material and protective clothing	1,387,652	1,530,181
	Membership fees	971,286	735,669
	Postage	165,902	217,984
	Printing and stationery	591,468	638,094
	Quick Wins	-	47,276
	Rates and taxes - Restated 2012 - Note 41	-	-
	Electricity - Escom	5,158,108	4,551,064
	Sporting programs	144,000	-
	Skills development levy	919,171	810,684
	Telephone	2,342,527	2,122,955
	Training	821,300	577,262
	Travel and subsistence	542,553	548,324
	Water Purification	1,169,983	1,120,414
	Other	4,597,939	4,811,809
	General Expenses	26,542,228	25,297,503
40	CORRECTION OF ERROR IN TERMS OF GRAP 3		2012 R
40.01	Property Plant and Equipment		
	Balance previously reported		454,275,307
	Correction of Opening Balance on cost due to Land and Buildings not being the property of the municipality- Notes 13 and 40.05		(1,290,100)
	Correction of Opening Balance on cost due to the duplication of community assets classified in Land and Buildings and Community Assets- Notes 13 and 40.05		(10,468,901)
	Correction of Opening Balance on accumulated depreciation due to the duplication of community assets classified in Land and Buildings and Community Assets- Notes 13 and 40.05		5,420,354
	Correction of prior year depreciation due to the duplication of community assets classified in Land and Buildings and Community Assets- Notes 13 and 41		435,424
	Total		448,372,084
40.02	Receivables from exchange transactions		
	Balance previously reported		10,812,053
	Internal municipal service charges accounts previously recognised as revenue now reversed - Notes 40.05 and 20		(2,352,433)
	Total		8,459,620
40.03	Receivables from non-exchange transactions		
	Balance previously reported		6,617,131
	Third party payments (insurance) not in the prior year recognised as revenue- Note 41		2,000,447
	Total		8,617,578

THEEWATERSKLOOF MUNICIPALITY

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

40	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)	2012 R	
40.04	Payables from exchange transactions		
	Balance previously reported	24,369,773	
	Pro-rata finance charges on external loans duplicated now reversed - Notes 41 and 9	(929,187)	
	Total	23,440,586	
40.05	Accumulated Surplus/(Deficit)		
	Correction of Opening Balance on cost due to Land and Buildings not being the property of the municipality- Notes 13 and 40.01	(1,290,100)	
	Correction of Opening Balance on Property, Plant and Equipment due to the duplication of community assets classified in Land and Buildings and Community Assets- Note 13 and 40.01	(5,048,547)	
	Internal municipal service charges accounts previously recognised as revenue now reversed - Note 40.02	(2,352,433)	
	Total	(8,691,080)	
40.06	Correction of other prior year information disclosures	2012 Adjusted disclosure	2012 Original disclosure
	40.06.01 - Operating lease assets - Note 22.2		
	The disclosure for the the future lease receivables was adjusted with new information about leases not previously recognised. The effect on the prior year surplus is immaterial and recognised in the current period.	696,440	566,338
		2,821,499	2,125,914
		2,055,398	2,004,026
	40.06.02 - Financial Risk Management - Note 49		
	The disclosure for the future cost of the landfill site rehabilitation was amended to indicate the correct split between future capital- and interest payments.		
	Interest Less than 1 year	1,081,963	
	Capital repayments Between 1 and 5 years	23,898,119	29,048,313
	Interest Between 1 and 5 years	5,383,364	1,452,416
	40.06.03 - Financial Risk Management and Financial Instruments - Notes 49 and 50		
	In the prior year the Unspent Conditional Grants were disclosed as being financial instruments. Since there are no contractual agreements in place for grants but only by way of legislation, these unspent grants cannot be classified as financial instruments. The amounts were therefore removed from the current year's disclosures.		
	Unspent conditional government grants and receipts	-	7,387,066
	Unspent conditional public contributions and receipts	-	167,235
41	STATEMENT OF FINANCIAL PERFORMANCE		
	Balance previously reported		(20,710,709)
	Correction of prior year depreciation due to the duplication of community assets classified in Land and Buildings and Community Assets- Notes 13 and 40.01		435,424
	Pro-rata finance charges on external loans at 30 June duplicated and now reversed - Note 40.04		929,187
	Reclassification of internal charges for rates - Decrease in Property Taxes		(1,127,794)
	Reclassification of internal charges for rates - Decrease in General Expenses		1,127,794
	Third party payments not recognised in the prior year - Note 40.03		2,000,447
	Total		(17,345,651)

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

	2013	2012
	R	R
42 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	12,221,045	(17,345,649)
Adjustments for:		
Depreciation - Restated 2012 - Note 41	8,154,547	7,748,349
Impairments	89,844,857	41,290,590
Amortisation of Intangible Assets	311,803	281,007
(Gain) / Loss on disposal of property, plant and equipment	1,300,370	286,569
Grants received (Restated 2012)	142,832,711	116,051,395
Grants recognised as revenue (Restated 2012)	(147,125,821)	(110,839,197)
Contribution from/to employee benefits- non current	5,211,363	4,648,858
Contribution from/to employee benefits - non-current - expenditure incurred	(1,437,747)	(1,269,069)
Contribution from/to employee benefits - non-current - actuarial losses / gains	(1,107,300)	423,426
Contribution to employee benefits – current	3,667,891	11,197,818
Contribution to employee benefits – current - expenditure incurred	(7,138,576)	(8,841,718)
Fair Value Adjustments - Property, Plant and Equipment	(22,515,624)	(7,029,100)
Contribution to provisions – bad debt	24,139,488	31,170,777
Impairment written off	(11,524,708)	(16,682,376)
Operating lease income accrued	(169,320)	(88,077)
Operating lease expenses accrued	-	(3,451)
Changes in Non-current provisions - Unwinding of interest	1,081,963	1,138,006
Operating Surplus/(Deficit) before changes in working capital	97,746,942	52,138,158
Changes in working capital	(5,188,318)	(5,754,229)
Increase/(Decrease) in Trade and Other Payables	16,223,997	1,869,813
Increase/(Decrease) in Unspent Public Contributions (Restated 2012)	-	-
Increase/(Decrease) in Taxes	(1,911,675)	(315,422)
(Increase)/Decrease in Inventory	335,157	(372,814)
(Increase)/Decrease in Trade Receivables from exchange transactions	(15,569,294)	(8,480,954)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(4,266,503)	1,545,149
Cash generated/(absorbed) by operations	92,558,624	46,383,929
43 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 23	20,739,868	15,042,204
Cash Floats - Note 23	10,350	6,400
Bank - Note 23	6,794,698	6,365,123
Total cash and cash equivalents	27,544,916	21,413,727
44 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 43	27,544,916	21,413,727
Less:	27,544,916	21,413,727
	(5,529,155)	(15,642,487)
Unspent Committed Conditional Grants - Note 10	(4,667,034)	(7,387,066)
Unspent Public Contributions - Note 11	(862,121)	(167,235)
Less: Unspent loans	-	(8,088,186)
Resources available for working capital requirements	22,015,760	5,771,240
45 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 3	112,766,723	119,265,189
Used to finance property, plant and equipment - at cost	(112,766,723)	(127,353,375)
	-	(8,088,186)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	(8,088,186)
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

THEEWATERSKLOOF MUNICIPALITY

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

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

**2013
R** **2012
R**

46.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	75,618,967	4,460,425
Unauthorised expenditure current year - capital	8,028,531	6,090,725
Unauthorised expenditure current year - operating	89,082,219	65,067,817
Approved by council	(75,618,967)	
Unauthorised expenditure awaiting authorisation	97,110,750	75,618,967

Incident	Disciplinary steps/criminal proceedings
<i>Over expenditure on votes</i>	<i>None</i>

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
<u>Budget comparison by vote - Unauthorised expenditure current year - operating</u>				
Executive & Council	41,413,988	51,479,073	(10,065,085)	-
Finance & Administration	138,809,037	57,291,122	81,517,915	81,517,915
Planning & Development	10,858,837	11,755,853	(897,016)	-
Community & Social Services	6,000,946	4,600,704	1,400,242	1,400,242
Housing	3,484,912	5,329,989	(1,845,077)	-
Public Safety	11,362,285	12,004,359	(642,074)	-
Sport & Recreation	6,459,644	6,918,341	(458,697)	-
Environmental Protection	24,078	35,000	(10,922)	-
Waste Management	22,245,841	19,449,282	2,796,559	2,796,559
Waste Water Management	19,357,564	17,596,168	1,761,396	1,761,396
Road Transport	24,165,034	25,729,298	(1,564,264)	-
Water	32,073,715	30,467,608	1,606,107	1,606,107
Electricity	48,429,446	53,042,887	(4,613,441)	-
Other	371,329	1,547,591	(1,176,262)	-
	365,056,656	297,247,275	67,809,381	89,082,219

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
<u>Budget comparison by vote - Unauthorised expenditure current year - capital</u>				
Executive & Council	1,752,021	2,395,284	(643,263)	-
Finance & Administration	1,827,063	2,158,487	(331,424)	-
Planning & Development	4,445,255	8,550,204	(4,104,949)	-
Housing	33,113,019	25,166,615	7,946,404	7,946,404
Sport & Recreation	694,582	812,324	(117,742)	-
Waste Management	347,127	265,000	82,127	82,127
Waste Water Management	21,096,954	24,629,216	(3,532,262)	-
Road Transport	8,295,779	9,065,526	(769,747)	-
Water	9,058,738	12,959,075	(3,900,337)	-
Electricity	7,770,679	11,516,863	(3,746,184)	-
	88,401,217	97,518,594	(9,117,377)	8,028,531

The main reasons for the unauthorised expenditure are the insufficient budget for non-cash transactions such as the additional provision for doubtful debts and impairments. The processes in Sect 32 of the MFMA will determine the full reasons for the over-expenditure.

46.2 Fruitless and wasteful expenditure

**2013
R** **2012
R**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	536,209	-
Written off by council	(536,209)	-
Fruitless and wasteful expenditure awaiting further action	-	-

Incident	Disciplinary steps/criminal proceedings
<i>Due to on-going litigation involving the Genadendal community, Cape Augulhas Civils has not been able to complete the Greyton/Genadendal Sewerlink project</i>	<i>None</i>

536,209	-
536,209	-

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

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONT.)

	2013 R	2012 R
46.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	8,233,523	6,086,468
Irregular expenditure prior year - restated	-	756,498
Irregular expenditure current year	18,181	1,390,557
Written off by council	(7,477,025)	-
	774,679	8,233,523
Irregular expenditure awaiting further action		
Irregular expenditure awaiting condonement from National Treasury	8,251,704	8,233,523

Incident	Disciplinary steps/criminal proceedings
Non-compliance with the Supply Chain Management Policy and not approved by the Accounting Officer - 2012/2013 - R 18 181	None

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

46.4 Material Losses

Water distribution losses

- Kilolitres purified	4,464,315	3,911,749
- Kilolitres lost during distribution	672,530	220,646
- Percentage lost during distribution	15.06%	5.64%

Electricity distribution losses

- Units purchased (Kwh)	58,631,246	60,530,595
- Units lost during distribution (Kwh)	3,092,625	3,483,001
- Percentage lost during distribution	5.27%	5.75%

The reason for the change in water losses is that new bulk meters were installed in the Grabouw informal settlement causing more accurate measurement of losses. In the past an average consumption was estimated.

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Opening balance	-	-
Council subscriptions	926,394	707,129
Amount paid - current year	(926,394)	(707,129)
Balance unpaid (included in creditors)	-	-

47.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year audit fee	1,835,490	2,498,700
External Audit - Auditor-General	1,835,490	2,498,700
Amount paid - current year	(1,835,490)	(2,498,700)
Balance unpaid (included in creditors)	-	-

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

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT.)

	2013 R	2012 R
47.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	(985,717)	(558,150)
Amounts received - current year	4,108,504	5,783,256
Amounts received - previous years	985,717	-
Amounts claimed - current year	(6,014,712)	(5,728,835)
Amounts paid	(255,415)	(481,988)
Closing balance - Receivable	(2,161,623)	(985,717)
VAT	3,303,947	1,392,272
Vat in suspense due to cash basis of accounting		
Input VAT	15,024,628	10,991,273
Output VAT	(11,720,681)	(9,599,001)
Receivable	3,303,947	1,392,272

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors. All VAT returns have been submitted by the due date.

47.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year payroll deductions and Council Contributions	14,552,484	13,714,945
Amount paid - current year	(14,552,484)	(13,714,945)
Balance unpaid (included in creditors)	-	-

47.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year payroll deductions and Council Contributions	26,196,660	24,664,738
Amount paid - current year	(26,196,660)	(24,664,738)
Balance unpaid (included in creditors)	-	-

47.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

There were no Councillors who had arrear accounts for more than 90 days as at 30 June 2013:

47.7 Deviations approved in terms of the Supply Chain Management Policy

Deviations from Supply Chain Management Regulations were approved by the Accounting Officer on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Executive & Council	3,585	-	-	-
Corporate Services	246,387	733,340	1,871,276	
Development Services	243,802	435,726		8,989,544
Financial Services	44,565	127,849		
Technical Services	379,755	927,271	2,050,256	
Operations	1,740,748	1,786,007	457,398	
	2,658,842	4,010,193	4,378,930	8,989,544

The major deviations approved are as follows:

Incident	Amount R
<i>TWK Communication - Wireless Networks - Continuation from a previous contract.</i>	588,283
<i>Victory Parade 182 t/a Seven Sirs - Housing in Grabouw as the contractor was already busy on-site and additional allocations needed to be spent in time.</i>	8,989,544
<i>Conlog - Prepaid electricity meter which integrate with the current software systems.</i>	1,447,403

47.8 Other non-compliance (MFMA 125(2)(e))

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section. The final unauthorised expenditure can only be determined after the finalisation of the Annual Financial Statements and audit.

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

48	CAPITAL COMMITMENTS	2013 R	2012 R
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	38,684,248	37,821,153
	Land & Buildings	636,042	-
	Infrastructure	38,048,206	37,821,153
	Total	38,684,248	37,821,153
	This expenditure will be financed from:		
	External Loans	5,975,270	8,088,186
	Government Grants	32,708,978	29,732,967
		38,684,248	37,821,153

49 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising 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 focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) 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.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2013 R	2012 R
1% (2012 - 0.5%) Increase in interest rates	(852,322)	(978,579)
0.5% (2012 - 0.5%) Decrease in interest rates	426,161	489,289

(d) 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 a financial loss.

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

Trade and other debtors are disclosed net after provisions 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 condition 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 practice 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 rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 20 for balances included in receivables that were re-negotiated for the period under review.

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

49

FINANCIAL RISK MANAGEMENT (CONTINUED)

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

	2013 R	2012 R
Balances past due not impaired:	12,073,553	13,302,730

Due to the short term nature of receivables the carrying value disclosed in note 20 and 21 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2013 %	2013 R	2012 %	2012 R
<u>Non-Exchange Receivables</u>				
Rates	17.29%	20,254,367	15.82%	16,532,071
<u>Exchange Receivables</u>				
Services	82.71%	96,877,455	84.18%	87,984,971
	100.00%	117,131,822	100%	104,517,042

The municipality only deposits cash with organisations allowed in terms of the Cash Management Policy 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. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA and Nedbank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2013 R	2012 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables - Restated 2012	34,282	48,173
Receivables from exchange transactions	15,136,430	8,459,620
Receivables from non-exchange transactions	5,479,532	2,742,553
Cash and Cash Equivalents	27,544,916	21,413,727
	48,195,160	32,664,073

(e) 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.

Ratio	Ratio
0.88	0.75

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

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FINANCIAL RISK MANAGEMENT (CONTINUED)

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	Between 5 and 10 years	Over 10 Years
2013				
Long Term liabilities - Annuity Loans	16,797,423	58,724,358	53,186,673	48,959,264
Capital repayments	6,936,832	26,006,930	26,310,010	36,383,404
Interest	9,860,591	32,717,428	26,876,663	12,575,860
Long Term liabilities - Stock Loans	1,598,272	6,004,346	9,779,171	19,148,898
Capital repayments	-	-	2,553,169	14,469,801
Interest	1,598,272	6,004,346	7,226,002	4,679,098
Long Term liabilities - Finance Lease Liability	139,599	93,066	-	-
Capital repayments	42,071	64,505	-	-
Interest	97,528	28,561	-	-
Provisions - Landfill Sites	1,249,004	29,114,441	-	-
Capital repayments	-	24,980,081	-	-
Interest	1,249,004	4,134,360	-	-
Trade and Other Payables	36,065,862	-	-	-
	<u>55,850,160</u>	<u>93,936,211</u>	<u>62,965,844</u>	<u>68,108,162</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities - Annuity Loans	17,054,300	61,409,630	58,986,269	57,250,327
Capital repayments	6,506,297	26,004,376	28,609,466	41,023,994
Interest	10,548,003	35,405,254	30,376,803	16,226,333
Long Term liabilities - Stock Loans	1,598,480	6,004,457	10,304,440	20,221,791
Capital repayments	-	-	2,553,169	14,469,801
Interest	1,598,480	6,004,457	7,751,271	5,751,990
Long Term liabilities - Finance Lease Liability	113,680	189,467	-	-
Capital repayments	11,948	86,138	-	-
Interest	101,732	103,329	-	-
Provisions - Landfill Sites - Restated 2012 - Note 40.06	1,081,963	29,281,482	-	-
Capital repayments	-	23,898,119	-	-
Interest	1,081,963	5,383,364	-	-
Trade and Other Payables	21,421,642	-	-	-
	<u>41,270,064</u>	<u>96,885,036</u>	<u>69,290,709</u>	<u>77,472,117</u>

THEEWATERSKLOOF MUNICIPALITY

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

50	FINANCIAL INSTRUMENTS		2013 R	2012 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:			
	The fair value of financial instruments approximates the amortised costs as reflected below.			
50.1	<u>Financial Assets</u>	<u>Classification</u>		
	Long-term Receivables			
	Officials Housing Loans (restated 2012)	Financial instruments at amortised cost	28,926	43,572
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	15,136,430	8,459,620
	Receivables from non-exchange transactions	Financial instruments at amortised cost	5,479,532	2,742,553
	Current Portion of Long-term Receivables			
	Officials Housing Loans	Financial instruments at amortised cost	5,356	4,601
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	20,739,868	15,042,204
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	6,794,698	6,365,123
	Cash Floats and Advances	Financial instruments at amortised cost	10,350	6,400
			48,195,160	32,664,073
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		48,195,160	32,664,073
	At amortised cost		48,195,160	32,664,073
50.2	<u>Financial Liability</u>	<u>Classification</u>		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	88,700,565	95,637,834
	Capitalised Lease Liability	Financial instruments at amortised cost	64,505	86,138
	Stock Loans	Financial instruments at amortised cost	17,022,971	17,022,971
	Provisions (Non-current and current)			
	Landfill Sites	Financial instruments at amortised cost	24,980,081	23,898,119
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	23,478,357	13,536,896
	Interest portion of long term liabilities	Financial instruments at amortised cost	1,374,789	1,938,215
	Retentions	Financial instruments at amortised cost	10,270,477	5,698,589
	Sundry Deposits	Financial instruments at amortised cost	942,239	709,628
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	6,936,610	6,506,297
	Capitalised Lease Liability	Financial instruments at amortised cost	42,071	11,949
			173,812,665	165,046,636
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		173,812,665	165,046,636
51	EVENTS AFTER THE REPORTING DATE			
	Flood rains occurred during the weekend of 15 - 17 November 2013 as a result of which damage was caused to the water, roads and stormwater infrastructure. The damage is estimated at R3,603,800 and there is no possibility of any re-imbursement as the infrastructure was not insured. Damage was also caused to a water package pump and the amount of the damage is unknown. The package pump is insured and the loss may be recovered from the insurers.			
52	IN-KIND DONATIONS AND ASSISTANCE			
	The DBSA provided technical assistance to the Local Economic Development Department.		-	1,056,300
53	PRIVATE PUBLIC PARTNERSHIPS			
	Council has not entered into any private public partnerships during the financial year.			

THEEWATERSKLOOF MUNICIPALITY

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

**2013
R** **2012
R**

54 CONTINGENT LIABILITIES

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty of up to R 10 million in terms of section 24G of the Environmental Conservation Act.

Unknown

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

Unknown

Mr FJ Coetzee is suing the municipality for alleged negligence in constructing a speed bump, causing flooding to the residence of Mr Coetzee. The municipality's insurance disputes the claim.

22,140

Telkom is suing the municipality for damage to underground cables in Botriver and Villiersdorp due to alleged negligence during excavations. The municipality's insurance disputes the claim.

44,085

Morne Southon instituted a civil claim against the Municipality for damages that suffered as a result of the Cancellation of Tender Dev 4/2008/09. The Municipality defended the claim and the case will be heard on 8 October 2012 in the Cape High Court.

500,000

55 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

55.1 Related Party Transactions

	Rates - Levied 1 Jul 12 - 30 Jun 13	Service Charges - Levied 1 Jul 12 - 30 Jun 13	Other - Levied 1 Jul 12 - 30 Jun 13	Outstanding Balances 30 June 2013
Year ended 30 JUNE 2013				
Councillors	24,683	83,761	-	10,161
Carelse G	2,795	6,343	-	684
Cupido A	663	4,611	-	425
De Wet N	4,726	-	-	400
De Wet N	-	13,346	-	870
De Wet P	493	5,021	-	354
Hector M	344	3,342	-	2,125
Hendricks J	3,497	4,988	-	753
Nellie J	82	-	-	7
Nellie J	-	9,406	-	670
Papier KI	1,146	6,599	-	663
Punt C	4,274	6,056	-	755
Sipunzi U	75	3,437	-	305
Tsaka M	-	3,833	-	280
Vosloo C	6,589	16,779	-	1,871
 Senior Management				
Barnard J	4,916	19,074	-	2,038

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

55.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

THEEWATERSKLOOF MUNICIPALITY

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

55	RELATED PARTIES (CONTINUED)	2013 R	2012 R
55.3	Compensation of key management personnel		
	The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.		
56	Other transactions in terms of Section 45 of the Municipal Supply Chain Regulations.		
	The following purchases were made where immediate family members are in the service of the State:		
	<i>Sinking Ships Trading 5 - T/a J&A Elektriese Werke - Decorative streetlights - Son in law of Deputy Director : Electrical</i>	458,813	154,492
	JDFD Transport - Transport services - Mother of Denver and Fredericks Damons :	850	2,650
	Technical Services		
	Coalition Trading - Construction Services - Husband of Alison Tobias-Meintjies : Assistant		
	Superintendent Streets and Stormwater	186,379	431,773
	PM Builders - Construction Services - Husband of Alison Tobias-Meintjies : Assistant		
	Superintendent Streets and Stormwater		17,764
	Tano Vera - ICT Services - Domestic partner of Manager ICT	22,663	24,102
	Villiersdorp Sekuriteit - Security and Monitoring Services - Husband of Speaker	26,200	53,198
	Umthi Omkhulu Trading - Construction services - Husband of Cashier M Thomas	168,305	600,387
	Finck Attorneys - Legal Services - Husband of Gail Finck - Senior Clerk Clearances		2,927
	Greyton repairs - Mechanical Services - Husband of Gail Groenewald -		
	Principal Clerk: Data Capturing	21,744	
	Rosant FV - Construction Services - Parent of C. Bloemfontein -		
	Temporary IT Technician	11,970	
	Suidwes Biltong - Food supplier - Wife of F. du Toit - Deputy Director Electrical	990	
	Groenland Security Services - Security and Monitoring - Husband of M. Groenewald		
	Senior Administrator Official, PAWC Department of Environmental Affairs	331,912	
	Jules Gardening Services - Gardening Services - Wife of M. Gillion -		
	Senior Building Inspector	11,411	
	Petrol & Diesel Enjin Sentrum - Mechanical Services - Spouse of J. Pretorius		
	Chief Clerk Creditors	67,969	
	Hendricks Construction - Construction Services - Cousin of A. Hendricks -		
	Head Supply Chain	67,650	
	Marchall Armature Winding - Electrical Services - Spouse of M. Koeglenberg -		
	Councilor	26,337	
		1,403,193	1,287,293

APPENDIX A - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2013
LONG-TERM LOANS							
Stock Loans							
DBSABANK - 20 years	9.29%	Loan No. 102275/4&5 Loan No. 101487/1	31/03/2027	10,022,971	-	-	10,022,971
DBSABANK - 20 year	9.46%	Electricity Loan No. 101487/4	31/12/2024	6,873,758	-	-	6,873,758
DBSABANK	9.77%	Admin/Corp/Refuse	31/12/2019	126,242	-	-	126,242
Total Long-term Loans				17,022,971	-	-	17,022,971
ANNUITY LOANS							
DBSA BANK - 10 year	10.95%	Infrastructure Programs101178/1	30/06/2014	2,510,228	-	1,188,167	1,322,060
DBSA BANK - 10 & 20 year	10.74%	Loan No. 102807/1	30/06/2028	10,671,021	-	720,117	9,950,904
DBSA BANK 10 & 20 year	11.44%	Loan No. 103108/1 (Mun Buildings)	30/09/2028	9,587,546	-	251,394	9,336,151
ABSA BANK - 7 year	11.35%	11794	31/12/2014	129,229	-	47,457	81,771
ABSA BANK -7 year	11.35%	(Sewerage) 11792	31/12/2014	62,381	-	22,909	39,472
ABSA BANK - 11 year	11.14%	(Electricity, Water, Sewerage)10858/1	31/12/2018	1,082,890	-	121,189	961,701
ABSA BANK - 11 year	11.14%	(Sewerage)10858/2	31/12/2018	104,049	-	11,644	92,404
DBSA BANK - 30 year	10.05%	(Sewerage) 13050	31/12/2013	83,091	-	54,034	29,057
DBSA BANK 15 year	15.30%	(Electricity) 13062	31/12/2008	3	-	-	3
ABSA BANK - 7 year	11.35%	(Sewerage) 13051	31/12/2014	30,931	-	11,359	19,572
ABSA BANK - 7 year	11.35%	(Sewerage) 13052	31/12/2014	25,860	-	9,497	16,363
DBSA BANK -10 year	16.50%	(Roads) 13298	31/12/2009	(21)	-	-	(21)
Sanlam 20 year	10.00%	40513100.00%	31/12/2010	241	-	-	241
ABSA BANK - 8 year	11.27%	(Sewerage) 104013 (12704/101)	31/12/2015	246,324	-	61,020	185,303
ABSA BANK - 8 year	11.27%	(Water Service) 105021(12705/101) 13343(16.50%)	31/12/2015	101,541	-	25,154	76,387
DBSA BANK - 20 year	16.50%	(Electricity) Electricity (15.75%)	31/12/2019	148,430	-	11,165	137,264
DBSA BANK - 20 year	15.75%	(13705/102) Network - Elec.(15.00%)	30/06/2020	74,462	-	5,159	69,303
ABSA BANK - 6 year	11.44%	(11040/102)	31/12/2013	51,770	-	33,545	18,225
DBSA BANK - 20 year	9.85%	103313.1	31/03/2029	21,187,455	-	518,284	20,669,171
DBSA BANK - 15 year	9.97%	103313.2	31/03/2024	5,830,115	-	269,062	5,561,054
DBSA BANK - 10 year	10.00%	103313.3	31/03/2019	846,877	-	88,567	758,311
DBSA BANK - 7 year	9.95%	103313.4	31/03/2016	2,770,165	-	594,988	2,175,177
STANDARD BANK-7 year	11.67%	72480009	31/07/2017	849,615	-	117,616	731,999
STANDARD BANK-10 year	11.72%	72479981	31/07/2020	2,745,290	-	202,105	2,543,185
DBSA - 20 year	11.06%	103817/3	31/12/2030	11,024,466	-	198,384	10,826,082
STANDARD BANK-15 year	12.22%	272400572	30/06/2026	8,003,709	-	236,843	7,766,866
ABSA BANK - 7 year	10.45%	406885872	30/06/2018	2,691,344	-	342,569	2,348,776
ABSA BANK - 15 year	10.79%	40-7908-8994	27/06/2027	11,785,121	-	340,805	11,444,316
ABSA BANK - 7 year	9.42%	40-7908-9071	27/06/2019	8,400,000	-	895,373	7,504,627
ABSA BANK - 7 year	8.25%	8259-8788	27/06/2019	385,711	-	44,465	341,246
ABSA BANK - 7 year	8.25%	8259-9091	27/06/2019	99,627	-	11,726	87,901
ABSA BANK - 7 year	8.25%	8259-9741	27/06/2019	614,662	-	72,360	542,302

APPENDIX A - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2013
Total Annuity Loans				102,144,132	-	6,506,957	95,637,175
LEASE LIABILITY							
25 Dell E5520 Laptops				98,087	22,600	14,111	106,576
Total Lease Liabilities				98,087	22,600	14,111	106,576
TOTAL EXTERNAL LOANS				119,265,189	22,600	6,521,067	112,766,722

APPENDIX B - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
MUNICIPAL SUB-VOTES CLASSIFICATION

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
(580,083)	3,286,778	(3,866,861)	Admin Housing and Informal Settlements	(795,344)	3,484,912	(4,280,256)
265,368	8,450,769	(8,185,401)	Admin. : Technical Services	73,292	8,441,325	(8,368,033)
(1,675,163)	6,630,746	(8,305,909)	Admin: Operational Services	(3,871,061)	7,412,282	(11,283,343)
(453,964)	2,882,491	(3,336,455)	Admin: Planning and Development	(469,078)	2,904,222	(3,373,300)
542,783	55,829	486,954	Building Control	1,250,380	143,879	1,106,501
205,585	263,397	(57,812)	Cemeteries	320,080	297,681	22,399
(115,386)	759,721	(875,107)	Civil Protection & Fire Protection	(119,164)	334,453	(453,617)
759,076	13,175,661	(12,416,585)	Council's General Expenses	3,786,715	7,748,401	(3,961,686)
6,145,907	18,141,289	(11,995,382)	Directorate Corporate Services	8,374,529	18,619,008	(10,244,479)
55,732,909	45,406,008	10,326,901	Electricity Distribution	61,356,412	48,429,446	12,926,966
56,464,267	22,811,641	33,652,626	Financial Services	67,934,556	22,830,404	45,104,152
4,861,860	6,267,711	(1,405,851)	Human Resources	5,651,737	5,255,577	396,160
(127,411)	2,952,305	(3,079,716)	IDP / LED	(316,885)	3,091,479	(3,408,364)
4,367,709	3,403,078	964,631	Information Technology	5,199,172	3,673,234	1,525,938
(251,941)	1,168,058	(1,419,999)	Internal Audit	(345,128)	1,142,304	(1,487,432)
(223,709)	1,927,832	(2,151,541)	Law Enforcement	(306,276)	2,190,884	(2,497,160)
3,730,067	3,665,792	64,275	Library	4,955,807	5,703,265	(747,458)
(95,073)	267,100	(362,173)	Mechanical Workshop	(108,339)	371,329	(479,668)
(399,420)	3,264,868	(3,664,288)	Municipal Manager	(335,325)	3,721,405	(4,056,730)
(156,128)	1,030,981	(1,187,109)	Nature reserve	(161,686)	760,608	(922,294)
(71,781)	188,048	(259,829)	Other	(107,823)	160,795	(268,618)
(634,828)	4,877,177	(5,512,005)	Parks and Recreation	(653,695)	5,026,044	(5,679,739)
(88,996)	20,096	(109,092)	Pollution Control	(100,103)	24,078	(124,181)
(97,849)	-	(97,849)	Proclaimed Main Roads	6,312	133,045	(126,733)
(236,276)	996,256	(1,232,532)	Property Manangement	(525,216)	1,657,225	(2,182,441)
41,557,269	4,144,122	37,413,147	Property Rates	47,178,030	3,064,199	44,113,831
7,385,636	46,652,185	(39,266,549)	Property Services	24,065,713	94,926,716	(70,861,003)
(2,737,435)	18,408,535	(21,145,970)	Roads	(1,528,607)	20,640,695	(22,169,302)
15,358,886	14,651,648	707,238	Sewerage	17,960,031	13,729,436	4,230,595
(332,452)	3,191,106	(3,523,558)	Sewerage Purification	(354,124)	3,416,168	(3,770,292)
1,094,063	2,103,966	(1,009,903)	Sewerage Tanker Services	1,524,125	2,211,960	(687,835)
18,705,534	23,465,019	(4,759,485)	Solid Waste	20,854,508	22,245,841	(1,391,333)
(89,012)	436,175	(525,187)	Sports Grounds	1,694	671,053	(669,359)
55,405,532	9,442,209	45,963,323	Subsidies and Grants	75,861,166	4,195,198	71,665,968
(135,756)	184,526	(320,282)	Swimming pool & Camping Site	(7,599)	1,939	(9,538)
(157,173)	2,275,221	(2,432,394)	Town Planning	(380,534)	3,062,032	(3,442,566)
2,148,761	7,923,037	(5,774,276)	Traffic Services	4,701,923	8,676,153	(3,974,230)
4,457,520	3,413,306	1,044,214	Vehicle Licensing and Testing	4,036,458	3,391,294	645,164
34,572,226	34,262,085	310,141	Water Distribution	33,478,085	32,073,715	1,404,370
305,101,122	322,446,772	(17,345,650)	Total	378,084,738	365,863,684	12,221,054

APPENDIX C - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
5,495,188	46,398,465	(40,903,277)	Executive & Council	8,363,475	42,221,016	(33,857,541)
169,390,912	97,153,872	72,237,040	Finance & Administration	225,209,921	138,809,037	86,400,884
(432,041)	9,162,102	(9,594,143)	Planning & Development	(441,333)	10,858,837	(11,300,170)
3,935,652	3,929,189	6,463	Community & Social Services	5,275,887	6,000,946	(725,059)
(580,083)	3,286,778	(3,866,861)	Housing	(795,344)	3,484,912	(4,280,256)
1,737,885	10,798,638	(9,060,753)	Public Safety	4,168,660	11,362,285	(7,193,625)
(1,015,724)	6,528,859	(7,544,583)	Sport & Recreation	(821,286)	6,459,644	(7,280,930)
(88,996)	20,096	(109,092)	Environmental Protection	(100,103)	24,078	(124,181)
18,705,534	23,465,019	(4,759,485)	Waste Management	20,854,508	22,245,841	(1,391,333)
16,120,497	19,946,720	(3,826,223)	Waste Water Management	19,130,032	19,357,564	(227,532)
1,622,236	21,821,841	(20,199,605)	Road Transport	2,514,163	24,165,034	(21,650,871)
34,572,226	34,262,085	310,141	Water	33,478,085	32,073,715	1,404,370
55,732,909	45,406,008	10,326,901	Electricity	61,356,412	48,429,446	12,926,966
(95,073)	267,100	(362,173)	Other	(108,339)	371,329	(479,668)
305,101,122	322,446,772	(17,345,650)	Total	378,084,738	365,863,684	12,221,054

APPENDIX D - Unaudited
THEEWATERSKLOOF MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 JUNE 2012	Grants Received	Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2013
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R
<u>National Government Grants</u>				
Equitable Share	-	53,343,000	(53,343,000)	-
EPWP	936,267	994,000	(1,159,737)	770,530
National Electrification Program	-	3,000,000	(3,000,000)	-
Municipal Infrastructure Grant	2,027,476	26,174,000	(28,092,338)	109,138
MSIG Funds	0	800,000	(940,872)	(140,872)
Finance Management Grant	(109,943)	1,500,000	(1,640,849)	(250,792)
Neighbourhood Development Programme Grant	1,872,728		(1,795,824)	76,904
Regional Bulk Infrastructure Grant (RBIG)	-	8,738,637	(10,500,000)	(1,761,363)
Total National Government Grants	4,726,528	94,549,637	(100,472,620)	(1,196,455)
<u>Provincial Government Grants</u>				
Spatial Development Framework	30,469			30,469
Botrivier Development Contribution	38,889			38,889
CDW's	98,146	189,000	(142,306)	144,840
Project Reparation	69,400			69,400
Housing	1,484,615	35,598,721	(37,308,218)	(224,881)
Multi Purpose Bus	62,102			62,102
Thusong Multi Purpose Centre		2,500,000		2,500,000
Public Infrastructure Grant		1,500,000	(1,500,000)	-
Development of Recreational Facilities		144,000	(144,000)	-
Main Roads Subsidy	-	108,000	(108,000)	-
Library Subsidy	-	5,671,000	(5,671,000)	-
Financial Support Grant	400,000			400,000
Total Provincial Government Grants	2,183,621	45,710,721	(44,873,524)	3,020,819
<u>Other Grant Providers</u>				
DBSA GIS	943			943
DBSA Local Economic Development	366,030	466,216	(368,427)	463,819
Public Contributions - HAN Students	167,235	897,464	(837,350)	227,349
Public Contributions - IDC - Local Economic Development	-	800,000	(165,228)	634,772
SETA	-	408,673	(408,673)	-
Total Other Grant Providers	534,208	2,572,353	(1,779,678)	1,326,883
Total	7,444,357	142,832,711	(147,125,821)	3,151,247