

POLOKWANE LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2013
AUDITED**

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**POLOKWANE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS ENDED 30 JUNE 2013**

APPROVAL AND CERTIFICATION

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 68, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

**Ms TC Mametja
MUNICIPAL MANAGER**

DATE

POLOKWANE MUNICIPALITY
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General information

Members of the Council

FP Greaver	Executive Mayor
MC Mathiba	Speaker
LM Legodi	Member of the Mayoral Committee
MJ Kaka	Member of the Mayoral Committee
MD Madikoto	Member of the Mayoral Committee
ME Maleka	Member of the Mayoral Committee
PJ Modikoa	Member of the Mayoral Committee
MS Tjale	Member of the Mayoral Committee
RC Molepo	Member of the Mayoral Committee
LE Hardy	Member of the Mayoral Committee
MJ Ralefatane	Member of the Mayoral Committee
MK Teffo	Member of the Mayoral Committee
AH Botha	Member of Council
HE Chauke	Member of Council
FA Haas	Member of Council
ME Khalo	Member of Council
A Kirkpatrick	Member of Council
MF Kubjane	Member of Council
MJ Lekota	Member of Council
MM Lemekoana	Member of Council
MW Letsoalo	Member of Council
M Maake	Member of Council
MG Mabelebele	Member of Council
MM Mabitsela	Member of Council
MT Mabutla	Member of Council
NE Machaba	Member of Council
TJ Magoro	Member of Council
RT Makgabo	Member of Council
KP Makgoba	Member of Council
MP Maifala	Member of Council
MM Mailula	Member of Council
MM Maja	Member of Council
MA Malemati	Member of Council
SJ Malope	Member of Council
CM Mamabolo	Member of Council
ML Mamabolo	Member of Council
SN Mamabolo	Member of Council
MA Manong	Member of Council
SM Mashabela	Member of Council
MC Mashiane	Member of Council
A Mashie	Member of Council
MR Mashitisho	Member of Council
MA Mathabatha	Member of Council
JM Matlou	Member of Council
MJ Manamela	Member of Council
QN Mehlaphe	Member of Council
ST Mehlaphe	Member of Council
JA Moabelo	Member of Council
MA Moakamedi	Member of Council
TJ Mogale	Member of Council
RK Mogashoa	Member of Council
TSP Mojapelo	Member of Council
NJ Mokgokong	Member of Council
JS Mokonyama	Member of Council
MH Morwana	Member of Council
SM Motseo	Member of Council
M Mothiba	Member of Council
ML Motshekga	Member of Council

POLOKWANE MUNICIPALITY
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W Naumann	Member of Council
SE Nkadameng	Member of Council
MM Peta	Member of Council
MP Phadu	Member of Council
RH Phoshoko	Member of Council
MJ Raletjena	Member of Council
CS Ramabu	Member of Council
DM Ramakgwakgwa	Member of Council
MJ Sedibane	Member of Council
MR Sekgobela	Member of Council
MJ Sello	Member of Council
ND Setjie	Member of Council
TC Shilajoe	Member of Council
MMP Sono	Member of Council
KG Tsheola	Member of Council
MA Thobejane	Member of Council
MJ Willemse	Member of Council
ER Wilson	Member of Council

Municipal Manager

T C Mametja

Chief Financial Officer

F J Mudau

Auditors

Office of the Auditor-General

Grading of Local Authority

Grade 10

Bankers

Standard Bank

Business address

Civic Centre
C/O Landdros Mare and Bodenstein Street
Polokwane
0699

Postal address

P O Box 111
Polokwane
0700

POLOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 R	2012 R Restated
ASSETS			
Current assets			
Cash and cash equivalents	15	52 061 276	11 273 530
Trade and other receivables from exchange transactions	12	352 046 801	263 452 951
Other receivables from non-exchange transactions	13	19 193 398	14 061 682
Inventories	11	53 890 856	60 155 470
Investments	9	220 000 000	223 808 054
Current portion of receivables	10	8 595 490	7 502 238
VAT receivable	14	21 665 832	65 908 014
Total Current Assets		727 453 653	646 161 939
Non-current assets			
Non-current receivables	10	7 808 993	8 667 466
Investments	9	67 217 189	67 217 189
Property, plant and equipment	8	5 666 973 194	5 599 936 285
Intangible assets	8.1	17 834 302	21 750 887
Investment property	8.2	234 602 329	234 602 329
Heritage assets	8.3	11 145 452	11 145 452
Biological assets	8.4	13 965 349	14 609 293
Total Non-current assets		6 019 546 810	5 957 928 902
Total Assets		6 747 000 463	6 604 090 841
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	6	288 469 461	218 419 045
Consumer deposits	5	63 788 114	62 072 194
Current portion of unspent conditional grants and receipts	7	194 552 601	174 566 948
Current portion of borrowings	4	36 384 956	35 807 907
Current portion of finance lease liability	38	2 498 679	2 597 004
Total Current Liabilities		585 693 811	493 463 098
Non-current liabilities			
Non-current borrowings	4	262 202 961	298 587 916
Non-current finance lease liability	38	21 268 872	-
Non-current Provisions	35	194 387 486	177 751 749
Total Non-current Liabilities		477 859 319	476 339 665
Total liabilities		1 063 553 129	969 802 763
Net assets		5 683 447 334	5 634 288 078
NET ASSETS			
Housing Development	2	10 754 922	11 247 728
Revaluation Reserves	3	770 838 771	770 838 771
Accumulated surplus		4 901 853 641	4 852 201 580
Total net assets		5 683 447 334	5 634 288 078

POLOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 R	2012 R Restated
REVENUE			
Revenue from Exchange Transactions unless specified otherwise			
Property rates - Non Exchange Transactions	17	254 720 916	229 422 699
Service charges	18	867 519 757	781 281 433
Rental of facilities	19	12 467 134	5 509 961
Investment Revenue – external investments	22	23 016 680	24 554 093
Interest earned – outstanding debtors		7 377 257	17 678 491
Fines - Non Exchange Transactions		2 626 889	4 496 562
Licenses and permits		8 815 818	8 234 418
Income for agency services		13 892 068	13 827 380
Government grants recognised - operating - Non Exchange Transactions	20	501 274 579	367 484 803
Government grants recognised - capital - Non Exchange Transactions	20	187 076 977	213 510 998
Public contributions, donated and contributed property, plant and equipment	21	-	36 649 036
Other revenue	23	81 347 268	95 839 625
Total Revenue		<u>1 960 135 343</u>	<u>1 798 489 499</u>
EXPENDITURE			
Employee related costs	24	412 054 662	399 033 020
Remuneration of councillors	25	21 922 288	20 614 731
Bad debts	12	53 486 067	38 191 993
Collection costs		1 178 073	817 561
Depreciation		265 100 184	231 254 348
Repairs and maintenance		117 114 416	96 881 394
Finance cost	26	29 594 115	29 426 803
Bulk purchases	27	581 300 952	518 796 538
Grants and subsidies paid	28	5 540 000	6 121 695
General expenses	29	416 742 690	281 118 928
Total Expenditure		<u>1 904 033 448</u>	<u>1 622 257 011</u>
Loss on disposal of assets	43	(11 441 858)	-
Fair value adjustment on biological assets	44	(643 944)	-
Impairment loss	45	-	(1 202 194)
NET SURPLUS FOR THE YEAR		<u>44 016 093</u>	<u>175 030 294</u>

POLOKWANE MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS 30 JUNE 2013

	Notes	Housing Fund	Revaluation Reserve	Total	Accumulated Surplus/ (Deficit)	Total	
			R		R	R	
Balance at 30 June 2011	30	11 155 453	770 838 771	781 994 224	4 543 650 161	5 325 644 385	
Adjustments on assets -prior year				-	122 474 782	122 474 782	
Adjustments on expenditure -prior year					5 964 535	5 964 535	
Net gains and losses not recognised in the statement of financial performance (Housing Dev Fund)		92 275		92 275		92 275	
Transfers to/ from accumulated surplus (provisions)				-	5 081 808	5 081 808	
Surplus for the period				-	175 030 294	175 030 294	
Balance at 30 June 2012			11 247 728	770 838 771	782 086 499	4 852 201 580	5 634 288 079
Net gains and losses not recognised in the statement of financial performance (Housing Dev Fund)		(492 807)		(492 807)		(492 807)	
Transfers to/ from accumulated surplus (provisions)				-	5 635 969	5 635 969	
Surplus for the period				-	44 016 093	44 016 093	
Balance at 30 June 2013		10 754 921	770 838 771	781 593 692	4 901 853 641	5 683 447 333	

POLOKWANE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 R	2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipted from ratepayers, government and others		2 033 746 013	1 805 703 774
Cash paid to suppliers and employees		-1 693 054 342	-1 394 311 244
Cash generated from operations	31	339 403 784	408 988 142
Interest received		23 016 680	24 554 093
Finance cost		(29 594 115)	(29 426 803)
Tax -VAT receivables		44 242 182	(50 611 747)
Net cash from operating activities		377 068 531	353 503 685
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(339 662 368)	(346 104 026)
Purchase of intangible assets		0	(8 399 378)
Gain / (loss) on fair value adjustment		0	0
Disposal of assets		(11 441 858)	0
(Increase)/decrease in non-current receivables		(234 779)	13 598 980
(Increase)/decrease in non-current investments		0	(58 999 800)
(Increase)/decrease in current investments		3 808 054	(3 814 832)
Net cash from investment activities		(347 530 951)	(403 719 056)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		(35 807 907)	53 336 733
Increase/(decrease) in deposits		1 715 920	4 475 768
Increase/(decrease) in finance lease liability		21 170 547	(3 969 295)
Net cash from financing activities		(12 921 440)	53 843 206
Increase/(decrease) in cash and cash equivalents		16 616 141	3 627 832
Cash and cash equivalents at beginning of the year	15	11 273 530	5 241 310
Cash and cash equivalents at end of the year	15	52 061 276	11 273 530

POLOKWANE MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/2013							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of MFMA)	Virement (i.t.o Council approved policy)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R			
	1	2	3	4	5	7	8	9
Financial Performance								
Property Rates	248 982 000	253 982 000	253 982 000	253 982 000	254 720 916	(738 916)	13.18	14.41
Service Charges	948 214 590	955 329 590	955 329 590	955 329 590	867 519 757	87 809 833	44.90	49.08
Investment Revenue	8 677 285	8 677 285	8 677 285	8 677 285	23 016 680	(14 339 395)	1.19	1.30
Transfers recognised - operational	402 905 000	491 330 855	485 884 855	491 330 855	501 274 579	(9 943 724)	25.95	28.36
Other own Revenue	158 854 125	222 739 125	222 739 125	222 739 125	126 526 434	96 212 691	6.55	7.16
Total Revenue (Excluding capital transfers and contributions)	1 767 633 000	1 932 058 855	1 926 612 855	1 932 058 855	1 773 058 365	159 000 490	92	100
Employee Costs	437 054 605	402 054 605	400 556 115	402 054 605	412 054 662	(10 000 057)	21.33	23.31
Remuneration of Councillors	21 456 095	21 456 095	21 466 585	21 456 095	21 922 288	(466 193)	1.13	1.24
Debt Impairment	40 000 000	40 000 000	40 000 000	40 000 000	53 486 067	(13 486 067)	2.77	3.03
Depreciation and asset impairment	186 997 210	276 000 000	276 000 000	276 000 000	265 100 184	10 899 816	13.72	15.00
Finance Charges	31 486 400	31 486 400	31 486 400	31 486 400	29 594 115	1 892 285	1.53	1.67
Materials and Bulk purchases	664 629 895	677 193 895	673 043 275	677 193 895	698 415 368	(21 221 473)	36.15	39.51
Transfers and Grants	3 240 000	5 540 000	5 540 000	5 540 000	5 540 000	-	0.29	0.31
Gain / (loss) on disposal of assets	-	-	-	-	(11 441 858)	11 441 858		
Fair value adjustment on biological assets	-	-	-	-	(643 944)	643 944		
Other Expenditure	285 243 795	329 982 795	335 481 662	329 982 795	417 920 763	(87 937 968)	21.63	23.64
Total Expenditure	1 670 108 000	1 783 713 790	1 783 574 037	1 783 713 790	1 891 947 645	(108 233 855)	99	108
Loss: Impairment of Assets					-			
Surplus/(Deficit)	97 525 000	148 345 065	143 038 818	148 345 065	(118 889 280)	267 234 345	(7)	(7)
Transfer Recognised - capital	388 070 000	386 321 955	391 767 955	386 321 955	187 076 977	199 244 978	9.68	10.58
Contributions Recognised - capital & contributions assets							0.00	0.00
Surplus/(Deficit) after capital transfer and contributions	485 595 000	534 667 020	534 806 773	534 667 020	68 187 698	466 479 322	(7)	(7)
Share of Surplus/Deficit of associate	-	-	-	-	-	-		
Surplus for the year	485 595 000	534 667 020	534 806 773	534 667 020	68 187 698	466 479 322		
Capital expenditure and funds resources					-			
Capital Expenditure								
Transfers recognised - Capital	388 070 000	386 321 955	391 767 955	386 321 955	187 076 977	199 244 978	35.05	38.57
Public Contributions and Donations								
Borrowing							0.00	0.00
Internally generated funds	97 000 000	147 482 045	147 482 045	147 482 045	152 585 388	(5 103 343)	28.58	31.46
Total sources of capital	485 070 000	533 804 000	539 250 000	533 804 000	339 662 365	194 141 635	64	70
Cash Flows								
Cash/cash equivalents at the beginning of the year	10 000 000	96 678 000	96 678 000	96 678 000	11 273 530			
Net Cash from (Used) operating	672 592 000	859 873 000	859 873 000	859 873 000	377 068 531			
Net Cash from (Used) Investing	(483 070 000)	(531 804 000)	(531 804 000)	(531 804 000)	(347 530 951)			
Net Cash from Used Financing	(23 507 000)	(23 507 000)	(23 507 000)	(23 507 000)	(12 921 440)			
Cash/cash equivalents at the year end	176 015 000	401 240 000	401 240 000	401 240 000	27 889 670			

POLOKWANE MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2013

Note 1

Revenue

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Property rates	254 720 916	253 982 000	738 916
Service Charges	867 519 757	955 329 590	(87 809 833)
Interest Earned - External Investments	23 016 680	8 677 285	14 339 395
Government Grants and Subsidies	501 274 579	491 330 855	9 943 724
Other Income	126 526 434	222 739 125	(96 212 691)
Total Revenue	1 773 058 365	1 932 058 855	(159 000 490)

Note 2

Expenditure

Employee Costs	412 054 662	402 054 605	10 000 057
Remuneration of Councillors	21 922 288	21 456 095	466 193
Debt Impairment	53 486 067	40 000 000	13 486 067
Depreciation and asset impairment	265 100 184	276 000 000	(10 899 816)
Finance Charges	29 594 115	31 486 400	(1 892 285)
Materials and Bulk purchases	698 415 368	677 193 895	21 221 473
Transfers and Grants	5 540 000	5 540 000	-
Other Expenditure	417 920 763	329 982 795	87 937 968
Fair value adjustments expenditure	(643 944)	-	(643 944)
Loss on sale of asset	(11 441 858)	-	(11 441 858)
Total Expenditure	1 891 947 645	1 783 713 790	108 233 855

The explanations for material variances of the Municipality's actual financial performance with that budgeted is set out in Appendix E.1

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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

These accounting policies are consistent with the previous period.

1.1 Significant judgments and sources of estimation uncertainty

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

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

The municipality assesses its loans and receivables for impairment at each statement of financial performance, the municipality makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset/liability.

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

Allowance for slow moving, damaged and obsolete stock

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

The write down is included in the impairment of assets note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial

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

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

The municipality has identified all its capital assets, excluding Investment Property, as non-cash generating assets as it's the municipality's view that the primary objective of these assets are to provide a service and not to generate a commercial return.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 36 - Provisions.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 46.

Effective interest rate

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

Allowance for doubtful debts

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

1.2 Presentation of Currency

These annual financial statements are presented in South African Rand which is the functional currency of the municipality.

1.3 Going concern assumption

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

However based on the current solvency and liquidity ratio's tests performed, the municipality's ability to operate as a going concern is under threat.

1.4.1 Housing development fund

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

within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.4.2 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a revaluation reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on re-valued amounts, are credited or charged to the Statement of Financial Performance.

1.5 Investment property

Initial Recognition:

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion

Subsequent Measurement:

Investment property is measured at fair value. After initial recognition all investment property is measured at fair value at each Statement of financial position date. No depreciation is calculated on these properties.

1.6 Property, plant and equipment

1.6.1 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 period.

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

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

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

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

1.6.2 Subsequent recognition

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses excluding land and buildings. B392 Land is not depreciated as it is deemed to have an indefinite useful life.

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

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the re-valued carrying amount and depreciation based on the original cost of the asset.

1.6.3 Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impaired costs.

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

Item Average useful life

Infrastructure

→ Roads and paving	30 years
→ Pedestrian malls	5 years
→ Electricity	20-30 years
→ Sewerage	15-20 years
→ Water	15-20 years
→ Housing	30 years

→ Refuse sites 15 years

Community

→ Recreational facilities	20 - 30 years
→ Cemeteries	30 years
→ Halls	30 years
→ Libraries	30 years
→ Parks and gardens	10 - 30 years
→ Fire services	30 years
→ Clinics	20 - 30 years
→ Sport fields	20 - 30 years
→ Stadium	30 years

Other

→ Motor vehicles	5 years
→ Plant and equipment	2-15 years
→ Security measures	3-10 years
→ Buildings	30 years
→ Specialised vehicles	10 years
→ IT equipment	3-5 years
→ Office equipment	3-7 years
→ Library books	10 years

Land is not depreciated as it is regarded as having an infinite useful life.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

1.6.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the de-recognition of an item of Intangible assets is included in surplus or deficit when the items derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Biological Assets

Initial Recognition

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality
- and the fair value or cost of the asset can be measured reliably.

Subsequent Measurement:

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. The fair value of milk is determined based on market prices in the local area. The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

1.8 Heritage Assets

Recognition of Assets

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

A heritage asset is further recognised as an asset only if:

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

Subsequent Measurement

Heritage asset is measured at its cost value and should it be acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated impairment losses. In instances where cost is not determinable, the municipality has taken advantage of the transitional provisions.

Heritage assets which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives, as reflected below:

Memorials & Statues	- indefinite life
Heritage Sites	- indefinite life
Museums	- indefinite life
Art Works	- indefinite life

Although a heritage asset is not depreciated, the asset is assessed for impairment at each reporting date to disclose whether there is an indication that it may be impaired.

De-recognition of Asset

The carrying amount of a heritage is de-recognised:

- on disposal, or

→ when no future economic benefits or service potential are expected from its use or disposal.

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

1.9 Investment Property

Initial recognition and measurement

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the entity measures investment property at cost including transaction costs once it meets the definition of investment property.

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 the cost at date of completion.

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 (property, plant and equipment), 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 entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

Subsequent measurement

Fair value model

Investment property is measured using the fair value model. This entails determining the fair value of investment properties on a regular basis. To the extent that the fair value model is applied investment property is not depreciated. Fair value gains / losses that result from the revaluation are recognised in the Statement of Financial Performance.

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance

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 the impairment is recognised in the Statement of Financial Performance

Derecognition

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.10 Inventories

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

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

The cost at reporting date comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average method. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

Unsold properties are at the lower cost and net realisable value. Direct cost are accumulated for each separately identifiable development. Cost also includes a portion of the overhead costs.

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment,

call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, (see the Standard of GRAP on Revenue from Exchange Transactions) transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another entity; or

→ a contractual right to:

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in

market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category

Cash and cash equivalents Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions Financial asset measured at amortised cost
Trade and other receivables from exchange transactions Financial asset measured at amortised cost

Long term receivables Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category

Long term liabilities Financial liability measured at amortised cost

Trade and other payables Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity first assesses whether the substance of a concessionary **its** loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately.

The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation

technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow

analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value.

This requires a reclassification of the instrument from amortised cost or cost to fair value. If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

Impairment and un-collectability of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

De-recognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

If the entity transfers a financial asset in a transfer that qualifies for de-recognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit. If the transferred asset is part of a larger financial asset and the part transferred qualifies for de-recognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

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

Financial liabilities

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

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

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

Presentation

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

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

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the entity does not offset the transferred asset and the associated liability.

1.12 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

→ the municipality has transferred to the purchaser the significant risks and rewards of

- ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
 - the amount of revenue can be measured reliably;
 - it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
 - the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method. Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

1.13 Revenue from non-exchange transactions

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

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

Control of an asset arise when the municipality can use or otherwise benefit from the asset

in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified. Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government.

Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

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

Measurement

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

1.14 Conditional Grants and receipts

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditure for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33

1.16 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.17 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 (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 in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Comparative figures

Current year comparatives

Budgeted amounts have been included in the statement of comparison of budget and actual amounts for the current financial year only.

Prior year comparatives

When presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. 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.

1.20 Leases

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

Finance leases – lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

1.21 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these property, plant and equipment. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in

substance are not recognised as intangible assets.

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

Computer software, internally generated 3 - 5 years
Computer software, other 3 - 5 years

Amortisation begins when the asset is available for use.

Intangible assets are derecognised:

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

1.22 Non-current assets held for sale

Non-current assets are classified as "held for sale assets" 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 is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is depreciated (or amortised) while it is classified as a "held for sale" asset.

Interest and other expenses attributable to the liabilities of the "held for sale assets" are recognised in surplus or deficit.

1.23 Impairment of cash-generating assets

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

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

Where items of property, plant and equipment 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.

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 the impairment is recognised in the Statement of Financial Performance.

Identification

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

Cash-generating units

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

unit to which the asset belongs (the asset's cash-generating unit).

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

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

Re-designation

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 only occur when there is clear evidence that such a re-designation is appropriate.

1.24 Impairment of non-cash-generating assets

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

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. In assessing whether there is an indication that an asset may be impaired, management considers both external and internal indicators (sources of information).

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. 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 determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units 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 to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a re-valued non-cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP. After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

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

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

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

Re-designation

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 only occur when there is clear evidence that such a re-designation is appropriate.

1.25 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of each reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or

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

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself. The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date. The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current

service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

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

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

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

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

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices). When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Pension Obligations: The municipality and its employees contribute to 5 different Pension

Funds, of which 3 (The Municipal Employees Pension Fund, Municipal Gratuity Fund and Samwu National Provident Fund) cater for the majority of the staff. The Joint Municipal Pension Fund, Municipal Employees Pension Fund, Municipal Gratuity Fund, Samwu National Provident Fund, and National Fund for Municipal Workers are defined contribution funds.

The schemes are funded through payments to financial consultant companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in

the future payments is available.

1.26 Investment income

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

1.27 Borrowing costs

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

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.21. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.28 Offsetting

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

1.29 Investments

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

1.30 Grants in aid

The Polokwane Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not: Receive any goods or services directly in return, as would be expected in a purchase or sale transaction Expect to be repaid in future; or Expect a financial return, as would be expected from an investment These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.31 Presentation of Budget Information in the Financial Statements

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

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

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

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations.

GRAP 18: Segment Reporting - Issued March 2005

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Party – Issued June 2011

Related party relationships exist throughout the public sector, because:

- (a) The Municipality is subject to the overall direction of an executive government or Council and ultimately, parliament, and operate together to achieve the policies of the government

- (b) The Municipality conduct activities necessary for the achievement of different parts of their responsibilities and objectives through separate controlled entities, and through entities over which they have significant influence

- (c) Public entities enter into transactions with other government entities on a regular Basis, and

- (d) Ministers, councillors or other elected or appointed members of the government and other members of management can exert significant influence over the operations of an entity.

The mere existence of related party relationships means that one party can control, jointly control or significantly influence the activities of another party. This provides the opportunity for transactions to occur on a basis that may give one party an advantage at the expense of another. Therefore the disclosure of related party transactions, outstanding balances, and the relationship underlying those transactions is necessary for accountability purposes.

Management could hold positions of responsibility within an entity and therefore members of management will be responsible for the strategic direction and operational management of an entity and are entrusted with significant authority. However, their responsibilities may enable them to influence the benefits of office that flow to them, or their related parties or parties that they represent on the governing body.

Close members of the family of persons related to the entity may influence, or be influenced by them in their transactions with the entity.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The effective date of the standard is for years beginning on or after 01 April 2013. The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operation.

At present the impact of the standard is not material.

GRAP 25: Employee benefits - effective 1 July 2013

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits.

The Standard requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service

potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

- Defined contribution plans as post-employment benefit plans under which an 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 as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides postemployment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
- All short-term employee benefits;
- Short-term compensated absences;
- Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;

- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
 - Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
 - Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements. This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011. The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

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

"GRAP 105: Transfer of Functions between Entities under Common Control – Issued November 2010"

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities under common control will the accounting policy be amended to cater for such transfer."

"GRAP 106: Transfer of Function between Entities Not Under Common Control – Issued November 2010"

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities not under common control will the accounting policy be amended to cater for such transfer."

GRAP 107: Mergers – Issued November 2010

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future there be a merger between

entities will the accounting policy be amended to cater for such merger transactions and disclosure."

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

	2013	2012
	R	R
2. HOUSING DEVELOPMENT FUND	10 754 922	11 247 728
Unappropriated Surplus	7 774 951	8 267 757
Loans extinguished by Government in April 1998	2 979 971	2 979 971
The Housing Fund is represented by the following assets and liabilities:		
Property, plant and equipment	507 721	507 721
Housing selling scheme loans	1 605 037	2 243 264
Bank and cash	8 642 164	8 496 743
	10 754 922	11 247 728
3. RESERVES		
Revaluation Reserve	770 838 771	770 838 771
4. BORROWINGS		
Non-Current Borrowings		
Local Registered Stock loans	366 595	516 595
Annuity loans	261 836 366	298 071 322
	262 202 961	298 587 916
Current Portion of Borrowings	36 384 956	35 807 907
Local Registered Stock loans	150 000	0
Annuity loans	36 234 956	35 807 907
	298 587 917	334 395 823
Refer to Appendix A for more detail on long term liabilities.		
The Fair value of all long term loans approximates their book value		
Long term loan commitments:		
The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2011 to borrow R320 million at a interest rate of 8.875% over 10 years.		
The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2011 to borrow R50 million at a interest rate of 11.52% over 10 years.		
These loans are from different sporting bodies at an interest rate of 10% repayable over 20 years. The last loans are repayable in 2017.		
5. CONSUMER DEPOSITS		
Water and electricity	63 788 114	62 072 194
No interest is paid on consumer deposits.		
Guarantees held in lieu of electricity and water deposits	10 221 261	8 888 046

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

	2013	2012
	R	R
6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	117 642 827	91 546 775
Amounts received in advance	32 079 138	28 555 906
Other	11 439 046	11 318 258
Guarantees	0	261 795
Leave bonus (13th cheque)	10 357 827	7 701 607
Staff leave	44 166 793	43 831 646
Retention withheld on projects	34 326 540	35 203 058
Unidentified receipts	14 536 662	
VAT Payable (Output)	23 920 628	
	288 469 461	218 419 045
7. CURRENT UNSPENT CONDITIONAL GRANTS FROM GOVERNMENT AND PUBLIC DONATIONS		
Local Government Restructuring Grant	953 927	953 927
Public Transport Infrastructure and Systems Grant	42 338 277	34 276 855
Municipal Infrastructure Grant	137 656 169	111 398 780
Limpopo Provincial Government	2 949 710	2 949 710
Water Services Refurbishment Grant	2 057 677	6 407 000
Integrated National Electrification Programme Grant	1 374 328	0
Electricity Demand Side Management Grant	0	8 537 558
Housing Accreditation Grant	364 781	349 572
Local Government Transition Grant	649 874	649 874
Local Economic Development Grant	54 714	54 714
Neighbourhood Development Partnership Grant	0	0
Expanded Public Works Programme Incentive Grant	0	2 464 617
Sport & Recreation	0	371 197
Local Organising Committee	0	0
National Lottery	6 153 144	6 153 144
Anglo Platinum	0	0
	194 552 601	174 566 948

See note 20 and 21 for reconciliation of unspent grants. These amounts are invested until utilised.

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

8 PROPERTY, PLANT & EQUIPMENT

	Land and Buildings R	Infrastructure R	Other and Movable R	Finance lease R	Total R
Carrying values at 30 June 2011	2 484 857 930	2 784 037 846	185 006 897	6 167 336	5 460 070 009
Cost	2 474 439 212	3 022 014 983	244 915 288	11 594 362	5 752 963 845
Accumulated depreciation – cost	10 418 719	(237 977 137)	(59 908 391)	(5 427 025)	(292 893 835)
Acquisitions	15 088 087	106 144 643	15 097 927		136 330 656
Correction -prior year	0	416 716	0	0	416 716
Capital Work in Progress	37 736 300	172 037 109	0	0	209 773 409
Depreciation – based on cost	(62 046 163)	(109 712 325)	(26 025 092)	(3 834 346)	(201 617 926)
Correction -prior year					-
Revaluation/ Impairment	0	0	(1 202 194)	0	(1 202 194)
Other movements/transfers	0	(41)	0	0	(41)
Depreciation- movements/transfers	0	0	(3 834 346)	0	(3 834 346)
Carrying values at 30 June 2012	2 475 636 155	2 952 923 947	169 043 192	2 332 991	5 599 936 285
Cost	2 527 263 599	3 300 613 410	258 811 021	11 594 362	6 098 282 391
Accumulated depreciation – cost	(51 627 444)	(347 689 463)	(89 767 829)	(9 261 371)	(498 346 106)
Acquisitions	325 011	125 677 478	6 753 729	24 060 150	156 816 368
Transfer	0	0	0	0	0
Capital Work in Progress	43 315 920	139 530 078			182 845 998
Depreciation – based on cost	(76 982 122)	(158 778 596)	(22 468 416)	(2 954 464)	(261 183 599)
Carrying value of disposals	0	(3 130 053)	(8 311 805)	0	(11 441 858)
Cost	0	(4 295 541)	(15 112 114)	0	(19 407 655)
Accumulated depreciation	0	1 165 488	6 800 309	0	7 965 797
Carrying values at 30 June 2013	2 442 294 964	3 056 222 854	145 016 699	23 438 677	5 666 973 194
Cost	2 570 904 530	3 561 525 425	250 452 635	35 654 512	6 418 537 102
Accumulated depreciation – cost	(128 609 566)	(505 302 571)	(105 435 936)	(12 215 835)	(751 563 908)

Refer to Appendix B for more detail on property, plant & equipment, including the capital under construction

Infrastructure Assets: All the infrastructure assets were reviewed for impairment. A process was followed whereby impairment meetings was held with the relevant managers. After consideration and review it was decided not to impair the assets. The useful life of the infrastructures were reviewed and where an asset condition was poor or very poor the remaining useful life was adjusted according to the condition factor.

Moveable assets: During the asset verification movable assets were identified that were not on the asset register. These assets were fair valued using the DRC (Depreciated Replacement Cost) method.

Assets are not pledged as collateral

8.1 INTANGIBLE ASSETS

	2013 R	2012 R
Carrying Value Opening Balance	21 750 887	23 181 542
Cost	34 282 878	25 883 500
Accumulated amortisation	(12 531 991)	(2 701 958)
Acquisitions		1 689 406
Capital Work in Progress		6 709 972
Amortisation – based on cost	(3 916 585)	(9 830 033)
Carrying Value Closing Balance	17 834 302	21 750 887
Cost	34 282 878	34 282 878
Accumulated amortisation	(16 448 576)	(12 531 991)

Reconciliation of Intangible Assets - 2013

	Carrying value Opening Balance R	Additions R	Amortisation R	Carrying value Closing Balance R
Computer software	21 038 365		(3 560 324)	17 478 041
Aerial photographs	712 522		(356 261)	356 261
	21 750 887		(3 916 585)	17 834 302

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 LUNE 2013

8.2. INVESTMENT PROPERTY	2013 R	2012 R
Carrying Value Opening Balance	234 602 329	234 602 329
Cost	234 602 329	234 602 329
Accumulated depreciation		
Carrying Value Closing Balance	234 602 329	234 602 329
Cost	234 602 329	234 602 329
Accumulated depreciation		-

The prior year adjustment relates to investment properties that were previously not recognised.

8.3. HERITAGE ASSETS	2013 R	2012 R
Carrying Value Opening Balance	11 145 452	11 145 452
Cost	11 145 452	11 145 452
Carrying Value Closing Balance	11 145 452	11 145 452
Cost	11 145 452	11 145 452

The municipality previously recognised Heritage assets as part of property, plant and equipment. These heritage assets have been recognised at cost and have been subsequently measured at that value

Assets are not pledged as collateral

8.4. BIOLOGICAL ASSETS	2013 R	2012 R
Carrying Value Opening Balance	14 609 293	14 609 293
Fair value	14 609 293	14 609 293
Changes in fair value adjustments	(643 944)	
Carrying Value Closing Balance	13 965 349	14 609 293
Fair value	13 965 349	14 609 293

All biological assets relate to game. During the reporting period, a game auction was held and a total of 419 animals were sold. There were 1 390 game at year end.

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

		2013 R	2012 R
9.	INVESTMENTS		
	Long Term Investments		
	Standard Bank	58 999 800	58 999 800
	Investment in municipal entity (THA)	8 217 389	8 217 389
		67 217 189	67 217 189
	Short Term Fixed Deposits		
	Interest rate Tenure		
	ABSA Bank 5.15% 3 months	50 000 000	50 000 000
	First National Bank 5.05% 3 months	40 000 000	40 000 000
	Ned Bank 5.30% 3 months	65 000 000	60 000 000
	Standard Bank 5.20% 3 months	65 000 000	73 808 054
		220 000 000	223 808 054
	Total Investments	287 217 189	291 025 243
	Council's valuation of investments	287 217 189	291 025 243
	No investments have been written off during the year. Investments are held to maturity. The Standard Bank long term investment serves as guarantee for Eskom bulk purchases		

10	RECEIVABLES		
	Non-Current Portion of Receivables		
	Housing selling scheme loans	1 605 037	2 243 264
	Sport loans	718 297	662 638
	Erven loans	7 418 620	7 419 480
	Loan to Subsidiary - Polokwane Housing Association	6 662 528	5 844 323
		16 404 483	16 169 704

Current Portion of Receivables

Current portion transferred to current receivables	8 595 490	7 502 238
Housing selling scheme loans	40 015	132 494
Sport loans	257 319	0
Erven loans	7 365 402	7 369 744
Polokwane Housing Association	932 754	
	7 808 993	8 667 466

Housing selling scheme loans

These loans attract interest rates at 8.5% and were given over a period of 30 years.

Sport loans

These loans were given to sporting bodies at an interest rate of 10% repayable over 20 years. These loans are repayable in 2017.

Erven loans

These loans were granted to the community for the purchase of stands. The loans attract interest rates at 8.5% over a period of 5 years.

Loan to Subsidiary

An interest free loan was given to the Polokwane Housing Association. The loan is repayable in 2017.

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

	2013 R	2012 R
11. INVENTORY		
Opening balance of inventories	60 155 470	53 879 838
Consumables stores - at cost	46 845 471	50 056 087
Other goods held for resale - at cost	13 068 651	3 564 847
Water	241 348	258 904
Additions	153 394 157	161 489 844
Consumables stores	27 906 335	34 696 568
Other goods held for resale	0	10 768 716
Water	125 487 822	116 024 560
Issued (Expensed)	(159 658 771)	(155 214 212)
Consumables stores	(34 264 363)	(37 907 184)
Other goods held for resale	0	(1 264 912)
Water	(125 394 408)	(116 042 116)
write-down/ (reversal of write-down) to Net replacement Value and stolen	0	0
Consumables stores	0	0
Closing balances of inventories	53 890 856	60 155 470
Consumable stores - at cost	40 487 443	46 845 471
Unsold properties held for resale	13 068 651	13 068 651
Water - at cost	334 762	241 348

Only unsold properties listed under inventory

which were sold during the year, were expensed.
Consumable stores fair value disclosed is based on the weighted average calculation method

12. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSCATIONS

Consumer Debtors	576 958 509	408 225 260
Sale of water and electricity 15 to 30 June	27 245 873	26 246 588
	604 204 382	434 471 848
Less Provision for bad debts	(221 833 013)	(168 346 946)
Less Debtors discount allowance	(31 398 377)	
Less contra debtors suspense account	0	(2 806 684)
Plus outstanding RD cheques	1 073 809	134 733
	352 046 801	263 452 951
Ageing of consumer debtors		
Current (0-30 days)	152 686 160	119 500 842
31-60 days	28 496 912	26 970 400
61-90 days	18 690 249	16 620 294
91-120 days	17 460 695	12 282 698
120+ days	386 870 367	254 090 730
	604 204 382	429 464 964
Consumer debtors per category		
Government	4 314 815	46 425 701
Business	170 450 634	137 343 215
Individuals	257 847 424	234 874 936
Other	171 591 509	10 822 112
	604 204 382	429 465 964

The analysis and ageing of consumer debtors per service could not be provided as the billing system utilised by the municipality was not set up to generate such reports.

Reconciliation of bad debt provision

Balance at beginning of year	168 346 946	145 856 743
Contributions to provision	53 486 067	38 191 993
Bad debts recovered/(written off) against provision	0	(15 701 790)
Over provision previous year		
Balance at year end	221 833 013	168 346 946

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

	2013 R	2012 R
13. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Other debtors	8 838	13 552 382
VAT Claimable (Not due)	12 047 863	
Tax on bonuses	3 136 259	
Computicet	2 403 548	
Banks- Accrued Interest	1 038 991	
Deposits	557 900	509 300
	<u>19 193 398</u>	<u>14 061 682</u>
14. VAT		
SARS dispute on VAT	9 543 009	
VAT refundable by SARS	12 122 823	65 908 014
	<u>21 665 832</u>	<u>65 908 014</u>
VAT is payable on cash basis.		
15. CASH AND CASH EQUIVALENTS		
The municipality has the following bank accounts:		
Current account (primary bank account)		
Standard Bank: Polokwane	51 438 356	10 866 064
Housing Account		
Standard Bank: Polokwane	364 781	349 572
Other	233 429	14 134
Petty cash	24 710	43 760
Total cash and cash equivalents	<u>52 061 276</u>	<u>11 273 530</u>
16. NON-CURRENT ASSETS HELD FOR SALE	2013	2012
Property, plant and equipment	-	-
Investment property	-	-
Other assets	-	-
	<u>-</u>	<u>-</u>

The municipality did not have Non-current assets held for sale in the current and prior financial years.

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

		2013 R	2012 R
17	PROPERTY RATES		
	Residential	96 548 725	88 444 976
	Government	28 576 139	24 993 029
	Commercial	102 224 099	90 876 646
	Other	27 371 952	25 108 048
		254 720 916	229 422 699
	VALUATIONS		
		R000's	R000's
	Residential	21 139 990	20 840 135
	Government	3 489 818	3 481 208
	Commercial	12 508 822	12 394 250
	Municipal	2 057 748	2 045 913
	Other	6 348 468	6 332 941
		45 544 846	45 094 447
	<p>Valuations on land are performed every four years and the last general valuation come into effect on 1 July 2010. The basic rate for 2012/13 was .021501c in the Rand on land. Different rebates are granted to owners dependent on the land value of the property. An additional rebate of 20% was granted to pensioners.</p>		
18	SERVICE CHARGES		
	Sale of electricity	605 486 199	556 892 476
	Sale of water	164 175 447	137 850 018
	Refuse removal	51 409 165	47 227 905
	Sewerage and sanitation charges	46 448 945	39 311 034
		867 519 757	781 281 433
19	RENTAL OF FACILITIES AND EQUIPMENT		
	Rental of facilities	12 467 134	5 509 961
	Rental of equipment	0	0
	Total rentals	12 467 134	5 509 961
20	GOVERNMENT SUBSIDIES & GRANTS		
	Operating Grants	501 274 579	367 484 803
	Equitable share	388 232 000	350 705 000
	Municipal systems improvement grant	800 000	790 000
	Water services operating grant	3 273 000	13 111 000
	Finance management grant	1 500 000	1 250 000
	Municipal infrastructure grant	37 821 957	
	Integrated national electrification programme grant	14 625 672	
	Electricity demand side management grant	7 030 429	
	Expanded public works programme incentive grant	5 300 000	
	National Lottery	0	8 846 856
	Public transport infrastructure and systems grant	39 320 324	0
	Local organizing committee	0	25 000 000
	Infrastructure skills development grant	3 000 000	
	Sport & Recreation	371 197	1 628 803
	Capital Grants	187 076 977	213 510 998
	Municipal infrastructure grant	157 434 655	160 800 542
	Finance management grant	0	0
	Integrated national electrification programme grant	0	16 111 934
	Electricity demand side management grant	3 507 129	951 973
	Public transport infrastructure and systems grant	1 321 254	14 792 776
	Expanded public works programme incentive grant	2 464 617	1 248 481
	Neighbourhood development grant	18 000 000	19 605 292
	Public partners	0	0
	Anglo platinum	0	2 802 181
	Water services refurbishment grant	4 349 323	-
	Total Government Grants & Subsidies	688 351 556	580 995 801

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

	2013 R	2012 R
20 GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)		
20.1 Equitable Share		
Balance unspent at beginning of year	0	0
Current year receipts	388 232 000	350 705 000
Conditions met – transferred to revenue	<u>(388 232 000)</u>	<u>(350 705 000)</u>
	<u>0</u>	<u>0</u>
<p>This grant is an unconditionally grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a maximum monthly subsidy of R160.00 (2011: R141.00) which is funded from this grant.</p>		
20.2 Restructuring Grant		
Balance unspent at beginning of year	953 927	953 927
Current year receipts	-	-
Conditions met – transferred to revenue	<u>0</u>	<u>0</u>
Unspent amount transferred to liabilities	<u>953 927</u>	<u>953 927</u>
(see note 7)		
The grant was used for various restructuring initiatives.		
20.3 Finance Management Grant		
Balance unspent at beginning of year	0	0
Current year receipts	1 500 000	1 250 000
Conditions met – transferred to revenue	<u>(1 500 000)</u>	<u>(1 250 000)</u>
Unspent amount transferred to liabilities	<u>0</u>	<u>0</u>
(see note 7)		
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.		
20.4 Water Services Operating Subsidy Grant		
Current year receipts	3 273 000	13 111 000
Conditions met – transferred to revenue	<u>(3 273 000)</u>	<u>(13 111 000)</u>
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
(see note 7)		
The grant was utilised to subsidize salaries of staff and repair and maintenance of water schemes transferred by DWAF.		
20.5 Public Transport Infrastructure and Systems		
Balance unspent at beginning of year	34 276 855	5 250 000
Current year receipts	48 703 000	55 347 000
Conditions met – transferred to revenue	(40 641 579)	(14 792 776)
Paid back to National Treasury	0	(11 527 369)
Unspent amount transferred to liabilities	<u>42 338 277</u>	<u>34 276 855</u>
(see note 7)		
The grant was used for public transport and non motorised transport infrastructure.		
20.5 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	0	0
Current year receipts	800 000	790 000
Conditions met – transferred to revenue	<u>(800 000)</u>	<u>(790 000)</u>
Unspent amount transferred to liabilities	<u>0</u>	<u>0</u>
(see note 7)		
The purpose of the grant is for institutional systems. The grant was utilised.		
GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)		
20.6 Department of Sport & Recreation		
Balance unspent at beginning of year	371 197	0
Current year receipts	0	2 000 000
Conditions met – transferred to revenue	<u>(371 197)</u>	<u>(1 628 803)</u>
Unspent amount transferred to liabilities	<u>(0)</u>	<u>371 197</u>
(see note 7)		
This grant was utilised for sport related operating expenses. The conditions of the grant were met and no funds have been withheld.		

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

	2013 R	2012 R
20.7 Municipal Infrastructure Grant		
Balance unspent at beginning of year	111 398 780	118 520 005
Current year receipts	221 514 000	182 607 000
Conditions met – transferred to revenue	(195 256 611)	(160 800 542)
Paid back to National Treasury	0	(28 927 683)
Unspent amount transferred to liabilities	137 656 169	111 398 780
(see note 7)		
This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met and no funds have been withheld.		
20.8 Limpopo Provincial Government		
Balance unspent at beginning of year	2 949 710	2 949 710
Current year receipts	0	0
Conditions met – transferred to revenue	0	0
Unspent amount transferred to liabilities	2 949 710	2 949 710
(see note 7)		
The grant was utilised in the planning phase of the Convention Centre		
20.9 Water Services Refurbishment Grant		
Balance unspent at beginning of year	6 407 000	-
Current year receipts	0	6 407 000
Conditions met – transferred to revenue	(4 349 323)	-
Unspent amount transferred to liabilities	2 057 677	6 407 000
(see note 7)		
The grant was utilised to subsidise water schemes transferred by DWAF.		
20.10 Limpopo Local Government & Housing		
Balance unspent at beginning of year	349 572	333 424
Current year receipts	15 209	16 148
Conditions met – transferred to revenue	0	0
Unspent amount transferred to liabilities	364 781	349 572
(see note 7)		
The grant was used to fund the housing accreditation process		
20.11 Local Government Transition Grant		
Balance unspent at beginning of year	649 874	649 874
Current year receipts	0	0
Conditions met – transferred to revenue	0	0
Unspent amount transferred to liabilities	649 874	649 874
(see note 7)		
The grant was used to fund the local government transitional phase		
20.12 Local Economic Development Grant		
Balance unspent at beginning of year	54 714	54 714
Current year receipts	0	0
Conditions met – transferred to revenue	0	0
Unspent amount transferred to liabilities	54 714	54 714
(see note 7)		
The grant was used to fund local economic development processes .		
20.13 Integrated National Electrification Programme Grant		
Balance unspent at beginning of year	0	7 992 204
Current year receipts	16 000 000	22 800 000
Conditions met – transferred to revenue	(14 625 672)	(16 111 934)
Paid back to National Treasury	0	(14 680 270)
Unspent amount transferred to liabilities	1 374 328	-
(see note 7)		
The grant was used to fund projects to address electrification backlogs in rural areas .		
20.14 Electricity Demand Side Management Grant		
Balance unspent at beginning of year	8 537 558	257 208
Current year receipts	2 000 000	12 000 000
Conditions met – transferred to revenue	(10 537 558)	(951 973)
Paid back to National Treasury	0	(2 767 677)
Unspent amount transferred to liabilities	0	8 537 558
(see note 7)		
The grant was used to fund projects in order to mitigate the risk of load shedding and supply		

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

	2013 R	2012 R
Expanded Public Works Programme		
20.15 Incentive Grant		
Balance unspent at beginning of year	2 464 617	970 098
Current year receipts	5 300 000	2 743 000
Conditions met – transferred to revenue	<u>(7 764 617)</u>	<u>(1 248 481)</u>
Unspent amount transferred to liabilities	<u>0</u>	<u>2 464 617</u>
(see note 7)		
The grant was used to fund projects in order to maximise job creation and skills development .		
Neighbourhood Development Partnership Grant		
20.16		
Balance unspent at beginning of year	0	2 605 292
Current year receipts	18 000 000	17 000 000
Conditions met – transferred to revenue	<u>(18 000 000)</u>	<u>(19 605 292)</u>
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
(see note 7)		
The grant was used to fund projects in order to provide community infrastructure to improve quality of life of residents in townships .		
Skills Development Fund		
20.17		
Balance unspent at beginning of year	0	
Current year receipts	3 000 000	
Conditions met – transferred to revenue	<u>(3 000 000)</u>	
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
(see note 7)		
The grant was paid over to Lepelle Northern Water Board accordance a 3 party agreement with National Treasury.		
PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED PROPERTY, PLANT & EQUIPMENT		
21		
National Lottery		
Balance unspent at beginning of year	6 153 144	26 296 000
Current year receipts	0	16 506 181
Conditions met – transferred to revenue	<u>0</u>	<u>(36 649 037)</u>
Unspent amount transferred to liabilities	<u>6 153 144</u>	<u>6 153 144</u>
(see note 7)		
The grant was not utilised		
Total Unspent grants, Subsidies & Public Contributions	<u>194 552 601</u>	<u>174 566 948</u>
See note 7 for reconciliation		
INVESTMENT REVENUE		
22		
EXTERNAL INVESTMENTS		
Current account	9 889 404	7 902 589
External investments	12 308 626	15 933 780
Investment in PHA	<u>818 205</u>	<u>717 724</u>
	<u>23 016 680</u>	<u>24 554 093</u>
OTHER REVENUE FROM NON EXCHANGE TRANSACTIONS		
23		
Building plan fees	4 901 517	3 084 898
Sale of erven	0	1 264 912
Surcharge excess water consumption	56 884 235	27 653 014
Royalties Silicon	2 197 121	316 101
Refund Seta levy	3 278 471	2 091 788
Retention forfeited	0	6 540 551
Insurance claims	1 743 513	3 908 950
Admission fees	664 060	748 108
Gain on change in accounting basis for VAT	0	41 263 400
Sale of vehicles	1 314 995	
Sundry income	<u>10 363 355</u>	<u>8 967 903</u>
	<u>81 347 268</u>	<u>95 839 625</u>
EMPLOYEE RELATED COSTS		
24		
Employee related cost - Salaries and wages	254 496 324	237 100 389
Employee related cost - Social contributions	62 131 459	58 648 612
Motor car allowances	28 681 202	26 015 547
Housing benefits and other allowances	9 528 526	9 356 697
Overtime benefits	34 237 762	50 881 279
Leave bonus provision	2 919 370	317 217
Leave reserve provision	7 356 495	13 718 862
Long term service awards	<u>12 703 524</u>	<u>2 994 417</u>
	<u>412 054 662</u>	<u>399 033 020</u>
There were no advances paid to employees.		

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

	2013 R	2012 R
Municipal Manager		
Annual remuneration	988 138	856 947
Motor car allowance	168 000	206 475
Council Contributions	249 020	189 324
	1 405 158	1 252 746

Chief Financial Officer		
Annual remuneration	796 333	812 400
Motor car allowance	36 000	72 000
Council Contributions	15 781	197 933
	848 114	1 082 333

The position was vacant for a period of 8 months

Director Planning & Economic Development

Annual remuneration	666 859	503 989
Motor car allowance	156 000	161 383
Council Contributions	160 321	129 114
	983 180	794 486

Director Engineering Services

Annual remuneration	193 428	547 437
Motor car allowance	56 000	168 000
Council Contributions	49 255	137 997
	298 683	853 434

The position was vacant for a period of 8 months

24 EMPLOYEE RELATED COSTS (CONT)

Director Community Services

Annual remuneration	589 936	539 285
Motor car allowance	216 000	216 000
Council Contributions	172 602	160 192
	978 538	915 477

Director Corporate & Shared Services

Annual remuneration	832 887	768 677
Motor car allowance	144 000	144 000
Council Contributions	1 665	1 557
	978 552	914 234

Director Community Development

Annual remuneration	722 501	638 229
Motor car allowance	84 000	197 951
Council Contributions	90 542	168 343
	897 044	1 004 522

Director Strategic Planning, Monitoring & Evaluation

Annual remuneration	337 690	
Motor car allowance	61 984	
Council Contributions	83 259	
	482 933	0

This is a new position. The position was filled from 1 January 2013

Director Transportation Services

Annual remuneration	435 213	
Motor car allowance	112 000	
Council Contributions	99 491	
	646 704	0

This is a new position. The position was filled from 1 November 2012

No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.

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

		2013 R	2012 R
25	REMUNERATION OF COUNCILLORS		
	Executive Mayor	821 459	775 588
	Speaker	644 878	613 576
	Chief Whip	605 721	580 891
	Mayoral Committee members	4 288 594	4 299 698
	Councillors	15 561 637	14 344 978
		<u>21 922 288</u>	<u>20 614 731</u>
	In-kind Benefits		
	The Executive Mayor, Speaker and certain Mayoral Committee Members are full time. Each is provided with an office and secretarial support at the cost of Council. The Executive Mayor has use of a Council owned vehicle.		
26	FINANCE COST		
	Local Registered Stock loans	51 659	3 977
	Finance leases	93 369	452 419
	Annuity loans	29 449 086	28 970 407
		<u>29 594 115</u>	<u>29 426 803</u>
27	BULK PURCHASES		
	Electricity	455 813 130	402 771 978
	Water	125 487 822	116 024 560
		<u>581 300 952</u>	<u>518 796 538</u>
28	GRANT AND SUBSIDIES PAID		
	Animal care : SPCA	240 000	240 000
	Grant - PHA	5 300 000	5 881 695
		<u>5 540 000</u>	<u>6 121 695</u>
29	GENERAL EXPENSES		
	Free basic services	17 925 006	18 741 578
	Printing and stationery	4 166 260	4 314 991
	Rental equipment	7 325 932	8 256 307
	Stores and material	2 607 793	2 129 874
	Meter reading	3 933 803	6 120 087
	Research and development	4 015 891	4 699 027
	Training	2 957 565	2 556 127
	Postage and telegram	1 748 389	2 010 830
	Legal expenses	4 437 018	6 213 959
	Subsistence and travelling	4 562 328	5 650 283
	Security services	30 388 177	21 094 620
	Telephone costs	7 174 126	4 913 447
	Garden services	5 735 782	7 118 182
	Awareness campaigns	153 717	95 829
	Insurance	9 171 898	8 451 211
	Levy Seta training	3 530 641	3 478 526
	Street cleaning	10 658 117	8 542 191
	Special Events	1 209 749	9 923 506
	Provision for rehabilitation of landfill sites	335 135	304 668
	Fuel and oil	7 113 245	7 921 679
	Bank charges	3 038 993	2 746 322
	Stock losses	0	249 212
	Loss on disposal of assets	0	0
	Festivals	1 134 528	783 131
	2010 Stadium Operating expenses	30 908 950	41 892 866
	Subscription fees	3 992 717	3 478 235
	Medical aid contributions continued members	15 457 967	24 573 363
	Valuation roll	401 827	424 173
	Waste disposal	11 858 468	16 570 618
	Rural House hold sanitation	37 633 935	
	Rural House hold electrification	23 009 135	
	IRPTN Project	1 321 254	
	Fleet management	20 526 973	
	VAT Conversion	6 650 440	
	Other	131 656 932	57 864 085
		<u>416 742 690</u>	<u>281 118 928</u>
	See Annexure H for more information on Other expenditure		

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

		2013 R	2012 R
30	CORRECTION OF ERROR		
	During the year ended 30 June 2013 and previous years Property, Plant and Equipment, Intangible, Investment Property, Heritage and Biological Assets were incorrectly recognised.		
	The comparative amount has been restated as follows:		
	Non Current Assets		
	Adjustment on Property, Plant & Equipment		29 762 000
	Adjustment on Intangible Assets		(18 641 279)
	Adjustment on Investment Property		96 242 662
	Adjustment on Heritage Assets		7 806 752
	Adjustment on Biological Assets		7 304 647
			<u>122 474 782</u>
	Depreciation on assets above		5 964 535
			<u>5 964 535</u>
	Net effect on Accumulated Surplus opening balance		<u>128 439 317</u>
31	CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
	Net surplus for the year	62 693 176	155 779 626
	Current year adjustment		5 174 083
	Provision for bad debt	53 486 067	38 191 993
	Depreciation charges	265 100 184	231 254 348
	Asset impairment	0	(1 202 194)
	Interest received	(23 016 680)	(24 554 093)
	Interest paid	29 594 115	29 426 803
	Operating surplus before working capital changes	386 568 974	434 070 566
	(Increase)/decrease in inventories	6 264 614	(6 275 632)
	(Increase)/decrease in debtors	(138 334 157)	(55 779 352)
	(Increase)/decrease in other debtors	(5 131 716)	(8 872 393)
	Increase/(decrease) in conditional grants	19 985 653	7 734 491
	Increase/(decrease) in creditors	70 050 416	38 110 462
	Working capital	(47 165 190)	(25 082 424)
	Cash generated by operations	339 403 784	408 988 142
32	ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003		
32.1	Contribution to SALGA		
	Council membership fees payable	3 504 536	2 073 614
	Amount paid current year	(3 504 536)	(2 073 614)
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
32.2	Audit Fees		
	Current year audit fee	3 247 043	2 302 725
	Amount paid current year	(3 247 043)	(2 302 725)
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
32.3	VAT		
	VAT was payable on the invoice basis for the previous year. Since July 2012 VAT was payable on cash basis. VAT input receivables and VAT output payable are shown in note 14. All VAT returns have been submitted by the due date throughout the year.		
32.4	Pay as You Earn (PAYE)		
	Current payroll deductions	53 391 996	52 594 193
	Amount paid current year	(53 391 996)	(52 594 193)
	Balance unpaid	<u>-</u>	<u>-</u>

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

	2013 R	2012 R
32.5 Unemployment Insurance Fund (UIF)		
Current payroll deductions	4 225 456	4 011 698
Amount paid current year	<u>(4 225 456)</u>	<u>(4 011 698)</u>
Balance unpaid	<u><u>-</u></u>	<u><u>-</u></u>
32.6 Medical Aid		
Current payroll deductions	27 845 089	24 368 502
Amount paid current year	<u>(27 845 089)</u>	<u>(24 368 502)</u>
Balance unpaid	<u><u>-</u></u>	<u><u>-</u></u>
32.7 Pension Fund		
Current payroll deductions	62 381 828	59 021 625
Amount paid current year	<u>(62 381 828)</u>	<u>(59 021 625)</u>
Balance unpaid	<u><u>-</u></u>	<u><u>-</u></u>

32.8 Councillor's arrear consumer accounts

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

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2013			
Mothiba LM	19 725	363	19 362
Mokgokong NJ	5 473	299	5 174
Lekota MJ	4 506	205	4 301
Mashitisho MR	6 177	2 886	3 291
Thobejane MA	3 098	1 359	1 739
Letsoalo MW	757	344	413
Mojapelo TSP	481	399	82
Phadu MP	100	70	30
Total Councillor Arrear Consumer Accounts	<u><u>40 316</u></u>	<u><u>5 924</u></u>	<u><u>34 391</u></u>

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

	Highest Amount Outstanding R	Ageing Days
as at 30 June 2013		
Mothiba LM	19 362	90+
Mokgokong NJ	5 174	90+
Lekota MJ	4 301	90+
Mashitisho MR	3 291	90+
Thobejane MA	1 739	90+
Letsoalo MW	413	90+
Mojapelo TSP	82	90+
Phadu MP	30	90+

33 COMMITMENTS

33.1 (a) Commitments in respect of capital expenditure:

Approved and contracted for	<u>204 610 277</u>	<u>284 218 000</u>
The expenditure will be financed from:		
- Government and other Grants	183 426 462	156 677 810
- Capital Replacement Reserve	<u>21 183 815</u>	<u>127 540 190</u>
	<u><u>204 610 277</u></u>	<u><u>284 218 000</u></u>

33.1 (b) Operating leases

The Municipality did not have operating leases in the current or previous year

33.2 CONTINGENT LIABILITIES

	<u>10 636 726</u>	<u>24 630 520</u>
	<u><u>10 636 726</u></u>	<u><u>24 630 520</u></u>

See Annexure G for full detail on Contingent Liabilities

The above legal matters are ongoing and have not yet been finalized.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2013

**UNAUTHORISED, IRREGULAR, FRUITLESS
AND WASTEFUL EXPENDITURE
DISALLOWED**

34.1 Unauthorized expenditure	2013 R	2012 R
Reconciliation of unauthorized expenditure		
Opening balance	412 508 328	272 067 938
Unauthorized expenditure current year	119 889 970	140 440 390
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorized expenditure awaiting authorization	<u>532 398 298</u>	<u>412 508 328</u>
Votes underspent	<u>120 262 110</u>	

Votes to the amount of R120 262 110 were under spend during the year due to various reasons

34.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance -	2 692 832	909 100
Fruitless and wasteful expenditure current year:		692 192
Interest paid to Lepelle Northern Water		733 561
Commitment fee paid to DBSA		357 979
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>2 692 832</u>	<u>2 692 832</u>

34.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	222 718 967	67 786 306
Non compliance with SCM policy:current year		137 019 697
	246 383 053	
Overtime paid in contravention of the Basic Conditions of Employment		17 912 965
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>469 102 020</u>	<u>222 718 967</u>

The municipality is in the process of investigation of all current and prior year irregular expenditure, however at the time of reporting this task has not been completed. The provision of MFMA NT Circulars and SCM Regulations were communicated to MPAC in order to hasten the investigations. In this regard it is not possible for MPAC to demonstrate to the municipality how much in Rand value has been completed or how many cases have been fully completed with final conclusion.

35 PROVISIONS

35.1 Provision for rehabilitation of landfill sites

Carrying amount at beginning of year	3 351 351	3 046 683
Additions during the year	335 135	304 668
Reductions during the year	0	0
Carrying amount at end of year	<u>3 686 486</u>	<u>3 351 351</u>

The Weltevreden Landfill Site is a permitted facility in terms of Section 20 of the Environmental Conservation Act (Act 73 of 1989) and is located on portion 4 of the farm Weltevreden 746 LS - District Polokwane. The expected life span of the site is a further 11 years

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2013

35.2 Post-Employment Health Care Benefits

Fair value of plan assets	-	-
Accrued liability	160 387 000	154 437 733
Unfunded Accrued Liability	160 387 000	154 437 733
Net Liability in Balance Sheet	160 387 000	154 437 733

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

Opening balance	154 437 733	138 685 785
Current-service cost	8 127 359	7 441 274
Interest cost	14 239 159	12 702 854
Actuarial (Gain)/Loss	(11 662 901)	-
Actual employer benefit payments	(4 754 350)	(4 392 180)
Closing Balance	160 387 000	154 437 733

Net liability to reflect in the balance sheet

Opening balance	154 437 733	138 685 785
Current-service cost	8 127 359	7 441 274
Interest	14 239 159	12 702 854
Actuarial (Gain)/loss recognised	(11 662 901)	-
Net Periodic Cost Recognised in P&L	165 141 350	158 829 913
Actual employer benefits payments	(4 754 350)	(4 392 180)
Closing Balance	160 387 000	154 437 733

The following assumptions has been used for current and prior year

Discount rate	7.89%	9.14%
Health care cost inflation rate	7.14%	9.65%

35.3 Long Service Awards

Accrued liability	24 897 000	13 154 854
Unfunded Accrued Liability	24 897 000	13 154 854
Net Liability in Balance Sheet	24 897 000	13 154 854

Reconciling and projecting the unfunded accrued liability

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2013

Unfunded Accrued Liability

Opening balance	13 154 854	10 891 471
Current-service cost	1 136 579	1 980 190
Interest cost	2 151 278	648 710
Actuarial (Gain)/Loss	8 934 978	-
Actual employer benefit payments	(480 689)	(365 517)
Closing Balance	24 897 000	13 154 854

Net liability to reflect in the balance sheet

Opening balance	13 154 854	10 891 471
Current-service cost	1 136 579	1 980 190
Interest cost	2 151 278	648 710
Actuarial (Gain)/loss recognised	8 934 978	-
Net Periodic Cost Recognised	25 377 689	13 520 371
Actual employer benefits payments	(480 689)	(365 517)
Closing Balance	24 897 000	13 154 854

Employees qualify for the following long service awards:

- After 10 years of continuous service an amount of R638.28 (adjusted annually) per each year of service.
- After 20 years of continuous service a watch to the value of R5 774 (adjusted annually)
- Additional 10,20 and 30 leave days for 10,15 and each 5 years after 15 years of service respectively

35.4 Ex-gratia benefits

Fair value of plan assets	-	-
Accrued liability	5 417 000	6 807 811
Unfunded Accrued Liability	5 417 000	6 807 811
Net Liability in Balance Sheet	5 417 000	6 807 811

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

Opening balance	6 807 811	6 186 486
Current-service cost	532 000	467 382
Interest cost	510 000	478 055
Actuarial (Gain)/Loss	(2 031 882)	-
Actual employer benefit payments	(400 929)	(324 112)
Closing Balance	5 417 000	6 807 811

Net liability to reflect in the balance sheet

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2013

Opening balance	6 807 811	6 186 486
Current-service cost	532 000	467 382
Interest	510 000	478 055
Actuarial (Gain)/loss recognised	(2 031 882)	-
Net Periodic Cost Recognised	5 817 929	7 131 923
Expected employer benefits payments	(400 929)	(324 112)
Closing Balance	5 417 000	6 807 811
Total Provisions	194 387 486	177 751 749

36 RISK MANAGEMENT

36.1 Maximum credit risk exposure

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

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

Investment in Banks	220 000 000	223 808 054
Trade and other receivables	352 046 801	263 452 951
	572 046 801	487 261 005

These balances represent the maximum exposure to credit risk.

36.2 Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Borrowings	298 587 917	334 395 823
Trade and other payables	288 469 461	218 419 045
	587 057 377	552 814 868

**RATIFICATION OF DEVIATIONS FROM
37 BREACHES IN PROCUREMENT PROCESSES**

Prescribed procurement processes were not followed but was approved by the Municipal Manager in terms of delegated powers and in accordance with Supply Chain Management Regulations and Policy. Valid reasons for deviations were recorded in all instances.

2 170 915 **10 497 195**

38 FINANCE LEASE COMMITMENTS

The municipality future lease commitments on vehicles and their present values are as follows:

	Minimum lease payments	Finance costs	Present value
2013			
Current			
Due within one year	4 422 667	1 923 988	2 498 679
Due between one and five years	26 454 229	5 185 357	21 268 872
	30 876 896	7 109 345	23 767 551
2012			
Due within one year	2 690 373	93 369	2 597 004
Due between one and five years	-	-	-
	2 690 373	93 369	2 597 004

Finance Lease Liabilities relates to Vehicles with lease terms of 5 years. The effective interest rate on Finance Leases is 8.5%. Capitalised Lease Liabilities are secured over the items of vehicles leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

39 RELATED PARTIES

Relationships

Members of key management

No other payments are paid outside contractual employment payments from employment. Refer to note 24 for remuneration.

Other related party relationships

Polokwane Housing Association. Refer to note 10

Related party transactions

Compensation to councillors

Payments to councillors are for allowances as gazetted. No other payments are made to councillors. Refer to note 25 for remuneration of councillors.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2013

Related party balances

Loan accounts - Owed by related parties

Polokwane Housing Association	14 879 917	14 061 713
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Debtors accounts for rates - Owed by related parties

Polokwane Housing Association	3 721 134	3 206 471
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40 DISTRIBUTION LOSSES

The Municipality has incurred the following distribution losses as result of supply of electricity and water

Water distribution losses In KL	3 032 740 (14.22%)	7 982 232 (21.21%)
Electricity distribution losses kWh	66 278 896 (8.59%)	73 822 461 (9.79%)

Monetary value

Water distribution losses	R 21 070 625	R 33 844 650
Electricity distribution losses	R 39 172 232	R 51 901 834
	R 60 242 857	R 85 746 484

41 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E.1

42 CHANGE IN ACCOUNTING POLICY

There were no change in accounting policy that required changes to the prior year reporting amounts.

43 GAIN / (LOSS) ON SALE/FAIR VALUE OF ASSETS

Property, plant and equipment	(11 441 858)	
Intangible assets		
Investment property		
Biological assets		
Other financial assets		
Total Gain / (Loss) on Sale of Assets	(11 441 858)	-

The assets disposals relate to vehicles that were sold to Fleet Africa as part of the fleet management agreement. Various road surface layers were de-recognised as they were replaced with new surface layers.

44 FAIR VALUE ADJUSTMENT

Biological assets

Fair value adjustment	(1 252 309)	-
	(1 252 309)	-

Biological assets were fair valued at year end.

45 IMPAIRMENT LOSS

Property, plant and equipment

Impairment loss	-	1 202 194
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Total Impairment loss	-	1 202 194
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A process was followed whereby impairment meetings was held with the relevant managers. After consideration and review it was decided not to impair the assets for the year under

46 EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution and benefit plan

The Council provides retirement benefits to employees by contributing to pension and provident Funds Membership of either pension or provident fund is compulsory for all permanent employees.

The municipality and its employees contribute to 7 different Pension Funds, of which 3 (The Municipal Employees Pension Fund, Municipal Gratuity Fund and Samwu National Provident Fund) cater for the majority of the staff. The Joint Municipal Pension Fund, Municipal Employees Pension Fund, Municipal Gratuity Fund ,Samwu National Provident Fund and National Fund for Municipal Workers are defined benefit funds.

The employees of the Council as well as the Council as employer, contribute to municipal pension, retirement and various provident funds as listed below:

	2013	2012
The Joint Municipal Pension Fund	2 385 974	2 649 786
Municipal Councillors Pension Fund	2 967 341	
Government Employees Pension Fund	2 183 746	
Municipal Employees Pension Fund	27 344 353	25 805 272
Municipal Employees Gratuity Fund	13 356 798	12 491 302
Samwu National Provident Fund	8 785 383	8 712 658
National Fund For Municipal Workers	5 358 233	5 114 006
	62 381 828	54 773 024

Post-Retirement medical aid contributions

The municipality operates on 7 accredited medical aid schemes, namely Bonitas, Hosmed, Key-Health, LA Health and Samwumed, Resolution Health, and Government Employees Medical Scheme. Pensioners may continue on the option they belonged to on the day of their retirement.

The last post-employment health care benefits actuarial valuation in terms of IAS19 was done by ZAQ Consultants and Actuaries for the period ending 30 June 2013.

According to the last valuation did, the accrued liability amount to R 160 387 000 as at 30 June 2013.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2013

A reconciliation of Polokwane accrued liability for the year ending 30 June 2013 is set out below:

Year ended 30 June 2013

	2013	2012
Opening balance	154 437 733	138 685 875
Service cost	8 127 359	7 441 274
Interest cost	14 239 159	12 702 854
Actual employer benefits payments	-4 754 350	-4 392 179
Expected closing balance	172 049 901	154 437 733
Actuarial (gain)/loss -	-11 662 901	0
	0	0
Actual closing balance	160 387 000	154 437 733

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

Carrying value

Present value of the defined benefit obligation- Wholly unfunded	(160 387 000)	(154 437 733)
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Movements for the year

Opening balance	(154 437 733)	(138 685 785)
Contributions - Current year	(5 949 267)	(15 751 948)

Closing balance	(160 387 000)	(154 437 733)
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Key assumptions used

The projected unit credit method is used as the standard valuation methodology for the valuation done during the 2012/2013 financial period. Plan assets were valued at current market value as required by IAS19.

Assumptions used on last valuation on 30 June 2013.

Discount rates used	7.89%	9.22%
Medical inflation - lower than discount rate	7.14%	7.25%
Net effective discount rate	0.70%	1.83%

Other assumptions; Post retirement mortality PA (90-1) Retirement age 63 years

Sensitivity analysis

The impact of a 1% change in the medical aid inflation rate is reflected in the table underneath.

Sensitivity to medical inflation

Base	160 387 000	125 178 769
-1%	142 608 000	109 804 000
1%	177 857 000	143 885 000
	480 852 000	378 867 769

The employees of the Council as well as the Council as employer, contribute to municipal medical aids as listed below

	2013	2012
Bonitas	8 136 892	7 455 198
Hosmed	4 227 511	3 789 138
Key Health	9 646 556	9 370 997
LA Health	2 799 787	2 218 060
Samwumed	2 277 079	1 535 109
Resolution Health	20 213	
Government Employees Medical Scheme	737 050	
Total	27 845 089	24 368 502

47 EVENTS AFTER THE REPORTING PERIOD

The Municipality had a VAT receivable dispute with SARS to the amount of R28 138 512.06 on 30 June 2013 SARS has made a post year payment to the amount of R9 543 009.09 as full and final settlement of the claim The irrecoverable amount of R18 595 502.77 was expensed during the year under review

48 GOING CONCERN

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013 (Unaudited)

External Loans	Loan No.	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed or written off during the period	Balance at 30 June 2013
			R	R	R	R
LONG TERM LOANS						
Stock Loan@10%	510	2013/14	53 333			53 333
Stock Loan@10%	511	2013/14	30 000			30 000
Stock Loan@10%	512	2013/14	30 000			30 000
Stock Loan@10%	514	2014/15	100 000			100 000
Stock Loan@10%	515	2014/15	10 000			10 000
Stock Loan@10%	516	2014/15	22 000			22 000
Stock Loan@10%	517	2014/15	83 333			83 333
Stock Loan@10%	523	2014/15	14 667			14 667
Stock Loan@10%	518	2015/16	7 799			7 799
Stock Loan@10%	519	2015/16	8 633			8 633
Stock Loan@10%	520	2015/16	40 000			40 000
Stock Loan@10%	522	2015/16	6 829			6 829
Stock Loan@10%	524	2015/16	90 000			90 000
Stock Loan@10%	527	2016/17	20 000			20 000
			516 595	0	0	516 595
ANNUITY LOAN						
ANNUITY LOAN @ 11.52%	61000907	2019/20	43 929 034		3 591 218	40 337 816
ANNUITY LOAN @ 8.875%	61006782	2020/21	289 950 194	0	32 216 688	257 733 506
			333 879 228	0	35 807 906	298 071 322
Total External Loans			334 395 823	-	35 807 906	298 587 917

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2013(Unaudited)

	HISTORICAL COST					ACCUMULATED DEPRECIATION					Carrying Value	
	Opening Balance	Prior year adjustments	Additions	Capital Work in Progress	Disposals	Closing Balance	Opening Balance	Prior year adjustments	Additions	Disposals		Closing Balance
	R		R	R	R	R	R		R	R		R
LAND	677 770 349	(241 064 090)	0	0	0	436 706 259	0	0	0	0	0	436 706 259
Land	677 770 349	(241 064 090)	0	0	0	436 706 259	0	0	0	0	0	436 706 259
BUILDINGS	1 856 472 782	234 084 559	325 011	43 315 920	0	2 134 198 272	222 796 704	(171 054 196)	76 982 122	0	128 724 630	2 005 473 642
Dwellings	32 300 319	3 756 578	162 760			36 219 657	5 365 544	(1 080 521)	1 508 211		5 793 234	30 426 422
Non Residential	1 824 172 463	230 327 981	162 251	43 315 920		2 097 978 615	217 431 160	(169 973 675)	75 473 911		122 931 396	1 975 047 220
INFRASTRUCTURE	3 457 329 926	(156 716 517)	125 677 478	139 530 078	(4 295 541)	3 561 525 424	357 249 325	(9 674 927)	158 778 597	(1 165 488)	505 187 507	3 056 337 917
Electricity reticulation	875 622 083	(82 996 401)	10 161 699	9 992 801		812 780 182	85 091 352	(4 657 070)	19 478 208		99 912 490	712 867 692
Roads, pavements, bridges & stormwater	1 541 413 749	(2 003 178)	82 689 773	34 622 832	(4 295 541)	1 652 427 635	191 690 164	(815 628)	54 915 595	(1 165 488)	244 624 643	1 407 802 991
Water reservoirs & reticulation	697 224 026	(2 712 019)	29 879 920	94 739 978		819 131 905	54 470 351	(1 489 757)	79 003 798		131 984 392	687 147 513
Sewerage purification & reticulation	330 611 621	(69 935 833)	2 946 086			263 621 874	24 314 463	(2 224 953)	4 715 746		26 805 256	236 816 619
Solid Waste	9 035 068	1 364 021				10 399 089	1 075 428	(1 558)	580 006		1 653 876	8 745 213
Cemetaries	3 423 380	(433 107)		174 467		3 164 740	607 567	(485 961)	85 244		206 850	2 957 889
MOVABLE & OTHER ASSETS	243 112 124	15 698 897	30 813 879	-	(15 112 113)	274 512 787	85 595 664	4 172 165	23 089 891	(6 800 308)	106 057 412	168 455 375
Machinery & Equipment	117 435 846	(3 449 082)	153 210		(1 684 222)	112 455 752	39 359 929	(4 833 991)	9 903 520	(425 631)	44 003 827	68 451 925
Furniture & Equipment	27 109 598	(39 612)	4 564 663		(483 012)	31 151 637	11 668 925	(395 476)	3 336 735	(286 421)	14 323 763	16 827 874
Computer Equipment	18 610 530	(1 691 652)	1 180 097		(13 065)	18 085 910	6 964 303	(149 724)	2 475 248	(9 726)	9 280 101	8 805 809
Transport Vehicles	79 956 150	776 117	24 840 300		(12 931 814)	92 640 753	27 602 508	(1 613 772)	4 796 017	(6 078 530)	24 706 222	67 934 530
Library Books	-	20 103 126	75 609			20 178 735	-	11 165 128	2 578 371		13 743 499	6 435 236
HERITAGE ASSETS	8 388 577	2 756 875	-	-	-	11 145 452	5 049 877	(5 049 877)	-	-	(0)	11 145 453
Heritage assets	8 388 577	2 756 875	-	-	-	11 145 452	5 049 877	(5 049 877)	-	-	(0)	11 145 453
BIOLOGICAL ASSETS	14 609 293	-	(643 944)	-	-	13 965 349	7 304 647	(7 304 647)	-	-	-	13 965 349
Biological Assets	14 609 293	-	(643 944)	-	-	13 965 349	7 304 647	(7 304 647)	-	-	-	13 965 349
INTANGIBLE ASSETS	56 955 313	(22 672 435)	-	-	-	34 282 878	22 527 682	(9 995 691)	3 916 585	-	16 448 576	17 834 303
Intangible Assets	56 955 313	(22 672 435)	-	-	-	34 282 878	22 527 682	(9 995 691)	3 916 585	-	16 448 576	17 834 303
INVESTMENT PROPERTY	138 359 667	96 242 662	-	-	-	234 602 329	-	-	-	-	-	234 602 329
Investment property	138 359 667	96 242 662	-	-	-	234 602 329	-	-	-	-	-	234 602 329
FINANCE LEASES	11 594 362	-	-	-	-	11 594 362	9 261 371	-	2 332 991	-	11 594 362	-
Finance leases	11 594 362	-	-	-	-	11 594 362	9 261 371	-	2 332 991	-	11 594 362	-
TOTAL	6 464 592 394	(71 670 049)	156 172 424	182 845 998	(19 407 654)	6 712 533 112	709 785 271	(198 907 173)	265 100 185	(7 965 796)	768 012 487	5 944 520 626

**APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2013(Unaudited)**

	HISTORICAL COST						Opening Balance	Additions	Prior year adjustments	Disposals	Closing Balance	Carrying Value
	Opening Balance	Prior year adjustments	Additions	Capital Work in Progress	Disposals	Closing Balance						
	R	R	R	R	R	R						
EXECUTIVE COUNCIL	2 659 849	107 509	377 130	-	(117 276)	3 027 211	691 373	335 849	(55)	(39 265)	987 902	2 039 309
Executive Council	2 659 849	107 509	377 130	-	(117 276)	3 027 211	691 373	335 849	(55)	(39 265)	987 902	2 039 309
BUDGET & TREASURY OFFICE	37 632 980	(3 847 056)	1 808 606	-	(814 241)	34 780 290	19 528 310	4 764 555	(874 125)	(193 523)	23 225 216	11 555 073
Finance	37 632 980	(3 847 056)	1 808 606	-	(814 241)	34 780 290	19 528 310	4 764 555	(874 125)	(193 523)	23 225 216	11 555 073
CORPORATE SERVICES	1 588 066 582	(75 370 257)	28 402 694	43 315 920	(346 680)	1 584 068 259	160 995 006	42 530 351	(84 494 140)	(160 340)	118 870 877	1 465 197 382
Human Resources	1 614 011	(295 981)	219 093	-	(19 882)	1 517 241	617 709	239 899	(529)	(16 519)	840 560	676 681
IT Services	65 640 075	(11 686 914)	445 815	-	(12 641)	54 386 335	24 972 394	9 511 052	(4 127 514)	(9 881)	30 346 051	24 040 284
Property Services	1 520 313 529	(63 393 292)	3 419 204	43 315 920	(300 135)	1 503 355 225	135 206 022	32 075 757	(80 365 931)	(123 129)	86 792 719	1 416 562 506
Other Admin	498 967	5 930	24 318 583	-	(14 021)	24 809 458	198 880	703 643	(166)	(10 811)	891 546	23 917 912
COMMUNITY & SOCIAL SERVICES	23 782 761	41 467 492	1 466 602	174 467	(30 760)	66 860 562	11 681 392	3 949 268	5 478 014	(18 203)	21 090 471	45 770 091
Libraries & archives	5 243 373	20 074 737	91 575	-	(4 295)	25 405 390	2 883 896	3 156 551	11 144 727	(859)	17 184 314	8 221 076
Museums	10 456 405	21 657 849	743 835	-	(7 899)	32 850 190	6 045 932	212 981	(5 094 448)	(7 899)	1 156 565	31 693 624
Community halls & facilities	1 430 012	(15 513)	419 729	-	-	1 834 227	571 281	127 777	(70 554)	-	628 504	1 205 723
Cemeteries & crematoriums	4 380 202	(160 927)	-	174 467	-	4 393 742	1 177 511	185 030	(486 321)	-	876 220	3 517 522
Other Social Services	2 272 769	(88 654)	211 464	-	(18 566)	2 377 013	1 002 772	266 930	(15 390)	(9 445)	1 244 867	1 132 146
SPORT & RECREATION	1 303 855 972	140 675 196	468 838	-	(74 796)	1 444 925 210	121 270 920	55 944 480	(94 375 845)	(53 828)	82 785 728	1 362 139 482
Sport & recreation	1 303 855 972	140 675 196	468 838	-	(74 796)	1 444 925 210	121 270 920	55 944 480	(94 375 845)	(53 828)	82 785 728	1 362 139 482
PUBLIC SAFETY	36 813 312	8 600 576	870 947	-	(38 353)	46 246 481	12 427 741	3 102 642	(579 361)	(16 431)	14 934 592	31 311 889
Police	2 982 326	154 689	589 553	-	(16 899)	3 709 668	1 586 457	317 823	(42 423)	(4 352)	1 857 506	1 852 162
Fire	33 635 983	8 442 743	217 529	-	(6 731)	42 289 524	10 759 984	2 756 934	(536 938)	(4 450)	12 975 530	29 313 994
Street lighting	195 003	3 144	63 865	-	(14 723)	247 289	81 299	27 885	-	(7 629)	101 556	145 734
HOUSING	423 241	5 453	83 745	-	(28 723)	483 716	158 153	59 117	-	(4 738)	212 532	271 184
Housing	423 241	5 453	83 745	-	(28 723)	483 716	158 153	59 117	-	(4 738)	212 532	271 184
HEALTH	524 171	44 107	63 865	-	(24 078)	608 065	229 019	68 085	(2 199)	(15 101)	279 804	328 262
Clinics	524 171	44 107	63 865	-	(24 078)	608 065	229 019	68 085	(2 199)	(15 101)	279 804	328 262
PLANNING & DEVELOPMENT	10 685 288	(539 140)	593 410	-	(634 380)	10 105 178	4 563 057	989 272	(150 348)	(319 573)	5 082 408	5 022 769
Economic development	1 424 924	(736 538)	23 710	-	(1 533)	710 564	672 634	293 496	-	(1 440)	964 690	(254 126)
Town Planning	125 878	2 742	45 800	-	(1 533)	172 887	67 319	16 870	-	(1 440)	82 749	90 138
Licensing & Regulation	9 134 486	194 656	523 899	-	(631 314)	9 221 727	3 823 104	678 905	(150 348)	(316 692)	4 034 969	5 186 758
ROAD TRANSPORT	1 577 020 388	(3 316 671)	83 482 671	34 622 832	(14 715 009)	1 677 094 211	203 964 368	56 495 260	(1 229 539)	(5 803 306)	253 426 783	1 423 667 428
Roads	1 552 577 512	(2 493 609)	83 401 481	34 622 832	(5 445 649)	1 662 662 567	194 903 338	55 598 999	(829 510)	(1 606 357)	248 066 470	1 414 596 097
Vehicle licensing & testing	24 442 876	(823 062)	81 191	-	(9 269 361)	14 431 643	9 061 029	896 261	(400 028)	(4 196 950)	5 360 312	9 071 331
ENVIRONMENTAL PROTECTION	23 884 935	424 487	71 568	-	(369 704)	24 011 287	10 320 683	705 035	(7 316 791)	(131 557)	3 577 370	20 433 917
Pollution Control	8 123 138	146 581	68 998	-	(218 152)	8 120 566	2 548 081	603 018	(10 502)	(109 907)	3 030 691	5 089 875
Game Reserve	15 761 797	277 906	2 569	-	(151 552)	15 890 721	7 772 602	102 017	(7 306 289)	(21 650)	546 679	15 344 042
ELECTRICITY	889 949 427	(87 502 985)	6 327 709	9 992 801	(525 375)	818 241 577	88 902 359	20 190 367	(4 761 756)	(285 904)	104 045 066	714 196 511
Electricity distribution	889 949 427	(87 502 985)	6 327 709	9 992 801	(525 375)	818 241 577	88 902 359	20 190 367	(4 761 756)	(285 904)	104 045 066	714 196 511
WATER	615 785 202	(9 553 133)	29 830 545	94 739 978	(3 066)	730 799 527	42 723 965	74 398 931	(1 668 777)	(2 880)	115 451 239	615 348 288
Water distribution	615 268 358	(9 586 129)	29 830 545	94 739 978	(3 066)	730 249 686	42 591 965	74 337 495	(1 667 942)	(2 880)	115 258 638	614 991 049
Water storage	516 844	32 996	-	-	-	549 840	132 000	61 436	(835)	-	192 601	357 239
WASTE WATER MANAGEMENT	330 436 033	(66 568 755)	1 670 625	-	(89 837)	265 448 067	25 665 185	5 012 683	(2 250 661)	(50 902)	28 376 306	237 071 760
Sewerage	330 294 582	(66 567 054)	1 652 553	-	(88 304)	265 291 777	25 605 538	4 990 226	(2 247 191)	(49 462)	28 299 111	236 992 666
Storm water	141 451	(1 701)	18 071	-	(1 533)	156 289	59 647	22 457	(3 470)	(1 440)	77 195	79 094
Public toilets	-	-	-	-	-	-	-	-	-	-	-	-
WASTE MANAGEMENT	23 072 254	(4 939 398)	45 105	-	(1 595 378)	16 582 583	6 663 739	1 338 865	(717 054)	(870 247)	6 415 303	10 167 280
Solid waste	23 072 254	(4 939 398)	45 105	-	(1 595 378)	16 582 583	6 663 739	1 338 865	(717 054)	(870 247)	6 415 303	10 167 280
OTHER	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	0
TOTAL	6 464 592 394	(60 312 574)	155 564 059	182 845 998	(19 407 655)	6 723 282 222	709 785 270	269 884 759	(192 942 637)	(7 965 797)	778 761 596	5 944 520 626

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013(Unaudited)

2012 Actual Income	2012 Actual Expenditure	2012 Actual Surplus/ (Deficit)		2013 Actual Income	2013 Actual Expenditure	2013 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	164 412 970	(164 412 970)	Executive & Council	-	190 115 878	(190 115 878)
-	107 891 528	(107 891 528)	Council general expenses	-	117 129 066	(117 129 066)
-	2 566 557	(2 566 557)	Municipal Manager	-	4 341 065	(4 341 065)
-	44 854 420	(44 854 420)	Facility management	-	60 664 047	(60 664 047)
-	9 110 465	(9 110 465)	Secretariat & Records	-	7 981 701	(7 981 701)
943 748 321	248 105 151	695 643 169	Finance & Admin	983 149 120	395 431 846	587 717 274
620 325 404	-	620 325 404	Finance	-	-	-
-	2 675 745	(2 675 745)	Intergovernmental transfers	688 351 556	-	688 351 556
90 991 120	72 177 293	18 813 827	Mankweng/Sebayeng	-	2 580 679	(2 580 679)
229 422 699	1 954 633	227 468 066	Financial services	34 572 464	121 715 746	(87 143 282)
-	-	-	Assessment rates	254 720 916	9 817 171	244 903 744
-	1 183 249	(1 183 249)	Human Resources	-	-	-
-	23 613 814	(23 613 814)	O & W	-	1 286 938	(1 286 938)
2 091 788	8 501 233	(6 409 446)	Personnel	3 278 471	30 682 622	(30 682 622)
-	3 978 837	(3 978 837)	Training	-	13 916 125	(10 637 654)
44 686	982 679	(937 993)	Labour relations	-	4 930 744	(4 930 744)
-	17 897 052	(17 897 052)	Occupational Health	-	7 409 568	(7 409 568)
-	-	-	IT	66	39 265 966	(39 265 900)
-	10 377 906	(10 377 906)	Property Services	-	-	-
-	9 032 760	(9 032 760)	Administration	-	5 261 275	(5 261 275)
-	-	-	Civic Centre	-	16 321 153	(16 321 153)
-	17 407 299	(17 407 299)	Other Admin	-	-	-
-	2 450 912	(2 450 912)	Com & public participation	-	12 987 438	(12 987 438)
-	4 881 424	(4 881 424)	Security & risk management	-	3 254 914	(3 254 914)
-	3 500 736	(3 500 736)	Project Management	-	3 360 321	(3 360 321)
-	3 231 051	(3 231 051)	Internal audit	-	4 134 782	(4 134 782)
-	7 028 290	(7 028 290)	Technical depot	-	-	-
-	40 803 131	(40 803 131)	Transport workshop	-	43 063 111	(43 063 111)
-	7 136 982	(7 136 982)	Community security	-	47 163 135	(47 163 135)
-	9 290 124	(8 417 501)	Legal Services	-	8 171 626	(8 171 626)
10 550 477	31 860 670	(21 310 193)	Procurement	2 225 648	20 108 522	(17 882 884)
7 074 336	3 651 803	3 422 533	Planning & Development	10 804 573	32 153 133	(21 348 560)
248 319	9 318 999	(9 070 680)	Land use management	4 556 075	5 865 606	(1 309 531)
3 227 821	4 866 336	(1 638 514)	Spatial Planning	-	991 603	(6 958 864)
-	2 349 329	(2 349 329)	Building inspections	5 256 895	4 293 593	963 302
-	2 513 858	(2 513 858)	Local economic development	-	2 417 014	(2 417 014)
-	682 523	(682 523)	Community development	-	1 542 368	(1 542 368)
-	4 002 914	(4 002 914)	Investment promotion	-	823 022	(823 022)
-	4 474 909	(4 474 909)	Economic planning	-	2 906 878	(2 906 878)
-	-	-	IDP	-	6 354 186	(6 354 186)
-	5 369 832	(5 369 832)	Health	-	5 329 984	(5 329 984)
-	2 629 321	(2 629 321)	Clinics	-	1 158 379	(1 158 379)
-	2 740 511	(2 740 511)	Health inspection	-	4 171 605	(4 171 605)
3 262 753	53 236 890	(49 974 137)	Community Services	4 461 239	36 209 862	(31 748 623)
322 954	14 551 793	(14 228 839)	Libraries	294 763	11 715 574	(11 420 811)
-	1 511 542	(1 511 542)	Museums	-	-	-
104 070	8 890 817	(8 786 747)	Art Museum	-	878 090	(878 090)
304 270	1 855 534	(1 551 265)	Museum	84 745	5 501 036	(5 416 291)
600 452	5 354 797	(4 754 345)	Community centres	526 187	1 566 869	(1 040 682)
1 789 994	16 829 438	(15 039 444)	Cemeteries	648 821	4 884 689	(4 235 869)
141 013	1 224 008	(1 082 995)	Other Community	-	-	-
-	3 018 960	(3 018 960)	Game Reserve	2 884 716	6 477 097	(3 592 381)
29 743	6 947 382	(6 917 639)	Showgrounds	22 008	3 200 028	(3 178 020)
26 322	6 945 209	(6 945 209)	Cultural desk	-	1 986 479	(1 986 479)
3 421	1 836	24 486	Housing	12 071	5 230 689	(5 218 618)
19 410 436	74 769 052	(55 358 616)	Administration	-	5 230 689	(5 230 689)
4 999 901	35 446 193	(30 446 292)	Assisted schemes	10 361	-	10 361
157 886	24 443 895	(24 286 009)	Letting schemes	1 710	-	1 710
-	4 041 136	(4 041 136)	Public Safety	21 872 689	73 260 262	(51 387 574)
14 241 824	5 518 557	8 723 267	Traffic	3 046 891	36 297 499	(33 250 647)
10 824	5 319 271	(5 308 447)	Fire fighting	259 430	22 475 966	(22 216 535)
1 662 959	135 607 918	(133 944 959)	Disaster management	-	4 405 812	(4 405 812)
6 273	2 359 992	(2 353 719)	Licensing	18 559 776	6 295 999	12 263 776
111 163	32 682 519	(32 571 357)	Municipal control centre	6 632	3 784 987	(3 778 355)
1 287 552	96 381 895	(95 094 343)	Parks & Recreation	10 269 977	125 340 957	(115 070 981)
257 972	4 183 512	(3 925 540)	Nursery	17 191	1 557 254	(1 540 062)
-	555 074	(555 074)	Parks	142 725	35 586 332	(35 443 607)
47 830 203	70 247 463	(22 417 260)	Sport & recreation	9 963 316	83 872 905	(73 909 589)
47 830 203	58 477 923	(10 647 720)	Swimming pools	146 745	4 324 467	(4 177 722)
-	-	-	Environmental Protection	-	567 086	(567 086)
-	555 074	(555 074)	Air pollution	-	567 086	(567 086)
47 830 203	70 247 463	(22 417 260)	Waste Management	52 673 889	51 933 708	740 181
47 830 203	58 477 923	(10 647 720)	Refuse Removal	52 673 889	40 843 232	11 830 657
-	11 769 540	(11 769 540)	Street & side walking cleaning	-	11 090 476	(11 090 476)
39 311 057	51 431 343	(12 120 287)	Waste water management	46 448 945	79 513 744	(33 064 799)
70 574	30 027 289	(29 956 714)	Sewer purification	9 013	63 756 091	(63 747 078)
39 240 482	11 862 726	27 377 757	Sewer reticulation	46 439 932	7 704 507	38 735 425
-	6 658 470	(6 658 470)	Storm water	-	6 732 063	(6 732 063)
-	2 882 859	(2 882 859)	Public toilets	-	1 321 083	(1 321 083)
7 609 326	95 913 159	(88 303 833)	Road Transport	3 816 453	91 242 223	(87 425 769)
-	94 132 317	(94 132 317)	Roads & streets	47 756	89 384 257	(89 336 501)
7 609 326	1 780 842	5 828 484	Vehicle licensing & testing	3 768 697	1 857 966	1 910 732
165 503 351	197 887 790	(32 384 439)	Water distribution	221 059 719	266 384 592	(45 324 873)
165 503 351	52 790 799	112 712 552	Water Distribution	221 059 719	115 962 779	105 096 940
-	129 946 738	(129 946 738)	Water provision	-	138 816 149	(138 816 149)
-	15 150 253	(15 150 253)	Water Purification	-	11 605 664	(11 605 664)
559 546 874	487 047 300	72 499 574	Electricity	605 542 668	563 341 028	42 201 640
-	-	-	Workshop	-	-	-
559 546 874	482 244 633	77 302 241	Distribution	605 542 668	560 506 125	45 036 543
-	4 802 667	(4 802 667)	Street Lighting	-	2 834 903	(2 834 903)
24 000	67 211	(43 211)	Other	24 000	64 257	(40 257)
24 000	67 211	(43 211)	Airport	24 000	64 257	(40 257)
1 798 489 499	1 623 459 205	175 030 294	Total	1 960 135 343	1 916 119 250	44 016 093

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2013(Unaudited)

	2013 Actual R	2013 Budget R	2013 Variance R	2013 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	254 720 916	253 982 000	738 916	0.29	More collected than anticipated
Service charges	867 519 757	955 329 590	(87 809 833)	(9.19)	Less collected than anticipated
Rental of facilities and equipment	12 467 134	17 479 100	(5 011 966)	(28.67)	Less collected than anticipated
Interest earned – external investments	23 016 680	8 677 285	14 339 395	165.25	More collected than anticipated
Interest earned – outstanding debtors	7 377 257	25 000 000	(17 622 743)	(70.49)	Under collected
Fines	2 626 889	5 689 000	(3 062 111)	(53.83)	Under collected
Licensing & permits	8 815 818	7 960 710	855 108	10.74	More collected than anticipated
Revenue for agency services	13 892 068	14 000 000	(107 932)	(0.77)	Less collected than anticipated
Government grants & subsidies – operating	501 274 579	485 230 855	16 043 724	3.31	All grants were not spent in full
Government grants & subsidies – capital	187 076 977	386 321 955	(199 244 978)	(51.57)	All grants were not spent in full
Public contributions, donated and contributed	0	6 100 000	(6 100 000)	(100.00)	All grants were not spent in full
Other revenue	81 347 268	152 610 315	(71 263 047)	(46.70)	Under collected
Total Revenue	1 960 135 343	2 318 380 810	(358 245 467)	(15.45)	
EXPENDITURE					
Employee related costs	412 054 662	402 054 605	10 000 057	2.49	Contributions to Long service, Leave reserve and Provision for leave bonuses exceeded the budget
Remuneration of councillors	21 922 288	21 456 095	466 193	2.17	On target
Bad debts	53 486 067	40 000 000	13 486 067	33.72	Provision for bad debt was insufficient
Collection costs	1 178 073	2 000 000	(821 927)	(41.10)	Under collection of anticipated revenue
Depreciation	265 100 184	276 000 000	(10 899 816)	(3.95)	Over budgeted
Repairs & maintenance	117 114 416	89 647 895	27 466 521	30.64	Capital expenditure were identified which does not meet the definition of an asset. These expenditure were expensed.
Finance costs	29 594 115	31 486 400	(1 892 285)	(6.01)	Over budgeted on external loan taken up
Bulk purchases	581 300 952	587 546 000	(6 245 048)	(1.06)	Over budgeted
Grants & subsidies paid	5 540 000	5 540 000	0	-	On target
General expenses	416 742 690	327 982 795	88 759 895	27.06	Capital expenditure were identified which does not meet the definition of an asset.Refer to the electrification of RDP houses and the installation of VIP toilets These expenditure were expensed.
Gain / loss on disposal of assets	(11 441 858)	0	(11 441 858)	-	Not budget for
Fair value adjustment on biological assets	(643 944)	0	(643 944)	-	Not budget for
Total Expenditure	1 891 947 645	1 783 713 790	108 233 855	6.07	
NET SURPLUS/(DEFICIT) FOR THE YEAR	68 187 698	534 667 020	(466 479 322)		

APPENDIX E (2)
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2013(Unaudited)

	2013 Actual R	2013 Budget R	2013 Variance R	2013 Variance %	Explanations of significant variances greater than 5% versus budget
BUDGET & TREASURY OFFICE	43 645	50 017	(6 372)	(12.74)	
Finance	43 645	50 017	(6 372)	(12.74)	Underspending/ contract less than budget amount
CORPRATE SERVICES	25 773 239	8 157 019	17 616 220	215.96	
Information Technology	773 390	6 216 626	(5 443 236)	(87.56)	Under spending/ contract less than budget amount
Other & Admin	24 999 849	1 940 393	23 059 456	1 188.39	Finance lease not budgeted for
PLANNING & DEVELOPMENT	43 024 149	10 392 510	32 631 639	313.99	
Planning & Development	43 024 149	10 392 510	32 631 639	313.99	Under spending/ contract less than budget amount
ROAD TRANSPORT	117 312 605	179 413 318	(62 100 713)	(34.61)	
Roads & Storm water	117 312 605	179 413 318	(62 100 713)	(34.61)	Under spending/ contract less than budget amount
COMMUNITY & SOCIAL	250 076	216 468	33 608	15.53	
Libraries & Archives	75 609		75 609	-	Under spending/ contract less than budget amount
Cemeteries & Crematoriums	174 467	216 468	(42 001)	(19.40)	Under spending/ contract less than budget amount
ENVIRONMENTAL PROTECTION	213 371	789 763	(576 392)	(72.98)	
Nursery	50 611	514 763	(464 152)	(90.17)	Under spending/ contract less than budget amount
Parks & Open areas	162 760	275 000	(112 240)	(40.81)	
PUBLIC SAFETY	745 095	1 200 000	(454 905)	(37.91)	
Community Safety	476 169	850 000	(373 831)	(43.98)	Under spending/ contract less than budget amount
Fire	268 926	350 000	(81 074)	(23.16)	Under spending/ contract less than budget amount
SPORT & RECREATION	32 453	512 879	(480 426)	(93.67)	
Sport & Recreation	32 453	512 879	(480 426)	(93.67)	Under spending/ contract less than budget amount
WASTE WATER MANAGEMENT	3 772 877	50 853 480	(47 080 603)	(92.58)	
Sewerage	3 772 877	50 853 480	(47 080 603)	(92.58)	Under spending/ contract less than budget amount
HOUSING	1 578	50 000	(48 422)	(96.84)	
Housing	1 578	50 000	(48 422)	(96.84)	Under spending/ contract less than budget amount
WATER	124 299 440	222 912 474	(98 613 034)	(44.24)	
Water Distribution	124 299 440	222 912 474	(98 613 034)	(44.24)	Under spending/ contract less than budget amount
ELECTRICITY	24 193 840	59 256 072	(35 062 232)	(59.17)	
Electricity Distribution	24 193 840	59 256 072	(35 062 232)	(59.17)	Under spending/ contract less than budget amount
TOTAL	339 662 368	533 804 000	(159 079 400)	(29.80)	

Note: An amount of R95 994 245 were transferred from Capital expenditure to Operating expenditure because it did not meet the definition of an asset.
 Simalar an amount of R43 347 745 were transferred from Operating expenditure to Capital expenditure which were regarded as assets

**APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDED 30 JUNE 2013(Unaudited)**

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Quarterly receipts R					Quarterly Expenditure for the Year R					Delay withheld	Gazette amount Municipal year	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non- compliance
	Sep	Dec	March	June	Total	Sep	Dec	March	June	Total				
Equitable Share	161 763 000	129 411 000	97 058 000		388 232 000	97 058 000	97 058 000	121 322 500	72 793 500	388 232 000	No	388 232 000	Yes	Not Applicable
Extended public works Programme	2 178 000	1 488 000	1 634 000		5 300 000	473 131	1 986 546	4 940	5 300 000	7 764 617		5 300 000	Yes	Not Applicable
Public transport infrastructure and systems grant	10 000 000	30 000 000	8 703 000		48 703 000	4 411 129	6 014 804	11 541 949	18 673 697	40 641 579	Yes	98 703 000	Yes	Not Applicable
Integrated national electrification programme grant	7 500 000	8 500 000			16 000 000			3 803 452	10 822 220	14 625 672	No	16 000 000	Yes	Not Applicable
Electricity demand side management grant			2 000 000		2 000 000	5 221 907	3 710 122	630 466	975 063	10 537 558	Yes		Yes	Not Applicable
Municipal infrastructure grant	88 600 000	66 450 000	66 464 000		221 514 000	26 234 879	35 409 099	35 270 365	98 342 268	195 256 611	No	221 514 000	Yes	Not Applicable
Neighbourhood development partnership grant	6 247 000	9 155 000	2 598 000		18 000 000	8 833 965	7 915 532	1 250 502		18 000 000	Yes		Yes	Not Applicable
Local government financial management grant	1 500 000				1 500 000	133 355	129 438	86 488	1 150 720	1 500 000	No	1 500 000	Yes	Not Applicable
Water services operating grant	1 091 000	1 091 000	1 091 000		3 273 000		2 182 000		1 091 000	3 273 000	No	3 273 000	Yes	Not Applicable
Skills development fund	1 700 000		1 300 000		3 000 000				3 000 000	3 000 000	No	3 000 000	Yes	Not Applicable
Water services refurbishment grant									4 349 323	4 349 323	No		Yes	Not Applicable
Sport & Recreation									371 197	371 197	No		Yes	Not Applicable
Municipal systems improvement grant	800 000				800 000	300 000	300 000		200 000	800 000	No	800 000	Yes	Not Applicable
	281 379 000	246 095 000	180 848 000	-	708 322 000	142 666 366	154 705 541	173 910 661	217 068 988	688 351 556	-	738 322 000		

ANNEXURE G
POLOKWANE MUNICIPALITY
CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2013(Unaudited)

Date	Type of case	Summary of case	Name of parties	Authority that dealt with the case e.g. High Court	Amount involved	Outcome	Law firm used	Date finalized
4/12/2012	Civil	Damages suffered as a result of exposure to inhalation of gases, chemicals and dust	Mmanyaka Patrick Machaba/ Polokwane Municipality	North Gauteng High Court	R 4 000 000	Matter still pending in court	Mohale Incorporated	In progress
24/10/2012	Civil	Motor collision	Jan Andriaan Venter/ Polokwane Municipality	Plk Mag Court	R 42 922	Matter still pending in court	Jeff Mathabatha Incorporated	In progress
27/7/2012	Civil	Motor collision	F Patel/ Polokwane Municipality	Plk Mag Court	R 46 198	Matter still pending in court	N Mohale Incorporated	In progress
6/01/2013	Civil	Termination of agreement	Phuthinare Traders cc/ Polokwane Municipality	North Gauteng High Court	R 1 399 003	Matter still pending	N Mohale Incorporated	In progress
30/08/2012	Civil	Services rendered	Polokwane Municipality/ Fullout Put 1251cc t/a TT Services	Plk Mag Court	R 136 443	Matter still pending	Jeff Mathabatha Incorporated	In progress
12/06/2012	Civil	Personal damages as a result of accident	Godknows Tshuma/ Polokwane municipality	North Gauteng High Court	R 35 939	Settlement attempts unsuccessful, attorneys of record to provide progress report	A. M. Carrim Attorneys	Attorneys of record to provide progress report
20/06/2013	Civil	Damage as a result of storm water	J.H.S Bester & another/ Polokwane Municipality	Plk Mag Court	R 61 599	Matter still pending in court	N Mohale Incorporated	In progress
02/03/2011	Civil	Incorrect meter reading / claim for deposit	Angelos Mathews Skordi v Polokwane	Plk Mag Court	R 98 000	Notice to defend	A.M Carrim Attorneys	Not yet finalised
22/03/2012	Civil	Damages	Nwamafela v Mahlatjie & Polokwane	Plk Mag Court	R 100 000	Notice to defend	Jeff Mathabatha Att	In progress
22/02/2012	Civil	Damages	Dr. O.R Tshikosi v Polokwane & Others	Plk Mag Court	R 300 000	Matter still pending in court	De Bruin Oberholzer Att	In progress
21/02/2012	Civil	Damages (Pothole)	K.J Ngoasheng v Polokwane	Plk Mag Court	R 8 982	Matter still pending in court	De Bruin Oberholzer Att	In progress
10/08/2010	Civil	Non-award of tender	Osccon Electrical contractors v Polokwane	North Gauteng High Court	R 1 000 000	Set down for hearing on 20 May 2014	Jeff Mathabatha Att.	In progress

**ANNEXURE G
POLOKWANE MUNICIPALITY**

CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2013(Unaudited)

16/03/2011	Civil	Motor Vehicle Collision	J N Maleka v Polokwane & P Phooko	Plk Mag Court	R 96 000	Rescission of judgment application removed from the roll	Jeff Mathabatha Att.	In progress
24/04/2012	Civil	Motor vehicle collision	M M Komape v T A Mapinini & Polokwane Municipality	Plk Mag Court	R 33 503	Awaiting trial date	Jeff Mathabatha Att	In progress
13/10/2010	Civil	Damages	J Thantsha v Polokwane	North Gauteng High Court	R 2 500 000	Still pending in court	Mogaswa Attorneys	In progress
04/04/2011	Civil	Non-payment for services rendered	E.C Deacon t/a P&L Services v Polokwane	Plk Mag Court	R 41 317	Still pending in court	Mohale Inc. Att.	Not yet finalised
04/04/2011	Civil	Non-payment for services rendered	E.C Deacon t/a K T Services	Plk Mag Court	R 82 527	Still pending in court	Mohale Inc. Att.	Not yet finalised
22/02/2012	Civil	Non-payment of Municipal services	W.M Matthews N.o v Polokwane	Plk Mag Court	R 45 079	Appeal	Mohale Inc. Att.	In progress
22/02/2012	Civil	Breach of contract	Born to Protect v Polokwane	Northern Gauteng High Court	R 414 322	Still pending in court	Mogaswa Att	In progress
22/09/2011	Civil	Damages (pain & suffering)	A D Friedendal v Polokwane	Plk Mag Court	R 113 289	Still pending in court	Jeff Mathabatha Inc	In progress
25.05.2012	civil	Services rendered	Dipela Trading/ Polokwane Municipality	Plk Mag Court	R 81 606	Still pending in court	Jeff Mathabatha Att	In progress
				Total	R 10 636 727			

ANNEXURE H
POLOKWANE MUNICIPALITY
LIST OF OTHER EXPENDITURE

OTHER EXPENDITURE	2013	2012
8090 RURAL HOUSEHOLD SANITATION	37 633 935	0
8118 STADIUM MANAGEMENT	30 908 950	41 892 866
7413 GUARD SERVICES : RENTAL	30 388 177	21 826 017
8127 FINANCE COST (DEBTORS DISCOUNTING)	31 398 377	
8191 VAT CONVERSION	25 491 916	0
8092 RURAL HOUSEHOLD ELECTRIFICATION	23 009 135	0
7956 FLEET MANAGEMENT	20 526 973	0
7901 CONTRIBUTION: MEDICAL AID - CONTINUED	15 457 967	24 573 363
7601 GRANTS - ASSESSMENT RATES	9 415 345	2 171 855
7435 WASTE DISPOSAL - RECYCLING	9 309 875	14 885 247
7899 CONSULTATION FEES	8 023 944	1 425 242
7983 INSURANCE - OTHER	7 690 013	7 024 401
2802 FREE BASIC SERVICES	7 624 885	9 966 852
8073 RENTAL - EQUIPMENT	7 325 932	8 256 307
7421 STREET CLEANING	7 294 400	5 679 926
7959 FUEL AND OIL	7 113 245	7 921 679
2804 ELECTRICITY DISTRIBUTION - FREE BASIC	7 075 829	5 567 531
8045 PROTECTIVE CLOTHING	6 410 042	1 737 926
7412 GARDEN SERVICES	5 735 782	7 118 182
8179 WARD COMMITTEE MEETINGS	5 108 873	3 260 824
7410 COMMISSION FEES	5 018 837	1 823 511
7917 DEPARTMENTAL CHARGES : WATER	4 987 197	4 680 846
8143 TELEPHONE	4 842 503	4 638 233
8133 SUBSISTANCE AND TRAVELLING	4 562 328	5 561 976
7991 LEGAL EXPENSES	4 437 018	6 213 959
8037 PRINTING & STATIONERY	4 166 260	4 425 100
7417 RESEARCH AND DEVELOPMENT	4 015 891	4 699 027
8131 SUBSCRIPTION FEES	3 992 717	3 478 235
7415 METER READING SERVICES	3 933 803	6 120 087
7913 DEPARTMENTAL CHARGES : ELECTRICITY	3 675 651	4 253 210
7993 LEVY - SETA TRAINING	3 530 641	3 478 526
7849 AUDIT FEES	3 247 043	2 302 725
2812 FREE BASIC SERVICES	3 224 293	3 207 196
7855 BANK CHARGES	3 038 993	2 746 322
8160 TRAINING INFRASTRUCTURE SKILLS DEVELOP	3 000 000	0
8157 TRAINING	2 927 575	2 556 127
7423 STREET SWEEPING	2 825 145	2 862 265
8129 STORES AND MATERIAL	2 607 793	2 129 874
8067 REFUSE REMOVAL SERVICES	2 548 593	1 685 370
7877 CELL PHONES	2 331 623	275 213
7919 DISCIPLINARY COMMITTEE	2 308 408	1 688 049
7407 AUDIT FEES - OUTSOURCED	2 075 016	1 616 673
8155 TOWN PLANNING	1 759 509	29 823
8033 POSTAGE AND TELEGRAMS	1 748 389	2 010 830
8031 POINT DUTY	1 649 589	1 421 943
8117 SPORT & RECREATION PROGRAMMES	1 614 277	1 443 541

ANNEXURE H
POLOKWANE MUNICIPALITY

	LIST OF OTHER EXPENDITURE	
7987 INSURANCE - WORKMAN'S COMPENSATION	481 885	1 426 810
8158 TRAINING FMG	1 395 527	0
8147 ADMINISTRATION COSTS(IRTPN)	1 321 254	0
8107 SPECIAL EVENTS	1 209 749	9 923 506
7915 DEPARTMENTAL CHARGES : SEWER & SANIT	1 199 515	956 927
8043 PROMOTIONS	1 185 541	2 036 595
8109 SPECIAL INVESTIGATIONS	1 169 620	19 200
8185 WATER RESEARCH LEVY	1 155 490	992 899
7879 CHARGES - ELECTRICITY	1 150 338	1 372 066
7945 FESTIVALS	1 134 528	783 131
7883 CHEMICALS	1 123 771	1 179 872
8059 RECRUITING EXPENSES	1 065 031	713 371
7405 ASSET VERIFICATION	1 016 844	1 458 344
7411 FEES - EASYPAY SYSTEM	994 074	797 208
7891 CLEAN UP ACTION	990 391	1 282 299
7903 CORPORATE PUBLICITY	836 765	1 487 740
8003 LICENCES - VEHICLES	833 937	834 880
7895 COMMUNITY PROGRAMS	800 159	191 660
7408 CLEANSING SERVICES	798 013	2 345 055
7965 GRAVE DIGGING	676 298	787 286
8013 MARKETING	647 370	564 762
7907 DATA - COMMUNICATION	603 390	467 898
7845 AUDIT COMMITTEE FEES	575 333	538 075
7833 ADVERTISEMENTS	548 245	729 504
7425 SWIMMING SUPERVISION	511 465	339 339
8081 RENTAL - OFFICES/BUILDINGS (EXTERNAL)	502 467	567 038
7873 CASH HANDLING	474 199	428 523
7977 IDP AND HEARINGS	469 123	1 407 165
7931 EMERGENCY DISASTER RELIEF	441 670	453 779
7431 VALUATIONS - INTERIM	401 827	424 173
8510 REHABILITATION OF LANDFILL SITES	335 135	304 668
8063 REFRESHMENTS - MEETINGS	324 656	347 749
8087 ROAD SHOWS : MAYOR	265 287	166 704
8019 MAYORS BOSBERAAD	236 088	793 805
8095 SECURITY SERVICES	224 268	132 024
8052 PUBLIC PARTICIPATION	211 729	0
7867 BURSARY : STAFF	171 088	108 367
8105 SMME MANAGEMENT	166 088	108 373
7851 AWARENESS CAMPAIGNS	153 717	95 829
8071 RENTAL - ALARMS	148 375	131 573
7865 BOOKS & PERIODICALS	70 381	230 074
8187 WEED CONTROL	131 872	198 893
7937 ENTRANCE CONTROL (ACCESS CONTROL?)	102 107	12 745
8061 REFRESHMENTS	97 674	158 614
8113 SPONSORSHIP SPORTING NODES	84 711	14 547
7925 EAP PROGRAMME	79 413	38 000
7995 LIBRARY PROGRAMS	67 203	84 061
8171 TREES	66 674	26 094
8039 PROGRAMMING	56 656	345 321
7869 BURSARY : STUDENT	53 820	29 565

ANNEXURE H
POLOKWANE MUNICIPALITY

	LIST OF OTHER EXPENDITURE	
7935 ENTERTAINMENT EXPENSES	46 594	121 670
7406 CLEANING SERVICES	41 025	1 438 079
8085 RISK MANAGEMENT	40 781	34 872
8086 RISK MANAGEMENT COMMITTEE	37 755	0
7939 EXHIBITIONS	32 409	76 436
8159 TRAINING - WARD COMMITEES	29 990	0
8189 WORKSHOPS	28 470	71 700
8051 PUBLICITY	27 792	33 877
7999 LICENCES - RADIO	24 248	111 791
8023 MEDICAL EXAMINATIONS OHS	21 343	24 803
7943 FEEDING OF ANIMALS	20 528	8 981
8027 PAUPER BURIALS	19 602	9 950
7909 DECORATION - OFFICIAL FUNCTIONS	18 176	8 093
7905 CYLINDERS FIRE FIGHTING	16 551	49 791
8173 VETERINARY SERVICES	15 190	2 086
7933 ENERGY FORUM	14 535	0
7897 CONFERENCES/CONGRESS	14 032	417 727
7881 CHARGES : WATER	13 777	48 794
8065 REFUSE BINS	13 307	2 738
7839 AMMUNITION	13 158	12 515
8007 LOST BOOKS	12 075	11 293
7923 DRIVING/DIVING PERMITS	11 181	8 295
8069 REMOVAL COSTS	9 500	8 000
8149 TITLE DEEDS CENTRAL	8 118	9 188
8055 RATIONS	7 632	17 718
7971 HIV/AIDS PREVENTION	5 622	34 414
7973 HOLIDAY PROGRAMS	5 400	7 800
8083 RETEST DRIVERS LICENCE	3 131	2 469
8097 SEEDS.PLANTS.SHRUBS	3 100	4 472
7841 ANIMALS	2 942	19 887
8089 SAMPLE TESTS	235	3 554
7921 DISCRETIONARY VOTE - EXECUTIVE MAYOR	0	75 207
8001 LICENCES - SAMRO	0	8 585
8025 OFF LOAD OF DRYINGBEDS	0	2 800
8041 PROGRAMS - CLINIC	0	294 953
8075 RENTAL - LAND	0	686
8101 SHOP - STOCK MUSEUMS	0	7 350
8120 STOCK LOSSES	0	249 212
8137 SUBSISTANCE AND TRAVELLING (ABROAD)	0	88 307
8161 TRANSLATIONS	0	500
9015 ADMINISTRATION CHARGES - HOUSING	0	1 488
7427 TERMINATION OF SERVICES	0	26 304
8029 PENSIONS AND GRATUITY	-588 951	1 269 550
Total	416 742 690	281 118 928