

SUBJECT: CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013
AUDITED DOCS NUMBER# _____

SECTION A: SUBMISSION BY SBU MANAGER
 SBU: B.T.O NAME [AUTHOR]: FIKICE MUDAU
 SIGNATURE / SBU MANAGER: [Signature] DATE: 25/03/2014

SECTION B: AUTHORISATION / SUBMISSION BY
 DIRECTORATE: B.T.O
 SIGNATURE / DIRECTOR: [Signature] DATE: 25/03/2014

SECTION C: COMMENTS REQUIRED FROM: [TICK IN APPLICABLE BLOCK]

DIRECTOR: ENGINEERING SERVICES	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: DEVELOPMENT & ECON. PLAN	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: COMMUNITY SERVICES	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: CORP. AND SHARED SERV.	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
CHIEF FINANCIAL OFFICER	<input checked="" type="checkbox"/>	SIGNATURE: <u>[Signature]</u>	DATE: <u>25/03/2014</u>
DIRECTOR: COMMUNITY DEVELOPMENT	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
DIRECTOR: STRAT PLAN, MONITOR. & EVAL	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____
MAN: COMMUNICATION AND PUBLIC PART.	<input type="checkbox"/>	SIGNATURE: _____	DATE: _____

SECTION D: SECRETARIAT & ADMINISTRATION
 REG. NO: _____ REG. DATE: _____ COMMITTEE CLERK: _____

SECTION E: MUNICIPAL MANAGER

APPROVED FOR SUBMISSION: [Signature] DATE: 25/03/2014
 REMARKS: Submit to A.C.

ALLOCATION TO COMMITTEES

FINANCE & LED	ENERGY	HOUSING	CULTURE, SPORTS, REC & SPEC. FOCUS	ADMIN & GOV.
WATER & SANITATION	COMMUNITY SAFETY	ROADS, SWATER & TRANSPORT	WASTE & ENVIRON.	SPATIAL PLAN & DEV
LAND USE MAN.	LOCAL LABOUR FORUM	COUNCIL	MAYORAL COMMITTEE	

APPROVED ITO DELEGATED POWERS _____ DATE _____
 MM/ NUMBER ALLOCATED BY CAO - SECRETARIAT _____ MM/ _____

APPROVAL OF EXECUTIVE MAYOR IN TERMS OF DELEGATED POWERS

APPROVED ITO DELEGATED POWERS _____ DATE: _____
 EM/ NUMBER ALLOCATED BY CAO - SECRETARIAT _____ EM/ _____

**POLOKWANE
LOCAL MUNICIPALITY**



NATURALLY PROGRESSIVE

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

INDEX

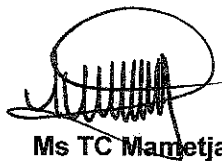
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POLOKWANE MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ENDED 30 JUNE 2013

APPROVAL AND CERTIFICATION

I am responsible for the preparation of these consolidated financial statements, which are set out on pages 2 to 66, 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

25/03/2014.

DATE

POLOKWANE MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 30 JUNE 2013

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 Mehlape	Member of Council
ST Mehlape	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

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

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
W Naumann	Member of Council
SE Nkadimeng	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	Chief Financial Officer
T C Mametja	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

	Note	GROUP		MUNICIPALITY	
		2013 R	2012 R	2013 R	2012 R
ASSETS					
Current assets					
Cash and cash equivalents	15	54,154,796	13,603,619	52,061,276	11,273,530
Trade and other receivables from exchange transactions	12	355,993,145	261,765,245	352,046,801	263,452,951
Other receivables from non-exchange transactions	13	19,789,631	14,939,706	19,193,398	14,061,682
Inventories	11	53,890,856	60,155,470	53,890,856	60,155,470
Investments	9	220,000,000	223,808,054	220,000,000	223,808,054
Current portion of receivables	10	7,662,736	7,502,238	8,595,490	7,502,238
VAT receivable	14	21,665,632	65,908,014	21,665,632	65,908,014
Total Current Assets		733,156,696	647,682,346	727,453,653	646,161,939
Non-current assets					
Non-current receivables	10	2,079,219	2,823,143	7,808,993	8,667,466
Investments	9	84,012,389	82,764,947	67,217,189	67,217,189
Property, plant and equipment	8	5,805,426,741	5,707,376,766	5,666,973,194	5,599,936,285
Intangible assets	8.1	17,834,302	21,750,887	17,834,302	21,750,887
Investment property	8.2	234,602,329	234,602,329	234,602,329	234,602,329
Heritage assets	8.3	11,145,452	11,145,452	11,145,452	11,145,452
Biological assets	8.4	13,966,349	14,609,293	13,965,349	14,609,293
Total Non-current assets		6,159,065,781	6,075,072,818	6,019,546,610	5,957,928,902
Total Assets		6,902,222,777	6,722,755,164	6,747,000,463	6,604,090,841
LIABILITIES					
Current liabilities					
Trade and other payables from exchange transactions	6	290,549,180	220,092,076	288,469,461	218,419,045
Consumer deposits	5	66,453,929	64,596,957	63,788,114	62,072,194
Current portion of unspent conditional grants and receipts	7	219,665,190	198,332,096	194,552,601	174,566,948
Current portion of borrowings	4	43,104,644	42,527,595	36,384,956	35,807,907
Current portion of finance lease liability	38	2,498,679	2,597,004	2,498,679	2,597,004
Total Current Liabilities		622,171,622	528,144,728	585,693,811	493,463,098
Non-current liabilities					
Non-current borrowings	4	284,442,876	324,879,571	262,202,961	298,587,916
Non-current finance lease liability	38	21,268,872.00	-	21,268,872	21,268,872
Non-current Provisions	35	194,387,486	177,751,749	194,387,486	177,751,749
Total Non-current Liabilities		500,099,234	502,631,320	477,859,319	497,608,537
Total liabilities		1,122,270,856	1,030,776,047	1,063,553,129	991,071,635
Net assets		5,779,951,921	5,691,979,116	5,683,447,334	5,613,019,206
NET ASSETS					
Housing Development	2	10,754,922	11,247,728	10,754,922	11,247,728
Revaluation Reserves	3	860,899,434	826,344,434	770,838,771	770,838,771
Accumulated surplus		4,908,297,564	4,854,441,780	4,901,853,641	4,852,201,580
Total net assets		5,779,951,921	5,692,033,942	5,683,447,334	5,634,288,078

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

	Note	<u>GROUP</u>		<u>MUNICIPALITY</u>	
		2013 R	2012 R	2013 R	2012 R
REVENUE					
Revenue from Exchange Transactions unless specified otherwise					
Property rates - Non Exchange Transactions	17	254 011 397	228 636 759	254 720 916	229 422 699
Service charges	18	877,945,657	791,653,078	867 519 757	781 281 433
Rental of facilities	19	12,467,134	5,509,961	12 467 134	5 509 961
Investment Revenue – external investments	22	22,199,215	23,838,217	23 016 680	24 554 093
Interest earned – outstanding debtors		7 377 257	17 678 491	7 377 257	17 678 491
Fines - Non Exchange Transactions		2 626 889	4 496 562	2 626 889	4 496 562
Licenses and permits		8 815 818	8 234 418	8 815 818	8 234 418
Income for agency services		13 892 068	13 827 380	13 892 068	13 827 380
Government grants recognised - operating - Non Exchange Transactions	20	501 274 579	367 484 803	501 274 579	367 484 803
Government grants recognised - capital - Non Exchange Transactions	20	197 076 977	213 510 998	197 076 977	213 510 998
Public contributions, donated and contributed property, plant and equipment	21	-	36 649 036	-	36 649 036
Other revenue	23	83,713,723	95,865,702	81 347 268	95 839 625
Total Revenue		<u>1 971 400 714</u>	<u>1 807 385 403</u>	<u>1 960 135 343</u>	<u>1 798 489 499</u>
EXPENDITURE					
Employee related costs	24	416,259,371	403,380,688	412 054 662	399 033 020
Remuneration of councillors	25	21 922 288	20 614 731	21 922 288	20 614 731
Bad debts	12	53 486 067	38,191,993	53 486 067	38 191 993
Collection costs		1 178 073	817 561	1 178 073	817 561
Depreciation		268 686 447	235 552 261	265 100 184	231 254 348
Repairs and maintenance		117 114 416	96 881 394	117 114 416	96 881 394
Finance cost	26	32,295,223	31,659,238	29 594 115	29 426 803
Bulk purchases	27	581,300,952	518,796,538	581 300 952	518 796 538
Grants and subsidies paid	28	240,000	240,000	5 540 000	6 121 695
General expenses	29	418,612,259	287,993,707	416 742 680	281 118 928
Total Expenditure		<u>1,911,095,096</u>	<u>1,634,128,112</u>	<u>1 904 033 448</u>	<u>1 622 257 011</u>
Loss on disposal of assets	43	11,441,858	-	11,441,858	-
Fair value adjustment on biological assets	44	643,944	-	643,944	-
Less: Impairment loss	45	-	1,202,194	-	1,202,194
NET SURPLUS FOR THE YEAR		<u>48,219,815.92</u>	<u>172,055,097.11</u>	<u>44 016 093</u>	<u>175 030 294</u>

POLOKWANE MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS 30 JUNE 2013

GROUP

	Notes	Housing Fund	Revaluation Reserve	Total	Accumulated Surplus/ (Deficit)	Total
Balance at 30 June 2011						
Adjustments on assets -prior year						
Adjustments on expenditure -prior year						
Net gains and losses not recognised in the statement of financial performance (Housing Dev Fund)	30					
Surplus on revaluation of property, plant and equipment		92 275	(14 559 308)	92,275 (14,559,308)	5 081 808	92,275 (14,559,308)
Transfers to/ from accumulated surplus (provisions)				-	172 055 097	5,081,808
Surplus for the period				-	172 055 097	172,055,097
Balance at 30 June 2012		11 247 728	826 344 434	837 592 162	4 854 441 780	5 692 033 942
Net gains and losses not recognised in the statement of financial performance (Housing Dev Fund)		(492 807)	34 555 000	(492,807) 34,555,000	5 635 969	(492,807) 34,555,000
Surplus on revaluation of property, plant and equipment				-	48 219 816	5,635,969
Transfers to/ from accumulated surplus (provisions)				-	48 219 816	48,219,816
Surplus for the period				-	48 219 816	48,219,816
Balance at 30 June 2013		10 754 921	860 899 434	871 654 355	4 908 237 564	5 779 951 919

MUNICIPALITY

	Notes	Housing Fund	Revaluation Reserve	Total	Accumulated Surplus/ (Deficit)	Total
Balance at 30 June 2011						
Adjustments on assets -prior year						
Adjustments on expenditure -prior year						
Net gains and losses not recognised in the statement of financial performance (Housing Dev Fund)	30					
Surplus on revaluation of property, plant and equipment		92 275	(14 559 308)	92,275 (14,559,308)	5 081 808	92,275 (14,559,308)
Transfers to/ from accumulated surplus (provisions)				-	175 030 294	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)	5 635 969	(492,807) 5,635,969
Surplus on revaluation of property, plant and equipment				-	44 016 093	44,016,093
Transfers to/ from accumulated surplus (provisions)				-	44 016 093	44,016,093
Surplus for the period				-	44 016 093	44,016,093
Balance at 30 June 2013		10 754 921	770 838 771	781 593 692	4 901 853 642	5 683 447 334

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

	2013	<u>GROUP</u> 2012	2013	<u>MUNICIPALITY</u> 2012
Note	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES				
Cash received from ratepayers, government and others	1,913,527,898	1,665,161,279	1,905,879,644	1,653,901,997
Cash paid to suppliers and employees	(1,695,167,316)	(1,381,988,458)	(1,693,547,148)	(1,374,160,022)
Cash generated from operations	31 396,259,778	349,564,167	388 998 455	343 102 292
Interest received	30 395 122	42 234 432	30 393 937	42 232 584
Finance cost	(33 979 713)	(31 633 165)	(29 594 115)	(29 426 803)
		0		
Net cash from operating activities	391 675 187	360 165 434	389 798 277	355 908 073
CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of property, plant and equipment	(339 662 368)	(346 124 930)	(339 662 368)	(346 104 026)
Purchase of intangible assets	-	(8 399 378)	-	(8 399 378)
(increase)/decrease in non-current receivables	(234 779)	13 598 980	(234 779)	13 598 980
(Increase)/decrease in non-current investments	-	(60 292 289)	-	(58 999 800)
(Increase)/decrease in current investments	3 808 054	(3 814 832)	3 808 054	(3 814 832)
Capitalisation of interest on investment	818,203	-		
Net cash from investment activities	(335 270 890)	(405 032 449)	(336 089 093)	(403 719 056)
CASH FLOW FROM FINANCING ACTIVITIES				
Increase/(decrease) in long term loans	(39 859 647)	50 189 376	(35 807 907)	53 336 733
Increase/(decrease) in deposits		4 475 768	1 715 920	4 475 768
Increase/(decrease) in finance lease liability		(3 969 295)	(98 325)	(3 969 295)
Movement in accruals	(75,098)	4 014		
Net cash from financing activities	(39 934 745)	50 699 863	(34 190 312)	53 843 206
Increase/(decrease) in cash and cash equivalents	16 469 553	5,832,848	19 518 874	6 032 220
Cash and cash equivalents at beginning of the year	15 13 603 619	7 474 049	11 273 530	5 241 310
Cash and cash equivalents at end of the year	15 54 154 796	13 603 619	52 061 276	11 273 530

GROUP

Description	2012/2013												
	Original Budget		Budget Adjustments (i.e. list of IFMA)		Virement (i.e. Council approved policy)		Final Budget		Actual Outcome		Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	E	R	E	R	E	R	E	R	E			
Financial Performance													
Property Rates	248,930,000		253,922,000		253,922,000		253,922,000	253,922,000	254,720,916	(798,916)	100.28	102.30	
Ratepayers' Contributions (PHA)	11,141,852		9,855,502		9,855,502		9,855,502	10,954,902	10,954,902	50,447	94.98	85.73	
Service Charges	846,169,500		955,599,500		955,599,500		955,599,500	865,910,237	865,910,237	89,689,263	233.02	255.02	
Interest Revenue	8,677,205		8,677,205		8,677,205		8,677,205	42,139,475	42,139,475	(33,462,270)	102.02	124.42	
Transfer Income - operational	402,000,000		402,000,000		402,000,000		402,000,000	501,254,979	501,254,979	(99,254,979)	35.02	73.22	
Other cash flows	156,625,525		223,469,802		223,759,125		223,513,825	153,550,874	153,550,874	3,968,951	92	100	
Total Revenue (excluding capital transfers and contributions)	1,780,224,882		1,931,443,132		1,931,657,257		1,947,855,157	1,751,935,811	1,751,935,811	195,920,346	92	100	
Employee Costs	439,618,405		403,722,626		404,178,036		406,935,447	415,050,943	415,050,943	(6,215,499)	102.02	94.43	
Remuneration of Councillors	21,456,095		21,456,095		21,456,095		21,456,095	21,922,288	21,922,288	(466,193)	102.17	102.17	
Remuneration of Board of Directors (PHA)	1,533,943		-115,314		1,418,629		1,418,629	1,206,924	1,206,924	209,705	85	79	
Debt Impairment	40,000,000		40,000,000		40,000,000		40,000,000	81,121,066	81,121,066	(41,121,066)	127.80	127.80	
Depreciation and asset impairment	187,057,210		276,000,000		276,000,000		276,000,000	289,863,551	289,863,551	(12,806,551)	97.32	143.63	
Finance Charges	39,394,400		24,936,400		34,846,400		30,288,400	32,262,071	32,262,071	(1,973,671)	106.48	81.90	
Materials and Staff purchases	684,626,865		977,193,895		673,043,278		677,193,895	689,415,398	689,415,398	(12,221,473)	103.13	105.08	
Transfers and Grants	3,240,000		5,940,000		5,940,000		5,940,000	5,940,000	5,940,000	0	100.00	100.00	
Gain/(loss) on disposal of assets	-		-		-		-	(11,441,858)	(11,441,858)	643,944	0.00	0.00	
Gain/(loss) on disposal of biological assets	-		330,037,523		330,240,231		332,798,032	420,744,607	420,744,607	(86,946,575)	126.05	145.91	
Other Expenditure	1,858,478,584		1,720,263,228		1,795,794,056		1,792,989,538	1,802,634,027	1,802,634,027	(10,644,489)	106	113	
Total Expenditure	1,858,478,584		1,720,263,228		1,795,794,056		1,792,989,538	1,802,634,027	1,802,634,027	(10,644,489)	106	113	
Loss/Impairment of Assets													
Transfer Recognised - capital	84,147,068		151,379,860		141,773,301		151,189,898	(120,833,927)	(120,833,927)	272,489,835	(14)	(13)	
Contributions Recognised - capital & contributions assets	388,070,000		388,321,955		381,767,655		389,321,655	187,076,977	187,076,977	199,244,978	9.82	10.81	
Surplus/(Deficit) after capital transfer and contributions	482,817,068		537,701,815		523,541,256		537,606,554	66,183,151	66,183,151	272,489,835	(14)	(13)	
Share of Surplus/Deficit of associate	-		-		-		-	-	-	-	-	-	
Surplus for the year	482,817,068		537,701,815		523,541,256		537,606,554	66,183,151	66,183,151	272,489,835	(14)	(13)	
Capital expenditure and funds resources													
Capital Expenditure	391,070,000		386,321,955		391,767,965		386,321,955	187,076,977	187,076,977	199,244,978	35.04	38.86	
Transfers recognised - Capital	-		-		-		-	-	-	-	-	-	
Public Contributions and Donations	-		-		-		-	-	-	-	-	-	
Borrowings	97,136,000		147,442,045		147,578,045		147,539,045	152,535,338	152,535,338	(5,047,343)	28.56	0.00	
Internally generated funds	485,206,000		538,784,000		538,346,000		533,850,000	339,822,388	339,822,388	194,197,634	64	70	
Total sources of capital	485,206,000		538,784,000		538,346,000		533,850,000	339,822,388	339,822,388	194,197,634	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	11,273,630	11,273,630				
Net Cash from (Used) operating	678,861,101		858,873,000		865,942,101		865,942,101	395,200,371	395,200,371	(186,339,270)	31.45	31.45	
Net Cash from (Used) investing	(483,665,669)		(631,804,000)		(632,369,669)		(632,369,669)	(335,270,880)	(335,270,880)				
Net Cash from Used Financing	(28,650,343)		(23,507,000)		(28,650,343)		(28,650,343)	(38,317,150)	(38,317,150)				
Cash/cash equivalents at the year end	130,675,178		401,240,000		408,900,178		405,900,178	34,979,320	34,979,320	1,000,000	100	100	

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Description	2012/2013													
	Original Budget		Budget Adjusted (i.e. MFMA)		Virement (i.e. Council approved policy)		Final Budget		Actual Outcome		Variance			
	R	1	R	2	R	3	R	4	R	5	R	6	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Financial Performance														
Property Rates		248 982 000		253 982 000		253 982 000		253 982 000		254 720 819		(738 819)	102,29	102,30
Service Charges		946 214 590		955 329 590		955 329 590		955 329 590		897 519 757		87 809 833	90,81	91,49
Investment Income		5 677 285		8 677 285		8 677 285		8 677 285		23 016 680		(14 339 395)	265,25	265,25
Transfers received - operational		402 990 000		491 330 855		485 884 855		481 330 855		501 274 579		(9 943 724)	102,02	124,42
Other own Revenue		135 354 123		222 739 123		222 739 123		222 739 123		176 526 434		96 212 687	56,89	79,95
Total Revenue (Excluding capital transfers and contributions)		1 729 835 000		1 926 031 855		1 926 031 855		1 926 031 855		1 773 058 365		153 000 490	92	100
Employees Costs		437 054 005		402 054 005		400 056 115		402 054 005		412 054 682		(10 000 677)	102,49	94,28
Remuneration of Councilors		21 456 095		21 456 095		21 456 095		21 456 095		21 522 288		(66 193)	102,17	103,17
Debt Impairment		40 000 000		40 000 000		40 000 000		40 000 000		59 486 087		(19 486 087)	133,72	133,72
Provision for asset impairment		188 997 710		275 000 000		275 000 000		275 000 000		285 100 184		10 899 816	98,05	141,77
Finance Charges		31 486 400		31 486 400		31 486 400		31 486 400		29 594 115		1 892 285	93,89	93,89
Materials and Bulk purchases		684 628 836		677 159 885		673 043 275		677 159 885		696 416 388		(21 221 473)	103,13	105,08
Transfers and Grants		3 240 000		5 540 000		5 540 000		5 540 000		5 549 000		(9 000)	100,00	170,89
Other (loss) in response of assets		-		-		-		-		11 441 858		(11 441 858)	-	-
Fiscal adjustment on biological assets		-		-		-		643 944		-		643 944	-	-
Other Expenditure		285 243 795		329 952 795		335 481 892		329 952 795		417 620 763		(87 667 968)	126,65	146,51
Total Expenditure		1 676 108 000		1 783 473 760		1 783 473 760		1 783 473 760		1 819 119 250		(37 645 490)	107	115
Loss: Impairment of Assets		-		-		-		-		-		-	-	-
Surplus/(profit)		67 625 000		149 545 095		143 038 818		148 545 095		(143 058 884)		291 405 948	(16)	(14)
Transfer Recognised - capital		385 076 000		385 321 955		381 787 955		386 321 955		137 076 977		189 244 973	8,66	10,59
Contributions Recognised - capital & contributors assets		-		-		-		-		-		-	0,00	0,00
Surplus/(profit) after capital transfer and contributions		465 896 000		534 897 020		534 896 773		534 897 020		44 018 093		291 405 949	(16)	(14)
Share of Surplus/Deficit of associate		-		-		-		-		-		-	-	-
Surplus for the year		465 896 000		534 897 020		534 896 773		534 897 020		44 016 093		291 405 949		
Capital expenditure and funds resources														
Capital Expenditure		389 870 000		386 321 955		391 767 955		386 321 955		187 076 977		195 244 978	35,05	36,57
Transfers recognised - Capital		-		-		-		-		-		-	0,00	0,00
Public Contributions and Donations		-		-		-		-		-		-	0,00	0,00
Borrowing		97 000 000		147 482 045		147 482 045		147 482 045		152 595 348		(5 103 343)	28,59	31,45
Internally generated funds		485 076 000		533 804 000		539 259 000		533 804 000		339 662 345		194 141 635	84	70
Total sources of capital		581 876 000		667 607 999		678 516 999		667 607 999		479 274 710		198 333 289		
Cash Flows														
Cash/cash equivalents at the beginning of the year		10 000 000		96 676 000		96 676 000		96 676 000		-		-	-	-
Net Cash from/(Used) operating		672 562 000		859 873 000		859 873 000		859 873 000		-		-	-	-
Net Cash from/(Used) Investing		(483 070 000)		(531 804 000)		(531 804 000)		(531 804 000)		-		-	-	-
Net Cash from/(Used) Financing		(23 507 000)		(23 507 000)		(23 507 000)		(23 507 000)		-		-	-	-
Cash/cash equivalents at the year end		176 515 000		401 240 000		401 240 000		401 240 000		401 240 000		401 240 000		

GROUP

Reconciliation of Budget surplus/deficit with the surplus/deficit in the statement of financial performance

Note
Net surplus/deficit per the statement of Financial performance 48,219,916

Adjusted for:
Revenue variances -161,825,976
Fair value adjustments income 0
Surplus on the sale of assets 0
Add: Revenue variances (161,825,976)

Adjustment for:
Expenditure variances 110,244,449
Expenditures recognised 0
Fair value adjustments expenditure 0
Loss on sale of asset 0
Less: Expenditure variances 110,244,449
Debt Impairment - Actual 0
Debt Impairment - Budget 0

Net surplus/deficit per approved budget -51,581,527

	Actual	Budget	Variance
Note 1			
Revenue	254,720,916	253,992,000	738,916
Property rates	10,393,100	10,894,502	(501,402)
Rental Income (PHA)	666,810,237	985,328,580	(318,518,353)
Service Charges	22,198,475	8,677,285	13,521,190
Interest Earned - External Investments	501,274,579	481,336,865	9,943,724
Government Grants and Subsidies	126,581,874	223,510,925	(96,945,951)
Other Income	1,781,959,181	1,943,785,167	(161,825,976)
Total Revenue			

	Actual	Budget	Variance
Note 2			
Expenditure	418,090,943	408,835,447	8,215,496
Employee Costs	21,922,288	21,458,085	466,193
Remuneration of Councilors	1,269,824	1,418,829	(209,705)
Remuneration of Directors (PHA)	51,121,069	40,000,000	11,121,069
Debt Impairment	268,683,651	279,000,000	(10,316,349)
Depreciation and asset impairment	32,282,091	30,298,400	1,983,691
Finance Charges	898,415,398	877,193,985	21,221,413
Materials and Bulk purchase	5,540,000	5,540,000	-
Transfers and Grants	(11,441,859)	-	(11,441,859)
Other Expenditure	(643,844)	-	(643,844)
Fair value adjustments expenditure	429,746,607	333,799,092	85,945,515
Loss on sale of asset	1,502,843,007	1,792,596,558	(289,753,551)
Total Expenditure			

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Reconciliation of Budget surplus/deficit with the surplus/deficit in the statement of financial performance

Note
Net surplus/deficit per the statement of Financial performance 44,016,093

Adjusted for:
Revenue variances -159,000,490
Fair value adjustments income 0
Surplus on the sale of assets 0
Add: Revenue variances (159,000,490)

1
Adjustment for:
Expenditure variances 108,233,856
Impairments recognised 0
Fair value adjustments expenditure 0
Loss on sale of asset 0
2 108,233,856
Less: Expenditure variances 0
Debt Impairment - Actual 0
Debt Impairment - Budget 0

Net surplus/deficit per approved budget -50,786,634

	Actual	Budget	Variance
Note 1			
Revenue	254,720,916	253,982,000	738,916
Property rates	867,19,757	955,328,550	(87,809,833)
Service Charges	23,016,680	8,677,285	14,339,395
Interest Earned - External Investments	501,274,579	491,330,855	9,943,724
Government Grants and Subsidies	126,526,434	222,739,125	(96,412,691)
Other Income	1,773,059,365	1,932,059,855	(159,000,490)
Total Revenue			

	Actual	Budget	Variance
Note 2			
Expenditure	412,054,892	402,054,805	10,000,087
Employee Costs	21,922,288	21,486,095	466,193
Remuneration of Councilors	53,486,087	40,000,000	13,486,087
Debt Impairment	285,100,184	276,000,000	9,100,184
Depreciation and asset impairment	28,594,115	31,486,400	(2,892,285)
Finance Charges	698,415,388	677,193,895	21,221,473
Materials and Bulk purchases	5,540,000	5,540,000	-
Transfers and Grants	(11,441,599)	-	(11,441,599)
Other Expenditure	(643,844)	-	(643,844)
Fair value adjustments expenditure	417,920,263	329,992,795	87,927,468
Loss on sale of asset	1,391,647,848	1,783,713,790	(392,065,942)
Total Expenditure			

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 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the municipality and the municipal entity.

The annual financial statements of the municipality and its municipal entity are used in the preparation of the consolidated annual financial statements and are prepared as of the same reporting period.

On acquisition the economic entity recognises the municipal entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale which are recognised at fair value less costs to sell.

The results of the municipal entity are included from the effective date of acquisition. Where necessary, adjustments are made to the consolidated annual financial statements of the municipal entity to bring their accounting policies used in line with those of the municipality.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

1.2 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.

1.3 Presentation of Currency

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

1.4 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 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 recognises past service cost as an expense in the reporting period in which the plan is amended.

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

The return on plan assets is interest, dividends 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, a 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, a 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 February 2011

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;
- 3 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

	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
2. HOUSING DEVELOPMENT FUND				
	10 754 922	11 247 728	10 754 922	11 247 728
Unappropriated Surplus	7 774 951	8 267 757	7 774 951	8 267 757
Loans extinguished by Government in April 1998	2 979 971	2 979 971	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	507 721	507 721
Housing selling scheme loans	1 605 037	2 243 264	1 605 037	2 243 264
Bank and cash	8 642 164	8 496 743	8 642 164	8 496 743
	<u>10 754 922</u>	<u>11 247 728</u>	<u>10 754 922</u>	<u>11 247 728</u>
3. RESERVES				
Revaluation Reserve	<u>860 899 434</u>	<u>826 344 434</u>	<u>770 838 771</u>	<u>770 838 771</u>
4. BORROWINGS				
Non-Current Borrowings				
Local Registered Stock loans	516 595	516 595	516 595	516 595
National Housing Finance Corporation - Held at fair value	28 959 603	33 011 343	0	0
Annuity loans	298 071 322	333 879 229	298 071 322	333 879 229
	<u>327 547 520</u>	<u>367 407 166</u>	<u>298 587 917</u>	<u>334 395 823</u>
Current Portion of Borrowings	43,104,644	42,527,595	36 384 956	35 807 907
National Housing Finance Corporation - Held at fair value	6,719,688	6,719,688	0	0
Local Registered Stock loans	150 000	0	150 000	0
Annuity loans	36 234 956	35 807 907	36 234 956	35 807 907
	<u>284,442,876</u>	<u>324,879,571</u>	<u>262 202 961</u>	<u>298 587 916</u>
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 on 18 February 2011 to borrow R320 million at a interest rate of 8.875% over 10 years.				
5. CONSUMER DEPOSITS				
Rentals - PHA	2,665,815	2,523,762	-	-
Water and electricity	63 788 114	62 072 194	63 788 114	62 072 194
	<u>66,453,929</u>	<u>64,595,957</u>	<u>63 788 114</u>	<u>62 072 194</u>
No interest is paid on consumer deposits.				
Guarantees held in lieu of electricity and water deposits	<u>10 221 261</u>	<u>8 888 046</u>	<u>10 221 261</u>	<u>8 888 046</u>

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

	2013	GROUP	2013	MUNICIPALITY
	R	2012	R	2012
		R		R
6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS				
Trade Creditors	119 138 890	92,440,441	117 642 827	91 546 775
Amounts received in advance	32 402 686	29,142,494	32 079 138	28 555 906
Other	11 453 591	11,340,542	11 439 046	11 318 258
Guarantees	0	261,795	0	261 795
Leave bonus (13th cheque)	10 469 729	7,806,681	10 357 827	7 701 607
Staff leave	44 300 454	43,897,065	44 166 793	43 831 646
Retention withheld on projects	34 326 540	35,203,058	34 326 540	35 203 058
Unidentified receipts	14 536 662		14 536 662	
VAT Payable (Output)	23 920 628		23 920 628	
	<u>290 549 180</u>	<u>220,092,076</u>	<u>288 469 461</u>	<u>218 419 045</u>
7. CURRENT UNSPENT CONDITIONAL GRANTS FROM GOVERNMENT AND PUBLIC DONATIONS				
Local Government Restructuring Grant	953 927	953 927	953 927	953 927
Public Transport Infrastructure and Systems Grant	42 338 277	34 276 855	42 338 277	34 276 855
Municipal Infrastructure Grant	137 656 169	111 398 780	137 656 169	111 398 780
Limpopo Provincial Government	2 949 710	2 949 710	2 949 710	2 949 710
Water Services Refurbishment Grant	2 057 677	6 407 000	2 057 677	6 407 000
Integrated National Electrification Programme Grant	1 374 328	0	1 374 328	0
Electricity Demand Side Management Grant	0	8 537 558	0	8 537 558
Housing Accreditation Grant	364 781	349 572	364 781	349 572
Local Government Transition Grant	649 874	649 874	649 874	649 874
Local Economic Development Grant	54 714	54 714	54 714	54 714
Neighbourhood Development Partnership Grant	0	0	0	0
Expanded Public Works Programme Incentive Grant	0	2 464 617	0	2 464 617
Sport & Recreation	0	371 197	0	371 197
Local Organising Committee	0	0	0	0
National Lottery	6 153 144	6 153 144	6 153 144	6 153 144
COGHSTA grant to PHA	25 012 589	23 765 147	0	0
	<u>219 565 190</u>	<u>198 332 095</u>	<u>194 552 601</u>	<u>174 566 948</u>

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

GROUP
PROPERTY, PLANT & EQUIPMENT

	Land and Buildings R	Infrastructure R	Other and Movable R	Finance lease R	Total R
Carrying values at 30 June 2011	2,610,426,930	2,784,037,846	186,600,102	6,167,338	5,686,431,214
Cost	2,608,812,349	3,022,014,983	246,244,630	11,594,362	5,988,666,333
Accumulated depreciation – cost	1,613,582	(237,877,137)	(59,744,527)	(5,427,025)	(302,535,118)
Acquisitions	15,088,061	106,144,643	15,118,831	0	136,351,535
Disposal of prior year	0	0	416,716	0	416,716
Capital Work in Progress	37,736,300	172,037,109	0	0	209,773,409
Depreciation – based on cost	(66,184,855)	(109,712,325)	(26,184,314)	(3,834,346)	(205,915,840)
Revaluation/Impairment	14,559,306	0	(988,600)	0	(15,565,696)
Other movements/transfers	0	0	(41)	0	(41)
Disposal of movements/transfers	0	0	(3,834,346)	0	(3,834,346)
Carrying values at 30 June 2012	2,682,636,155	2,952,507,231	169,613,673	2,332,981	5,707,376,766
Cost	2,947,077,428	3,300,196,694	280,376,970	11,594,362	6,219,645,054
Accumulated depreciation – cost	664,571,273	(347,689,463)	(110,763,297)	(9,261,371)	(612,285,304)
Acquisitions	325,011	126,877,478	6,753,728	24,060,150	156,816,368
Transfer	0	0	0	0	0
Capital Work in Progress	43,315,020	139,530,078	0	0	182,845,098
Depreciation – based on cost	(69,407,122)	(158,778,596)	(22,585,350)	(2,954,464)	(264,725,533)
Revaluation/Impairment	34,555,000	0	0	0	34,555,000
Other movements/transfers	0	0	0	0	0
Carrying value of disposals	0	(3,130,053)	(8,311,805)	0	(11,441,858)
Cost	0	(4,265,541)	(16,112,114)	0	(19,407,655)
Accumulated depreciation	0	1,105,488	6,800,309	0	7,905,797
Carrying values at 30 June 2013	2,580,264,964	3,055,606,138	166,470,246	23,438,677	5,805,426,741
Cost	2,726,273,850	3,561,108,709	262,018,484	36,654,512	6,574,417,766
Accumulated depreciation – cost	(144,978,886)	(505,502,571)	(105,548,238)	(12,215,835)	(768,045,400)

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 of movable assets. During the asset verification movable assets were identified that were not on the asset register. These assets The Land and Building register was reconciled to the valuation roll. Various discrepancies were identified and the register was

R293 Properties

The municipality has handed over R293 land to the community without compensation. The transfer of the land has not taken place by year end and its value could not be ascertained

MUNICIPALITY
PROPERTY, PLANT & EQUIPMENT

	Land and Buildings R	Infrastructure R	Other and Movable R	Finance lease R	Total R
Carrying values at 30 June 2011	2,484,687,930	2,784,037,846	186,006,897	6,167,336	5,460,907,009
Cost	2,474,430,212	3,022,014,983	244,915,288	11,594,362	5,752,963,845
Accumulated depreciation – cost	10,181,718	(237,877,137)	(58,908,391)	(5,427,025)	(292,893,935)
Acquisitions	15,088,061	106,144,643	15,097,927	0	136,330,631
Disposal of prior year	0	0	416,716	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)	(26,026,092)	(3,834,346)	(201,617,926)
Revaluation/Impairment	0	0	(1,202,194)	0	(1,202,194)
Other movements/transfers	0	0	(41)	0	(41)
Disposal of movements/transfers	0	0	(3,834,346)	0	(3,834,346)
Carrying values at 30 June 2012	2,475,636,155	2,952,507,231	169,043,192	2,332,981	5,499,935,265
Cost	2,577,263,569	3,300,196,694	256,611,021	11,594,362	6,089,265,281
Accumulated depreciation – cost	(61,627,414)	(347,689,463)	(87,567,829)	(9,261,371)	(498,345,100)
Acquisitions	325,011	126,877,478	6,753,728	24,060,150	156,816,368
Transfer	0	0	0	0	0
Capital Work in Progress	43,315,020	139,530,078	0	0	182,845,098
Depreciation – based on cost	(76,382,122)	(158,778,596)	(22,468,416)	(2,954,464)	(261,183,598)
Revaluation/Impairment	0	(3,130,053)	(8,311,805)	0	(11,441,858)
Carrying value of disposals	0	(4,265,541)	(16,112,114)	0	(19,407,655)
Cost	0	(4,265,541)	(16,112,114)	0	(19,407,655)
Accumulated depreciation	0	1,105,488	6,800,309	0	7,905,797
Carrying values at 30 June 2013	2,442,264,964	3,055,606,138	145,016,696	23,438,677	5,666,375,184
Cost	2,570,904,530	3,561,108,709	250,462,935	36,654,512	6,418,537,102
Accumulated depreciation – cost	(128,606,566)	(505,502,571)	(105,435,938)	(12,215,835)	(751,963,908)

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.

Movable 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.

The Land and Building register was reconciled to the valuation roll. Various discrepancies were identified and the register was updated accordingly. It was also found that some of the properties value on the register did not correspond with the values on the valuation roll and the register was amended accordingly.

8.1 GROUP: INTANGIBLE ASSETS

	2013 R	2012 R
Carrying Value Opening Balance	21,750,887	23,181,542
Cost	34,282,878	26,883,500
Accumulated amortisation	(12,531,991)	(2,701,958)
Acquisitions	0	1,589,406
Capital Work in Progress	0	6,708,872
Amortisation – based on cost	(3,916,585)	(9,830,033)
Revaluation/Impairment	0	0
Carrying value of disposals	0	0
Cost/Accumulated amortisation	17,834,302	21,750,887
Carrying Value Closing Balance	17,834,302	34,282,878
Cost	34,282,878	34,282,878
Accumulated amortisation	(16,448,576)	(12,531,991)

Reconciliation of Intangible Assets - 2013

	Carrying value Balance R	Opening R	Additions R	Amortisation R	Carrying value Closing Balance R
Computer software	21,038,355	21,038,355	0	(8,560,326)	17,478,041
Aerial photographs	712,522	712,522	0	(356,261)	356,261
	21,750,887	21,750,887	0	(8,916,586)	17,834,302

8.1 MUNICIPALITY: INTANGIBLE ASSETS

	2013 R	2012 R
Carrying Value Opening Balance	21,750,887	23,181,542
Cost	34,282,878	26,883,500
Accumulated amortisation	(12,531,991)	(2,701,958)
Acquisitions	0	1,589,406
Capital Work in Progress	0	6,708,872
Amortisation – based on cost	(3,916,585)	(9,830,033)
Revaluation/Impairment	0	0
Carrying value of disposals	0	0
Cost/Accumulated amortisation	17,834,302	21,750,887
Carrying Value Closing Balance	17,834,302	34,282,878
Cost	34,282,878	34,282,878
Accumulated amortisation	(16,448,576)	(12,531,991)

Reconciliation of Intangible Assets - 2013

	Carrying value Balance R	Opening R	Additions R	Amortisation R	Carrying value Closing Balance R
Computer software	21,038,355	21,038,355	0	(8,560,326)	17,478,041
Aerial photographs	712,522	712,522	0	(356,261)	356,261
	21,750,887	21,750,887	0	(8,916,586)	17,834,302

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

8.2. INVESTMENT PROPERTY	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
Carrying Value Opening Balance	234,602,329	234,602,329	234,602,329	234,602,329
Cost	234,602,329	234,602,329	234,602,329	234,602,329
Accumulated depreciation				
Carrying Value Closing Balance	234,602,329	234,602,329	234,602,329	234,602,329
Cost	234,602,329	234,602,329	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	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
Carrying Value Opening Balance	11,145,452	11,145,452	11,145,452	11,145,452
Cost	11,145,452	11,145,452	11,145,452	11,145,452
Accumulated depreciation	-	-	-	-
Depreciation – based on cost				
Carrying Value Closing Balance	11,145,452	11,145,452	11,145,452	11,145,452
Cost	11,145,452	11,145,452	11,145,452	11,145,452
Accumulated depreciation		-		-

The municipality previously recognised Heritage assets as part of property, plant and equipment.

8.4. BIOLOGICAL ASSETS	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
Carrying Value Opening Balance	14,609,293	14,609,293	14,609,293	14,609,293
Cost	14,609,293	14,609,293	14,609,293	14,609,293
Accumulated depreciation	-	-	-	-
Changes in fair value adjustments	(643,944)		(643,944)	
Depreciation – based on cost				
Carrying Value Closing Balance	13,965,349	14,609,293	13,965,349	14,609,293
Cost	13,965,349	14,609,293	13,965,349	14,609,293
Accumulated depreciation	0	-	0	-

All biological assets relate to game.
The prior year adjustment relates to depreciation that was incorrectly provided.

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

	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
9. INVESTMENTS				
Long Term Investments				
Standard Bank	58 999 800	58 999 800	58 999 800	58 999 800
Investment in municipal entity (THA)	-	-	8 217 389	8 217 389
Held to maturity investment (COGHSTA PHA Unspent Grant)	25,012,589	23,765,147	0	0
	<u>84 012 389</u>	<u>82 764 947</u>	<u>67 217 189</u>	<u>67 217 189</u>
Short Term Fixed Deposits				
ABSA Bank	50 000 000	50 000 000	50 000 000	50 000 000
First National Bank	40 000 000	40 000 000	40 000 000	40 000 000
Ned bank	65 000 000	60 000 000	65 000 000	60 000 000
Standard Bank	65 000 000	73 808 054	65 000 000	73 808 054
	<u>220 000 000</u>	<u>223 808 054</u>	<u>220 000 000</u>	<u>223 808 054</u>
Total Investments	<u>304 012 389</u>	<u>306 573 001</u>	<u>287 217 189</u>	<u>291 025 243</u>
Council's valuation of investments	<u>304 012 389</u>	<u>306 573 001</u>	<u>287 217 189</u>	<u>291 025 243</u>

No investments have been written off during the year.

The Standard Bank long term investment serves as guarantee for Eskom bulk purchases

	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
10. RECEIVABLES				
Non-Current Portion of Receivables				
Housing selling scheme loans	1 606 037	2 243 264	1 606 037	2 243 264
Sport loans	718 297	662 638	718 297	662 638
Erven loans	7 418 620	7 419 480	7 418 620	7 419 480
Loan to Subsidiary - Polokwane Housing Association	-	-	6 662 528	5 844 323
	<u>9 741 955</u>	<u>10 325 381</u>	<u>16 404 483</u>	<u>16 169 704</u>
Current Portion of Receivables				
Current portion transferred to current receivables	7 662 736	7 502 238	8 595 490	7 502 238
Housing selling scheme loans	40 015	132 494	40 015	132 494
Sport loans	257 319	0	257 319	0
Erven loans	7 365 402	7 369 744	7 365 402	7 369 744
Polokwane Housing Association	-	-	932 754	-
	<u>2 079 219</u>	<u>2 823 143</u>	<u>7 808 993</u>	<u>8 667 466</u>

Housing selling scheme loans
These loans have different interest rates and loans 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 10 years. These loans are repayable in 2016.

Erven loans
These loans were granted to the community for the purchase of stands. The loans attract different interest rates.

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

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

Consumer Debtors	585,489,060	413,486,762	576 958 509	408 225 260
Sale of water and electricity 15 to 30 June	27 245,873	26 246,588	27 245 873	26 246 588
	612,734,933	439,733,350	604 204 382	434 471 848
Less Provision for bad debts	(226,417,220)	(175,296,154)	(221 833 013)	(168 346 946)
Less contra debtors suspense account	(31,398,377)	(2,806,684)	(31 398 377)	(2 806 684)
Plus outstanding RD cheques	1,073,809	134,733	1 073 809	134 733
	355,993,145	261,765,245	352 046 801	263 452 951
Ageing of consumer debtors				
Current (0-30 days)	153,513,450	119,500,842	152 688 160	119 500 842
31-60 days	29,296,141	26,970,400	28 496 912	26 970 400
61-90 days	19,376,199	16,620,294	18 690 249	16 620 294
91-120 days	18,169,722	12,282,698	17 460 695	12 282 698
120+ days	385,587,125	262,557,472	386 670 367	254 090 730
	615,942,636	437,931,706	604 204 382	429 464 964
Consumer debtors per category				
Government	4,314,815	46,425,701	4 314 815	46 425 701
Business	170,450,634	137,343,215	170 450 634	137 343 215
Individuals	269,585,678	243,341,678	257 847 424	234 874 936
Other	171,591,509	10,822,112	171 591 509	10 822 112
	615,942,636	437,932,706	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	175,296,154	145,856,743	168 346 946	145 856 743
Contributions to provision	53,486,067	45,141,201	53 486 067	38 191 993
Bad debts recovered/(written off) against provision	-	(15,701,790)	0	(15 701 790)
Over provision previous year	(2,365,001)	-	-	-
Balance at year end	226,417,220	175,296,154	221 833 013	168 346 946

	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
13. OTHER RECEIVABLES				
Other debtors	19 231 731	14 430 406	18 635 498	13 552 382
Deposits	557 900	509 300	557 900	509 300
	<u>19 789 631</u>	<u>14 939 706</u>	<u>19 193 398</u>	<u>14 061 682</u>
14. VAT				
VAT refundable by SARS	21 665 832	65 908 014	21 665 832	65 908 014
Vat is payable on cash basis.				
15. CASH AND CASH EQUIVALENTS				
The group has the following bank accounts:				
Current account (primary bank account)				
Standard Bank: Polokwane				
Account number: 030172349				
Bank statement balance at beginning of year	9 072 633	10 122 899	9 072 633	10 122 899
Bank statement balance at end of year	<u>49 520 030</u>	<u>9 072 633</u>	<u>49 520 030</u>	<u>9 072 633</u>
Cash book balance at beginning of year	10 866 064	4 863 581	10 866 064	4 863 581
Cash book balance at end of year	<u>51 438 356</u>	<u>10 866 064</u>	<u>51 438 356</u>	<u>10 866 064</u>
Housing Account				
Standard Bank: Polokwane				
Account number: 330535269				
Bank statement balance at beginning of year	349 572	333 424	349 572	333 424
Bank statement balance at end of year	<u>364 781</u>	<u>349 572</u>	<u>364 781</u>	<u>349 572</u>
Cash book balance at beginning of year	364 781	333 424	364 781	333 424
Cash book balance at end of year	<u>364 781</u>	<u>349 572</u>	<u>364 781</u>	<u>349 572</u>
Other	233 429	14 134	233 429	14 134
Petty cash	24 770	43 820	24 710	43 760
PHA Bank balances	2 093 459	2 330 029	-	-
	<u>54 154 796</u>	<u>13 603 619</u>	<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>	<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

	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
17	PROPERTY RATES			
Residential	96,548,725	88,444,976	96 548 725	88 444 976
Government	28,576,139	24,993,029	28 576 139	24 993 029
Commercial	102,224,099	90,876,646	102 224 099	90 876 646
Other	27,371,952	25,108,048	27 371 952	25 108 048
	<u>254,720,916</u>	<u>229,422,699</u>	<u>254 720 916</u>	<u>229 422 699</u>
	VALUATIONS			
	R000's	R000's	R000's	R000's
Residential	21,139,990,000	20,840,135	21 139 990 000	20 840 135
Government	3,489,818,000	3,481,208	3 489 818 000	3 481 208
Commercial	12,508,821,527	12,394,250	12 508 821 527	12 394 250
Municipal	2,057,748,392	2,045,913	2 057 748 392	2 045 913
Other	6,348,468,500	6,332,941	6 348 468 500	6 332 941
	<u>45,544,846,419</u>	<u>45,094,447</u>	<u>45 544 846 419</u>	<u>45 094 447</u>
	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.			
18	SERVICE CHARGES			
Rental of houses and admin charges(PHA)	10,425,900	10,371,645	-	-
Sale of electricity	605,486,199	556,892,476	605 486 199	556 892 476
Sale of water	164,175,447	137,850,018	164 175 447	137 850 018
Refuse removal	51,409,165	47,227,905	51 409 165	47 227 905
Sewerage and sanitation charges	46,448,945	39,311,034	46 448 945	39 311 034
	<u>877 945 657</u>	<u>791 653 078</u>	<u>867 519 757</u>	<u>781 281 433</u>
19	RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities	12,467,134	5,509,961	12 467 134	5 509 961
Rental of equipment	0	0	0	0
Total rentals	<u>12 467 134</u>	<u>5 509 961</u>	<u>12 467 134</u>	<u>5 509 961</u>
20	GOVERNMENT SUBSIDIES & GRANTS			
<i>Operating Grants</i>	501 274 579	367 484 803	501 274 579	367 484 803
Equitable share	388 232 000	350 705 000	388 232 000	350 705 000
Municipal systems improvement grant	800 000	790 000	800 000	790 000
Water services operating grant	3 273 000	13 111 000	3 273 000	13 111 000
Finance management grant	1 500 000	1 250 000	1 500 000	1 250 000
Municipal infrastructure grant	37 821 957	0	37 821 957	0
Integrated national electrification programme grant	14 625 672	0	14 625 672	0
Electricity demand side management grant	7 030 429	0	7 030 429	0
Expanded public works programme incentive grant	5 300 000	0	5 300 000	0
National Lottery	0	8 846 856	0	8 846 856
Public transport infrastructure and systems grant	39 320 324	0	39 320 324	0
Local organizing committee	0	25 000 000	0	25 000 000
Infrastructure skills development grant	3 000 000	0	3 000 000	0
Sport & Recreation	371 197	1 628 803	371 197	1 628 803
<i>Capital Grants</i>	187 076 977	216 313 179	187 076 977	213 510 998
Municipal infrastructure grant	157 434 655	160 800 542	157 434 655	160 800 542
Finance management grant	0	0	0	0
Integrated national electrification programme grant	0	16 111 934	0	16 111 934
Electricity demand side management grant	3 507 129	951 973	3 507 129	951 973
Public transport infrastructure and systems grant	1 321 254	14 792 776	1 321 254	14 792 776
Expanded public works programme incentive grant	2 464 617	1 248 481	2 464 617	1 248 481
Neighbourhood development grant	18 000 000	19 605 292	18 000 000	19 605 292
Public partners	0	0	0	0
COGHSTA Ga-Rena Phase II	0	0	0	0
Anglo platinum	0	2 802 181	0	2 802 181
Water services refurbishment grant	4 349 323	0	4 349 323	-
Total Government Grants & Subsidies	<u>688 351 556</u>	<u>580 955 801</u>	<u>688 351 556</u>	<u>580 955 801</u>

20	GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)	GROUP		2013 R	2012 R	2013 R	MUNICIPALITY 2012 R
		2013 R	2012 R				
20.1	Equitable Share						
	Balance unspent at beginning of year	0	0	0	0	0	0
	Current year receipts	388 232 000	350 705 000	388 232 000	350 705 000	388 232 000	350 705 000
	Conditions met – transferred to revenue	(388 232 000)	(350 705 000)	(388 232 000)	(350 705 000)	(388 232 000)	(350 705 000)
		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	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 R180.00 (2011: R141.00) which is funded from this grant.						
20.2	Restructuring Grant						
	Balance unspent at beginning of year	953 927	953 927	953 927	953 927	953 927	953 927
	Current year receipts	0	0	-	-	-	-
	Conditions met – transferred to revenue	0	0	0	0	0	0
	Unspent amount transferred to liabilities (see note 7)	<u>953 927</u>	<u>953 927</u>	<u>953 927</u>	<u>953 927</u>	<u>953 927</u>	<u>953 927</u>
	The grant was used for various restructuring initiatives.						
20.3	Finance Management Grant						
	Balance unspent at beginning of year	0	0	0	0	0	0
	Current year receipts	1 500 000	1 250 000	1 500 000	1 250 000	1 500 000	1 250 000
	Conditions met – transferred to revenue	(1 500 000)	(1 250 000)	(1 500 000)	(1 250 000)	(1 500 000)	(1 250 000)
	Unspent amount transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	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	3 273 000	13 111 000	3 273 000	13 111 000
	Conditions met – transferred to revenue	(3 273 000)	(13 111 000)	(3 273 000)	(13 111 000)	(3 273 000)	(13 111 000)
	Unspent amount transferred to liabilities (see note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	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	34 276 855	5 250 000	34 276 855	5 250 000
	Current year receipts	48,703,000	55,347,000	48 703 000	55 347 000	48 703 000	55 347 000
	Conditions met – transferred to revenue	(40,641,579)	(14,792,776)	(40 641 579)	(14 792 776)	(40 641 579)	(14 792 776)
	Paid back to National Treasury	-	(11,527,369)	0	(11 527 369)	0	(11 527 369)
	Unspent amount transferred to liabilities (see note 7)	<u>42,338,277</u>	<u>34,276,855</u>	<u>42 338 277</u>	<u>34 276 855</u>	<u>42 338 277</u>	<u>34 276 855</u>
	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	0	0	0	0
	Current year receipts	800 000	790 000	800 000	790 000	800 000	790 000
	Conditions met – transferred to revenue	(800 000)	(790 000)	(800 000)	(790 000)	(800 000)	(790 000)
	Unspent amount transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	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	371 197	0	371 197	0
	Current year receipts	0	2 000 000	0	2 000 000	0	2 000 000
	Conditions met – transferred to revenue	(371 197)	(1 628 803)	(371 197)	(1 628 803)	(371 197)	(1 628 803)
	Unspent amount transferred to liabilities (see note 7)	<u>(0)</u>	<u>371 197</u>	<u>(0)</u>	<u>371 197</u>	<u>(0)</u>	<u>371 197</u>
	This grant was utilised for sport related operating expenses. The conditions of the grant were met and no funds have been withheld.						

	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
20.7 Municipal Infrastructure Grant				
Balance unspent at beginning of year	111 398 780	118 520 005	111 398 780	118 520 005
Current year receipts	221 514 000	182 607 000	221 514 000	182 607 000
Conditions met – transferred to revenue	(195 256 611)	(160 800 542)	(195 256 611)	(160 800 542)
Paid back to National Treasury	0	(28 927 683)	0	(28 927 683)
Unspent amount transferred to liabilities (see note 7)	137 656 169	111 398 780	137 656 169	111 398 780
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	2 949 710	2 949 710
Current year receipts	0	0	0	0
Conditions met – transferred to revenue	0	0	0	0
Unspent amount transferred to liabilities (see note 7)	2 949 710	2 949 710	2 949 710	2 949 710
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	-	6 407 000	-
Current year receipts	-	6 407 000	0	6 407 000
Conditions met – transferred to revenue	(4 349 323)	-	(4 349 323)	-
Unspent amount transferred to liabilities (see note 7)	2 057 677	6 407 000	2 057 677	6 407 000
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	349 572	333 424
Current year receipts	15 209	16 148	15 209	16 148
Conditions met – transferred to revenue	0	0	0	0
Unspent amount transferred to liabilities (see note 7)	364 781	349 572	364 781	349 572
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	649 874	649 874
Current year receipts	0	0	0	0
Conditions met – transferred to revenue	0	0	0	0
Unspent amount transferred to liabilities (see note 7)	649 874	649 874	649 874	649 874
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	54 714	54 714
Current year receipts	0	0	0	0
Conditions met – transferred to revenue	0	0	0	0
Unspent amount transferred to liabilities (see note 7)	54 714	54 714	54 714	54 714
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	0	7 992 204
Current year receipts	16 000 000	22 800 000	16 000 000	22 800 000
Conditions met – transferred to revenue	(14 625 672)	(16 111 934)	(14 625 672)	(16 111 934)
Paid back to National Treasury	0	(14 680 270)	0	(14 680 270)
Unspent amount transferred to liabilities (see note 7)	1 374 328	0	1 374 328	-
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	8 537 558	257 208
Current year receipts	2 000 000	12 000 000	2 000 000	12 000 000
Conditions met – transferred to revenue	(10 537 558)	(951 973)	(10 537 558)	(951 973)
Paid back to National Treasury	0	(2 767 677)	0	(2 767 677)
Unspent amount transferred to liabilities (see note 7)	0	8 537 558	0	8 537 558
The grant was used to fund projects in order to mitigate the risk of load shedding and supply				

	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
20.15				
<i>Expanded Public Works Programme Incentive Grant</i>				
Balance unspent at beginning of year	2 464 617	970 098	2 464 617	970 098
Current year receipts	5 300 000	2 743 000	5 300 000	2 743 000
Conditions met – transferred to revenue	(7 764 617)	(1 248 481)	(7 764 617)	(1 248 481)
Unspent amount transferred to liabilities (see note 7)	0	2 464 617	0	2 464 617
The grant was used to fund projects in order to maximise job creation and skills development .				
20.16				
<i>Neighbourhood Development Partnership Grant</i>				
Balance unspent at beginning of year	0	2 605 292	0	2 605 292
Current year receipts	18 000 000	17 000 000	18 000 000	17 000 000
Conditions met – transferred to revenue	(18 000 000)	(19 605 292)	(18 000 000)	(19 605 292)
Unspent amount transferred to liabilities (see note 7)	0	0	-	-
The grant was used to fund projects in order to provide community infrastructure to improve quality of life of residents in townships .				
20.17				
<i>Skills Development Fund</i>				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	3 000 000	3 000 000	3 000 000	3 000 000
Conditions met – transferred to revenue	(3 000 000)	-	(3 000 000)	-
Unspent amount transferred to liabilities (see note 7)	-	-	-	-
The grant was paid over to Lepelle Northern Water Board accordance a 3 party agreement with National Treasury.				
COGHSTA Ga-Rena Phase 2 Grant				
20.18.				
Balance unspent at beginning of year	23 765 147	23,765,147	-	-
Interest capitalised during the year	1,247,442	-	-	-
Conditions met – transferred to revenue	-	-	-	-
Unspent amount transferred to liabilities (see note 7)	26,012,589,48	23 765 147	-	-
PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED PROPERTY, PLANT & EQUIPMENT				
21				
<i>National Lottery</i>				
Balance unspent at beginning of year	6 153 144	26 296 000	6 153 144	26 296 000
Current year receipts	0	16 506 181	0	16 506 181
Conditions met – transferred to revenue	0	(36 649 037)	0	(36 649 037)
Unspent amount transferred to liabilities (see note 7)	6 153 144	6 153 144	6 153 144	6 153 144
The grant was not utilised				
Total Unspent grants, Subsidies & Public Contributions See note 7 for reconciliation	194 552 601	174 566 948	194 552 601	174 566 948
22				
INVESTMENT REVENUE				
EXTERNAL INVESTMENTS				
Current account	9 889 404	7 902 589	9 889 404	7 902 589
External investments	12 309 811	15 935 628	12 308 626	15 933 780
Investment in PHA	-	-	818 205	717 724
	22 199 215	23 838 217	23 016 680	24 554 093
23				
OTHER REVENUE				
Building plan fees	4 901 517	3 084 698	4 901 517	3 084 698
Sale of even	0	1 264 912	0	1 264 912
Surcharge excess water consumption	56 884 235	27 653 014	56 884 235	27 653 014
Royalties Silicon	2 197 121	316 101	2 197 121	316 101
Refund Seta levy	3 278 471	2 091 788	3 278 471	2 091 788
Retention forfeited	0	6 540 551	0	6 540 551
Insurance claims	1 743 513	3 908 950	1 743 513	3 908 950
Admission fees	664 060	748 108	664 060	748 108
Gain on change in accounting basis for VAT	0	41 263 400	0	41 263 400
Sale of vehicles	1 314 995	0	1 314 995	0
Sundry income	10 364 810	8 993 979	10 363 355	8 967 903
Bad debt reversal	2,365,001	0	-	-
	83 713 723	95 865 702	81 347 268	95 839 625
24				
EMPLOYEE RELATED COSTS				
Employee related cost - Salaries and wages	257 885 619	240 867 428	254 496 324	237 100 399
Employee related cost - Social contributions	62 492 078	58 790 933	62 131 459	58 648 612
Motor car allowances	28 857 481	26 164 804	28 681 202	26 015 547
Housing benefits and other allowances	9 600 526	9 457 362	9 528 526	9 356 697
Overtime benefits	34 237 762	50 899 172	34 237 762	50 881 279
Leave bonus provision	3 125 886	487 710	2 919 370	317 217
Leave reserve provision	7 356 495	13 718 862	7 356 495	13 718 862
Long term service awards	12 703 524	2 994 417	12 703 524	2 994 417
	416 259 371	403 380 688	412 054 662	399 033 020
There were no advances paid to employees.				

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

	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
Municipal Manager				
Annual remuneration	988 138	856 947	988 138	856 947
Allowances	168 000	206 475	168 000	206 475
Council Contributions	249 020	189 324	249 020	189 324
	<u>1 405 158</u>	<u>1 252 746</u>	<u>1 405 158</u>	<u>1 252 746</u>
Chief Financial Officer				
Annual remuneration	796 333	812 400	796 333	812 400
Allowances	36 000	72 000	36 000	72 000
Council Contributions	15 781	197 933	15 781	197 933
	<u>848 114</u>	<u>1 082 333</u>	<u>848 114</u>	<u>1 082 333</u>
The position was vacant for a period of 8 months				
Director Planning & Economic Development				
Annual remuneration	666 859	503 989	666 859	503 989
Allowances	156 000	161 383	156 000	161 383
Council Contributions	160 321	129 114	160 321	129 114
	<u>983 180</u>	<u>794 486</u>	<u>983 180</u>	<u>794 486</u>
Director Engineering Services				
Annual remuneration	193 428	547 437	193 428	547 437
Allowances	56 000	168 000	56 000	168 000
Council Contributions	49 255	137 997	49 255	137 997
	<u>298 683</u>	<u>853 434</u>	<u>298 683</u>	<u>853 434</u>
The position was vacant for a period of 8 months				

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EMPLOYEE RELATED COSTS (CONT)

Director Community Services				
Annual remuneration	589 936	539 285	589 936	539 285
Allowances	216 000	216 000	216 000	216 000
Council Contributions	172 602	160 192	172 602	160 192
	<u>978 538</u>	<u>915 477</u>	<u>978 538</u>	<u>915 477</u>
Director Corporate & Shared Services				
Annual remuneration	832 887	768 677	832 887	768 677
Allowances	144 000	144 000	144 000	144 000
Council Contributions	1 665	1 557	1 665	1 557
	<u>978 552</u>	<u>914 234</u>	<u>978 552</u>	<u>914 234</u>
Director Community Development				
Annual remuneration	722 501	638 229	722 501	638 229
Allowances	84 000	197 951	84 000	197 951
Council Contributions	90 542	168 343	90 542	168 343
	<u>897 044</u>	<u>1 004 522</u>	<u>897 044</u>	<u>1 004 522</u>
Director Strategic Planning, Monitoring & Evaluation				
Annual remuneration	337 690		337 690	
Allowances	61 984		61 984	
Council Contributions	83 259		83 259	
	<u>482 933</u>	<u>0</u>	<u>482 933</u>	<u>0</u>
This is a new position. The position was filled from 1 January 2013				
Director Transportation Services				
Annual remuneration	435 213		435 213	
Allowances	112 000		112 000	
Council Contributions	99 491		99 491	
	<u>646 704</u>	<u>0</u>	<u>646 704</u>	<u>0</u>
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.

	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
25 REMUNERATION OF COUNCILLORS				
Executive Mayor	821 459	775 588	821 459	775 588
Speaker	644 878	613 576	644 878	613 576
Chief Whip	605 721	580 891	605 721	580 891
Mayoral Committee members	4 288 594	4 299 698	4 288 594	4 299 698
Councillors	15 561 637	14 344 878	15 561 637	14 344 878
	<u>21 922 288</u>	<u>20 614 731</u>	<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.				
Directors of Municipal Entity (PHA)				
JT Maimela- CEO	750,000	-	-	-
NA Baloyi - Chairperson	317,114	283,722	-	-
TC Maake	156,503	178,391	-	-
TM Makofane	147,823	176,200	-	-
PN Bosch	151,060	204,848	-	-
SP Myeza	127,322	170,741	-	-
C Dibete	147,823	11,869	-	-
CE Molepo	-	621,778	-	-
Travel and accommodation for all Directors	151,279	114,858	-	-
	<u>1,958,924</u>	<u>1,762,407</u>	<u>-</u>	<u>-</u>
26 FINANCE COST				
Local Registered Stock loans	51,659	3 977	51,659	3 977
Finance leases	93 369	452 419	93 369	452 419
Annuity loans	32 150 194	31 202 842	29 449 086	28 970 407
	<u>32 295 223</u>	<u>31 659 238</u>	<u>29 594 115</u>	<u>29 426 803</u>
27 BULK PURCHASES				
Electricity	455 813 130	402 771 978	455 813 130	402 771 978
Water	125 487 822	116 024 560	125 487 822	116 024 560
	<u>581 300 952</u>	<u>518 796 538</u>	<u>581 300 952</u>	<u>518 796 538</u>
28 GRANT AND SUBSIDIES PAID				
Animal care : SPCA	240 000	240 000	240 000	240 000
Grant - PHA	-	-	5 300 000	5 881 695
	<u>240 000</u>	<u>240 000</u>	<u>5 540 000</u>	<u>6 121 695</u>
29 GENERAL EXPENSES				
Free basic services	17 925 006	18 741 578	17 925 006	18 741 578
Printing and stationery	4 180 737	4 341 089	4 186 260	4 314 991
Rental equipment	7 374 484	8 322 118	7 325 932	8 256 307
Stores and material	2 607 793	2 129 874	2 607 793	2 129 874
Meter reading	3 933 803	6 120 087	3 933 803	6 120 087
Research and development	4 015 891	4 699 027	4 015 891	4 699 027
Training	2 989 365	2 682 664	2 957 565	2 556 127
Postage and telegram	1 750 479	2 013 860	1 748 389	2 010 830
Legal expenses	4 437 018	6 397 003	4 437 018	6 213 959
Subsistence and travelling	4 607 683	5 679 695	4 562 328	5 650 283
Security services	30 932 902	22 726 072	30 388 177	21 094 620
Telephone costs	7 348 807	5 088 428	7 174 126	4 913 447
Garden services	5 735 782	7 125 894	5 735 782	7 118 182
Awareness campaigns	153 717	95 829	153 717	95 829
Insurance	9 390 154	8 647 220	9 171 898	8 451 211
Levy Seta training	3 530 641	3 478 526	3 530 641	3 478 526
Street cleaning	10 658 117	8 542 191	10 658 117	8 542 191
Special Events	1 209 749	9 923 506	1 209 749	9 923 506
Provision for rehabilitation of landfill sites	335 135	304 668	335 135	304 668
Fuel and oil	7 113 245	7 921 679	7 113 245	7 921 679
Bank charges	3 115 391	2 826 089	3 038 993	2 746 322
Stock losses	0	249 212	0	249 212
Loss on disposal of assets	0	0	0	0
Festivals	1 134 528	783 131	1 134 528	783 131
2010 Stadium Operating expenses	30 908 950	41 892 866	30 908 950	41 892 866
Subscription fees	4 011 655	3 493 475	3 982 717	3 478 235
Medical aid contributions continued members	15 457 967	24 573 363	15 457 967	24 573 363
Valuation roll	495 307	424 173	401 827	424 173
Waste disposal	11 858 468	16 570 618	11 858 468	16 570 618
Rural House hold sanitation	37 633 935	0	37 633 935	0
Rural House hold electrification	23 009 135	0	23 009 135	0
IRPTN Project	1 321 254	0	1 321 254	0
VAT Conversion	6 650 440	0	6 650 440	0
Other	152 784 702	62 199 770	152 183 906	57 864 085
	<u>418 612 259</u>	<u>287 993 707</u>	<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	GROUP 2012 R	2013 R	MUNICIPALITY 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			
		65 932 831		29 345 284
		(7 283 801)		(7 283 801)
		96 242 662		96 242 662
		7 806 752		7 806 752
		7 304 647		7 304 647
		<u>170 003 091</u>		<u>133 415 544</u>
	Net effect on Accumulated Surplus opening balance	<u>170 003 091</u>		<u>133 415 544</u>
31	CASH GENERATED FROM/(UTILISED IN) OPERATIONS			
	Net surplus for the year	48,219,816	172,055,097	44,016,093
	Adjustment for:			175,030,294
	Current year adjustment	(845,284)	2,686,400	5,174,083
	Gain / (loss) on fair value adjustment	643,944		643,944
	Loss on disposal of assets	11,441,858	-	11,441,858
	Correction of prior year error	-	-	-
	Depreciation charges	268,686,447	235,552,261	265,100,184
	Asset impairment	15,032	1,202,194	-
	Contribution to Provisions	5,635,969	-	5,635,969
	Interest received	(29,570,917)	(41,516,708)	(30,393,937)
	Interest paid	32,295,223	31,659,238	29,594,115
	Non-operating income	(494,213)	(26,076)	(492,807)
	Non-operating expenditure	-	-	-
	Operating surplus before working capital changes	<u>336,021,874</u>	<u>401,612,406</u>	<u>325,545,419</u>
	(Increase)/decrease in inventories	6,264,614	(6,275,632)	6,264,614
	(Increase)/decrease in debtors	(94,275,429)	(55,398,925)	(88,593,850)
	(Increase)/decrease in other debtors	(5,131,716)	(8,872,393)	(5,131,716)
	Increase/(decrease) in conditional grants	19,985,653	7,734,491	19,985,653
	Increase/(decrease) in creditors	70,201,179	41,076,073	70,060,416
	Increase/(decrease) in provisions	16,703,979	19,006,744	16,635,737
	(Increase)/decrease in VAT	44,242,182	(50,611,747)	44,242,182
	Increase in deferred income	1,247,442	1,293,150	-
	Working capital	<u>59,237,904</u>	<u>(52,048,239)</u>	<u>63,453,036</u>
	Cash generated by operations	<u>395 259 778</u>	<u>349 564 167</u>	<u>388 998 455</u>
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	3 504 536
	Amount paid current year	(3 504 536)	(2 073 614)	(3 504 536)
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>	<u>-</u>
32.2	Audit Fees			
	Current year audit fee	3 506 270	2 557 699	3 247 043
	Amount paid current year	(3 506 270)	(2 557 699)	(3 247 043)
	Balance unpaid (included in creditors)	<u>-</u>	<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	53 844 825	52 594 193	53 391 996
	Amount paid current year	(53 844 825)	(52 594 193)	(53 391 996)
	Balance unpaid	<u>-</u>	<u>-</u>	<u>-</u>

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

	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
32.5 Unemployment Insurance Fund (UIF)				
Current payroll deductions	4 253 818	4 011 698	4 225 456	4 011 698
Amount paid current year	<u>(4 253 818)</u>	<u>(4 011 698)</u>	<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	27 991 589	24 510 823	27 845 089	24 368 502
Amount paid current year	<u>(27 991 589)</u>	<u>(24 510 823)</u>	<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	62 381 828	59 021 625
Amount paid current year	<u>(62 381 828)</u>	<u>(59 021 625)</u>	<u>(62 381 828)</u>	<u>(59 021 625)</u>
Balance unpaid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

32.8 Councilor's arrear consumer accounts

The following Councilors 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	289	5 174
Lekota MJ	4 506	205	4 301
Mashitsho 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 Councilor Arrear Consumer Accounts	<u>40 316</u>	<u>5 924</u>	<u>34 391</u>

During the year the following Councilors 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+
Mashitsho 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>	<u>204 610 277</u>	<u>284 218 000</u>
The expenditure will be financed from:				
- Capital Replacement Reserve	183 426 462	156 677 810	183 426 462	156 677 810
- Government and other Grants	<u>21 183 815</u>	<u>127 540 190</u>	<u>21 183 815</u>	<u>127 540 190</u>
	<u>204 610 277</u>	<u>284 218 000</u>	<u>204 610 277</u>	<u>284 218 000</u>

33.1 (b) Operating leases

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

33.2 CONTINGENT LIABILITIES

	<u>10 555 121</u>	<u>24 630 520</u>	<u>10 555 121</u>	<u>24 630 520</u>
	<u>10 555 121</u>	<u>24 630 520</u>	<u>10 555 121</u>	<u>24 630 520</u>

See Annexure G for full detail on Contingent Liabilities

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

34 UNAUTHORISED, IRREGULAR, FRUITLESS
AND WASTEFUL EXPENDITURE
DISALLOWED

	GROUP		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
34.1 Unauthorized expenditure				
Reconciliation of unauthorized expenditure				
Opening balance	412,508,328	272,067,938	412,508,328	272,067,938
Unauthorized expenditure current year	84,306,966	140,440,390	84,306,966	140,440,390
Approved by Council or condoned	-	-	-	-
Transfer to receivables for recovery	-	-	-	-
Unauthorized expenditure awaiting authorization	496,815,294	412,508,328	496,815,294	412,508,328
34.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure				
Opening balance -	2,692,832	909,100	2,692,832	909,100
Fruitless and wasteful expenditure current year:				
Interest paid to Lepelle Northern Water	-	692,192	-	692,192
Commitment fee paid to DBSA	-	733,561	-	733,561
Condoned or written off by Council	-	357,979	-	357,979
To be recovered – contingent asset	-	-	-	-
Fruitless and wasteful expenditure awaiting condonement	2,692,832	2,692,832	2,692,832	2,692,832
34.3 Irregular expenditure				
Reconciliation of irregular expenditure				
Opening balance	222,718,967	67,786,306	222,718,967	67,786,306
Non compliance with SCM policy: current year	7,044,661	137,019,697	7,044,661	137,019,697
Overtime paid in contravention of the Basic Conditions of Employment	-	17,912,965	-	17,912,965
Condoned or written off by Council	-	-	-	-
Transfer to receivables for recovery – not condoned	-	-	-	-
Irregular expenditure awaiting condonement	229,763,628	222,718,967	229,763,628	222,718,967
35 PROVISIONS				
35.1 Provision for rehabilitation of landfill sites				
Carrying amount at beginning of year	3,351,351	3,046,683	3,351,351	3,046,683
Additions during the year	335,135	304,668	335,135	304,668
Reductions during the year	0	0	0	0
Carrying amount at end of year	3,686,486	3,351,351	3,686,486	3,351,351

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	160,387,000	154,437,733
Unfunded Accrued Liability	160,387,000	154,437,733	160,387,000	154,437,733
Net Liability in Balance Sheet	160,387,000	154,437,733	160,387,000	154,437,733

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

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

Net liability to reflect in the balance sheet

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

The following assumptions has been used for current and prior year

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

35.3 Long Service Awards

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

Net liability to reflect in the balance sheet

Opening balance	13,154,854	10,891,471	13,154,854	10,891,471
Current-service cost	1,136,579	1,980,190	1,136,579	1,980,190
Interest cost	2,151,278	648,710	2,151,278	648,710
Actuarial (Gain)/loss recognised	8,934,978	-	8,934,978	-
Net Periodic Cost Recognised	25,377,689	13,520,371	25,377,689	13,520,371
Actual employer benefits payments	(480,689)	(365,517)	(480,689)	(365,517)
Closing Balance	24,897,000	13,154,854	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	5,417,000	6,807,811
Unfunded Accrued Liability	5,417,000	6,807,811	5,417,000	6,807,811
Net Liability in Balance Sheet	5,417,000	6,807,811	5,417,000	6,807,811

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

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

Net liability to reflect in the balance sheet

Opening balance	6,807,811	6,186,486	6,807,811	6,186,486
Current-service cost	532,000	467,382	532,000	467,382
Interest	510,000	478,055	510,000	478,055
Actuarial (Gain)/loss recognised	(2,031,882)	-	(2,031,882)	-
Net Periodic Cost Recognised	5,817,929	7,131,923	5,817,929	7,131,923
Expected employer benefits payments	(400,929)	(324,112)	(400,929)	(324,112)
Closing Balance	5,417,000	6,807,811	5,417,000	6,807,811
Total Provisions	194,387,486	177,751,749	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	220,000,000	223,808,054
Trade and other receivables	352,046,801	263,452,951	352,046,801	263,452,951
	572,046,801	487,261,005	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	262,202,961	298,587,916	262,202,961	298,587,916
Trade and other payables	288,469,461	218,419,045	288,469,461	218,419,045
	550,672,421	517,006,961	550,672,421	517,006,961

RATIFICATION OF DEVIATIONS FROM
BREACHES IN PROCUREMENT
37 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	2,170,915	10,497,195
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38 FINANCE LEASE COMMITMENTS

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

	Minimum lease payments	Finance costs	Present value	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		
	<u>30,876,896</u>	<u>7,109,345</u>	<u>23,767,551</u>		
2012					
Due within one year	2,690,373	93,369	2,597,004	93,369	(93,369)
Due between one and five years	-	-	-	-	-
	<u>2,690,373</u>	<u>93,369</u>	<u>2,597,004</u>	<u>93,369</u>	<u>(93,369)</u>

The implicit interest rate embedded on a lease is 9.5%. The lease expired in February 2013 (Itec Meso)

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.

Post employment benefit plan for employees of municipality and/or other related parties

Refer to note 35.2

Related party balances

Loan accounts - Owed by related parties

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

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

Monetary value

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

41 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure G

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)		(11,441,858)	
Intangible assets				
Investment property				
Biological assets				
Other financial assets				
Total Gain / (Loss) on Sale of Assets	<u>(11,441,858)</u>	<u>-</u>	<u>(11,441,858)</u>	<u>-</u>

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	(643,944)	-	(1,252,309)	-
	<u>(643,944)</u>	<u>-</u>	<u>(1,252,309)</u>	<u>-</u>

Biological assets were fair valued at year end.

45 IMPAIRMENT LOSS

Property, plant and equipment impairment loss	-	1,202,194	-	1,202,194
Total Impairment loss	<u>-</u>	<u>1,202,194</u>	<u>-</u>	<u>1,202,194</u>

meetings was held with the relevant managers. After consideration and review it was decided not to impair the assets for the year under review.

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	2013	2012
The Joint Municipal Pension Fund	2,385,974	2,649,786	2,385,974	2,649,786
Municipal Councillors Pension Fund	2,967,341		2,967,341	
Government Employees Pension Fund	2,183,746		2,183,746	
Municipal Employees Pension Fund	27,344,353	25,805,272	27,344,353	25,805,272
Municipal Employees Gratuity Fund	13,356,798	12,491,302	13,356,798	12,491,302
Samwu National Provident Fund	8,785,383	8,712,658	8,785,383	8,712,658
National Fund For Municipal Workers	5,358,233	5,114,006	5,358,233	5,114,006
	62,381,828	54,773,024	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	2013	2012
Opening balance	154,437,733	138,685,875	154,437,733	138,685,875
Service cost	8,127,359	7,441,274	8,127,359	7,441,274
Interest cost	14,239,159	12,702,854	14,239,159	12,702,854
Actual employer benefits payments	-4,754,350	-4,392,179	-4,754,350	-4,392,179
Expected closing balance	172,049,901	154,437,733	172,049,901	154,437,733
Actuarial (gain)/loss -	-11,862,901	0	-11,862,901	0
Actual closing balance	160,387,000	154,437,733	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)	(160,387,000)	(154,437,733)
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Movements for the year

Opening balance	(154,437,733)	(138,685,785)	(154,437,733)	(138,685,785)
Contributions - Current year	(5,949,267)	(15,751,948)	(5,949,267)	(15,751,948)
Closing balance	(160,387,000)	(154,437,733)	(160,387,000)	(154,437,733)

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%	7.89%	9.22%
Medical inflation - lower than discount rate	7.14%	7.25%	7.14%	7.25%
Net effective discount rate	0.70%	1.83%	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	160,387,000	125,178,769
-1%	142,608,000	109,804,000	142,608,000	109,804,000
1%	177,857,000	143,885,000	177,857,000	143,885,000
	480,852,000	378,867,769	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	2013	2012
Bonitas	8,136,892	7,455,198	8,136,892	7,455,198
Hosmed	4,227,511	3,789,138	4,227,511	3,789,138
Key Health	9,646,556	9,370,997	9,646,556	9,370,997
LA Health	2,799,787	2,218,060	2,799,787	2,218,060
Samwumed	2,277,079	1,535,109	2,277,079	1,535,109
Resolution Health	20,213	20,213	20,213	20,213
Government Employees Medical Scheme	737,050	737,050	737,050	737,050
Total	27,845,089	24,368,502	27,845,089	24,368,502

47 EVENTS AFTER THE REPORTING PERIOD

None to report.

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

External Loans	Loan No.	Redeemable	Balance at		Received during the		Redeemed or written		Balance at	
			30 June 2012		period		off during the period		June 2013	
			R	R	R	R	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	0	0	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	0	35 807 906	0	0	0	298 071 322
Total External Loans			334 395 823	0	0	35 807 906	0	0	0	298 587 917

**APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2013**

	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	R	R	R
LAND	877,770,349	(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	2,134,188,272	0	0	0	0	0	436,706,259
BUILDINGS	1,856,472,782	234,084,559	325,011	43,315,920	0	2,134,188,272	222,786,704	(171,064,196)	76,982,122	0	128,724,630	2,005,473,642
Dwellings	32,300,319	3,796,578	162,760	36,219,657		36,219,657	5,366,544	(1,060,621)	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	(189,973,675)	75,473,911		122,931,396	1,975,047,220
INFRASTRUCTURE	3,457,329,926	(186,716,517)	125,677,478	139,530,078	(4,295,641)	3,561,526,424	387,249,325	(9,674,927)	158,779,697	(1,165,488)	505,197,507	3,056,337,916
Electricity reticulation	875,622,083	(92,998,401)	10,161,599	9,992,801		812,780,182	85,091,362	(4,657,070)	19,478,208		89,912,490	712,667,692
Roads, pavements, bridges & stormwater	1,541,413,749	(2,003,179)	82,889,773	34,622,892	(4,295,641)	1,652,427,635	191,690,164	(916,629)	54,915,596	(1,165,488)	244,624,643	1,407,802,991
Water reservoirs & reticulation	697,224,026	(2,712,019)	29,879,920	94,799,978		819,131,905	54,470,351	(1,489,757)	79,003,796		131,984,392	687,147,513
Sewerage purification & reticulation	330,611,621	(99,835,833)	2,946,086			263,621,874	24,314,463	(2,224,959)	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)	890,006		1,653,876	8,745,213
Cemeterias	3,423,380	(433,107)		174,467		3,164,740	607,657	(485,981)	85,244		206,850	2,957,889
MOVABLE & OTHER ASSETS	243,112,124	15,699,897	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	(3,449,022)	153,210		(1,654,222)	112,455,752	39,339,929	(4,833,991)	9,803,520	(425,631)	44,003,927	68,451,925
Furniture & Equipment	27,109,558	(39,612)	4,564,663		(483,012)	31,151,637	11,688,925	(395,476)	3,836,735	(286,421)	14,323,763	16,827,874
Computer Equipment	18,610,630	(1,891,652)	1,180,097		(13,065)	18,065,910	6,984,303	(149,724)	2,475,248	(9,726)	9,280,101	8,805,809
Transport Vehicles	79,856,150	776,117	24,840,300		(12,991,814)	92,640,753	27,602,508	(1,613,772)	4,796,017	(9,078,500)	24,706,223	67,984,530
Library Books	-	20,103,126	75,609			20,178,735	-	11,166,128	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	(843,944)		-	-	13,965,349	7,304,647	(7,304,647)	-	-	-	13,965,349
Biological Assets	14,609,293	(843,944)		-	-	13,965,349	7,304,647	(7,304,647)	-	-	-	13,965,349
INTANGIBLE ASSETS	56,955,313	(22,872,435)		-	-	34,282,878	23,527,682	(9,995,691)	3,915,585	-	16,446,576	17,834,302
Intangible Assets	56,955,313	(22,872,435)		-	-	34,282,878	23,527,682	(9,995,691)	3,915,585	-	16,446,576	17,834,302
INVESTMENT PROPERTY	138,359,667	86,242,682		-	-	234,602,329	-	-	-	-	-	234,602,329
Investment property	138,359,667	86,242,682		-	-	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	182,845,898	(19,407,654)	6,712,633,113	709,785,271	(198,907,773)	285,100,186	(7,965,796)	768,012,488	5,944,520,626

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

	HISTORICAL COST										Carrying Value	
	Opening Balance	Prior year adjustments	Additions	Capital Work in Progress	Disposals	Closing Balance	Opening Balance	Additions	Prior year adjustments	Disposals		Closing Balance
	R		R		R	R	R	R	R	R	R	
EXECUTIVE COUNCIL												
Executive Council	2 659 849	107 509	377 130	-	(117 276)	3 027 211	681 373	335 849	(66)	(9 285)	3 677 902	2 039 309
BUDGET & TREASURY OFFICE												
Budget & Treasury Office	2 859 849	107 509	377 130	-	(117 276)	3 027 211	681 373	335 849	(55)	(36 265)	3 677 902	2 039 309
Finance	37 632 900	(3 847 056)	1 808 606	-	(814 241)	34 780 290	19 528 310	4 764 555	(874 126)	(189 523)	23 226 216	11 655 073
CORPORATE SERVICES												
Human Resources	1 614 011	(295 881)	219 083	-	(19 882)	1 517 241	617 709	239 889	(529)	(16 519)	840 560	676 681
IT Services	65 640 075	(11 688 914)	445 815	-	(12 841)	54 396 335	24 972 394	9 511 052	(4 127 514)	(9 881)	30 346 051	24 040 284
Property Services	1 520 313 529	(63 363 292)	3 419 204	43 315 920	(300 135)	1 503 365 225	135 206 022	32 075 767	(80 365 931)	(123 129)	86 792 719	1 416 862 506
Other Admin	458 957	5 930	24 318 583	-	(14 021)	24 809 455	199 890	703 643	(10 811)	(16 010)	891 546	23 917 912
COMMUNITY & SOCIAL SERVICES												
Libraries & archives	5 243 375	20 074 737	91 975	-	(4 295)	25 405 390	2 883 896	3 156 551	11 144 727	(859)	17 184 314	8 221 076
Museums	10 485 405	21 657 849	743 835	-	(7 899)	32 505 190	6 045 932	212 981	(5 094 448)	(7 899)	1 556 565	31 693 624
Community halls & facilities	1 430 012	(15 513)	419 729	-	(1 634 227)	1 300 001	571 281	127 777	(70 554)	-	628 504	1 205 723
Cemeteries & crematoriums	4 380 202	(186 927)	-	174 467	-	4 367 742	1 177 511	185 030	(486 321)	-	875 220	3 617 522
Other Social Services	2 272 789	(88 654)	211 464	-	(18 586)	2 263 667	1 002 772	266 930	(15 390)	(9 445)	1 244 867	1 132 146
SPORT & RECREATION												
Sport & recreation	1 303 855 972	140 675 196	458 838	-	(74 796)	1 444 925 210	121 270 920	55 944 480	(84 375 945)	(53 828)	82 785 728	1 362 339 452
PUBLIC SAFETY												
Police	36 813 312	8 600 578	870 847	-	(39 383)	46 245 481	12 427 741	3 102 842	(578 361)	(16 431)	14 934 592	31 111 868
Fire	2 962 328	154 669	559 553	-	(19 689)	3 705 666	1 566 457	317 823	(42 423)	(4 352)	1 857 505	1 652 162
Street lighting	33 635 983	8 442 743	217 529	-	(6 731)	42 989 524	10 759 984	2 756 934	(536 938)	(4 450)	12 975 530	29 313 994
HOUSING												
Housing	423 241	5 483	83 748	-	(28 723)	483 716	159 183	89 117	(4 736)	-	212 532	271 184
HEALTH												
Health	624 171	44 107	63 885	-	(24 078)	608 085	226 019	68 086	(2 199)	(15 101)	279 804	328 262
CLINICS												
Clinics	10 685 288	(639 140)	593 410	-	(834 380)	10 105 178	4 553 037	989 272	(150 348)	(319 573)	5 082 408	6 022 769
PLANNING & DEVELOPMENT												
Economic development	1 424 824	(736 536)	23 710	-	(1 533)	710 564	672 634	233 496	(1 440)	(1 440)	984 690	(254 126)
Town Planning	125 678	2 742	45 800	-	(1 533)	172 887	67 319	16 970	(1 440)	-	82 749	90 138
Licensing & Regulation	9 134 486	184 656	523 869	-	(531 314)	9 212 727	3 823 104	678 905	(150 346)	(5 186 758)	4 034 589	5 186 758
ROAD TRANSPORT												
Roads	1 577 020 388	(3 316 671)	83 482 671	34 622 832	(14 715 009)	1 617 084 211	203 564 368	66 436 280	(1 228 539)	(5 803 306)	253 426 283	1 423 667 428
Vehicle licensing & testing	1 562 577 512	(2 493 609)	83 407 481	34 922 832	(5 445 649)	1 652 602 567	194 303 338	55 538 959	(829 510)	(1 606 357)	248 066 770	1 414 596 097
ENVIRONMENTAL PROTECTION												
Environmental protection	23 884 935	424 487	71 668	-	(369 704)	24 011 287	10 320 683	705 035	(7 316 791)	(131 657)	3 577 370	20 433 917
Game Reserve	8 123 138	146 651	66 988	-	(218 152)	8 120 566	2 549 081	603 018	(10 502)	(103 907)	3 030 691	5 039 875
ELECTRICITY												
Electricity distribution	889 949 427	(87 502 985)	6 327 709	9 982 801	(525 375)	815 244 577	88 802 389	20 190 367	(4 761 766)	(288 904)	104 046 066	714 196 511
WATER												
Water distribution	615 785 202	(9 563 133)	29 830 545	84 738 978	(3 066)	730 789 577	42 723 865	20 190 367	(4 761 766)	(285 904)	104 046 066	714 196 511
Water storage	616 844	32 895	29 830 545	-	(3 066)	730 249 688	42 361 955	74 337 495	(1 667 942)	(2 860)	115 258 638	615 348 283
WASTE WATER MANAGEMENT												
Sewerage	330 294 582	(66 567 054)	1 652 553	-	(88 304)	265 291 777	25 005 538	4 990 226	(2 247 191)	(49 462)	28 291 111	238 982 656
Storm water	141 451	(1 701)	18 071	-	(1 533)	156 249	59 647	22 457	(3 470)	(1 440)	77 195	79 094
Public toilets	23 072 254	(4 939 989)	45 105	-	(4 995 378)	16 582 553	6 663 739	1 338 665	(717 054)	(870 247)	6 415 303	10 167 280
WASTE MANAGEMENT												
Solid waste	23 072 254	(4 939 989)	45 105	-	(4 995 378)	16 582 553	6 663 739	1 338 665	(717 054)	(870 247)	6 415 303	10 167 280
OTHER												
Other	8 464 592 394	(60 312 574)	155 664 098	182 845 998	(19 407 655)	6 723 282 223	709 785 270	269 884 759	(192 842 637)	(7 956 197)	778 761 596	5 944 520 627

**APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

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)
	2,556,557	(2,556,557)	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
			Finance			
620,325,404	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
			Human Resources			
	1,183,249	(1,183,249)	O & W		1,286,938	(1,286,938)
	23,613,814	(23,613,814)	Personnel		30,682,622	(30,682,622)
2,091,788	8,501,233	(6,409,446)	Training	3,278,471	13,916,125	(10,637,654)
	3,978,837	(3,978,837)	Labour relations		4,930,744	(4,930,744)
44,686	982,679	(937,993)	Occupational Health		7,409,568	(7,409,568)
	17,897,052	(17,897,052)	IT	66	39,265,966	(39,265,900)
			Property Services			
	10,377,906	(10,377,906)	Administration		5,261,275	(5,261,275)
	9,032,760	(9,032,760)	Civic Centre		16,321,153	(16,321,153)
			Other Admin			
	17,407,299	(17,407,299)	Corn & public participation		12,987,438	(12,987,438)
	2,450,912	(2,450,912)	Security & risk management		3,254,914	(3,254,914)
	4,881,424	(4,881,424)	Project Management		3,360,321	(3,360,321)
	3,500,736	(3,500,736)	Internal audit		4,134,782	(4,134,782)
	3,231,051	(3,231,051)	Technical depot			
	7,028,290	(7,028,290)	Transport workshop		43,063,111	(43,063,111)
	40,803,131	(40,803,131)	Community security		47,163,135	(47,163,135)
	7,136,982	(7,136,982)	Legal Services		8,171,626	(8,171,626)
672,623	9,290,124	(8,417,501)	Procurement	2,225,648	20,108,532	(17,882,884)
10,550,477	31,860,670	(21,310,193)	Planning & Development	10,804,573	32,153,133	(21,348,560)
7,074,336	3,651,803	3,422,533	Land use management	4,556,075	5,865,606	(1,309,531)
248,319	9,318,999	(9,070,680)	Spatial Planning	991,603	7,950,467	(6,958,864)
3,227,821	4,866,336	(1,638,514)	Building inspections	5,256,895	4,293,593	963,302
	2,349,329	(2,349,329)	Local economic development		2,417,014	(2,417,014)
	2,513,858	(2,513,858)	Community development		1,542,368	(1,542,368)
	682,523	(682,523)	Investment promotion		823,022	(823,022)
	4,002,914	(4,002,914)	Economic planning		2,906,878	(2,906,878)
	4,474,909	(4,474,909)	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	14,561,793	(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)
			Cemeteries	648,821	4,884,689	(4,235,869)
			Other Community			
1,789,994	16,829,438	(15,039,444)	Game Reserve	2,884,716	6,477,097	(3,592,381)
141,013	1,224,008	(1,082,995)	Showgrounds	22,008	3,200,028	(3,178,020)
	3,018,960	(3,018,960)	Cultural desk		1,986,479	(1,986,479)
29,743	6,947,382	(6,917,639)	Housing	12,071	5,230,689	(5,218,618)
	6,945,209	(6,945,209)	Administration		5,230,689	(5,230,689)
26,322	1,836	24,486	Assisted schemes	10,361		10,361
3,421	338	3,083	Letting schemes	1,710		1,710
19,410,436	74,789,052	(55,358,616)	Public Safety	21,872,689	73,260,262	(51,387,574)
4,999,901	35,446,193	(30,446,292)	Traffic	3,046,851	36,297,499	(33,250,647)
157,886	24,443,895	(24,286,009)	Fire fighting	259,430	22,475,966	(22,216,535)
	4,041,136	(4,041,136)	Disaster management		4,405,812	(4,405,812)
14,241,824	5,518,557	8,723,267	Licensing	18,559,776	6,295,999	12,263,776
10,824	5,319,271	(5,308,447)	Municipal control centre	6,632	3,784,987	(3,778,355)
1,662,959	135,607,918	(133,944,959)	Parks & Recreation	10,269,977	125,340,957	(115,070,981)
6,273	2,359,992	(2,353,719)	Nursery	17,191	1,557,254	(1,540,062)
111,163	32,682,519	(32,571,357)	Parks	142,725	35,586,332	(35,443,607)
1,287,552	96,381,895	(95,094,343)	Sport & recreation	9,963,316	83,872,905	(73,909,589)
257,972	4,183,512	(3,925,540)	Swimming pools	146,745	4,324,467	(4,177,722)
	555,074	(555,074)	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)
			Waste water management	46,448,945	79,513,744	(33,064,799)
39,311,057	51,431,343	(12,120,287)	Sewer purification	9,013	63,756,091	(63,747,078)
70,574	30,027,289	(29,956,714)	Sewer reticulation	46,439,932	7,704,507	38,735,425
39,240,482	11,862,726	27,377,757	Storm water		6,732,063	(6,732,063)
	6,658,470	(6,658,470)	Public toilets		1,321,063	(1,321,063)
	2,882,859	(2,882,859)	Road Transport	3,816,453	91,242,223	(87,425,769)
7,609,326	95,913,159	(88,303,833)	Roads & streets	47,756	89,384,257	(89,336,501)
	94,132,317	(94,132,317)	Vehicle licensing & testing	3,768,697	1,857,966	1,910,732
7,609,326	1,780,842	5,828,484	Water distribution	221,059,719	266,384,592	(45,324,873)
165,503,351	197,887,790	(32,384,439)	Water Distribution	221,059,719	115,962,779	105,096,940
165,503,351	52,790,799	112,712,552	Water provision		138,816,149	(138,816,149)
	129,946,738	(129,946,738)	Water Purification		11,605,664	(11,605,664)
	15,150,253	(15,150,253)	Electricity	605,542,668	563,341,029	42,201,639
559,546,874	487,047,300	72,499,574				

**APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

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
559,546,874	482,244,633	77,302,241	Workshop	-	-	-
	4,802,667	(4,802,667)	Distribution	605,542,668	560,506,126	45,036,542
24,000	67,211	(43,211)	Street Lighting	-	2,834,903	(2,834,903)
24,000	67,211	(43,211)	Other	24,000	64,257	(40,257)
			Airport	24,000	64,257	(40,257)
1,796,489,499	1,623,459,205	175,030,294	Total	1,960,135,343	1,916,119,251	44,016,091

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

	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	23 016 660	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	285 100 184	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	416 742 660	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	1 891 947 646	1 783 713 790	108 233 856	6.07	
NET SURPLUS/(DEFICIT) FOR THE YEAR	68 187 697	534 667 020	(466 479 323)		

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

	2013 Actual R	2013 Budget R	2013 Variance R	2013 Variance %	Explanations of significant variances greater than 5% versus budget
BUDGET & TREASURY OFFICE					
Finance	43,645 43,645	50,017 50,017	(6,372) (6,372)	(12.74) (12.74)	Underspending/ contract less than budget amount
CORPORATE SERVICES					
Information Technology	1,713,089 773,390	8,157,019 6,216,626	(6,443,930) (5,443,236)	(79.00) (87.56)	Under spending/ contract less than budget amount
Other & Admin	939,699	1,940,393	(1,000,694)	(51.57)	Under spending/ contract less than budget amount
PLANNING & DEVELOPMENT					
Planning & Development	43,024,149 43,024,149	10,392,510 10,392,510	32,631,639 32,631,639	313.99 313.99	Under spending/ contract less than budget amount
ROAD TRANSPORT					
Roads & Storm water	117,312,605 117,312,605	179,413,318 179,413,318	(62,100,713) (62,100,713)	(34.61) (34.61)	Under spending/ contract less than budget amount
COMMUNITY & SOCIAL					
Libraries & Archives	250,076 75,609	216,468	33,608 75,609	15.53 -	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					
Nursery	213,371	789,763	(576,392)	(72.98)	Under spending/ contract less than budget amount
Parks & Open areas	50,611 162,760	514,763 275,000	(464,152) (112,240)	(90.17) (40.81)	Under spending/ contract less than budget amount
PUBLIC SAFETY					
Community Safety	745,095 476,169	1,200,000 850,000	(454,905) (373,831)	(37.91) (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					
Sport & Recreation	32,453 32,453	512,879 512,879	(480,426) (480,426)	(93.67) (93.67)	Under spending/ contract less than budget amount
WASTE WATER MANAGEMENT					
Sewerage	3,772,877 3,772,877	50,853,480 50,853,480	(47,080,603) (47,080,603)	(92.58) (92.58)	Under spending/ contract less than budget amount
HOUSING					
Housing	1,578 1,578	50,000 50,000	(48,422) (48,422)	(96.84) (96.84)	Under spending/ contract less than budget amount
WATER					
Water Distribution	124,299,440 124,299,440	222,912,474 222,912,474	(98,613,034) (98,613,034)	(44.24) (44.24)	Under spending/ contract less than budget amount
ELECTRICITY					
Electricity Distribution	24,193,840 24,193,840	59,256,072 59,256,072	(35,062,232) (35,062,232)	(59.17) (59.17)	Under spending/ contract less than budget amount
TOTAL	315,602,218	533,804,000	(183,139,550)	(34.31)	

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. Similar 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

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

Name of Grants	Quarterly receipts				Quarterly Expenditure for the Year												Reason for non-compliance					
	Sep.	Dec.	March	June	Total	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.		Dec.	Total	Delay / withheld	Gazette amount Municipal year	Did year municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
Equitable Share	161 763 000	129 411 000	97 059 000	37 958 000	306 232 000					206 232 000	72 769 500	121 323 500	97 059 000	37 958 000				388 232 000	No	388 232 000	Yes	Not Applicable
Extended public works Programme	2 178 000	1 488 000	1 634 000	1 634 000	5 300 000					5 300 000	5 300 000	1 986 548	1 986 548					7 764 617	No	5 300 000	Yes	Not Applicable
Public transport infrastructure and systems grant	10 000 000	30 000 000	8 703 000	4 411 129	48 703 000					48 703 000	18 073 697	11 541 849	6 074 804	4 411 129				40 641 579	Yes	58 703 000	Yes	Not Applicable
Integrated national identification programme grant	7 500 000	8 500 000			16 000 000					16 000 000	10 822 220	3 803 452						14 625 672	No	16 000 000	Yes	Not Applicable
Electricity demand side management grant	88 605 000	68 450 000	66 454 000	2 000 000	2 000 000					2 000 000	975 063	630 469	3 710 122	5 221 907				10 537 558	Yes	221 514 000	Yes	Not Applicable
Municipal infrastructure grant	6 247 000	9 155 000	2 588 000		19 000 000					19 000 000	98 342 268	35 270 365	35 469 069	28 234 878				185 256 611	No	221 514 000	Yes	Not Applicable
Neighbourhood development partnerships grant	1 500 000				1 500 000					1 500 000	1 150 720	86 488	129 438	133 355				1 500 000	No	1 500 000	Yes	Not Applicable
Local government financial management grant	1 091 000	1 091 000	1 091 000		3 273 000					3 273 000	3 000 000		2 182 000					3 273 000	No	3 273 000	Yes	Not Applicable
Water services operating grant	1 706 000		1 300 000		3 000 000					3 000 000	4 349 323							4 349 323	No	3 000 000	Yes	Not Applicable
Water services refreshment grant											371 187							371 187	No	600 000	Yes	Not Applicable
Sport & Recreation	800 000				800 000					800 000	200 000							800 000	No	800 000	Yes	Not Applicable
Municipal systems improvement grant	281 375 000	246 095 000	160 848 000		708 322 000					708 322 000	217 088 968	173 910 561	154 709 541	142 866 368				689 351 558	-	736 322 000	Yes	Not Applicable

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

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	Pik Mag Court	R 42,922	Matter still pending in court	Jeff Mathabatha Incorporated	In progress
27/7/2012	Civil	Motor collision	F Pate/ Polokwane Municipality	Pik 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 1,389,003	Matter still pending	N Mohale Incorporated	In progress
30/08/2012	Civil	Services rendered	Polokwane Municipality/ Fullout Put 1251cc t/a TT Services	Pik 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
20/08/2013	Civil	Damage as a result of storm water	J.H.S Bester & another/ Polokwane Municipality	Pik 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	Pik Mag Court	R 98,000	Notice to defend	A.M Carrim Attorneys	Not yet finalised
22/03/2012	Civil	Damages	Nwamafela v Mahatjile & Polokwane	Pik 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	Pik Mag Court	R 300,000	Matter still pending in court	De Bruin Oberholzer Att	In progress
21/02/2012	Civil	Damages (Pothole)	K.J Ngoashe v Polokwane	Pik Mag Court	R 8,982	Matter still pending in court	De Bruin Oberholzer Att	in progress
10/08/2010	Civil	Non-award of tender	Oscor 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

16/03/2011	Civil	Motor Vehicle Collision	J N Maleka v Polokwane & P Phooko	Pik 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	MM Komape v T A Mepinini & Polokwane Municipality	Pik 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 Polokwane	Pik 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	Pik 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	Pik 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	Pik Mag Court	R 113,289	Still pending in court	Jeff Inc	In progress
25.05.2012	civil	Services rendered	Dipela Trading/ Polokwane Municipality	Pik Mag Court	R81 605.60	Still pending in court	Jeff Mathabatha Att	In progress
				Total	R 10,555,121			

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
8172 FINANCE COST (DEBOTRS DISCOUNTING)	31,398,377	
8191 VAT CONVERSION	25,491,916	
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	1,481,885	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 COMMITTEES	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

POLOKWANE LOCAL MUNICIPALITY

CONSOLIDATION JOURNAL ENTRIES

YEAR ENDED: 30/06/2013

Journal Number	Description	Dr	Cr
CONS01	Share Capital (PHA) Investment in PHA (Polokwane Municipality)	1,000.00	1,000.00
	Elimination of Polokwane Municipality shares in PHA		

Journal Number	Description	Dr	Cr
CONS02	Loan from Polokwane Municipality (PHA) Investment in PHA (Polokwane Municipality)	8,217,389.00	8,217,389.00
	Elimination of intragroup loan (2013)		

Journal Number	Description	Dr	Cr
CONS03	Loan from Polokwane Municipality (PHA) Investment in THA (Polokwane Municipality)	6,662,528.00	6,662,528.00
	Elimination of intragroup loan (2012)		

Journal Number	Description	Dr	Cr
CONS04	Loan from Polokwane Municipality (PHA) Investment in THA (Polokwane Municipality)	8,217,389.00	8,217,389.00
	Elimination of intragroup loan (2012)		

Journal Number	Description	Dr	Cr
CONS05	Loan from Polokwane Municipality (PHA) Investment in THA (Polokwane Municipality)	6,662,528.00	6,662,528.00
	Elimination of intragroup loan (2012)		

Journal Number	Description	Dr	Cr
CONS06	Interest revenue (Polokwane Municipality) Interest expense (PHA)	818,205.00	818,205.00
	Elimination of current year's intragroup interest		

Journal Number	Description	Dr	Cr
CONS07	Interest revenue (Polokwane Municipality) Interest expense (PHA)	717,724.00	717,724.00
	Elimination of prior year's intragroup interest		

Journal Number	Description	Dr	Cr
CONS08	Unconditional grant revenue (PHA)	5,300,000.00	
	Unconditional grant expense (Polokwane Municipality)		5,300,000.00
	Elimination of current year's intragroup unconditional grant		

Journal Number	Description	Dr	Cr
CONS09	Unconditional grant revenue (PHA)	5,881,694.50	
	Unconditional grant expense (Polokwane Municipality)		5,881,694.50
	Elimination of prior year's intragroup unconditional grant		

Journal Number	Description	Dr	Cr
CONS10	Rates and taxes current liability (PHA)	3,207,703.00	
	Rates and taxes current asset (Polokwane Municipality)		3,207,703.00
	Elimination of intragroup financial instrument iro rates		

Journal Number	Description	Dr	Cr
CONS11	Rates and taxes current liability (PHA)	3,205,240.00	
	Rates and taxes current asset (Polokwane Municipality)		3,205,240.00
	Elimination of prior year intragroup financial instrument iro rates		

Journal Number	Description	Dr	Cr
CONS12	Rates and taxes income (Polokwane)	709,519.49	
	Rates and taxes expense (PHA)		709,519.49
	Elimination of current year intragroup property rates		

Journal Number	Description	Dr	Cr
CONS13	Rates and taxes income (Polokwane)	785,939.98	
	Rates and taxes expense (PHA)		785,939.98
	Elimination of prior year intragroup property rates		

Journal Number	Description	Dr	Cr
CONS14	Depreciation- Office Equipment (PHA)	17,424.22	
	Accumulated depreciation- Office Equipment (PHA)		17,424.22
	Aligning PHA office equipment useful lives to that of the parent entity		