

BLUE CRANE ROUTE MUNICIPALITY(EC102)



Audited Consolidated Annual Financial
Statements for the year ended 30 June
2014

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BLUE CRANE ROUTE MUNICIPALITY(EC102)



AUDITOR - GENERAL
SOUTH AFRICA

05 FEB 2015

Annual Financial Statements for the
year ended 30 June 2014

27/11/2014

Blue Crane Route Municipality
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General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Local Government
The following is included in the scope of operation	Service Delivery
Council members	
Mayor	NM Scott
Councillors	BA Mansowan KC Brown CFB Du Preez WH Greeff M Nontyi NG Mpkela Z Funiselo NP Yantolo MK Mat RM Bradford
Accounting Officer	Thabiso Klaas
Chief Finance Officer (CFO)	GJ Goliath
Registered office	67 Nojol Street Somerset East 5850
Postal address	P.O. Box 21 Somerset East 5850
Auditors	Auditor General
Bankers	ABSA
Attorneys	Noite Smit Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEs	Municipal Embes
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

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Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) And the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the Chief Financial Officer.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 4 to 58, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed by him:

Thabiso Klaas
Accounting Officer
29 August 2014

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Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF FINANCIAL POSITION

	Notes	2014 R	2013 R (Restated)
ASSETS			
Current assets			
Other financial assets	4	2,800	2,664
Inventories	6	901,385	1,513,028
Other receivables from exchange transactions	7	2,499,500	846,252
Other receivables from non-exchange transactions	8	14,375,407	1,323,287
Trade receivables from exchange transactions	9	16,413,742	15,678,225
Cash and cash equivalents	10	18,505,878	26,485,108
		<u>52,899,712</u>	<u>45,846,542</u>
Non-current assets			
Investment property carried at fair value	11	31,205,208	29,916,493
Property, plant and equipment	12	677,289,926	673,387,408
Intangible assets	13	16,812	1
Investments in controlled entities	14		
Other financial assets	4	13,693	18,493
		<u>708,527,431</u>	<u>703,332,392</u>
Total assets		<u>761,226,143</u>	<u>748,978,934</u>
LIABILITIES			
Current liabilities			
Employee benefit obligation	15	478,248	443,344
Other financial liabilities	16	729,894	656,527
Finance lease obligation	17	262,000	262,166
Unspent conditional grants and receipts	18	1,507,233	7,381,284
Provisions	19	26,582,681	24,834,804
Payables from exchange transactions	20	23,583,458	15,607,380
Trade and other payables from non-exchange	21	321,447	84,594
VAT payable	22	1,318,244	1,925,878
Consumer deposits	23	1,998,681	1,895,041
		<u>56,860,086</u>	<u>53,173,088</u>
Non-current liabilities			
Employee benefit obligation	15	13,756,287	13,215,704
Other financial liabilities	16	1,157,355	1,887,249
Finance lease obligation	17	696,884	
		<u>17,810,536</u>	<u>15,102,953</u>
Total liabilities		<u>74,478,622</u>	<u>68,276,041</u>
Net assets		<u>686,747,521</u>	<u>680,702,893</u>
Accumulated surplus		<u>686,747,521</u>	<u>680,702,893</u>

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STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2014 R	2013 R (Restated)
Revenue			
Property rates	20	8,496,011	8 001,704
Service charges	21	81,147,516	79,163,628
Rental of facilities and equipment	25	43,023	89,967
Interest received (trading)	25	2,420,796	2,198,443
Interest received	28	1 701,070	1 618,687
Income from agency services	25	654,549	614,458
Fines	25	43,514	75,577
Licences and permits	25	766,508	743,723
Government grants and subsidies	29	11,005,778	77,980,347
Fees earned	25	369,090	308,281
General	25	566,522	632,646
Private Work	25	77,800	338,652
Gains on disposal of assets	25	3,604,537	
Gain on investment properties fair valuation	11	1,288 710	3 827,408
Other income	37	1,128 450	935 733
Total revenue		193,313,822	176,520,054
Expenditure			
Employee related costs	31	54,128,283	48 750 952
Remuneration of councillors	32	3,046,510	2 739 347
Debt Impairment	33	4,133,249	8 597 729
Collection costs		4,995	14 825
Depreciation and amortisation expense	12, 13	39,361,342	36 474,800
Repairs and maintenance		2,873,048	3,148,658
Finance costs	34	2,812,875	2 535 305
Bulk purchases	35	51,850,958	49,117 347
General expenses	36	30,061 330	29 921 038
Loss on disposal of assets			437 317
Total expenditure		186,072,951	181,735,318
Actuarial (Loss) /gain		(1 188,743)	2 892,651
Surplus / (deficit) for the year		6,052,628	(2,322,614)

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Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF CHANGES IN NET ASSETS

	Notes	R	R
		Accumulated Surplus/(Deficit)	Total: Net Assets
Opening balance as previously reported		348,574,884	348,574,884
Adjustments			
Prior period adjustments (2012 and earlier)	42	334,450,823	334,450,823
Balance at 1 July 2012 as restated		683,025,507	683,025,507
Changes in net assets			
Deficit for the year		(2,322,614)	(2,322,614)
Total changes		(2,322,614)	(2,322,614)
Opening balance as previously reported		365,784,714	365,784,714
Adjustments			
Prior period adjustments	42	314,918,179	314,918,179
Balance at 1 July 2013 as restated		680,702,893	680,702,893
Changes in net assets			
Surplus for the year		8,052,628	8,052,628
Balance at 30 June 2014		688,755,521	688,755,521

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Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

CASH FLOW STATEMENT

	2014 R	2013 R (Restated)
Cash flows from operating activities		
Receipts		
Sales of goods and services	78 107 777	73 810 214
Grants	79 138 585	84 812 403
Interest received	1 701 070	1 618 887
Other receipts	5 948 889	6 667 429
	<u>162 892 311</u>	<u>166 908 933</u>
Payments		
Employee costs	(56 055 643)	(51 016 725)
Suppliers	(22 582 736)	(32 149 243)
Interest paid	(237 063)	(281 105)
Other payments	(56 492 873)	(48 516 783)
	<u>(135 378 315)</u>	<u>(131 963 856)</u>
Net cash flows from operating activities	<u>27 513 996</u>	<u>34 945 077</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(36 845 892)	(26 873 625)
Proceeds on disposal of assets and liabilities	4 322 896	30 483
Proceeds from Other financial assets	2 664	4 441
Net cash flows from investing activities	<u>(34 520 332)</u>	<u>(26 838 701)</u>
Cash flows from financing activities		
Repayment of other financial liabilities	(656 527)	(596 475)
Proceeds from finance lease liability	(316 365)	(672 892)
Finance lease payments	(972 892)	(1 469 167)
Net cash flows from financing activities	<u>(1 945 784)</u>	<u>(2 738 534)</u>
Net increase / (decrease) in net cash and cash equivalents	<u>(7 979 228)</u>	<u>6 637 229</u>
Net cash and cash equivalents at beginning of period	<u>26 485 106</u>	<u>19 847 877</u>
Net cash and cash equivalents at end of period	<u>18 505 878</u>	<u>26 485 106</u>

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Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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	Notes	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
Statement of Financial Position						
Total current assets		31 368,000	5 472,000	36 840,000	52 658,712	(15 858,712)
Total non-current assets		373 488,000	22 168,000	395 656,000	708 527,431	(312 875,431)
Total current liabilities		(24 764,000)	(9 650,000)	(34 414,000)	(56 860,086)	22 446,086
Total non-current liabilities		(20 200,000)	2 200,000	(18 000,000)	(17 610 536)	(389,464)
Net Assets		359 892,000	28 188,000	388 078 000	696 753 521	(308 677 521)

Statement of Financial Performance

Revenue						
Property rates	49	8 594,000	(30,000)	8 564,000	8 496,604	67,396
Service charges	49	93 898,000	8 239,000	102 137,000	96 085,239	4 051,761
Investment revenue	49	1 200,000	200,000	1 400,000	1 700 073	(300,073)
Transfers recognised	4)	78 352,000	11 048,000	89 388,000	91 005,777	(1 607,777)
Other own revenue		6 184,000	4 213,000	10 397,000	11 143 389	(826 389)
Total Revenue		188 148,000	21 668,000	209 816,000	208 431,082	1 384,918
Expenditure						
Employee costs	49	5 583,000	173,000	5 756,000	53 518 797	2 347,203
Remuneration of councillors	49	2 932,000	70,000	3 002,000	3 096,883	(94,883)
Debt impairment		6 874,000	-	6 874,000	4 133,249	2 548,751
Depreciation & asset impairment		2 477,000	-	2 477,000	35 361,342	(14 884,342)
Finance charges	4)	285,000	820,000	1 105,000	1 439,229	(434,229)
Stock Purchases/Other Materials		56 063,000	2 810,000	58 873,000	53 650,858	5 222,042
Other expenditure		38 102,000	11 324,000	49 426,000	50 976 196	(1 552 196)
Total expenditure		188 236,000	15 297,000	183 523,000	202 378,454	(6 855,454)
Actual Amount on Comparable Basis as Presented in the Budget And Actual Comparative Statement		7 322,999	6 371,000	14 293,000	6 852,628	8 240,372

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Refer to note 61 for explanations for material variances between final budget and actual amounts as well as the final budget and the original budget

Cash Flow Statement

Cash flows from operating activities

Receipts						
Ratepayers and other		94 785,000	-	94 785,000	8 205 476	12 710 324
Government - operating		48 430,000	2 808,000	51 238,000	79 136 585	(27 898 585)
Government - capital		26 268,000	8 896,000	35 164,000	-	35 161,808
Interest		1 200,000	200,000	1 400,000	1 701 070	(301,070)
Payments						
Suppliers and employees		(134 364,000)	(16 526,000)	(150 890,000)	(136 141 252)	(15 748 748)
Finance charges		(285,000)	-	(285,000)	(237,063)	(47,937)
Transfers and Grants		-	-	-	-	-
NET CASH FROM(USED) OPERATING ACTIVITIES		36 011,000	(4 622,000)	31 389,000	27 811,996	3 875,004

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts						
Proceeds on disposal of PPE		-	-	-	4 322 898	(4 322 898)
Decrease (increase) in non-current debtors		-	-	-	2 664	(2 664)
Decrease (increase) other non-current receivables		-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-
Payments						
Capital assets		(34 276,000)	(9 597,000)	(43 873,000)	(38 845 892)	(5 027 188)
NET CASH FROM(USED) INVESTING ACTIVITIES		(34 276,000)	(9 597,000)	(43 873,000)	(34 528 332)	(9 362 568)

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CASH FLOWS FROM FINANCING ACTIVITIES

Receipts						
Short term loans		-	-	-	-	-
Borrowing long term/financing		3 000,000	-	3 000,000	-	3 000,000
Increase (decrease) in consumer deposits		-	-	-	-	-
Payments						
Repayment of borrowing		(500,000)	-	(500,000)	(972 852)	472 852
NET CASH FROM(USED) FINANCING ACTIVITIES		2 500,000	-	2 500,000	(872 852)	3 472 852

NET INCREASE/ (DECREASE) IN CASH HELD

Cash/cash equivalents at the year begin		30 005,000	(3 521,000)	26 484,000	26 485 104	(1 196)
Cash/cash equivalents at the year end:		32 505,000	(17 740 000)	14 765,000	18 505 078	(2 905,078)

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Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014
ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below.

These accounting policies are consistent with those applied in the preparation of the prior year financial statements, unless specified otherwise. Details on any changes in accounting policies are provided in note Changes in accounting policy.

1.1. Presentation of currency

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

1.2. Going concern

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

1.3. Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

The approved budget is prepared on an accrual basis.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

1.4. Comparative figures

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

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

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 42 to the financial statements.

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Annual Financial Statements for the year ended 30 June 2014
ACCOUNTING POLICIES

1.5. Offsetting

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

1.6. Significant judgements and sources of estimation uncertainty

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

Judgements

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

Estimates

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

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

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

Impairments of non-financial assets

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

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes.

Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions is included in note 19 - Provisions.

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ACCOUNTING POLICIES

Pension and other post-employment 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, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Effective interest rate

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

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis.

The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of refuse landfill sites

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

Depreciation and amortisation

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

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ACCOUNTING POLICIES

1.7. Property, plant and equipment

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 are 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 cost of dismantling and removing the asset and restoring the site on which it is operated.

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

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.

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

Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

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ACCOUNTING POLICIES

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Land (PPE)	Indefinite
Buildings	60 years
Plant	5 – 15 years
Furniture and fixtures	5 – 15 years
Motor vehicles	5 – 20 years
Office equipment	3 – 10 years
Other equipment	3 – 10 years
Infrastructure	30 – 120 years

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 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.

Derecognition

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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ACCOUNTING POLICIES

1.8. Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building) 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 benefits are probable and the cost or fair value can be determined reliably.

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.

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

Fair Value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Derecognition

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

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

Impairments

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

Where the carrying amount of an 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.

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Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

1.9. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the cost or fair value of the asset can be measured reliably.

An internally generated intangible asset is subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the entity intends to complete the intangible asset, for use or sale
- it is technically feasible to complete the intangible asset
- the entity has the resources to complete the project
- it is probable that it will generate future economic benefits or service potential.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

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

Subsequent measurement

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

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software 5 years

Impairments

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

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.10. Investments in controlled entities

Investments in controlled entities are carried at NIL value on the face of the Statement of Financial Position. The value of the investment is deemed to be the accumulated surplus of the controlled entity and is reflected in the notes to the annual financial statements.

1.11. Financial instruments

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.

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

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

Initial measurement

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.

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Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost. All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value:

- 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.

b) Financial instruments at amortised cost:

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.

c) Financial instruments at cost:

Investments in residual interest, which do not have quoted market prices, and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

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.

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Impairments

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

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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.

Derecognition

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.

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Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when the obligation 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).

Policies relating to specific financial instruments

Investments at amortised cost

Investments which include fixed deposits and short-term deposits invested in registered commercial banks are categories as financial instruments at amortised cost and are subsequently measured at amortised cost.

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

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

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

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

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

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Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

Other financial assets

These include loans receivable and initially measured at fair value plus transaction costs that are directly attributable to the acquisition and subsequently measured at amortised cost.

1.12. Leases

Finance leases - lessee

Initial recognition

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

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.

Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

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Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

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

An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

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 revenue.

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

Operating leases - lessee

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

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

1.13. Inventories

Initial recognition and measurement

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

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

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

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Derecognition

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost 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 or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14. Employee benefits

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 are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Post-employment benefits

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

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Post-retirement Medical Obligations

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

The entitlement to post-retirement medical benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method.

The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

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

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) 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 expenditure expected to be required to settle the obligation.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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1.16. Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

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

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

Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

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

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

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on on-going leases.

License fees and permits are recognised in accordance with the substance of the agreements entered into.

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Measurement

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

1.17. Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a 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.

Recognition

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

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

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equaling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

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1.18. Borrowing costs

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

1.19. Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003), and includes:

- a) overspending of the total amount appropriated in the municipality's approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- f) a grant by the municipality otherwise than in accordance with this Act;

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.

1.20. 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.

1.21. 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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1.22. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

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

1.23. Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.24. Capital commitments

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

2. Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

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

The entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non- disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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3. New standards and Interpretations

3.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard / Interpretation	Effective date: Years beginning on or after
None	

3.2 Standards and Interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods

Standard / Interpretation	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	No effective date	No significant effect
• GRAP 20: Related Parties	No effective date	No significant effect
• GRAP 32: Service concession arrangements:	No effective date	No significant effect Grantor
• GRAP 105: Transfers of functions	No effective date	No significant effect between entities under common control
-		
• GRAP 106: Transfers of functions	No effective date	No significant effect Between entities not under common control
-		
• GRAP 107: Mergers	No effective date	No significant effect
• GRAP 108: Statutory Receivables	No effective date	No significant effect
• GRAP 17: Service Concession Arrangements	No effective date	No significant effect Where a Grantor Controls a Significant Residual Interest in an Asset

XG
27/11/2014

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014
ACCOUNTING POLICIES

Possible impact of initial application of standards of GRAP approved but not yet effective

GRAP 18: Segment Reporting – It is expected that this will only result in additional disclosures without affecting the underlying accounting.

GRAP 20: Related Parties - No significant impact is expected as the information is to a large extent already included in the financial statements.

GRAP 32 Service concession arrangements: Grantor – No significant impact is expected as no such transaction or events are expected in the foreseeable future.

GRAP 105: Transfers of functions between entities under common control – No significant impact is expected as no such transaction or events are expected in the foreseeable future.

GRAP 106: Transfers of functions between entities not under common control – No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 107: Mergers - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 108: Statutory Receivables – No significant impact is expected as the information is to a large extent already included in the financial statements.

IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset – No significant impact is expected as no such transactions or events are expected in the foreseeable future.

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
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4 Other financial assets

Amortised cost

Long term loans

This loan is for a sport club and is repayable in monthly instalments over a period of twenty years. It has a fixed interest rate of 5% and will be fully redeemed in April 2020. This loan is not secured.

Opening Balance
Interest accrued
Payments
Closing Balance

J 7.1

18,493	21,157
21,157	23,486
997	1,127
(3,661)	(3,458)
<u>18,493</u>	<u>21,157</u>
15,693	18,493
2,800	2,664
<u>18,493</u>	<u>21,157</u>

Non-current assets
Amortised cost

Current assets
Amortised cost

The municipality has not reclassified any financial assets from cost or amortised cost to fair value or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realized on the disposal of held to maturity financial assets in 2014 and 2013, as all the financial assets were disposed of at their redemption date.

J 7.1

Loans and receivables past due but not impaired

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2014 - Rnd (2013 Rnd) were past due but not impaired.

5 Financial assets by category

The accounting policies for financial instruments have been applied to the line items below

2014

Other financial assets

Other receivables from exchange transactions
Other receivables from non-exchange transactions
Cash and cash equivalents
Trade receivables from exchange transactions

Financial assets at amortised cost	Total
18,493	18,493
674,477	674,477
14,375,407	14,375,407
18,505,878	18,505,878
16,413,742	16,413,742
<u>48,987,997</u>	<u>48,987,997</u>

J 2.14

2013

Other financial assets

Other receivables from exchange transactions
Other receivables from non-exchange transactions
Cash and cash equivalents
Trade receivables from exchange transactions

Financial assets at amortised cost	Total
21,157	21,157
846,252	846,252
1,323,267	1,323,267
26,485,106	26,485,106
15,676,225	15,676,225
<u>44,152,007</u>	<u>44,152,007</u>

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
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6 Inventories

Work in progress
Consumable stores/transformers
Water

	756,458	734,889
	144,927	637,950
	<u>901,385</u>	<u>1,372,839</u>

Stores issued amounted to R 1 156 748 and R 1 261 728 (2013)
No inventory write downs were required for the year
No inventory were pledged as security
No amount included in inventory is carried at current replacement cost or NRV

J.3.7

7 Other receivables from exchange transactions

Deposits
Other receivables
Prepayments

	624,644	593,758
	49,933	52,494
	<u>1,025,023</u>	<u>646,252</u>
	<u>2,499,500</u>	<u>648,252</u>

The ageing of other receivables from exchange transactions is as follows

Current (0-30days)
31-60 days
61-90 days
91-120 days
> 121 days

	1,292,464	52,455
	532,589	30,000
	30,786	26,179
	643,691	537,578
	<u>2,499,500</u>	<u>648,252</u>

Other receivables pledged as security

Other receivables were not pledged as security
Other receivables vs financial assets at amortized cost

Credit quality of other receivables from exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality

J.2.14

8 Other receivables from non-exchange transactions

Government grants and subsidies (Note 18)
Advances paid on construction contracts
Property rates
Other receivables from non-exchange revenue

	7,068,325	757,955
	-	295,180
	6,890,230	91,689
	<u>418,852</u>	<u>178,433</u>
	<u>14,375,407</u>	<u>1,322,257</u>

Property rates
Property rates
Provision for bad debts - Property rates

	8,852,367	6,412,893
	<u>(1,962,137)</u>	<u>(6,321,204)</u>
	<u>6,890,230</u>	<u>91,689</u>

Property rates age analysis
Current (0-30days)
31-60 days
61-90 days
91-120 days
> 121 days

	241,007	277,009
	38,149	42,939
	36,440	38,121
	27,181	30,613
	<u>6,509,590</u>	<u>6,026,211</u>
	<u>8,852,367</u>	<u>6,412,893</u>

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality

Allowance for impairment: Property rates
Impairment balance prior year
Reversal of provision
Debt impairment written off against provision

	(6,321,204)	(4,079,238)
	4,294,912	(2,494,835)
	<u>64,155</u>	<u>252,989</u>
	<u>(1,962,137)</u>	<u>(6,321,204)</u>

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
6 Other receivables from non-exchange transactions (continued)		
Other receivables from non-exchange transactions		
Employees overpayment on backpay	231,831	231,831
Provision for bad debts	(231,831)	(231,831)
Insurance claims	242,343	2,683
SARS refund - penalty charges	34,894	34,894
Employee recoverable expenses	31,104	30,604
Pension Overpayment		1,741
SARS UIF paid for Councilors	108,511	108,511
	<u>416,852</u>	<u>178,433</u>
Prior period adjustment		
Balance previously reported		1 593 602
2013: Rates not levied on Erf 13/50/2		1 313
2013: Pension refund for overpayment		1 741
2013: Rates not correctly levied on Farms		(116 187)
2013: Adjust SARS refund on penalty charges		(2 699)
Earlier than 2013: Rates not levied on Erf 13/50/2		10 646
Earlier than 2013: Rates not correctly levied on Farms		(175 226)
Earlier than 2013: SARS UIF deductions from Councilors		9 877
		<u>1 323 267</u>
As at 30 June 2014, other receivables from non-exchange transactions of R64 155 (2013: R252 969) were impaired and provided for		
The amount of the provision was R 1 982 137 as at 30 June 2014 (2013: R 6 321 204)		
Other receivables from non-exchange transactions is a financial assets at amortized cost		
Other receivables from non-exchange transactions were not pledged as security		
Other receivables from non-exchange transactions past due but not impaired		
The ageing of amounts for property rates past due but not impaired is as follows		
1 month past due	38 149	
2 months past due	34,823	
3 months past due	26,253	
Older than 3 months	6,548,698	
	<u>6,549,223</u>	0
Other receivables from non-exchange transactions past due but not impaired		
Older than 4 months	191,630	175,750
	<u>191,630</u>	<u>175,750</u>
7 Trade receivables from exchange transactions		
Gross balances		
Electricity	13,412,215	11,530,300
Water	10,020,896	2,306,449
Sanitation	1,440,023	1,273,062
Sewerage	4,570,197	4,083,263
Refuse	7,906,125	7,010,358
Other	876,811	839,399
	<u>38,227,067</u>	<u>24,042,829</u>
Trade receivables pledged as security		
Trade receivables were not pledged as security		
Trade receivables is a financial assets at amortized cost.		
Prior period adjustment		
Balance previously reported		31 238 887
2013: Electricity - adjustment to year end consumption		1 248 815
2013: Water - adjustment to year end consumption		483 784
Prior to 2013: Electricity adjustment to year end consumption		852 736
Prior to 2013: Water adjustment to year end consumption		118 207
		<u>34,042,829</u>
Less: Allowance for Impairment		
Electricity	(3 182,456)	(1 958,958)
Water	(7 144,004)	(6 200,657)
Sanitation	(1 281,810)	(1 097,568)
Sewerage	(3,392,417)	(2,999,315)
Refuse	(8 174,187)	(5,357,663)
Other	(659,251)	(742,331)
	<u>(21,814,125)</u>	<u>(18,268,864)</u>

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
9 Trade receivables from exchange transactions (continued)		
Net balance		
Electricity	10,249,759	9,561,342
Water	2,876,692	3,105,782
Sanitation	158,213	175,394
Sewerage	1,177,780	1,083,948
Refuse	1,733,938	1,632,691
Other	217,380	87,068
	<u>16,413,742</u>	<u>16,676,225</u>
Electricity		
Current (0 -30 days)	7,112,417	7,341,782
31 - 60 days	1,028,230	847,384
61 - 90 days	612,191	685,556
91 - 120 days	442,819	445,648
>121 days	3,218,558	2,209,950
	<u>13,412,215</u>	<u>11,530,360</u>
Water		
Current (0 -30 days)	1,213,042	1,612,582
31 - 60 days	280,148	257,072
61 - 90 days	238,424	274,338
91 - 120 days	233,485	220,094
>121 days	6,053,597	6,942,363
	<u>10,020,696</u>	<u>9,306,449</u>
Sanitation		
Current (0 -30 days)	30,291	33,571
31 - 60 days	14,778	14,292
61 - 90 days	14,635	13,957
91 - 120 days	14,856	13,954
>121 days	1,365,765	1,197,288
	<u>1,440,325</u>	<u>1,273,062</u>
Sewerage		
Current (0 -30 days)	365,307	423,658
31 - 60 days	144,403	133,261
61 - 90 days	124,475	114,827
91 - 120 days	106,143	108,924
>121 days	3,829,869	3,304,785
	<u>4,576,197</u>	<u>4,083,455</u>
Refuse		
Current (0 -30 days)	496,691	559,765
31 - 60 days	190,663	198,860
61 - 90 days	178,229	180,568
91 - 120 days	166,779	169,153
>121 days	6,677,763	5,903,950
	<u>7,909,125</u>	<u>7,012,346</u>
Other		
Current (0 -30 days)	34,966	53,624
31 - 60 days	19,607	32,258
61 - 90 days	18,764	33,645
91 - 120 days	19,746	31,644
>121 days	783,526	688,228
	<u>876,611</u>	<u>839,399</u>
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	9,252,716	10,024,960
31 - 60 days	1,675,827	1,481,127
61 - 90 days	1,184,618	1,302,711
91 - 120 days	983,628	987,417
>121 days	25,131,078	20,248,614
	<u>38,227,867</u>	<u>34,044,829</u>
Less: Allowance for impairment	(21,814,125)	(18,368,604)
	<u>16,413,742</u>	<u>16,676,225</u>

J.2.14

J.2.14

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)	
9 Trade receivables from exchange transactions (continued)			
Reconciliation of debt impairment provision			
Balance at beginning of the year	(18,366,604)	(19,922,181)	} J 2.14
Contributions to provision	(6,150,569)	(3,251,180)	
Debt impairment written off against provision	2,793,048	4,806,757	
	<u>(21,814,125)</u>	<u>(18,366,604)</u>	
Fair value of trade receivables from exchange transactions			
Trade receivables from exchange transactions	16,413,742	15,876,225	
The fair value has been determined by using the face value of the outstanding capital			
Trade receivables impaired			
As at 30 June 2014, consumer debtors of R2 703 048 (2013: R 4 806 757) were impaired and provided for. The amount of the provision was R21 814 125 at 30 June 2014 (2013: R 18 366 604)			
Trade receivables from exchange transactions past due but not impaired			
The ageing of amounts for exchange transactions past due but not impaired is as follows			
1 month past due	1,675,827	1,481,127	} J 2.14
2 months past due	1,164,818	1,302,711	
3 months past due	963,828	987,417	
Older than 3 months	3,316,953	1,880,010	
	<u>7,161,826</u>	<u>5,651,265</u>	
Credit quality of receivables from exchange transactions			
The credit quality of receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality			
10 Cash and cash equivalents			
Cash and cash equivalents consist of			
Cash on hand	1,690	1,690	} J 1.1
Bank balances	3,691,862	2,119,095	
Short-term deposits	14,812,306	24,364,321	
	<u>18,505,858</u>	<u>26,485,106</u>	
No restrictions exist with regard to the use of cash			
Cash and cash equivalents pledged as collateral			
No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2014
R
2013
R
(Restated)

18 Cash and cash equivalents (continued)

The municipality had the following bank accounts
Account number / description

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - Fixed deposit - 2053825035	7,500	7,500	7,500	7,757	7,756	7,500
ABSA Bank - Fixed deposit - 2055844786	23,967	22,858	21,879	24,535	23,371	21,879
ABSA Bank - Call account - 9067623600	4,632,620	4,866,768	8,135,070	4,848,802	4,883,207	8,171,816
Nedbank - Money market - 1263036023	5,800	6,082	6,282	5,800	6,082	6,252
Nedbank - Fixed deposit - 18312481	4,600	4,600	4,600	4,600	4,600	4,600
Nedbank - Money market - 1263034766	88,848	66,950	65,016	68,548	66,950	65,016
Nedbank - Fixed deposit - 37881100677	10,000,000	10,000,000	-	10,052,184	10,035,973	-
ABSA - Cheque account - 2300000008	3,383,054	1,781,473	938,177	3,528,421	2,069,350	1,190,493
ABSA - Cheque account - 4064779134	162,825	41,847	13,026	163,461	49,745	14,818
Investec - Fixed deposit - 5005649159		9,336,382	10,315,114		9,336,382	10,364,288
Total	18,289,114	28,126,438	19,508,444	18,584,181	26,483,416	18,848,472

The municipality has guarantees at ABSA bank to the value of R31 467 relating to the personal bonds of two municipal employees.

The municipality has Vehicle management solutions facilities at ABSA bank to the value of R548 000.

The municipality has Term loan facilities at ABSA bank to the value of R2 297 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014		2013	
	Cost/ Valuation	Carrying Value	Cost/ Valuation	Carrying Value
	R	R	R	R
Investment property	31,205,200	31,205,200	29,916,490	29,916,490
Prior period adjustment				
Balance previously reported				24,017,090
Prior to 2013: Properties re-classified as investment property				5,899,400
				<u>29,916,490</u>

Reconciliation of Investment property - 2014

	Opening balance	Additions	FV Adjustments	Total
	R	R	R	R
Investment properties				
Land	23,055,640		993,140	24,048,780
Buildings	6,860,850		295,570	7,156,420
	<u>29,916,490</u>	0	1,288,710	<u>31,205,200</u>

Reconciliation of Investment property - 2013

	Opening balance	Additions	FV Adjustments	Total
	R	R	R	R
Investment property				
Land	21,896,301		1,159,339	23,055,640
Buildings	4,182,781	2,432,706	235,369	6,860,850
	<u>26,089,082</u>	<u>2,432,706</u>	<u>1,394,708</u>	<u>29,916,490</u>

Rental revenue from investment property: R109 197 (2013: R116 124)

Direct operating expenses arising from investment property that generated rental revenue: Rnil (2013: Rnil)

Pledged as security

No investment property have been pledged as security for loans

Details of valuation

The effective date of the revaluation was at 30 June 2014. Valuations were performed by an independent valuer Mr MC Deyenaar from the Eastern Cape Department of Local Government and Traditional Affairs. The independent valuer is not related to the Municipality and has recent experience in the location and category of the investment property that have been valued.

The valuation was based on open market value for existing use.

Investment property is split between land and improvements R24 048 780 and R7 156 420 (2013: R23 055 640 and R6 860 850) respectively.

12 Property, plant and equipment

	2014			2013		
	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value
	R	R	R	R	R	R
Land	4,019,900	-	4,019,900	4,025,900	-	4,025,900
Buildings	18,256,429	-	18,256,429	18,551,429	-	18,551,429
Plant	4,582,968	(1,344,193)	1,208,775	4,557,968	(3,058,478)	1,499,490
Furniture and fixtures	2,837,513	(1,972,813)	864,700	2,713,981	(1,909,545)	813,436
Motor vehicles	13,069,656	(7,510,930)	5,558,726	13,778,287	(7,350,518)	6,428,741
Office equipment	3,812,483	(2,552,946)	1,259,537	2,961,758	(2,404,426)	557,332
Other equipment	1,668,017	(797,422)	870,595	1,458,423	(704,846)	753,577
Infrastructure	1,211,760,162	(617,927,610)	593,832,552	1,197,302,385	(586,285,729)	611,016,656
WIP	42,114,800	-	42,114,800	19,205,324	-	19,205,324
Landfill sites	18,539,179	(9,235,267)	9,303,912	18,272,402	(7,726,879)	10,545,523
Total	<u>1,320,631,107</u>	<u>(643,341,181)</u>	<u>677,289,926</u>	<u>1,282,628,627</u>	<u>(609,431,419)</u>	<u>673,197,208</u>

Prior period adjustment

Balance previously reported

2013: Adjustments to Disposal of land

2013: Recalculation of Landfill sites

2013: Adjustments to Buildings

2013: Adjustment to Infrastructure

2013: Adjustment to WIP

Prior to 2013: Adjustments to WIP

Prior to 2013: Adjustments to Infrastructure values

Prior to 2013: Adjustments to Buildings

Prior to 2013: Adjustments to Land

Prior to 2013: Recalculation of Landfill sites

673,197,208

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
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12 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance R	Additions R	Disposals R	Transfers R	Depreciation R	Impairment loss R	Total R
Land	4,025,900		(8 000)				4,019,900
Buildings	18,551,429		(295,000)				18,256,429
Plant	1,499,490		(742)		(289,973)		1,208,775
Furniture and fixtures	813,436	263,581	(34,325)		(179,972)		864,700
Motor vehicles	6,428,741	619,207	(170,905)		(1,318,317)		5,558,726
Office equipment	557,332	1,083,285	(133,830)		(247,250)		1,259,537
Other equipment	753,577	367,982	(77,537)		(173,407)		870,585
Infrastructure	611,016,656	417,683		14,040,094	(31,641,881)		593,832,562
WIP	19,205,324	36,949,570		(14,040,094)			42,114,800
Landfill sites	10,545,523	266,777			(1,508,388)		9,303,912
Total	673,357,468	39,970,845	(718,339)	-	(35,359,188)	-	677,289,326

J. 4-18

Reconciliation of property, plant and equipment - 2013

	Opening balance R	Additions R	Disposals R	Transfers R	Depreciation R	Impairment loss R	Total R
Land	4,055,900		(23,900)				4,025,900
Buildings	18,132,489	2,856,840	(437,900)				18,551,429
Plant	2,590,227				(1,090,737)		1,499,490
Furniture and fixtures	857,093	214,360			(258,017)		813,436
Motor vehicles	7,698,852	344,890		(12,883)	(1,601,938)		6,428,741
Office equipment	528,766	348,084			(317,518)		587,332
Other equipment	698,941	219,328			(162,690)		753,577
Infrastructure	638,023,337	3,680,647		748,342	(31,435,670)		611,016,656
WIP	741,988	19,211,678		(748,342)			19,205,324
Landfill sites	12,149,288	4,485			(1,608,235)		10,545,523
Total	683,474,761	28,978,110	(487,800)	(12,963)	(36,474,660)	-	673,357,468

Assets subject to finance lease (Net carrying amount)

	2014 R	2013 R
Motor vehicles		204,202
Office equipment	627,468	
	<u>627,468</u>	<u>204,202</u>

See note 17 on finance leases for assets held under finance lease

No property, plant and equipment has been pledged as security for liabilities

13 Intangible assets

	2014			R	2013		
	Cost/ Valuation R	Accumulated amortisation/ impairment R	Carrying Value R		Cost/ Valuation R	Accumulated amortisation/ impairment R	Carrying Value R
Computer software	160,482	(143,870)	16,612		141,717	(141,716)	1

J. 4-21

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
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13 Intangible assets (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	1	18,765	-	-	(2,154)	-	16,612

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	1	-	-	-	-	-	1

J4.2

Other Information

Fully amortised intangible assets still in use

Certain computer software packages (not material to the municipality's operations) with finite useful lives which have been fully depreciated are still in use by the municipality to some extent.

14 Investments in controlled entities

Name of company	Held by	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
Blue Crane Development Agency	Blue Crane Route Municipality	100%	100%		

Restrictions relating to Controlled entities

The 100% investment in this Service entity (subsidiary) was acquired at no cost. Therefore no value can be reflected on the face of the Statement of Financial Position.

The investment is valued at the accumulated surplus of the agency being Accumulated surplus/(deficit)

26 031 (203 925) J.G.1
(872 232) (639 450)

15 Employee benefit obligations

Defined benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement the surviving dependants may continue membership of the medical scheme.

In-service members will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.

All continuation members and their eligible dependants receive a subsidy of either 60% or 70%.

Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same between 60% and 70% subsidy.

All subsidies are subject to a maximum of R3 618.04 for the year ending 30 June 2015. The maximum subsidy amount has been assumed to increase in the future in line with salary inflation.

J.11.5
Post-retirement
Liability

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
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15 Employee benefit obligations (continued)

Principal assumptions

Discount rate
Grap 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8,91% per annum has been used. The corresponding index-linked yield at this term is 1,70%. These rates do not reflect any adjustment for taxation. These rates were deducted from the JSE Zero Coupon bond yield after the market close on 30 June 2014.

The rate is calculated by using a weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process.

Financial assumptions	
Discount rate	8,91%
Health care cost inflation rate	8,09%
Net effective discount rate	0,78%

The next contribution rate increase is assumed to occur at 1 January 2015.

Demographic assumptions	
Average retirement age	63 (males) / 58 (Females)
Continuation of membership at retirement	100%
Proportion assumed married at retirement	70%

Accrued Liability Values

Carrying value	13,861,048	15,453,480
Opening Accrued Liability	656,452	695,168
Service cost	1,173,646	861,173
Interest cost	(445,344)	(456,122)
Benefits paid	1,188,743	(2,892,651)
Actuarial (gain) / loss recognised in the year	18,234,546	13,661,048
Closing Accrued Liability	<u>18,234,546</u>	<u>13,661,048</u>

Non-current liabilities	15,756,297	13,215,704
Current liabilities (Estimate of benefits payments expected in the next annual period)	478,248	445,344
	<u>18,234,545</u>	<u>13,661,048</u>

The total liability has increased by 18% (or R 2.573 million) since the last valuation.

The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:

Actuarial (Gain)/Loss for the period	1,188,743
Contribution to Actuarial (Gain)/Loss	842,255
Basis changes: Increase in net discount rate	257,817
Contribution increases higher than assumed	88,671
Changes to membership profile different from assumed	(100,000)

J-11's
Post-retirement
liability

J-11's
Post-retirement
liability

J-11's
Post-retirement
liability

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
15 Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	656,452	695,168
Benefits paid	(445,344)	(456,122)
Total included in employee related costs	211,108	239,046
Actuarial (Gain)/Loss recognised in statement of financial performance	1,164,743	(2,892,691)
Interest cost included in Finance costs	1,173,646	661,173
	<u>2,573,497</u>	<u>(1,792,432)</u>
Estimate of contributions expected to be paid to the plan in the next financial year	(478,248)	(445,344)

*J 11-5
Post-retirement
liability*

Sensitivity analysis on the accrued liability (R millions)

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		9,566	6,568	16,235	
Health care inflation	1%	11,113	7,291	18,404	13% ^
	-1%	8,432	5,950	14,381	-11% ^
Discount Rate	1%	8,164	5,959	14,123	-13% ^
	-1%	11,567	7,293	18,860	16% ^
Post-retirement mortality	-1%	10,914	6,838	16,852	4% ^
Average retirement age	-1%	10,486	6,569	17,055	5% ^
Continuation of membership at retirement	-10%	6,742	6,569	15,311	-6% ^

Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2014

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		656,500	1,173,600	1,830,100	
Health care inflation	+1%	752,400	1,332,500	2,085,000	14% ^
	-1%	572,600	1,036,500	1,609,100	-12% ^
Post-retirement mortality	-1%	679,200	1,216,300	1,895,500	4% ^
Average retirement age	-1%	738,600	1,237,000	1,975,600	8% ^
Withdrawal Rate	-50%	708,900	1,206,300	1,915,200	5% ^

*J 11-5
Post-retirement
liability*

History of liabilities, Assets and Experienced Adjustments (R millions)

Liability History	30/06/2010	30/06/2011	30/06/2012	30/06/2013	30/06/2014
Present value of accrued liability	14,644	13,782	15,453	13,861	16,235
Fair value of plan assets	0,000	0,000	0,000	0,000	0,000
Surplus/(Deficit)	(14,644)	(13,782)	(15,453)	(13,861)	(16,235)

Experience adjustments	30/06/2010	30/06/2011	30/06/2012	30/06/2013	30/06/2014
Liabilities (Gain)/Loss	0,000	(2,327)	0,479	(2,476)	0,346
Assets Gain/(Loss)	0,000	0,000	0,000	0,000	0,000

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
16 Other financial liabilities		
Held at amortised cost		
ABSA Bank loan	1,887,249	2,543,776
<p>Total loan of R3,5 million was taken up from ABSA Bank (R1 000 000 on 19/10/2010 and R2 500 000 on 06/06/2012). Instalments are R123 114.50 (9.75%) and R321 680.34 (9.74%) respectively. Both loans are over a period of 5 years and is semi-yearly payable.</p> <p>No defaults or breaches or re-negotiations of the terms and conditions occurred during the year. The loans are not secured and there are no loan covenants.</p>		
Non-current liabilities		
At amortised cost	1,157,355	1,887,249
Current liabilities		
At amortised cost	729,894	856,527
	<u>1,887,249</u>	<u>2,543,776</u>
Opening Balance	2,543,776	3,140,251
Interest accrued	237,063	297,115
Payments	(893,590)	(893,590)
Closing Balance	<u>1,887,249</u>	<u>2,543,776</u>
17 Finance lease obligation		
Minimum lease payments due		
- within one year	344,324	268,435
- in second to third year inclusive	766,192	-
	<u>1,110,518</u>	<u>268,435</u>
less: future finance charges	(191,632)	(4,269)
Present value of minimum lease payments	<u>958,884</u>	<u>262,166</u>
Present value of minimum lease payments due		
- within one year	262,000	262,166
- in second to third year inclusive	696,884	-
	<u>958,884</u>	<u>262,166</u>
Non-current liabilities		
Current liabilities	696,884	-
	<u>262,000</u>	<u>262,166</u>
	<u>958,884</u>	<u>262,166</u>
<p>It is Municipality policy to lease certain property (plant) and equipment under finance leases. The average lease term was 3-5 years and the average effective borrowing rate was 9%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent.</p> <p>The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 12. Property, plant and equipment for the carrying value of assets subject to finance lease.</p> <p>There are no subleases.</p> <p>Defaults and breaches</p> <p>There were no default during the period of principal, interest, sinking fund or redemption terms of loans payable.</p>		

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
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18 Unspent conditional grants and receipts

Other grants	1,507,233	7,361,264
Prior period adjustment		
Balance previously reported		7,718,582
Prior to 2013: Cacadu Roads & stormwater grant transferred to revenue		(355,718)
		<u>7,361,264</u>

J.10.3

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as per the following table totalling R1 507 233. Where conditions have been met, the amounts were recognised as revenue and is shown under the transfer columns per the following table. The municipality complied with all the conditions attached to the grants / allocations. These amounts are invested in a ring-fenced investment unit utilised.

Grant description	Unspent balance 2013	Receipts	Adjustments / written off	Transfer operating expenditure	Transfer capital expenditure	Unspent balance 2014
Municipal Infrastructure Grant (MIG)	5 906,493	17,315,000		(950,154)	(29,004,909)	(6 733,570)
MSIG Funds		890,000		(890,000)		-
FMG		1,550,000		(1,500,666)	(43,334)	-
NER Grant		600,000			(75,333)	524,667
DR WH CRAB TRUST	13,015					13,015
Deployment of LED	53,692	229,275		(66,803)		198,164
IDP	290,000			(178,921)		21,079
Dept of housing - RDP Houses	(757,955)	1,350,709		(751,596)		(158,642)
Cacadu Fire fighters	163,715	375,000		(538,715)		-
Skills Development	173,957	20,078		(190,034)		4,001
Deport Sport Library adm n cost		2 197 000		(2 197 000)		-
EPWP		1 000,000		(1,000,000)		-
EPWP (BCDA)	295,190				(295,190)	-
Revenue Enhancement	500,000			(457,236)		42,764
ACIP Sewer Grant		8 831 186			(8,007,099)	(115,313)
ACIP Water conservation	55,202	2 577 188		96 059	(2,107,069)	421,240
Cacadu Resourcing Youth Centre		126,303				126,303
Cacadu Craft Project		150,000				150,000
	<u>6,683,389</u>	<u>37,211,717</u>		<u>(8,837,184)</u>	<u>(40,538,934)</u>	<u>(5,561,892)</u>
Less Transfer of Debt Balance to Other receivables from non-exchange transactions (Note 8)	<u>757,955</u>					<u>7,069,325</u>
	<u>7,361,264</u>					<u>1,507,233</u>

J.10.3

41

The municipality received certain grant allocations during the year from various public entities (amounts disclosed above per project / allocation) - these receipts / grant allocations had to be utilised for the following main purposes:

- National Treasury (MIG, MSIG & FMG) - Municipal systems improvement and financial management projects and Municipal Infrastructure (MIG)
- Cacadu District municipality - Environmental health, rainwater, fire fighting and Integrated dev Planning
- Eastern Cape Department of Roads and Public Works - Labour intensive projects to promote job creation for unemployed people
- Eastern Cape Department of Human Settlements - Housing projects

J.10.3

Certain grants were overspent at 30 June 2014 and is shown as negative figures. Those overspent amounts will be recovered from the grant allocations in the 2014/15 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)		
19 Provisions				
Reconciliation of provisions - 2014				
	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	24,934,894	1,647,787	-	26,582,681
	<u>24,934,894</u>	<u>1,647,787</u>	<u>-</u>	<u>26,582,681</u>
Reconciliation of provisions - 2013				
	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	23,626,357	1,368,937	-	24,995,294
	<u>23,626,357</u>	<u>1,368,937</u>	<u>-</u>	<u>24,995,294</u>
Prior period adjustment				18,367,022
Balance previously reported				344,416
2013 Recalculation of Environmental rehabilitation				6,223,458
Earlier than 2013 Recalculation of Environmental rehabilitation				<u>24,934,894</u>

J-11-5
 Landfill
 Site
 Provision

Environmental rehabilitation provision

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act No 73 of 1989 to rehabilitate landfill sites after use. The sites are expected to be closed in 2022 (Pearston), 2019 (Cockhouse) and 2020 (Somerset East), after which rehabilitation will commence until the sites are fully rehabilitated. The landfill sites valuation was performed by Bosch Muntech professional engineer Mr S Nel. The following assumptions were used when calculating the provisions for Landfill site rehabilitation.

The remaining useful lives of the landfill sites are estimated to be 8 years (Pearston), 5 years (Cockhouse) and 6 years (Somerset East), respectively. The CPIX (6.6%, 2013 5.5%) was used to adjust the cost as it is the only determining factor year on year. Where there are no calculated site classifications, an estimate has been assumed for the classification based on local information of waste volumes and leachate. The valuation above assumes a worst case scenario and assumes the Department of Water Affairs will strictly apply regulations.

The cost values used are estimates only, based on previous works and escalated de-escalated to current values and historic values. It is assumed that in the future the current landfill usage rate will be constant as to reach the future closure dates as stated above. Any escalations in the landfill usage rates will result in the estimated useful lives and site closure being forward. All historical and permitting information regarding the landfill sites was provided by the Municipality. The landfill sites are nearing the end of their useful lives and the ground and ground water on the entire site are thus considered to be contaminated and not just the portions in use, i.e. the provisions provided for the cost of rehabilitating the entire site and not just the portions used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
20 Payables from exchange transactions		
Trade payables	17,717,255	11,008,685
Payments received in advanced	355,752	370,064
Accrued leave pay	3,512,012	2,828,081
Accrued 13th cheque	1,274,732	1,177,731
Accrued performance bonus	267,440	146,686
Accrued Long Service awards	4,356	
Retention on Capital Projects	440,789	
Deposits received	91,122	78,133
	<u>22,663,458</u>	<u>18,607,380</u>
Prior period adjustment		15,674,424
2013: Transport cost - Invoice was not on record (Trade Payables)		938
2013: Advertisement costs - Invoice was not on record (Trade Payables)		16,017
2013: Audit Committee - Invoice was not on record (Trade Payables)		3,762
2013: Stores material not invoiced (Trade Payables)		1,874
2013: Incorrect liabilities raised - Trade Payables		(38,710)
2013: Un-identified direct bank deposits taken as revenue - Trade Payables		(1,925)
Prior to 2013: Incorrect accrued for Performance bonuses		(49,000)
		<u>15,607,380</u>

J-12-1

21 Trade and other payables from non-exchange		
Trade and other	321,447	84,594
Prior period adjustment		57,612
Balance previously reported		17,105
2013: SARS - URF & SDL adjustment payments		9,877
Prior to 2013: Refund to Contributors U F deductions		84,594

22 VAT payable		
VAT	1,318,244	1,925,878
Prior period adjustment		1,874,501
Balance previously reported		(115)
2013: Transport cost - Invoice was not on record (Trade Payables)		(1,567)
2013: Advertisement costs - Invoice was not on record (Trade Payables)		(462)
2013: Audit Committee - Invoice was not on record (Trade Payables)		(230)
2013: Stores material not invoiced (Trade Payables)		4,754
2013: Incorrect liabilities raised - Trade Payables		49,397
Prior to 2013: SARS Vat audit adjustments		1,925,878

J-13-1

VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.

23 Consumer deposits		
Electricity & water	1,995,081	1,895,041

24 Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	2014	2013
Other financial liabilities		
Finance lease	(1,887,249)	(1,887,249)
Trade and other payables from non-exchange	(321,447)	(84,594)
Payables from exchange transactions	(19,858,454)	(19,858,454)
	<u>(22,067,150)</u>	<u>(22,030,307)</u>
Other financial liabilities		
Finance lease	(2,543,776)	(2,543,776)
Trade and other payables from non-exchange	(84,594)	(84,594)
Payables from exchange transactions	(12,411,238)	(12,411,235)
	<u>(15,301,771)</u>	<u>(15,301,771)</u>

J-12-1
PAD

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
25 Revenue		
Property rates	8,496,011	8,001,704
Service charges	81,147,516	79,163,628
Rental of facilities and equipment	43,023	85,567
Interest received (trading)	2,420,796	2,196,443
Interest received	1,701,070	1,618,887
Income from agency services	654,549	614,458
Fines	43,514	75,577
Licences and permits	766,508	740,723
Government grants and subsidies	91,005,776	77,980,347
Fees earned	369,090	308,281
General	566,522	632,646
Private Work	77,800	338,652
Gains on disposal of assets	3,604,557	
Gain on investment properties fair valuation	1,288,710	3,827,408
Other income	1,128,460	935,733
	<u>193,313,822</u>	<u>176,520,854</u>
Prior Period adjustment		
Balance previously reported		174,931,087
Property Rates Rates not levied on Erf 13/50/2		1,213
Property Rates Rates not correctly levied on Farms		(116,187)
Service Charges Adjustment for year end consumption after last meter readings taken for water and electricity		1,732,399
General Un-identified bank deposits taken as revenue		1,525
Gain on disposal of assets transferred to expenditure, due to losses of R467 900 on land and buildings (Nett R437 317)		<u>(30,483)</u>
		<u>176,520,854</u>
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	81,147,516	79,163,628
Rental of facilities & equipment	43,023	85,567
Interest received - trading	2,420,796	2,196,443
Interest received	1,701,070	1,618,887
Income from agency services	654,549	614,458
Licences and permits	766,508	740,723
Fees earned	369,090	308,281
General	566,522	632,646
Private Work	77,800	338,652
Miscellaneous other revenue	1,128,460	935,733
	<u>88,678,354</u>	<u>88,635,916</u>
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	8,496,011	8,001,704
Fines	43,514	75,577
Government grants & subsidies	91,005,776	77,980,347
	<u>99,545,301</u>	<u>86,057,628</u>
Collectability of amounts		
At the time of initial recognition of revenue it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods and services will not occur due to the fact that the municipality has an obligation to collect all revenue		
26 Property rates		
Rates received		
All properties	8,496,011	8,001,704
Valuations		
Agricultural	3,080,706,200	3,090,332,300
Commercial	121,442,460	119,986,850
Government	44,050,500	44,050,500
Residential	464,608,200	463,420,000
State	301,719,700	301,684,700
	<u>4,012,527,060</u>	<u>4,019,474,350</u>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June 2014 (30 June 2013). Interest at prime plus 1% per annum (2013: prime plus 1% per annum), is levied on rates outstanding one month after due date.

A general rate of 0.00045 for agricultural properties, 0.00726 for business properties, 0.00620 for residential properties, 0.01368 for government infrastructure properties and 0.01718 for government properties is applied to property valuations to determine assessment rates (2013: 0.00042 - agricultural properties, 0.00685 - business properties, 0.00585 - residential properties, 0.01150 - government properties and 0.01291 for Government infrastructure). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2013: R15 000 - residential properties and 30% government infrastructure)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
27 Service charges		
Sale of electricity	65,312,716	62,882,296
Sale of water	8 146 128	8,453,047
Sewerage and sanitation charges	3,349,396	3,376,907
Refuse removal	4 160,896	4,228,593
Other service charges	178,380	223,183
	<u>81,147,516</u>	<u>78,163,826</u>
Prior period adjustment		
Balance previously reported		77,431,229
Sale of electricity - Adjustment for year end consumption		1,248,615
Sale of Water - Adjustment for year end consumption		483,784
		<u>79,163,628</u>
Electricity losses incurred during the year - R14 283 705 (27%) - 2013: R11 770 787 (23%)		
Water losses incurred during the year - R3 410 040 (42%), (2013 - R1 602 539 - 45% only Somerset East)		
28 Investment revenue		
Interest revenue		
Interest	997	1,127
Bank	1,700,073	1,617,760
	<u>1,701,070</u>	<u>1,618,887</u>
The amount of R1 701 070 (2013: R1 618 887) is included under revenue arising from exchange transactions		
29 Government grants and subsidies		
Equitable share	40,798,000	39,254,000
Government grant - MRG	29,955,083	13,027,528
Government grant - FMG	1,550,000	1 500 000
Provincial and District Municipality grants	17,739,380	23,398 819
Government grant - M-SIG	890,000	800,000
Government grant - NER	75,333	-
	<u>81,008,776</u>	<u>77,880,347</u>
30 Other income		
Insurance claims	440 879	59,748
Bithong festival	500 178	759 830
Housing	85 852	93 988
Damages recoveries	58 180	-
Consumer deposits forfeited	27 096	-
Cashier surpluses	2 356	12,688
Sub-division/zoning fees	13,939	9,479
	<u>1,128,480</u>	<u>838,733</u>
31 Employee related costs		
Basic	35,075,144	32,540,737
Bonus	1,793,652	1,420 899
Medical aid - company contributions	1,820,866	1,683,404
UIF	381 671	344 908
WCA	483,205	433,979
SDL	483,592	424,980
Leave pay accrued	988,641	892,606
Post-employment benefits - Pension - Defined contribution plan	211 108	238,046
Travel, motor car, accommodation subsistence and other allowances	1,704,152	1,255,807
Overtime payments	2,388,975	2,024,337
13th Cheques provision charge	1,274,732	1,177,731
Other allowances	1,853,205	1,555,634
Bargaining council	22,765	21,390
Other contributions	3,281	3,860
Pension contributions (employers contributions)	9,674,388	4,718,409
Relocation costs	28,805	13,225
	<u>54,128,283</u>	<u>48,780,952</u>
Prior Period adjustment		
Balance previously reported		48,735,588
UIF - Adjustment payment to SARS after re-calculation done with SARS IRP5 reconciliation		6,018
UIF - Adjustment payment to SARS after re-calculation done with SARS IRP5 reconciliation		11,087
Pension Contributions - Refund for overpayment to fund		(1,741)
		<u>48,750,952</u>

K-1-41

K-1-41

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K-3-18

K-3-18

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)	
31 Employee related costs (continued)			
Remuneration of municipal manager (Vacant from 1/07/2013 - 31/06/2013)			
Annual Remuneration	589,276	46,861	
Car Allowance	100,000	10,000	
Contributions to UIF, Medical and Pension Funds	1,551	8,530	
Leave pay out		114,778	
Annual Bonus		27,219	
	<u>690,827</u>	<u>207,168</u>	
Remuneration of chief finance officer			
Annual Remuneration	593,023	359,438	
Car Allowance	110,000	110,000	
Contributions to UIF, Medical and Pension Funds	1,861	1,314	
Acting allowance (Municipal Manager)		56,843	
Leave pay out		80,829	
	<u>704,884</u>	<u>608,422</u>	
Remuneration of manager - corporate services			
Annual Remuneration	605,235	474,167	
Car Allowance	120,000	100,000	
Contributions to UIF, Medical and Pension Funds	1,661	1,523	
Leave pay out		-	
Acting allowance (Municipal Manager)	29,218	60,562	
Long service bonus		-	
	<u>754,314</u>	<u>636,252</u>	
Remuneration of manager - community services (Vacant from 1/07/2013 - 31/07/2013)			
Annual Remuneration	517,176	552,586	
Car Allowance	110,000	110,000	
Leave pay out		19,511	
Contributions to UIF, Medical and Pension Funds	1,706	1,629	
	<u>628,882</u>	<u>683,726</u>	
Remuneration of manager - infrastructure (Vacant from 1/07/2013 - 31/12/2013)			
Annual Remuneration	268,313	180,422	
Car Allowance	76,170	30,000	
Leave pay out		18,599	
Contributions to UIF, Medical and Pension Funds	830	392	
	<u>345,413</u>	<u>229,413</u>	
32 Remuneration of councillors			
Mayor	NM Scott	666,609	644,286
Chairperson Corporate Services	BA Mankweni	265,221	245,113
Chairperson Isipac	WH Greeff	316,600	194,246
Chairperson Community Services	M Nontyi	265,221	245,113
Chairperson Technical Services	NP Yankolo	265,221	245,113
Councillor	KC Brown	211,273	194,246
Councillor	CFB Du Preez	211,273	194,246
Councillor	NG Mjeka	211,273	194,246
Councillor	Z Funiselo	211,273	194,246
Councillor	MK Mail	211,273	194,246
Councillor	RM Bradfield	211,273	194,246
		<u>3,848,518</u>	<u>2,738,347</u>
In-kind benefits			
The mayor nor the councillors received any in-kind benefits			
33 Debt Impairment			
Allowance for impairment	1,855,657	5,748,116	
Debts written off	2,277,992	2,851,613	
	<u>4,133,249</u>	<u>8,599,729</u>	
34 Finance costs			
Trade and other payables	237,063	281,104	
Finance leases	21,156	88,976	
Interest cost - Landfill sites liability	1,381,010	1,304,052	
Interest cost - PFDMA liability	1,173,646	861,173	
	<u>2,812,875</u>	<u>2,435,205</u>	
Interest expense is calculated using the effective interest rate			
Prior Period adjustment			
Balance as previously reported		2,193,785	
Recalculation of interest cost on Landfill sites liability		341,540	
		<u>2,535,325</u>	

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Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
35 Bulk purchases		
Electricity	52,223,254	47,515,451
Water	1,427,704	1,211,898
	<u>53,650,958</u>	<u>48,727,349</u>
Prior Period adjustment		49,120,737
Balance as previously reported		(3,390)
Incorrect liability raised for water purchases		<u>48,117,347</u>
36 General expenses		
Advertising	279,005	426,342
Auditors remuneration	2,970,478	2,482,784
Bank charges	302,085	269,391
Consulting and professional fees	3,380,033	3,563,106
Consumables	213,050	208,162
Donations	15,742	7,500
Entertainment/Bilong Festival	700,951	1,219,069
Animal Costs		400
Insurance	923,287	637,944
Conferences and seminars	27,150	20,303
Rentals ad hoc	685,803	563,076
Refuse Bags	259,845	290,679
Magazines, books and periodicals	24,847	17,766
Fuel and oil	4,050,662	3,481,388
Printing and stationery	730,934	720,795
Protective clothing	181,212	153,750
Security (Guarding of municipal property)	1,351,729	801,731
Telephone and fax	2,171,570	1,578,612
Transport and freight	18,768	25,172
Training	195,671	145,365
Title deed search fees	13,047	18,082
Tourism development	332,040	313,850
Housing		3,185,291
Licences	508,682	602,785
Spends - ward committee	675,054	650,000
Agency services	4,770,000	3,092,111
Obsolete/(surplus) stock	(3,130)	18,508
Conditional grant expenditure	6,209,133	4,225,517
Conditional Grant paid to Dev Agency (EPWP)		749,366
Cashier shortages/deficits	2,370	520
Chemicals	616,317	579,678
Valuations expenses	40,527	25,159
Laboratory tests	53,923	67,293
Rainwater harvesting	47,236	
Inter departmental charges	(2,905,374)	(1,027,151)
Other expenses	1,217,863	785,666
	<u>30,041,330</u>	<u>29,921,838</u>
Prior Period adjustment		29,929,088
Balance as previously reported		823
Transport and freight - invoice was not on record		14,050
Advertising costs - invoice was not on record		3,300
Professional Fees - Audit committee cost - invoice was not on record		1,644
Obsolete stock - invoice not received		(30,000)
Professional Fees - incorrect payable raised		2,699
Fruitless and wasteful expenditure - adjust penalties paid to SARS		(566)
Obsolete stock - incorrect payable raised		<u>28,921,838</u>

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
36 General expenses (continued)		
Other expenses		
Ward committees	1,450	6 771
Various special events	277 652	187 233
Disire-connection fees	23 187	2 500
Levies-SALGA	501 237	402 118
Pauper burials	1 580	1 580
Prevention of epidemics	836	
Municipal Services Rates		313
Fruitless, wasteful, unauthorised expenditure	20,975	3,528
Private works		76
Prodba	95,073	79,275
Medical expenses		1,417
Alien vegetation		697
Disaster assistance		120,180
	<u>295,883</u>	<u>120,180</u>
	<u>1,217,883</u>	<u>785,688</u>
37 Auditors' remuneration		
Audit Fees		
	<u>2,570,476</u>	<u>2,482,384</u>
An amount of R209 004 included in the above audit fees was outstanding at 30 June 2014, but paid on 24 July 2014		
38 Net cash flows from operating activities		
Surplus/(deficit)	6,052,628	(2 322,614)
Adjustments for:		
Depreciation and amortisation	35,361 342	36 474,600
(Gain) / Loss on sale of assets and liabilities	(3,604,557)	437,317
Gain on investment properties fair valuation	(1,288 710)	(3,827,408)
Finance costs (finance leases)	21 158	88,976
Debt impairment	4,133,249	8,597,729
Movement in retirement benefit assets and liabilities	2,573,497	(1,792,432)
Movements in provisions	1,381 010	1,304,051
Changes in working capital:		
(Increase)/decrease in inventories	611,643	140,005
(increase)/decrease in other receivables from exchange transactions	(1 850,248)	505,344
(increase)/decrease from other receivables from non-exchange transactions	(8,854,859)	(1 997 733)
(increase)/decrease in consumer debtors	(9,068,046)	10 944 496
Increase/(decrease) in payables from exchange transactions	8,056,079	1 911 919
Increase/(decrease) in VAT payable	(491 850)	(320 426)
Increase/(decrease) in trade and other payables from non-exchange	238 853	34,610
Increase/(decrease) in unspent conditional grants and receipts	(5,854,031)	6 474,222
Increase/(decrease) in consumer deposits	101,840	181,833
	<u>27,513,996</u>	<u>34,945,697</u>

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Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
39 Commitments <i>Tested under L3.2</i>		
Authorised capital expenditure		
Already contracted for but not provided for		
Housing projects		2,113,625
Infrastructure related projects	28,494,382	20,604,279
	<u>28,494,382</u>	<u>22,917,904</u>
This committed expenditure relates to infrastructure projects and will be financed by Government Grants (R26 020 582) and internally generated funds (R2 473 800).		
Operating leases - as lessee (expense)		
Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated on a month to month basis. No straight-lining is possible due to the fact that the contracts are expired and the rent is on a month to month basis.		
Operating leases - as lessor (income)		
Certain of the municipality's property is held to generate rental income. No lease agreements are in place and tenants rent the respective properties on a month to month basis. There are no contingent rents receivable.		
40 Contingencies <i>Tested under L3.3</i>		
Matter: Blue Crane Route Municipality vs NJ Jack		
An amount of R225 000 was claimed from the management by NJ Jack. The merits of the case is not in dispute. If NJ Jack proceeds with her claim the court can grant an amount of R225 000 with legal costs. Which costs we expect to be about R80 000. Therefore the total estimated exposure is R305 000 against the municipality.		
Matter: Blue Crane Route Municipality vs Autumn Star		
The matter is on going. The possible financial exposure is estimated at around R3000 000.		
Matter: Blue Crane Route Municipality vs Pinofa & Claassen		
This matter has been postponed during March 2014. A new trial date has been applied for. Possible liability unknown, possible legal costs - R350 000.		
Matter: Blue Crane Route Municipality vs Santam Insurance Limited		
The above matter has been set down for trial on 27 January 2015. Further costs envisaged are R35 000 if not successful. However if successful the Municipality should recover the amounts paid out for claims against the Municipality due to the accident when the truck driven by Mr Mombi overturned together with all costs.		
Matter: Blue Crane Route Municipality vs Ms Sammy		
Ms Sammy has lodged a referral with the Labour Court demanding payment to her of R38 428, being alleged amounts due in respect of remuneration. A without prejudice proposal has been directed to Ms Sammy attorneys of which the Municipality is awaiting the response. If the matter proceeds to trial, the anticipated costs of the proceedings would amount to R100 000.		
Matter: Blue Crane Route Municipality vs JP Barnard		
Judgement has been granted against the Municipality for payment of R25000 to JP Barnard for damaging his vehicle when hitting a donkey on the road. Judgement has now been granted to set aside the judgement by default and granting JP Barnard the cost of the matter. The Municipality now has to deliver his plea.		
Matter: Blue Crane Route Municipality vs A Swanepoel		
The Appeal in the above case against the judgement in favour of Mr Swanepoel for R20 000 in the Magistrate's Court is proceeding. If successful, Mr Swanepoel will have to pay Council's costs which are envisaged to be around R50 000.		
Matter: Blue Crane Route Municipality vs Dr E Rankwana		
Following on Dr Rankwana not being appointed to the post of the Municipal Manager, he launched an application to review and set aside the appointment of Mr Thabiso Glass as the Municipality's Municipal Manager and appointing him to the post effective 1 Sept 2013. Further legal cost anticipated in this matter are estimated at R50 000 and do not include the costs awarded to Dr Rankwana, nor do they include any amounts to which Dr Rankwana may become entitled if successful in his claim.		
Matter: Blue Crane Route Municipality vs P Dreyer		
Mr Dreyer raised a dispute against the Municipality for the payment of a performance bonus of R69 083 plus interest from the end of June 2014 until date of final payment. If the matter proceeds to trial, the anticipated costs of the trial proceedings is R100 000. This does not include the estimated costs should Mr Dreyer be successful in his claim.		
41 Related parties		
Relationships		
Controlled entities - Blue Crane Development Agency (refer to note 14)		
Related party transactions		
Advertisements		
Blue Crane Development Agency	9,351	
Audit fees (External & Internal)		
Blue Crane Development Agency	42,200	192,111
Grant paid		
Blue Crane Development Agency	4,718,449	2,700,000
EPWP Grant		
Blue Crane Development Agency		749,366
Contracts awarded to close family members		
Inkabin Trading (Owner is husband of Councillor NP Yessie)	109,436	552,546

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Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
42 Prior period adjustments		
During the preparation of the municipality's annual financial statements a number of prior period errors (periods before 2013) affecting various balances were noted. These errors were corrected retrospectively.		
The correction of the error(s) results in adjustments as follows:		
Property, plant and Equipment		
Prior to 2013 Adjustments to WIP		225,477
Prior to 2013 Adjustments to infrastructure values		335,757,033
Prior to 2013 Adjustments to Buildings		(5,717,132)
Prior to 2013 Adjustments to Land		(496,450)
Prior to 2013 Recalculation of Landfill sites		3,843,567
		<u>333,612,495</u>
Trade receivables from exchange transactions		
Prior to 2013 Efficiency adjustment to year end consumption		852,736
Prior to 2013 Water adjustment to year end consumption		118,767
		<u>971,443</u>
Investment property		
Prior to 2013 Transfer from PPE		5,899,400
		<u>5,899,400</u>
Other receivables from non-exchange transactions		
Correction of rates being prior to 2013		10,646
Correction of rates not correctly billed on Farms prior to 2013		(175,226)
UIF wrongly deducted from Councilors prior to 2013		9,877
		<u>(154,783)</u>
Unspent conditional Grants and Receipts		
Prior to 2013 Cecadu Grant for Roads transferred to revenue		355,718
		<u>355,718</u>
Vat Payable		
SARS VAT Audit adjustment prior to 2013		(49,397)
		<u>(49,397)</u>
Provisions		
Re-calculation of environmental rehabilitation prior to 2013		(6,223,456)
		<u>(6,223,456)</u>
Payables from exchange transactions		
Incorrect accrued amount for performance bonuses prior to 2013		49,000
		<u>49,000</u>
Trade and other payables from non-exchange		
UIF wrongly deducted from Councilors prior to 2013		(9,877)
		<u>(9,877)</u>
Accumulated surplus adjustments		
Property, plant and Equipment		(333,612,495)
Trade receivables from exchange transactions		(971,443)
Investment property		(5,899,400)
Other receivables from non-exchange transactions		154,783
Unspent conditional Grants and Receipts		(355,718)
Vat Payable		49,397
Provisions		6,223,456
Payables from exchange transactions		(49,000)
Trade and other payables from non-exchange		9,877
		<u>1,334,480,623</u>
Prior period adjustments		
Adjustment to depreciation on Buildings (See Note 12)		(404,703)
Adjustment to depreciation on Landfill site asset (See Note 12)		592,546
Adjustments to depreciation on infrastructure assets (See Note 12)		20,150,787
Adjustment on General expenses (See Note 36)		(8,050)
Adjustment to Finance costs (See Note 34)		341,540
Adjustment to Bulk Purchases (See Note 35)		(3,390)
Adjustment to Employee Related Costs (See Note 31)		15,364
Adjustment to Revenue (See Note 25)		(1,588,987)
Adjustment to Loss on disposal of assets (See Note 25 and Statement of Financial Performance)		437,317
Adjustment: Opening accumulated surplus 2013 (See above details)		(334,490,623)
		<u>(314,918,178)</u>

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Prior period errors

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
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43 Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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 unused borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

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Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2014 R	2013 R (Restated)
43 Risk management (continued)			
Cash flow interest rate risk			
Financial instrument	Current interest rate	Due in less than a year	Due in one to two years
		Due in two to three years	Due in three to four years
		Due after five years	
Other financial liabilities	9.75%	(729,894)	(541,157)
Trade and other payables from non-exchange	9.25%	(321,447)	(616,156)
Payables from exchange transactions	7%	(18,529,790)	-
Finance lease obligation	9.75%	(262,000)	(342,686)
Trade and other receivables - normal credit terms	10.00%	16,413,742	(354,158)
Other receivables from non-exchange transactions	10.00%	14,375,407	-
Other financial assets	5.00%	2,800	2,944
Cash in current banking institutions	5.95%	14,812,306	3,094
			3,253
			6,402

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Risk Management

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

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

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

Financial instrument	2014	2013
Trade receivables from exchange transactions	16,413,742	15,676,225
Other receivables from non-exchange transactions	14,375,407	1,323,267
Other receivables from exchange transactions	2,499,500	646,252
Other financial assets	15,693	18,493
Short term deposits	14,812,306	24,164,321

The municipality holds deposits of R1 996 861 (2013 R1 895 041) from consumer debtors. No guarantees or collateral was provided to third parties.

44 Going concern *Tested under 0.3.1*

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Although the current liabilities is more than the current assets, this is mainly because of the provision for the environmental rehabilitation of R27 862 286. The rehabilitation process will only starting in 2019 and the Municipality is currently in process to seek grant funding for this liability.

45 Events after the reporting date

There are no events after reporting date to report on.

46 Unauthorised expenditure

Opening balance	357,083	
Add: Unauthorised Expenditure - current year	12,826,306	357,083
Less: Amounts recoverable/condoned		
	<u>13,183,389</u>	<u>357,083</u>

Unauthorised expenditure occurred due to additional depreciation and allowance for impairment more than budgeted as per standard votes classification.

No criminal or disciplinary steps will be taken as a consequence of above expenditure and it will not be recovered.

47 Fruitless and wasteful expenditure

Opening balance	15,188	11,670
Add: Fruitless and wasteful expenditure - current year	20,975	3,528
Less: Amounts recoverable/condoned		
	<u>36,163</u>	<u>15,198</u>

The only material expenditure included in above expenditure was for the payment to Eskom of R19 620 for interest on a late payment.

A report must still be submitted to Council that will indicate any possible disciplinary steps that will be taken and if it is recoverable.

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
48 Irregular expenditure		
Opening balance	21,479,984	1,116,248
Add: Irregular Expenditure - current year	9,147,840	20,383,736
Less: Amounts recoverable/condoned or written off by Council	-	-
Less: Amounts not recoverable (condoned)	-	-
	<u>30,627,824</u>	<u>21,479,984</u>
Details of Irregular expenditure - current year		
Material irregular expenditure included in the current year		
LRC C/m 1 - Construction of Bulk sewerage - tender was only advertised for 28 days instead of 30 days	R 4 105,865	
Water and pumping solutions - Professional fees - no Tender	R 2 321,620	
Aurecon - Professional fees - No tender	R 1 866,260	
A report must still be submitted to Council that will indicate any possible disciplinary steps that will be taken and if it is recoverable.		
Supply Chain Management regulations not adhered to	<u>30,627,824</u>	

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Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2014
R
2013
R
(Restated)

49 Reconciliation between budget and statement of financial performance

Classification Basis	Actual amounts as per Budget Reconciliation Note 52	Actual amounts as per Statement of Financial Performance	Difference	Comment
Revenue				
Property rates	8,496,594	8,496,011	583	Budget includes Municipal charges
Service Charges	Λ 30,085,239	Λ 81,147,516	Λ 14,937,723	CIC
Service Charges Electricity	70,847,574	65,312,716	5,534,858	Budget includes Indigest plus Mun charges
Service Charges Water	1,492,152	6,146,128	3,346,026	Budget includes Indigest plus Mun charges
Service Charges Sanitation	5,231,012	3,349,396	2,481,616	Budget includes Indigest plus Mun charges
Service Charges Refuse	7,914,521	4,160,896	3,753,625	Budget includes Indigest plus Mun charges
Service Charges Cemeteries	-	43,589	(43,589)	Included under Other Revenue in budget
Service Charges Dis/re-connection fees	-	75,118	(75,118)	Included under Other Revenue in budget
Service Charges Pound Fees	-	59,673	(59,673)	Included under Other Revenue in budget
Rental of facilities and equipment	387,329	43,023	Λ 344,302	Λ
Revenue - Nature Res/Bestershoek	-	-	234,841	Included under Fees earned
Revenue - Housing	-	-	66,316	Included under other income plus over/under
Revenue - Brickfields	-	-	23,345	Included under Fees earned
Interest received on investments	1,700,073	1,791,070	CIC (907)	Included under Other Revenue in budget
Government grants and subsidies	50,466,842	91,065,776	CIC (40,538,934)	Shown as Capital items here in the budget
Fees earned	-	389,890	CIC (389,890)	
Revenue - Building Plan Fees	-	74,193	(74,193)	Included under Other Revenue in budget
Revenue - Libraries	-	36,911	(36,911)	Included under Other Revenue in budget
Revenue - Nature Res/Bestershoek	-	234,841	(234,841)	Included under Rental of facilities in budget
Revenue - Brickfields	-	23,345	(23,345)	Included under Rental of facilities in budget
General	-	566,522	CIC (566,522)	Included under Other Revenue in budget
Gain on investment properties fair valuation	-	1,288,710	CIC (1,288,710)	Included under Other Revenue in budget
Private Work	-	77,800	CIC (77,800)	Included under Other Revenue in budget
Other Income	3,046,918	903,257	Λ 2,137,662	Λ
Revenue - Interest loan Golf Club	-	-	997	Included under Interest received on investm
Revenue - Building Plan Fees	-	-	74,193	Included under Fees earned
Revenue - Libraries	-	-	36,911	Included under Fees earned
General	-	-	566,522	Included under General
Private Work	-	-	77,800	Included under Private Work
Service Charges Cemeteries	-	-	43,589	Included under Service Charges - Cemeteries
Service Charges Dis/re-connection fees	-	-	75,118	Included under Service Charges - Conn Fees
Service Charges Pound Fees	-	-	59,673	Included under Service Charges - Poundfees
Revenue - Housing	-	-	(65,851)	Included under Rental of facilities in budget
Gain on investment properties fair valuation	-	-	1,288,710	Shown separately in Financial Performance
Other own revenue	10,918,167	10,736,328	Λ 179,841	Λ
Revenue - Housing	-	-	464	Budget includes Municipal charges
Service Charges Cemeteries	-	-	43,589	Included under service charges
Service Charges Dis/re-connection fees	-	-	75,118	Included under service charges
Service Charges Pound Fees	-	-	59,673	Included under service charges
Revenue - Interest loan Golf Club	-	-	997	Included under Interest received on investm

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Updated
Reconciliation

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

			2014 R	2013 R (Restated)
49 Reconciliation between budget and statement of financial performance (continued)				
Expenditure	Actual amounts as per Budget Reconciliation Note 52	Actual amounts as per Statement of Financial Performance	Difference	Comment
Classification Basis				
Employee Related costs	53,518,797	54,128,283	U/C A(609,486)	
Workers Compensation Act: Councilors			(19,759)	Included under Remun of Councilors in budget
Re-location costs			(28,807)	Included under Other expenditure in budget
Skills Development Levy: Councilors			(30,414)	Included under Remun of Councilors in budget
Travelling and subsistence			(1,704,152)	Included under Other expenditure in budget
Interest cost: PRMA Liability			1,173,646	Included under Finance costs
Remuneration of Councilors	3,098,683	3,048,510	C/I: A50,173	
Workers Compensation Act: Councilors			19,759	Included under Employee Related Costs
Skills Development Levy: Councilors			30,414	Included under Employee Related Costs
Collection Costs	-	4,958	C/I (4,958)	Included under Other expenditure in budget
Repairs and Maintenance	-	2,873,049	C/I (2,873,049)	Included under Other expenditure in budget
Finance Costs	1,638,228	2,812,875	U/C (1,173,646)	
Interest cost: PRMA Liability			(1,173,646)	Included under empl related cost in budget
General Expenses	50,378,196	30,051,330	A 20,326,866	
Indigents: Free basic Electricity			5,534,858	Deducted from Service Charges
Indigents: Free basic Water			3,346,024	Deducted from Service Charges
Indigents: Free basic Sanitation			2,481,618	Deducted from Service Charges
Indigents: Free basic Refuse			3,753,605	Deducted from Service Charges
Municipal Service Charges (Property Rates)			593	Deducted from Property Rates
Municipal Service Charges (Revenue Housing)			464	Deducted from Other Income
Re-location costs			28,808	Included under Employee related costs
Travelling and subsistence			1,704,152	Included under Employee related costs
Collection Costs			4,958	Shown separately in Financial Performance
Repairs and maintenance			2,873,049	Shown separately in Financial Performance
Actual Loss			1,188,743	Shown separately in Financial Performance

Blue Crane Route Municipality
Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R (Restated)
50 Additional disclosure in terms of Municipal Finance Management Act		
PAYE and UIF	6,478,151	5,439,711
SARS deductions	(6,473,018)	(5,647,499)
Amount paid over	<u>5,133</u>	<u>382,215</u>
The full outstanding amount of R 5 133 was paid in July 2014		
Pension and Medical Aid Deductions		
Current year deductions	10,749,415	9,303,509
Amount paid - current year	<u>(10,749,415)</u>	<u>(9,300,299)</u>
	3,250	
Councillors' arrears consumer accounts		
No arrears owed by Councillors to the Municipality for rates or services were outstanding for more than 90 days during the year		
Organised Local Government (SALGA)		
Contribution for the year	<u>581,237</u>	<u>462,118</u>
No contributions were outstanding at year end		

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51 Actual versus Budget: Explanation of material variances greater than 10% versus budget

	Final Budget 2014 R	Actual 2014 R	Variance R	Variance %	Explanation
Revenue					
Interest earned - external investments	1,400,000	1,700,073	300,073	21%	MIG Funds only spent close to the end of financial year
Traffic fines	90,000	43,514	(46,486)	-52%	Traffic fines not realised as suspected
Other revenue	7,079,840	7,040,919	(38,921)	-0.5%	
Transfers recognise - capital	35,161,460	40,538,935	5,377,475	15%	MIG Grant & AC P Grant was overspent, but funds only paid out in 2014/15 fin year
Expenditure					
Debt impairment	(2,673,500)	(4,133,249)	(1,459,749)	-55%	No debt impairment was done for Government accounts in arrears as in previous years
Depreciation & asset impairment	20,377,700	35,361,342	14,983,642	73%	Re-valuation done on all infrastructure assets which resulted higher values
Finance charges	1,205,000	1,639,229	434,229	36%	Interest on Landfill site more than suspected - new valuation calculation was done in 2014

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Updated
P&D
Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 R	2013 R			
(Restated)					
51 Final budget versus original budget: Explanation of material variances greater than 10%					
	Final Budget 2014 R	Original Budget 2014 R	Variance R	Variance %	Explanation
Revenue					
Interest earned - external investments	1,400,000	1,200,000	200,000	14%	MIG Funds only spent close to the end of financial year
Gains on disposal of PPE	4,100,000	45,000	4,055,000	89%	Sale of Erf to Shoprite was not included in the original budget
Transfers recognised - capital	35,161,480	26,265,250	8,896,210	25%	MIG grant for roll-over funds only approved after original budget was approved
Expenditure					
Finance charges	1,205,000	285,000	920,000	76%	Interest on Landfill site was not included in the original budget
Bulk Purchases	57,850,000	51,806,000	6,044,000	10%	Electricity bulk purchases was originally under-budgeted
Other materials	1,022,270	4,256,600	(3,234,330)	-316%	Repairs and maintenance budget shown under other exp in the adjustment budget
Other expenditure	49,428,200	38,103,600	11,324,600	23%	Contribution to the Blue Crane development agency was only budgeted for 6 months originally Free basic services was also under-budgeted originally See also other materials above

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