



IKWEZI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014  
Published 29 August 2014

AUDITOR - GENERAL  
SOUTH AFRICA

12 FEB 2015

# **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **GENERAL INFORMATION**

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<b>Legal form of entity</b>	The entity functions as a local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.
<b>Nature of business and principal activities</b>	Ikwezi Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)The municipality's operations are governed by:- Municipal Finance Management act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations
<b>Mayoral committee</b>	
Executive Mayor	S A Mngwevu
Councillors	K Hendricks M Bonaparte L Ntame A Mboneni J Lewis B W Seekoei
<b>Grading of local authority</b>	Grade 2
<b>Business address</b>	34 Main Street Jansenville 6265
<b>Postal address</b>	P O Box 12 Jansenville 6265
<b>Bankers</b>	ABSA Bank Jansenville
<b>Auditors</b>	Auditor General South Africa
<b>Principal Activities</b>	The principal activities of the municipality are: - Provide democratic and accountable government - Ensure sustainable service delivery to the communities - Promote social and economic development - Provide basic services to the community



# **Ikwezi Local Municipality**

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### **Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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## **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

### **ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL**

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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 were 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 she 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, she 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, she is supported by the municipality's external auditors.

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 and their report is presented.

The annual financial statements set out on pages 4 to 62, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed by her:

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D Sauls  
Acting Municipal Manager

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# Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

Figures in Rand	Notes	2014	Restated 2013
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	11,847	7,610
Other receivables from non-exchange transactions	3	667,220	46,102
Trade receivables	4	3,163,276	5,382,344
Cash and cash equivalents	5	11,209	41,087
		<u>3,853,552</u>	<u>5,477,143</u>
<b>Non-Current Assets</b>			
Investment property carried at cost	6	43,637,900	43,637,900
Property, plant and equipment	7	98,186,658	94,278,282
Intangible assets	8	82,898	153,854
Heritage assets	9	-	-
		<u>141,907,456</u>	<u>138,070,036</u>
<b>Total Assets</b>		<u>145,761,008</u>	<u>143,547,179</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Repayment - National Revenue Fund	10	1,500,000	-
Finance lease obligation	11	245,802	221,890
Trade and other payables	12	19,397,932	15,252,345
VAT payable	13	1,194,561	1,353,473
Unspent conditional grants and receipts	14	2,568,266	7,525,692
Provisions	15	899,058	621,130
Bank overdraft	5	320,374	897,117
		<u>26,125,993</u>	<u>25,871,647</u>
<b>Non-Current Liabilities</b>			
Repayment - National Revenue Fund	10	3,805,241	-
Finance lease obligation	11	118,869	364,671
Employee benefit obligations	44	3,337,000	3,613,000
Provisions	15	4,511,730	4,228,206
		<u>11,772,840</u>	<u>8,205,877</u>
<b>Total Liabilities</b>		<u>37,898,833</u>	<u>34,077,524</u>
<b>Net Assets</b>		<u>107,862,175</u>	<u>109,469,655</u>
Accumulated surplus		107,862,175	109,469,655

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# Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Notes	2014	Restated 2013
<b>Revenue</b>			
Property rates	16	1,593,890	1,392,245
Service charges	17	10,629,386	10,073,542
Government grants & subsidies	18	37,044,692	30,485,208
Interest received - internal	19	722,520	608,881
Interest received - external	19	61,173	116,524
Licences and permits	19	126,357	205,485
Rental of facilities and equipment	19	20,269	9,321
Other income	19	1,044,665	503,077
Gains on disposal of assets	19	-	6,000
Property rates - penalties imposed	19	231,287	189,438
Public contributions and donations	19	-	10,000
<b>Total revenue</b>		<b>51,474,239</b>	<b>43,599,721</b>
<b>Expenditure</b>			
Personnel	20	(17,842,909)	(17,737,358)
Remuneration of councillors	21	(1,593,348)	(1,478,997)
Debt impairment	22	(8,183,394)	(2,973,593)
Depreciation and amortisation	23	(2,815,430)	(2,710,718)
Finance costs	24	(616,473)	(141,103)
Repairs and maintenance	25	(1,932,029)	(1,597,547)
Bulk purchases	26	(5,879,737)	(5,613,492)
General Expenses	27	(14,218,403)	(13,228,679)
Loss on disposal of assets	7	(1)	-
<b>Total expenditure</b>		<b>(53,081,724)</b>	<b>(45,481,487)</b>
<b>Deficit for the year</b>		<b>(1,607,485)</b>	<b>(1,881,766)</b>

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## **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

### **STATEMENT OF CHANGES IN NET ASSETS**

Figures in Rand		Accumulated surplus	Total net assets
Opening balance as previously reported at 01 July 2012		90,284,659	90,284,659
Adjustments			
Correction of errors	28	21,066,762	21,066,762
<b>Balance at 01 July 2012 as restated</b>		<b>111,351,421</b>	<b>111,351,421</b>
Changes in net assets			
Deficit for the year		(1,881,766)	(1,881,766)
Total changes		(1,881,766)	(1,881,766)
<b>Balance at 01 July 2013</b>		<b>109,469,660</b>	<b>109,469,660</b>
Changes in net assets			
Deficit for the year		(1,607,485)	(1,607,485)
Total changes		(1,607,485)	(1,607,485)
<b>Balance at 30 June 2014</b>		<b>107,862,175</b>	<b>107,862,175</b>

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# Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## CASH FLOW STATEMENT

Figures in Rand	Notes	2014	Restated 2013
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rates and services		5,710,207	5,871,385
Government grants & subsidies		37,042,203	30,485,208
Interest income		783,693	725,405
Other receipts		961,420	727,883
		<u>44,497,523</u>	<u>37,809,881</u>
<b>Payments</b>			
Employee costs		(19,436,256)	(19,216,355)
Suppliers		(22,328,431)	(7,616,913)
Finance costs		(616,473)	(141,103)
		<u>(42,381,160)</u>	<u>(26,974,371)</u>
<b>Net cash flows from operating activities</b>	29	<u>2,116,363</u>	<u>10,835,510</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(6,650,549)	(10,361,099)
Proceeds from sale of property, plant and equipment	7	(1)	6,000
Purchase of intangible assets	8	(2,300)	(207,725)
Proceeds from sale of other intangible assets	8	1	-
<b>Net cash flows from investing activities</b>		<u>(6,652,849)</u>	<u>(10,562,824)</u>
<b>Cash flows from financing activities</b>			
Movement in Repayment - National Revenue fund		5,305,241	-
Finance lease payments		(221,890)	(200,590)
<b>Net cash flows from financing activities</b>		<u>5,083,351</u>	<u>(200,590)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>546,865</u>	<u>72,096</u>
Cash and cash equivalents at the beginning of the year		(856,030)	(928,126)
<b>Cash and cash equivalents at the end of the year</b>	5	<u>(309,165)</u>	<u>(856,030)</u>

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Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Property rates	1,220,873	373,017	1,593,890	1,593,890	-	
Service charges	15,475,674	(2,840,478)	12,635,196	10,629,386	(2,005,810)	A
Property rates - penalties imposed	337,413	(150,819)	186,594	231,287	44,693	B
Government grants & subsidies	25,413,035	11,681,193	37,094,228	37,044,692	(49,536)	
Rental of facilities and equipment	230,115	(226,062)	4,053	20,269	16,216	C
Interest - internal	959,532	(353,513)	606,019	722,520	116,501	B
Licences and permits	253,185	(138,772)	114,413	126,357	11,944	E
Other income	6,131,940	(5,729,313)	402,627	1,044,665	642,038	D
Interest received - external	250,745	(207,548)	43,197	61,173	17,976	E
<b>Total revenue</b>	<b>50,272,512</b>	<b>2,407,705</b>	<b>52,680,217</b>	<b>51,474,239</b>	<b>(1,205,978)</b>	
<b>Expenditure</b>						
Personnel	(20,709,384)	1,624,322	(19,085,062)	(17,842,909)	1,242,153	F
Remuneration of councillors	(1,550,585)	(489)	(1,551,074)	(1,593,348)	(42,274)	
Depreciation and amortisation	(1,218,256)	-	(1,218,256)	(2,815,430)	(1,597,174)	G
Finance costs	(1,543,382)	1,448,315	(95,067)	(616,473)	(521,406)	H
Debt impairment	(645,217)	-	(645,217)	(8,183,394)	(7,538,177)	I
Repairs and maintenance	(1,480,399)	406,760	(1,073,639)	(1,932,029)	(858,390)	J
Bulk purchases	(5,931,212)	-	(5,931,212)	(5,879,737)	51,475	
General Expenses	(7,668,190)	(2,703,522)	(10,371,712)	(14,218,404)	(3,846,692)	K
<b>Total expenditure</b>	<b>(40,746,625)</b>	<b>775,386</b>	<b>(39,971,239)</b>	<b>(53,081,724)</b>	<b>(13,110,485)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>9,525,887</b>	<b>3,183,091</b>	<b>12,708,978</b>	<b>(1,607,485)</b>	<b>(14,316,463)</b>	

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	-	-	-	11,847	11,847	
Other receivables from non-exchange transactions	-	-	-	667,220	667,220	
Consumer debtors	-	-	-	3,163,276	3,163,276	
Cash and cash equivalents	-	-	-	11,209	11,209	
	-	-	-	<b>3,853,552</b>	<b>3,853,552</b>	
<b>Non-Current Assets</b>						
Investment property carried at cost	-	-	-	43,637,900	43,637,900	
Property, plant and equipment	16,588,750	(2,279,030)	14,309,720	98,186,658	83,876,938	
Intangible assets	-	-	-	82,898	82,898	
	<b>16,588,750</b>	<b>(2,279,030)</b>	<b>14,309,720</b>	<b>141,907,456</b>	<b>127,597,736</b>	
<b>Total Assets</b>	<b>16,588,750</b>	<b>(2,279,030)</b>	<b>14,309,720</b>	<b>145,761,008</b>	<b>131,451,288</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Repayment - National Revenue Fund	-	-	-	1,500,000	1,500,000	
Finance lease obligation	-	-	-	245,802	245,802	
Trade and other payables	-	-	-	19,795,863	19,795,863	
VAT payable	-	-	-	1,194,561	1,194,561	
Unspent conditional grants and receipts	-	-	-	2,568,266	2,568,266	
Provisions	-	-	-	899,058	899,058	
Bank overdraft	-	-	-	320,374	320,374	
	-	-	-	<b>26,523,924</b>	<b>26,523,924</b>	
<b>Non-Current Liabilities</b>						
Repayment - National Revenue Fund	-	-	-	3,805,241	3,805,241	
Finance lease obligation	-	-	-	118,869	118,869	
Employee benefit obligations	-	-	-	3,337,000	3,337,000	
Provisions	-	-	-	4,511,730	4,511,730	
Interest-bearing borrowings	(6,000,000)	6,000,000	-	-	-	
	<b>(6,000,000)</b>	<b>6,000,000</b>	<b>-</b>	<b>11,772,840</b>	<b>11,772,840</b>	
<b>Total Liabilities</b>	<b>(6,000,000)</b>	<b>6,000,000</b>	<b>-</b>	<b>38,296,764</b>	<b>38,296,764</b>	
<b>Net Assets</b>	<b>22,588,750</b>	<b>(8,279,030)</b>	<b>14,309,720</b>	<b>107,464,244</b>	<b>93,154,524</b>	
<b>Net Assets</b>						
<b>Reserves</b>						
Accumulated surplus	22,588,750	(8,279,030)	14,309,720	107,464,244	93,154,524	

# Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Variances of less than 10 % are deemed to be immaterial

### A. Service charges

The service charges forecasted were not realised. Due to the incorrect tariff setting on the debtors book and challenges experienced with the billing system, accurate billing did not take place resulting in errors with regard to the billing of debtors.

### B. Property rates - penalties imposed and interest - internal

The payment rate was lower than expected as the revenue section was understaffed and the credit control policy was not enforced accordingly as a result. Additional staff and training was introduced in the last five months of the financial year and improvement can be noted during this period

### C. Rental of facilities

The town hall was completed and hired out.

### D. Other income

The municipality received additional staff assistance from Cacadu, amounts from SETA and VAT on grant income that was not budgeted for.

### E. Interest received - External

Grants received were invested in interest bearing borrowings.

### F. Personnel costs

Senior positions, including the Director of Technical services and the Assistance Director of Finance, were not filled.

### G. Depreciation and amortisation

The fixed asset register was restated and updated with the correct depreciation charges.

### H. Finance costs

Cashflow issues resulted in suppliers charging interest on overdue accounts.

### I. Debt impairment

A low payment rate and high indigent population led to an increase in impairment.

### J. Repairs and maintenance

The municipality had major challenges with reticulation repairs and maintenance. This resulted in additional maintenance having to be performed.

### K. General expenses

Professional fees for a VAT review were incurred that were not budgeted for.

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# **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **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.

#### **1.1 Presentation of currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the entity, rounded to R1.

#### **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**

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30. The budget was prepared on the accrual basis.

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

#### **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, except as otherwise indicated.

The nature and reasons for the reclassifications and restatements are disclosed in note 28 to the financial statements.

#### **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.

# **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.6 Significant judgements and sources of estimation uncertainty (continued)**

#### **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 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 are included in note 15 - Provisions.

#### **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 effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the municipality estimates the cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.6 Significant judgements and sources of estimation uncertainty (continued)

#### 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.

### 1.7 Investment property carried at cost

#### Initial recognition and measurement

Investment property carried at cost is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, to meet service delivery objectives, for administrative purposes or sale in the ordinary course of operations.

Investment property carried at cost is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property carried at cost will flow to the municipality, and the cost or fair value of the investment property carried at cost can be measured reliably.

Investment property carried at cost is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property carried at cost is acquired through a non-exchange transaction, 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.

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

#### Subsequent measurement

##### Cost model

Subsequent to initial recognition investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the underlying items. Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Buildings	30 years

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### **1.7 Investment property carried at cost (continued)**

Land is not depreciated as it is considered to have an indefinite useful life.

#### **Impairments**

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

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

#### **Derecognition**

Investment property carried at cost 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 carried at cost is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of retirement or disposal.

### **1.8 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 (other than investment property), or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

The decommissioning costs associated with landfill sites are depreciated over its remaining useful life in accordance with estimate of useful lives as detailed below.

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### **1.8 Property, plant and equipment (continued)**

#### **Subsequent expenditure**

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

#### **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:

<b>Item</b>	<b>Average useful life</b>
Land and buildings	
• Land	Indefinite
• Buildings	30 years
Infrastructure	
• Roads and paving	30-75 years
• Water	15-60 years
• Electricity	50 years
• Sanitation	20-60 years
• Cemeteries	25-50 years
Other	
• Office equipment	7-10 years
• Furniture and fittings	7-10 years
• Computer equipment	5-10 years
• Infrastructure equipment	15 years
• Motor vehicles	5-10 years
• Plant and equipment	10-15 years
• Other equipment	7 years
Landfill sites	16-22 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

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### 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.

Intangible assets are initially recognised at cost.

For 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.

#### Amortisation and impairment

The depreciable amounts of intangible assets with a finite useful life are allocated over their useful lives using the straight line method.

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

Computer software	3 years
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#### 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.

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## ACCOUNTING POLICIES

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### 1.10 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.

#### Subsequent measurement

Subsequent to initial recognition financial assets and financial liabilities are measured 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 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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### **1.10 Financial Instruments (continued)**

#### **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. 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.

##### **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.

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### 1.10 Financial Instruments (continued)

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

##### 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.

##### 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.

### 1.11 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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## **ACCOUNTING POLICIES**

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### **1.11 Leases (continued)**

#### **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 from 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.

### **1.12 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 on the weighted average basis 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 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.

#### **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.

### **1.13 Impairment of cash-generating assets**

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





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### **1.13 Impairment of cash-generating assets (continued)**

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

#### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

#### **Recognition and measurement**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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### **1.13 Impairment of cash-generating assets (continued)**

#### **Reversal of impairment loss**

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- Its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### **1.14 Impairment of non-cash-generating assets**

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

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

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

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### **1.14 Impairment of non-cash-generating assets (continued)**

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

### **1.15 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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Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.15 Employee benefits (continued)**

#### **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.

### **1.16 Provisions and contingencies**

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the 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 38.

### **1.17 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**

## **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

### **ACCOUNTING POLICIES**

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#### **1.17 Revenue from exchange transactions (continued)**

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 ongoing leases.

#### **Measurement**

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

#### **1.18 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.

# **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.18 Revenue from non-exchange transactions (continued)**

#### **Recognition**

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

- a) The amount of revenue can be measured reliably; and
- b) 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.

In accordance with IGRAP1 the full amount of the revenue is recognised at the initial transaction date.

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.

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.

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 equalling 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.

### **1.19 Borrowing costs**

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

### **1.20 Unauthorised expenditure**

Unauthorised expenditure means expenditure incurred by a municipality otherwise than in accordance with section 15 or 11 (3) of the MFMA, and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the MFMA.

# Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.20 Unauthorised expenditure (continued)

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.

### 1.21 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.

### 1.22 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) or 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.

### 1.23 Related parties

In accordance with GRAP 20, 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.

### 1.24 Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

#### Transitional provision

The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by National Treasury. No heritage assets have been recognised. No reporting period adjustments have been recognised. The municipality will fully comply with GRAP

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

### 1.25 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.

### 1.26 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.

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Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

### 1.27 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.

### 1.28. New standards and interpretations

#### 1.28.1 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
<ul style="list-style-type: none"><li>• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements</li></ul>	01 April 2014

#### 1.28.2 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:
<ul style="list-style-type: none"><li>• GRAP 18: Segment Reporting</li></ul>	No effective date	No significant effect
<ul style="list-style-type: none"><li>• GRAP 105: Transfers of functions between entities under common control</li></ul>	01 July 2015	No significant effect
<ul style="list-style-type: none"><li>• GRAP 106: Transfers of functions between entities not under common control</li></ul>	01 July 2015	No significant effect
<ul style="list-style-type: none"><li>• GRAP 107: Mergers</li></ul>	01 July 2015	No significant effect
<ul style="list-style-type: none"><li>• GRAP 20: Related parties</li></ul>	No effective date	No significant effect
<ul style="list-style-type: none"><li>• GRAP 32: Service concession arrangements: Grantor</li></ul>	No effective date	No significant effect
<ul style="list-style-type: none"><li>• IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</li></ul>	No effective date	No significant effect
<ul style="list-style-type: none"><li>• GRAP 108 - Statutory Receivables</li></ul>	No effective date	No significant effect

#### 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 105: Transfers of functions between entities under common control - No significant impact is expected as no such transactions 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.

## **Ikwezi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

### **ACCOUNTING POLICIES**

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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 expected as no such transactions or events are expected in the foreseeable future.

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.

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

# Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	Restated 2013
<b>2. Inventories</b>		
Water	11,847	7,610
No consumables were on hand at year end.		
<b>3. Other receivables from non-exchange transactions</b>		
Other taxes	40,415	46,102
Recoverable amounts - Department	333,828	-
Recoverable amounts - other	220,929	-
Receipting variances	72,048	-
	<b>667,220</b>	<b>46,102</b>
<b>4. Trade receivables</b>		
<b>Gross balances</b>		
Rates	3,891,626	3,275,406
Electricity	6,111,401	3,368,814
Water	5,305,259	4,368,050
Sewerage	5,762,976	4,603,605
Refuse	5,201,429	4,233,578
Payments received in advance	(495,623)	(83,607)
Other	369,634	410,502
	<b>26,146,702</b>	<b>20,176,348</b>
<b>Less: Allowance for impairment and debtors with credit balances</b>		
Debtors with credit balances	495,623	86,607
Less: Provision for debt impairment	(22,983,426)	(14,794,004)
	<b>(22,487,803)</b>	<b>(14,707,397)</b>
<b>Net balance</b>	<b>3,163,276</b>	<b>5,382,344</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	6,111,401	3,368,814
Water	5,305,259	4,368,050
Sewerage	5,762,976	4,603,605
Refuse	5,201,429	4,233,578
Housing rental	(495,623)	(83,607)
	<b>21,885,442</b>	<b>16,490,440</b>
<b>Included in above is receivables from non-exchange transactions</b>		
Rates	3,891,626	3,275,406
Other	369,634	410,502
	<b>4,261,260</b>	<b>3,685,908</b>
<b>Less: Provision for impairment</b>	<b>(22,983,426)</b>	<b>(14,794,004)</b>
<b>Net balance</b>	<b>3,163,276</b>	<b>5,382,344</b>



# Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	Restated 2013
<b>4. Trade receivables (continued)</b>		
<b>Rates</b>		
Current (0 -30 days)	5,606	27,097
31 - 60 days	3,474	28,249
61 - 90 days	1,859	87,193
91 - 120 days	1,088	17,344
121 - 365 days	3,879,599	3,115,523
	<b>3,891,626</b>	<b>3,275,406</b>
<b>Electricity</b>		
Current (0 -30 days)	307,187	226,096
31 - 60 days	283,875	243,323
61 - 90 days	306,498	218,683
91 - 120 days	250,384	207,334
121 - 365 days	4,963,457	2,473,378
	<b>6,111,401</b>	<b>3,368,814</b>
<b>Water</b>		
Current (0 -30 days)	66,795	87,691
31 - 60 days	64,300	108,952
61 - 90 days	65,457	88,100
91 - 120 days	65,360	101,934
121 - 365 days	5,043,347	3,981,373
	<b>5,305,259</b>	<b>4,368,050</b>
<b>Sewerage</b>		
Current (0 -30 days)	73,804	103,820
31 - 60 days	73,430	127,508
61 - 90 days	75,295	107,205
91 - 120 days	75,455	125,360
121 - 365 days	5,464,992	4,139,712
	<b>5,762,976</b>	<b>4,603,605</b>
<b>Refuse</b>		
Current (0 -30 days)	68,304	83,282
31 - 60 days	66,199	104,629
61 - 90 days	67,504	85,183
91 - 120 days	68,102	99,302
121 - 365 days	4,931,320	3,861,182
	<b>5,201,429</b>	<b>4,233,578</b>
Provision for debt impairment	(22,983,426)	(14,794,004)
<b>Payments received in advance</b>		
Current (0 -30 days)	(495,623)	-
121 - 365 days	-	(83,607)
	<b>(495,623)</b>	<b>(83,607)</b>

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# Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	Restated 2013
<b>4. Trade receivables (continued)</b>		
<b>Other</b>		
Current (0 -30 days)	-	275
61 - 90 days	300	-
121 - 365 days	369,334	410,227
	<b>369,634</b>	<b>410,502</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	215,915	431,162
31 - 60 days	400,339	505,352
61 - 90 days	404,149	491,351
91 - 120 days	403,787	489,213
121 - 365 days	22,098,029	16,338,530
	<b>23,522,219</b>	<b>18,255,608</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	(27,850)	17,575
31 - 60 days	25,561	22,003
61 - 90 days	20,652	20,817
91 - 120 days	15,506	15,387
121 - 365 days	541,585	394,238
	<b>575,454</b>	<b>470,020</b>
<b>National and provincial government</b>		
Current (0 -30 days)	(161,692)	79,524
31 - 60 days	65,378	85,306
61 - 90 days	91,811	74,196
91 - 120 days	41,098	46,674
121 - 365 days	2,012,436	1,165,020
	<b>2,049,031</b>	<b>1,450,720</b>
<b>Total</b>		
Current (0 -30 days)	26,372	528,261
31 - 60 days	491,278	612,661
61 - 90 days	516,613	586,363
91 - 120 days	460,390	551,274
121 - 365 days	24,652,049	17,897,789
	<b>26,146,702</b>	<b>20,176,348</b>
Less: Provision for debt impairment	(22,983,426)	(14,794,004)
	<b>3,163,276</b>	<b>5,382,344</b>
<b>Total debtor past due but not impaired</b>		
61 - 90 days	119,457	96,750
91 - 120 days	64,005	90,960
61 - 90 days	3,230,547	2,911,574
	<b>3,414,009</b>	<b>3,099,284</b>

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	Restated 2013
<b>4. Trade receivables (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(14,794,004)	(11,820,411)
Contributions to allowance	(8,189,422)	(2,973,593)
	<b>(22,983,426)</b>	<b>(14,794,004)</b>
<b>5. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	290	-
Short-term deposits	10,919	41,087
Bank overdraft	(320,374)	(897,117)
	<b>(309,165)</b>	<b>(856,030)</b>
Current assets	11,209	41,087
Current liabilities	(320,374)	(897,117)
	<b>(309,165)</b>	<b>(856,030)</b>

The municipality had the following bank accounts

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 - Cheque Account - 4053099797	1,101,008	(289,459)	(75,025)	(320,374)	(897,117)	(1,239,581)
ABSA BANK - Salary Cheque Account - 2520141122	118	69	8,398	-	-	-
ABSA BANK - Money Market Account - 9137635959	-	25,199	224,127	-	25,199	224,127
ABSA Bank - Call deposit - 9118667163	915	3,045	73,017	915	3,045	73,017
ABSA Bank - Call deposit - 9101589574	1,002	3,841	5,310	1,002	3,841	5,310
Standard Bank - Trust Fund Account - 3/288885537/001	9,002	9,002	9,002	9,002	9,002	9,002
<b>Total</b>	<b>1,112,045</b>	<b>(248,303)</b>	<b>244,829</b>	<b>(309,455)</b>	<b>(856,030)</b>	<b>(928,125)</b>

### 6. Investment property carried at cost

	2014			2013		
	Gross carrying amount	Accumulated depreciation and accumulated impairment	Carrying value	Gross carrying amount	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	43,637,900	-	43,637,900	43,637,900	-	43,637,900

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 6. Investment property carried at cost (continued)

#### Reconciliation of investment property carried at cost - 2014

	Opening balance	Total
Land	28,850,000	28,850,000
Buildings	14,787,900	14,787,900
	<b>43,637,900</b>	<b>43,637,900</b>

#### Reconciliation of investment property carried at cost - 2013

	Opening balance	Total
Land	28,850,000	28,850,000
Buildings	14,787,900	14,787,900
	<b>43,637,900</b>	<b>43,637,900</b>

Fair value of investment properties 43,637,900 43,637,900

No restrictions have been placed on the investment property and no investment property has been pledged as security.

The fair values for investment property were obtained from the latest available valuation rolls.

### 7. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	2,099,600	-	2,099,600	2,099,600	-	2,099,600
Infrastructure	123,066,510	(42,018,069)	81,048,441	114,302,414	(39,876,333)	74,426,081
Landfill sites	3,454,406	(1,082,250)	2,372,156	3,405,059	(898,527)	2,506,532
Other assets	4,439,937	(1,764,345)	2,675,592	3,871,269	(1,347,630)	2,523,639
Work in progress	9,990,869	-	9,990,869	12,722,430	-	12,722,430
<b>Total</b>	<b>143,051,322</b>	<b>(44,864,664)</b>	<b>98,186,658</b>	<b>136,400,772</b>	<b>(42,122,490)</b>	<b>94,278,282</b>

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Land and buildings	2,099,600	-	-	-	2,099,600
Infrastructure	74,426,081	-	8,764,096	(2,141,736)	81,048,441
Landfill sites	2,506,532	49,346	-	(183,722)	2,372,156
Other assets	2,523,639	568,668	-	(416,715)	2,675,592
Work in progress	12,722,430	6,032,535	(8,764,096)	-	9,990,869
	<b>94,278,282</b>	<b>6,650,549</b>	<b>-</b>	<b>(2,742,173)</b>	<b>98,186,658</b>

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Land and buildings	2,099,600	-	-	-	2,099,600
Infrastructure	65,045,399	-	11,452,708	(2,072,026)	74,426,081
Landfill sites	2,685,908	760	-	(180,136)	2,506,532
Other assets	1,469,766	1,450,565	-	(396,692)	2,523,639
Work in progress	15,265,364	8,909,774	(11,452,708)	-	12,722,430
	<b>86,566,037</b>	<b>10,361,099</b>	<b>-</b>	<b>(2,648,854)</b>	<b>94,278,282</b>

The gross carrying value of fully depreciated property, plant and equipment still in use amounts to R2 489 047.

Net carrying amount of assets subject to finance lease:

Motor vehicles R339 000.24.

#### Contractual commitments for the acquisition of property, plant and equipment

Infrastructure	3,100,000	2,847,634
Other Assets	571,113	-
	<b>3,671,113</b>	<b>2,847,634</b>

The acquisition of property, plant and equipment will be financed through grant income.

### 8. Intangible assets

	2014			2013		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	495,090	(412,192)	82,898	530,058	(376,204)	153,854

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	153,854	2,300	(1)	(73,255)	82,898

#### Reconciliation of intangible assets - 2013

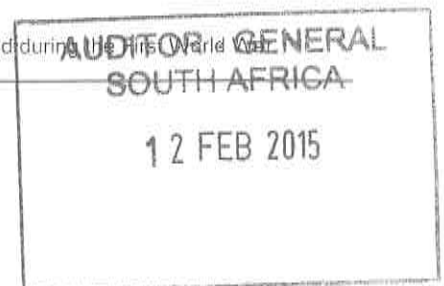
	Opening balance	Additions	Amortisation	Total
Computer software	7,993	207,725	(61,864)	153,854

### 9. Heritage assets

The municipality owns the following heritage assets:

The Klipplaat monument, in honour of service men killed during the First World War.

The Great War Memorial monument, situated in Jansenville, in honour of service men killed during the First World War.



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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	Restated 2013
<b>9. Heritage assets (continued)</b>		
<b>Transitional provision</b>		
The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by the Accounting Standards Board.		
<b>10. Repayment - National Revenue Fund</b>		
Public Works - EPWP	437,315	-
Integrated National Electrification Grant	2,948,808	-
Municipal Infrastructure Grant	1,543,480	-
Municipal Systems Infrastructure Grant	375,638	-
	<b>5,305,241</b>	<b>-</b>
The Municipality failed to spend their entire DORA allocation in the 2012/2013 financial year and as a result National and Provincial Treasury are requiring that the municipality repay the unspent amount of R5,305,241.		
The amount is repayable in instalments of R500,000 to be deducted from the tranches of the equitable share grant.		
<b>Non-current liabilities</b>		
At amortised cost	3,805,241	-
<b>Current liabilities</b>		
At amortised cost	1,500,000	-
<b>11. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	273,015	272,199
- in second to fifth year inclusive	143,078	416,093
	<b>416,093</b>	<b>688,292</b>
less: future finance charges	(51,422)	(101,731)
<b>Present value of minimum lease payments</b>	<b>364,671</b>	<b>586,561</b>
<b>Present value of minimum lease payments due</b>		
- within one year	245,802	221,890
- in second to fifth year inclusive	118,869	364,671
	<b>364,671</b>	<b>586,561</b>
Non-current liabilities	118,869	364,671
Current liabilities	245,802	221,890
	<b>364,671</b>	<b>586,561</b>

The average lease term was 5 years and the effective borrowing rate ranges between prime and prime plus 1.667%.

The leases have no contingent rental amounts, no escalation clauses, no purchase options and no restrictions on the lease arrangements.

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Figures in Rand	2014	Restated 2013
<b>12. Trade and other payables</b>		
Trade payables	8,051,474	8,869,207
Other payables	18,923	12,478
Salaries control	-	421,560
Auditor General	4,368,068	2,119,757
Eskom - Departmental use and Free Basic Services	255,928	316,744
Eskom bulk purchases	4,326,899	1,319,991
Unknown deposits	709,203	741,862
Income received in advance	79,876	56,350
Leave accrual	1,588,561	1,394,396
	<b>19,397,932</b>	<b>15,252,345</b>
<b>13. VAT payable</b>		
VAT payable	1,194,561	1,353,473

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### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand	2014	Restated 2013
<b>14. Unspent conditional grants and receipts</b>		
Unspent conditional grants and receipts comprises of:		
<b>DORA grants</b>		
Municipal Systems Infrastructure Grant	-	375,638
Municipal Infrastructure Grant	-	1,543,480
Public Works - EPWP	277,815	437,315
Integrated National Electrification Grant	-	2,948,808
	<u>277,815</u>	<u>5,305,241</u>
<b>Other conditional grants</b>		
Dan Sandi Sewerage Grant	70,000	-
Industrial Development Corporation	500,000	500,000
LED Special Grants Funding	1,645,893	1,645,893
Spatial Development Framework Grant	74,558	74,558
	<u>2,290,451</u>	<u>2,220,451</u>
	<u>2,568,266</u>	<u>7,525,692</u>
<b>Movement during the year</b>		
Balance at the beginning of the year	7,525,692	2,672,633
Additions during the year	13,515,000	17,244,000
Income recognition during the year	(13,167,185)	(12,390,941)
Transferred to Repayment - National Revenue Fund	(5,305,241)	-
	<u>2,568,266</u>	<u>7,525,692</u>

See note 18 for reconciliation of grants from National/Provincial Government.

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2014 Restated  
2013

### 15. Provisions

#### Reconciliation of provisions - 2014

	Note	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill		4,228,206	283,524	-	4,511,730
Provision for performance bonuses		175,740	363,876	(175,740)	363,876
Provision for annual bonuses		445,390	535,182	(445,390)	535,182
		<b>4,849,336</b>	<b>1,182,582</b>	<b>(621,130)</b>	<b>5,410,788</b>

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill	4,006,318	221,888	-	4,228,206
Provision for performance bonuses	-	175,740	-	175,740
Provision for annual bonuses	328,137	445,390	(328,137)	445,390
	<b>4,334,455</b>	<b>843,018</b>	<b>(328,137)</b>	<b>4,849,336</b>

Non-current liabilities	4,511,730	4,228,206
Current liabilities	899,058	621,130
	<b>5,410,788</b>	<b>4,849,336</b>

#### Performance Bonuses

Performance bonuses are paid out to senior management and are calculated at up to 14% of the annual salary package.

#### Bonuses

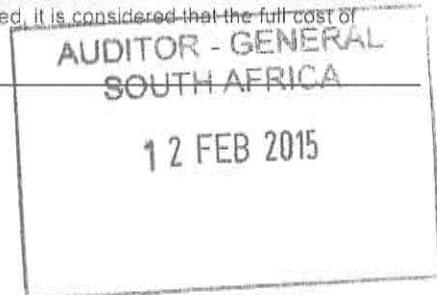
Bonuses are paid out to all employees (except for senior management) during November each year and are based on a 13th monthly basic salary.

#### Rehabilitation of landfill

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 2030, after which rehabilitation will take place over the course of the next 9 to 10 years after which the site is expected to be fully rehabilitated. The landfill sites valuation was performed by Bosch Munitech. The following assumptions were used when calculating the provisions for Landfill Site rehabilitation:

- The sizes of the Jansenville and Steytterville landfill sites are estimated to be 0.1 Ha each.
- The remaining useful lives of the landfill sites are estimated to be 10.39 years (Jansenville) and 16.36 years (Steytlerville), respectively.
- The CPIX (6.7%, 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 to current values.
- 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 provision provides 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.





## **Ikwezi Local Municipality**

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### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand	2014	Restated 2013
<b>16. Property rates</b>		
<b>Rates received</b>		
Property rates	1,593,890	1,392,245
Property rates - penalties imposed	231,287	189,438
	<u>1,825,177</u>	<u>1,581,683</u>
<b>Valuations</b>		
Residential	63,585,200	63,585,200
Commercial	15,792,500	15,792,500
State	57,935,200	57,935,200
Agricultural	877,914,300	877,914,300
Vacant	-	-
Indigent	664,100	664,100
Places of worship	3,537,300	3,537,300
	<u>1,019,428,600</u>	<u>1,019,428,600</u>

The following general rates were applied during the 2013/2014 and 2012/2013 years respectively to property valuations to determine the assessment rates:

Residential properties	2.114 c/R	1.975 c/R
Businesses	2.537 c/R	2.371 c/R
State properties	3.043 c/R	2.844 c/R
Agricultural properties	0.106 c/R	0.099 c/R

#### **17. Service charges**

Sale of electricity	6,595,498	6,089,727
Sale of water	1,238,415	1,255,999
Sewerage charges	1,514,705	1,530,432
Refuse removal	1,280,768	1,197,384
	<u>10,629,386</u>	<u>10,073,542</u>

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	Restated 2013
<b>18. Government grants and subsidies</b>		
<b>Unconditional grants and subsidies</b>		
Equitable share	16,860,000	15,595,000
Provincial allocation	266,000	112,327
Department of Water Affairs	2,459,301	571,017
Department of Water - Water Services Capacity	-	300,000
IEC	500,985	-
Subsidies	250,700	239,467
EC Government Revitalisation grant	700,000	-
Local Government and Traditional Affairs	2,592,400	-
Audit fees	248,121	1,276,456
	<u>23,877,507</u>	<u>18,094,267</u>
<b>Conditional grants</b>		
Integrated National Electrification grant	-	325,823
Finance Management grant	1,650,000	1,500,000
Municipal Systems Improvement grant	890,000	682,088
Municipal Infrastructure grant	9,725,000	9,044,903
Public Works - EPWP	722,185	562,685
Spatial Development Framework	-	275,442
Dan Sandi Sewerage	180,000	-
	<u>13,167,185</u>	<u>12,390,941</u>
	<u><b>37,044,692</b></u>	<u><b>30,485,208</b></u>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Integrated National Electrification grant

Balance unspent at beginning of year	2,948,808	74,631
Current-year receipts	-	3,200,000
Transferred to revenue	-	(325,823)
Transferred to Repayment - National Revenue Fund	(2,948,808)	-
	<u>-</u>	<u>2,948,808</u>

### Finance Management grant

Current-year receipts	1,650,000	1,500,000
Transferred to revenue	(1,650,000)	(1,500,000)
	<u>-</u>	<u>-</u>

### Municipal Systems Improvement grant

Balance unspent at beginning of year	375,638	257,725
Current-year receipts	890,000	800,000
Transferred to revenue	(890,000)	(682,087)
Transferred to Repayment - National Revenue Fund	(375,638)	-
	<u>-</u>	<u>375,638</u>

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Figures in Rand

	2014	Restated 2013
<b>18. Government grants and subsidies (continued)</b>		
<b>Municipal Infrastructure grant</b>		
Balance unspent at beginning of year	1,543,480	344,384
Current-year receipts	9,725,000	10,244,000
Transferred to revenue	(9,725,000)	(9,044,904)
Transferred to borrowings	(1,543,480)	-
	-	<b>1,543,480</b>
<b>Public Works - EPWP</b>		
Balance unspent at beginning of year	437,315	-
Current-year receipts	1,000,000	1,000,000
Transferred to revenue	(722,185)	(562,685)
Transferred to Repayment - National Revenue Fund	(437,315)	-
	<b>277,815</b>	<b>437,315</b>
<b>Local Economic Development</b>		
Balance unspent at beginning of year	1,645,893	1,645,893
<b>Spatial Development Framework</b>		
Balance unspent at beginning of year	74,558	350,000
Transferred to revenue	-	(275,442)
	<b>74,558</b>	<b>74,558</b>
<b>Dan Sandi Sewerage grant</b>		
Current-year receipts	250,000	-
Transferred to revenue	(180,000)	-
	<b>70,000</b>	-
<b>Industrial Development Corporation</b>		
Balance unspent at beginning of year	500,000	-
Current-year receipts	-	500,000
	<b>500,000</b>	<b>500,000</b>
<b>19. Revenue</b>		
Property rates	1,593,890	1,392,245
Service charges	10,629,386	10,073,542
Government grants and subsidies	37,044,692	30,485,208
Interest received - internal	722,520	608,881
Licences and permits	126,357	205,485
Rental of facilities and equipment	20,269	9,321
Other income	1,044,665	503,077
Interest received - external	61,173	116,524
Property rates - penalties imposed	231,287	189,438
Public contributions and donations	-	10,000
	<b>51,474,239</b>	<b>43,593,721</b>

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	Restated 2013
<b>19. Revenue (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	10,629,386	10,073,542
Rental of facilities and equipment	20,269	9,321
Interest received - internal	722,520	608,881
Licences and permits	126,357	205,485
Gain on disposal	-	6,000
Other income	1,044,665	503,077
Interest received - external	61,173	116,524
	<b>12,604,370</b>	<b>11,522,830</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Property rates	1,593,890	1,392,245
Property rates - penalties imposed	231,287	189,438
Government grants and subsidies	37,044,692	30,485,208
Public contributions and donations	-	10,000
	<b>38,869,869</b>	<b>32,076,891</b>
<b>20. Personnel</b>		
Basic salaries and wages	12,597,507	12,027,127
Performance bonuses	189,000	175,740
Medical aid - company contributions	521,111	464,969
UIF	114,349	102,751
SDL	117,102	103,773
Leave pay	596,933	856,620
Provision for bonuses	99,359	117,254
Wages	547,857	-
Travel, motor car, accommodation, subsistence and other allowances	613,170	670,989
Overtime payments	716,078	703,278
Long-service awards	-	3,440
Housing benefits and allowances	9,085	14,997
Annual Bonus	750,557	651,465
Pension fund contributions	1,243,509	1,150,952
Group life	-	974
Bargaining council	3,292	7,029
Provision for post employment benefits	(276,000)	686,000
	<b>17,842,909</b>	<b>17,737,358</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	737,391	682,500
Travel, motor car, accommodation, subsistence and other allowances	134,400	120,000
Contributions to UIF, Medical and Pension Funds	-	112,350
	<b>871,791</b>	<b>914,850</b>

The municipal manager, Mr T Gutas, has been suspended for the whole year with Mrs Mpahlwa, Director: Strategic Services, acting in his place.

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

	2014	Restated 2013
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### 20. Personnel (continued)

#### Remuneration of chief finance officer

Annual Remuneration	623,072	251,000
Travel, motor car, accommodation, subsistence and other allowances	120,000	35,000
	<b>743,072</b>	<b>286,000</b>

D. Sauls was appointed on 8 July 2013.

#### Remuneration of the Manager - Strategic Services

Annual Remuneration	623,072	575,500
Travel, motor car, accommodation, subsistence and other allowances	120,000	120,000
Contributions to UIF, Medical and Pension Funds	-	97,370
Acting Allowance	42,906	-
	<b>785,978</b>	<b>792,870</b>

#### Remuneration of Manager - Technical Services

Annual Remuneration	50,423	557,500
Travel, motor car, accommodation, subsistence and other allowances	12,500	138,000
Contributions to UIF, Medical and Pension Funds	-	97,370
	<b>62,923</b>	<b>792,870</b>

Mr Nongene vacated the post at the end of August 2013 and returned in June 2014.

### 21. Remuneration of councillors

Executive Mayor	359,598	342,396
Councillors	1,233,750	1,136,601
	<b>1,593,348</b>	<b>1,478,997</b>

#### In-kind benefits

The municipality received assistance from the Cacadu District Municipality. The assistance provided by Cacadu District Municipality was to provide accounting support services.

#### Councillors' Remuneration

Councillor	2014		
	Remuneration	Allowances	Total
SA Mngwevu (Mayor)	261,299	98,299	359,598
K Hendricks	144,792	60,833	205,625
M Bonaparte	144,792	60,833	205,625
L Ntame	144,792	60,833	205,625
A Mboneni	144,792	60,833	205,625
J Lewis	144,792	60,833	205,625
BW Seekooi	144,792	60,833	205,625
	<b>1,130,051</b>	<b>463,297</b>	<b>1,593,348</b>

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Figures in Rand	2014	Restated 2013
<b>21. Remuneration of councillors (continued)</b>		
	2013	
<b>Councillor</b>	<b>Remuneration</b>	<b>Allowances</b>
		<b>Total</b>
SA Mngwevu (Mayor)	251,326	91,070
K Hendricks	134,442	55,189
M Bonaparte	133,257	55,189
L Ntame	134,442	55,189
A Mboneni	134,442	55,189
J Lewis	134,442	55,189
BW Seekool	134,442	55,189
	<b>1,056,793</b>	<b>422,204</b>
		<b>1,478,997</b>
<b>22. Debt impairment</b>		
Contributions to debt impairment provision	8,183,394	2,973,593
<b>23. Depreciation and amortisation</b>		
Property, plant and equipment	2,901,549	2,688,099
Intangible assets	87,184	61,864
	<b>2,988,733</b>	<b>2,749,963</b>
<b>24. Finance costs</b>		
Trade and other payables	566,164	46,858
Finance leases	50,309	94,245
	<b>616,473</b>	<b>141,103</b>
<b>25. Repairs and maintenance</b>		
Buildings	274,684	877,309
Computers	1,648	-
Network	1,299,816	278,603
Stormwater	-	520
Street	77,263	29,250
Tools and equipment	1,746	29,684
Vehicles and plant	219,554	190,426
Water reticulation	57,318	191,755
	<b>1,932,029</b>	<b>1,597,547</b>
<b>26. Bulk purchases</b>		
Electricity	5,879,737	5,613,492

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	Restated 2013
<b>27. General expenses</b>		
Audit committee	5,000	16,510
Advertising	75,968	77,882
Audit fee - internal	137,615	435,166
Auditors remuneration	2,300,495	1,481,271
Bank charges	150,543	151,686
Books and publications	1,486	3,715
Registration costs	-	6,000
Communication	73,448	102,174
Departmental electricity	1,167,880	200
Entertainment	86,359	129,333
Fines and penalties	26,207	-
Matlansana projects	506,107	-
Sign boards	-	298
Free basic services	1,615,331	615,196
Sundry expenses	458,370	686,010
Fuel and oil	513,389	507,201
Insurance	192,157	125,509
Internet subscriptions	147,776	67,994
Lease rentals	274,687	276,078
Professional fees	43 1,639,301	2,711,116
Legal expenses	529,724	462,731
Chemicals	335,500	881,463
Subscriptions	99,008	111,753
Motor vehicle expenses - licencing	8,852	52,739
Movement in provision for landfill sites	234,178	221,128
MSIG	599,100	627,851
Postage and courier	60,583	45,649
Printing and stationery	274,809	242,882
Special projects	121,131	329,477
Protective clothing	6,285	105,121
Summit costs	422,900	-
Pauper burials	23,000	14,000
Telephone and fax	490,755	659,632
Tourism development	80,248	12,850
Water meters	-	121,673
Training	112,688	363,469
Subsistence and travel	1,431,225	1,511,481
Water	16,298	-
IDP	-	71,441
	<b>14,218,403</b>	<b>13,228,679</b>

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	Restated 2013
<b>28. Prior period errors</b>		
The correction of error relating to the opening retained income balance at 01 July 2012 is due to the following adjustment:		
Trade receivables		493,120
Other receivables from non-exchange transactions		(1,623,238)
VAT receivable		(1,068,778)
Investment property		8,482,100
Property, plant and equipment		20,163,590
Intangible assets		(370,610)
Finance lease obligation		200,589
Trade and other payables from exchange transactions		(477,405)
Bank overdraft		11,446
Provisions		957,578
Unspent conditional grants		938,606
Finance lease obligation		(401,181)
Provisions		(6,239,055)
		<u>21,066,762</u>

Further to the above the following balances were adjusted as follows as at the 2013 reporting date:

Statement of financial position	Restated 2013	Reported 2013
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	41,087	41,088
Trade receivables	5,382,344	3,941,462
Other receivables from non-exchange transactions	46,102	2,337,639
Inventories	7,610	2,349
<b>Non-current assets</b>		
Investment property	43,637,900	35,155,800
Property, plant and equipment	94,562,810	74,271,187
Intangible assets	153,854	232,719
<b>Liabilities</b>		
<b>Current liabilities</b>		
Finance lease obligation	(221,890)	(222,174)
Trade and other payables	(15,252,345)	(11,646,851)
Bank overdraft	(897,117)	(911,163)
Provisions	(621,130)	(2,003,733)
Unspent conditional grants	(7,525,692)	(8,757,717)
VAT payable	(1,353,473)	880,416
<b>Non-current liabilities</b>		
Finance lease obligation	(364,671)	(364,386)
Provisions	(4,228,206)	(1,022,400)
Employee benefits	(3,613,000)	-
	<u>109,754,183</u>	<u>91,934,236</u>

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# Ikwezi Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	Restated 2013
<b>28. Prior period errors (continued)</b>		
<b>Statement of Financial Performance</b>		
<b>Revenue</b>		
Service charges	10,073,542	11,024,551
Rental of facilities and equipment	9,321	10,491
Licences and permits	205,485	-
Government grants & subsidies	30,485,208	28,377,084
Other income	503,077	1,015,701
Gain on disposal of asset	6,000	-
<b>Expenditure</b>		
Personnel	(17,737,358)	(17,490,346)
Remuneration of councillors	(1,478,997)	(1,517,880)
Depreciation and amortisation	(2,749,963)	(2,526,105)
Finance costs	(141,103)	(77,696)
Repairs and maintenance	(1,597,547)	(1,181,002)
Bulk purchases	(5,613,492)	(5,374,105)
General expenses	(13,228,679)	(10,135,267)
Impairment loss	-	(143,917)
	<b>(1,264,506)</b>	<b>1,981,509</b>

### Cash and cash equivalents

The balances of the short term investments were corrected to agree to the cashbook at year end.

### Trade receivables

Reclassification of rates accounts and alignment of general ledger to age analysis.

### Other receivables from non-exchange transactions

Reclassification of rates accounts to trade receivables and the impairment of non-recoverable debtors.

### Inventories

Recalculation and correction of water balances.

### Investment Property

Recognition of investment property not previously reported.

### Property, plant and equipment

Separation of community assets, infrastructure assets and recognition of movable assets not previously accounted for.  
Accounting for depreciation on movable, community and infrastructure assets.

### Intangible assets

Recalculated the carrying value in accordance with the accounting policy and correction of errors made during capitalisation.

### Finance lease obligation - current

Restatement of finance leases and alignment with third party confirmations.

### Trade and other payables

Correction of trade payables, other payables, salaries control and leave accrual balances.

### Bank overdraft

Reperformed and corrected opening bank cashbook balance.

### Provisions

Raising of long service awards and post employment benefits. Restatement of provision for annual bonuses, performance bonuses and landfill sites.

### Unconditional grants

The unspent conditional grants and receipts were reconciled going back three years and corrected accordingly.

### VAT payable

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### **28. Prior period errors (continued)**

VAT provision on creditors was recognised and errors relating to VAT control account corrected.

#### **Finance lease obligation - non-current**

Restatement of finance leases and alignment with third party confirmations.

#### **Service charges**

Misallocations were reclassified to the correct accounts.

#### **Rental of facilities**

Misallocations were reclassified to the correct accounts.

#### **Licences and permits**

Reclassification of amounts from other income.

#### **Government grants & subsidies**

The unspent conditional grants and receipts were reconciled going back three years and corrected accordingly.

#### **Other income**

Reclassification of other income to individual income line items.

#### **Gain on disposal**

Recognising gain not previously recognised.

#### **Personnel**

Correction of post employment benefit using revised, accurate actuarial information and the correction of errors relating to provisions and the reclassification of leave provision from general expenses.

#### **Depreciation and amortisation**

Recorded depreciation on community assets, infrastructure and movable assets not previously recognised.

#### **Finance costs**

Restatement of finance leases and raising of supplier interest previously misallocated.

#### **Repairs and maintenance**

Restatement of asset register and reclassification of expenses.

#### **General expenses**

Correction of errors relating to incorrect classifications and omission from the previous year's financial statement note, most notably audit fees and the reclassification of the leave provision to employee costs.

#### **Impairment loss**

Correction of errors relating to impairment losses.

#### **Restatement of disclosure notes:**

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	2014	Restated 2013
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#### **28. Prior period errors (continued)**

##### **Fruitless and wasteful expenditure**

	Restated 2013	Reported 2013
Opening balance	149,761	149,761
Current year	63,407	-
	<u>213,168</u>	<u>149,761</u>

##### **Irregular expenditure**

Opening balance	9,513,003	9,513,003
Current year	-	65,575
	<u>9,513,003</u>	<u>9,578,578</u>

##### **Fruitless and wasteful expenditure**

The municipality reformed reconciliations of the all of their creditors at 30 June 2013 and discovered interest on creditor accounts that had not been recorded in the prior year.

##### **Irregular expenditure**

The CFO relooked at all items listed on the 2013 Irregular expenditure listing and removed Items that did not meet the definition according to paragraph 1 of the Municipal Finance Management Act.

#### **29. Cash generated from operations**

Deficit	(1,607,485)	(1,881,766)
<b>Adjustments for:</b>		
Depreciation and amortisation	2,815,430	2,710,718
Gain (loss) on sale of assets and liabilities	1	(6,000)
Debt impairment	8,183,394	2,973,593
Movements in retirement benefit assets and liabilities	(276,000)	686,000
Movements in provisions	561,452	514,881
<b>Changes in working capital:</b>		
Inventories	(4,237)	(7,610)
Other receivables	(621,118)	142,569
Consumer debtors	(5,964,326)	(6,547,376)
Trade and other payables	4,646,576	6,776,475
VAT	(659,898)	620,968
Unspent conditional grants and receipts	(4,957,426)	4,853,058
	<u>2,116,363</u>	<u>10,835,510</u>

#### **30. Auditors' remuneration**

Fees	2,300,495	1,481,271
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### 31. Related parties

#### Relationships

Mayor	SA Mngwevu
Councillor	Cllr K Hendricks
Councillor	Cllr M Bonaparte
Councillor	Cllr L Ntame
Councillor	Cllr A Mboneni
Councillor	Cllr J Lewis
Councillor	Cllr B W Seekooi
Municipal Manager (suspended)	LT Gutas
Chief Financial Officer and Director Corporate Services / Acting Municipal Manager	D Sauls
Director Technical Services	N Nongene
Acting Municipal Manager and Director of Strategic Services	M P Mpahlwa
Related government entity	Eskom
District Municipality that Ikwezi Municipality forms part of	Cacadu District Municipality
Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None
Members of key management	None

#### Related party balances

##### Amounts included in Trade and other payables regarding related parties

Eskom - Departmental use and free basic services	255,928	316,744
Eskom - Bulk purchases	4,325,899	1,319,991

Refer to note 21 for a breakdown of councillors' remuneration.

Refer to note 20 for a breakdown of amounts paid to section 57 managers.

### 32. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including 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 minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the finance department, with assistance of the operating divisions, under policies approved by the accounting officer.

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### 32. Risk management (continued)

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments, projected grant receipts and cash forecasting.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligation	245,802	118,869	-	-
Bank overdraft	320,374	-	-	-
Trade and other payables	19,898,918	-	-	-
Repayment - National Revenue Fund	1,500,000	1,500,000	2,305,241	-

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligation	221,890	245,802	118,869	-
Bank overdraft	897,117	-	-	-
Trade and other payables	15,252,345	-	-	-

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

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

Financial instrument		
- Call deposits	10,918	41,087
- Trade and other receivables	3,163,276	5,382,344
- Other receivables	667,220	46,102

#### Interest rate risk

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. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates.

### 33. Events after the reporting date

No events have been identified after the reporting date which could have a material impact on the annual financial statements.

### 34. Unauthorised expenditure

Opening balance	10,442,743	8,305,999
Add: Unauthorised expenditure - current year	98,281,051	2,136,744
Less: Amounts condoned	(10,442,743)	-
	98,281,051	10,442,743

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#### 34. Unauthorised expenditure (continued)

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

The current year unauthorised expenditure was incurred as follows:

Expenditure	Amended budget 30 June 2014	Annual financial statements	Overspend
Debt impairment	645,217	8,183,394	7,538,177
Depreciation	1,218,256	2,815,430	1,597,174
Personnel	-	17,842,909	-
Finance costs	95,067	616,473	521,406
General expenses	10,371,712	14,218,404	3,846,692
Remuneration of councillors	1,551,074	1,593,348	42,274
Repairs and maintenance	1,073,639	1,932,029	858,390
Property, plant and equipment	14,309,720	98,186,658	83,876,938
	<b>29,264,685</b>	<b>145,388,645</b>	<b>98,281,051</b>

#### 35. Fruitless and wasteful expenditure

Opening balance	213,168	149,761
Add: Fruitless and wasteful expenditure - current year	583,336	63,407
Less: Amounts condoned	(213,168)	-
	<b>583,336</b>	<b>213,168</b>

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

Schedule of fruitless and wasteful expenditure incurred in the current year:

Category	2014	2013
Interest on overdue accounts	566,164	63,407

#### 36. Irregular expenditure

Opening balance	9,513,003	9,513,003
Add: Irregular expenditure - current year	1,923,741	-
Less: Amounts condoned	(9,513,003)	-
	<b>1,923,741</b>	<b>9,513,003</b>

#### Details of irregular expenditure – current year

Irregular expenditure on contracts	SCM processes not followed	<u>1,923,741</u>
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### 37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Goods and services to the value of R3,176,251 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Supplier	Order number	Amount	Reason
ZAQ Consultants	5102	17,670	Time Constraints for quotes (Actuary)
Conlog	2150	92,517	Urgently needed as stop by-passing and loss of revenue
Aqua Agri Solutions	2604	34,678	Service providers refuse to give quotes because of not receiving orders. Urgent need the water chemicals
Divine Consulting	None	140,000	Compliance and improved efficiency. Further urgent and cannot follow all procurement processes
Heydenreychs	None	1,623	Urgently needed radios for Mohair / Summit
Cynthia Towing and Repairs	None	310,570	DWA grant of R600K would be lost if procurement processes are fully followed
PriceWaterhouseCoopers	None	227,352	PMS highlighted by AG, but cannot follow full SCM processes
Econo Print, Repairs and Supplies CC	9687	970,305	Urgent implementation of water meters from DWA funding of R1m in limited time
ABC Pumps	9691	31,168	Water restoration - Faulty water pump
Noorsveld Farms CC	9817	17,135	Urgent waste disposal site clearance
Toekoms Construction	10176/10179	56,430	damage to a transformer & Pole due to fallen tree (R39900) / (R16530)
PW Electrical	10173	24,054	Urgent repairs to street lights due to power surge
Algoa Toyota Uitenhage	10189	58,415	Vehicle needed to be taken to the manufacturer Toyota for stripping
Sakha Idinga	None	197,979	Building of Pavillion
Econo Print, Repairs and Supplies CC	None	996,354	Urgent implementation of water meters from DWA funding of R1m in limited time. Additional: 996 354.30
		<b>3,176,250</b>	

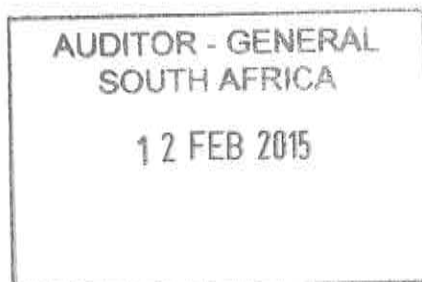
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<b>38. Contingencies</b>		
<b>Former employee vs Ikwezi Local Municipality / others</b>		
The matter has not been resolved and the claim against Council is estimated at R650,000.		
<b>M. Blouw</b>		
The municipality was being sued by a former employee, M. Blouw. The matter has been to arbitration and was settled subsequent to year end. Mr Blouw was awarded an amount of R176,777.		
<b>Mr T. Gutas vs Ikwezi Local Municipality</b>		
The potential claim is twelve months salary which amounts to R857,391.		
<b>Jansenville Taxi Association</b>		
Jansenville Taxi Association has taken the municipality to court over the eviction of M. Blouw. The value of the potential claim has not yet been determined. The claim is over ownership of property.		
<b>Fleet Africa vs Ikwezi Local Municipality</b>		
A settlement has been reached but the legal cost is still to be determined. An arrangement is in place to pay for the goods in three payments. The final payment will be made in November 2014.		
<b>39. Material losses</b>		
During the 2014 financial year the municipality incurred distribution losses relating to water of 5.0% (2013: 5.6%) and relating to electricity of 48.9% (2013: 45.9%)		
<b>40. Pension and medical aid deductions</b>		
Current year payroll deductions and Council Contributions	2,504,183	1,614,272
Amount paid - current year	(2,074,478)	(1,614,272)
	<b>429,705</b>	<b>-</b>
<b>41. Councillors' arrear consumer accounts</b>		
<b>Outstanding less than 90 days</b>		
Councillor K Hendricks	614	-
Councillor J Lewis	1,051	-
Councillor M Bonaparte	592	682
Councillor BW Seekool	297	481
	<b>2,554</b>	<b>1,163</b>
<b>Outstanding more than 90 days</b>		
Councillor K Hendricks	1,556	-
Councillor M Bonaparte	930	227
	<b>2,486</b>	<b>227</b>
<b>42. PAYE, SDL and UIF</b>		
Current year payroll deductions	2,319,342	2,163,948
Amount paid - current year	(1,727,634)	(2,163,948)
	<b>591,708</b>	<b>-</b>





## **Ikwezi Local Municipality**

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### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand	2014	Restated 2013
<b>43. Operating leases</b>		
<b>Minimum lease payments due</b>		
- within one year	71,809	62,088
- in second to fifth year inclusive	39,613	63,467
	<b>111,422</b>	<b>125,555</b>
<b>Present value of minimum lease payments due</b>		
- within one year	71,809	62,088
- in second to fifth year inclusive	39,613	63,467
	<b>111,422</b>	<b>125,555</b>

The average lease terms is 2 years and the average effective lending rate is undetermined.

Obligations under operating leases are secured by the lessor's title to the leased property

The leases do not contain any purchase options, contingent rentals, escalation clauses or restrictions on the lease arrangements.

The leases are renewable at the end of the lease term at the option of the lessee for a further term to be negotiated.

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Figures in Rand	2014	Restated 2013			
<b>44. Employee benefit obligations</b>					
<b>44.1 Post employment medical benefit</b>					
The amounts recognised in the statement of financial position are as follows:					
<b>Post Employment Medical Liability - Carrying value</b>					
Present value of the post employment benefit medical obligation - wholly unfunded	2,548,000	2,641,000			
Changes in the present value of the defined benefit obligation are as follows:					
Opening balance	2,641,000	2,239,000			
Net expense recognised in the statement of financial performance	(93,000)	402,000			
	<b>2,548,000</b>	<b>2,641,000</b>			
<b>Net expense recognised in the statement of financial performance</b>					
Current service cost	85,000	77,000			
Interest cost	209,000	178,000			
Actuarial (gains) losses	(308,000)	219,000			
Benefits paid	(79,000)	(72,000)			
	<b>(93,000)</b>	<b>402,000</b>			
<b>Key assumptions used</b>					
Assumptions used at the reporting date:					
Discount rates used	8.94 %	7.89 %			
Net discount rate	0.82 %	0.70 %			
Consumer price inflation	7.05 %	6.14 %			
Medical aid inflation	8.05 %	7.14 %			
The PA 90-2 post-retirement mortality table was used					
Number of Continuation pensioners - 4					
Average age of Continuation pensioners as at 30 June 2014 was 64.0 (2012/2013: 62.6, with an average employer monthly contribution of R1,650 (2012/2013: R1,510).					
<b>Other assumptions</b>					
Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:					
	<b>One percentage point increase</b>	<b>One percentage point decrease</b>			
Effect on the aggregate of the service cost and interest cost	326,000	286,000			
Effect on defined benefit obligation	2,375,000	2,695,000			
Amounts for the current and previous four years are as follows:					
	2014 R	2013 R	2012 R	2011 R	2010 R
Defined benefit obligation	2,548,000	2,641,000	2,239,000	1,734,000	-
Experience adjustments on plan	53,000	219,000	373,000	-	-



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<b>44. Employee benefit obligations (continued)</b>		
<b>Defined benefit obligation</b>		
The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2014 by ZAQ Consultants and Actuaries using the Projected Unit Credit Method.		
The valuation of this liability considers all employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy.		
The estimated contributions to be paid in the next financial year:		
Current service cost	80,000	85,000
<b>44.2 Long service awards</b>		
The amounts recognised in the statement of financial position are as follows:		
<b>Long service awards - Carrying value</b>		
Present value of the long service awards - wholly unfunded	789,000	972,000
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	972,000	688,000
Net expense recognised in the statement of financial performance	(183,000)	284,000
	<b>789,000</b>	<b>972,000</b>
Net expense recognised in the statement of financial performance		
Current service cost	208,000	149,000
Interest cost	79,000	58,000
Actuarial (gains) losses	(366,000)	100,000
Bonuses paid	(104,000)	(23,000)
	<b>(183,000)</b>	<b>284,000</b>
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used	7.96 %	7.40 %
Net discount rate	0.59 %	0.69 %
Consumer price inflation	6.33 %	5.66 %
Expected increase in salaries	7.33 %	6.66 %

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### 44. Employee benefit obligations (continued)

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point Increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	146,000	170,000
Effect on defined benefit obligation	739,000	845,000

Amounts for the current and previous four years are as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Defined benefit obligation	789,000	972,000	688,000	522,000	-
Experience adjustments on plan	(366,000)	100,000	101,000	-	-

#### Defined benefit obligation

The obligation in respect of the long service awards is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2014 by ZAQ Consultants and Actuaries using the Projected Unit Credit Method.

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

The estimated contributions for the next financial year:

Current service cost	95,000	208,000
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### 45. Financial Instruments disclosure

#### Categories of financial instruments

2014

#### Financial assets

Trade receivables  
Other receivables  
Cash and cash equivalents



	At fair value	Total
	3,163,276	3,163,276
	667,220	667,220
	11,209	11,209
	<u>3,841,705</u>	<u>3,841,705</u>

#### Financial liabilities

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	At fair value	At amortised cost	Total
Repayment - National Revenue Fund	-	5,305,241	5,305,241
Trade and other payables	19,898,918	-	19,898,918
Bank overdraft	320,374	-	320,374
Finance lease obligation	-	364,671	364,671
	<u>20,219,292</u>	<u>5,669,912</u>	<u>25,889,204</u>

2013

#### Financial assets

	At fair value	Total
Trade and other receivables	5,382,344	5,382,344
Other receivables from non-exchange transactions	46,102	46,102
Cash and cash equivalents	41,087	41,087
	<u>5,469,533</u>	<u>5,469,533</u>

#### Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	15,252,345	-	15,252,345
Bank overdraft	897,117	-	897,117
Finance lease obligation	-	586,561	586,561
	<u>16,149,462</u>	<u>586,561</u>	<u>16,736,023</u>

#### 46. Going concern

There are material uncertainties regarding the going concern assumption due to:

- The significant cash flow problems of the municipality resulting in long outstanding payments of creditors.
- Long outstanding receivables that are considered irrecoverable
- The fact that the municipality is in a net current liability position which indicates that the municipality is not liquid.

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Appendix A  
 Appropriation Statement (Reconciliation: Budget and In-year Performance)  
 for the year ended 30 June 2014

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue</b>															
Property rates	1,230,873	373,017	1,603,890	-		1,583,890	1,583,890		-	100 %	181 %				1,382,246
Property rates - penalties & collection charges	337,413	(160,816)	186,597	-		186,594	231,287		44,693	124 %	69 %				189,438
Service charges - electricity revenue	7,058,281	649,280	8,006,061	-		8,805,881	8,595,498		(2,010,163)	77 %	83 %				6,086,727
Service charges - water revenue	2,563,753	(1,328,200)	1,235,463	-		1,238,463	1,238,415		(48)	100 %	48 %				2,788,452
Service charges - sanitation revenue	3,437,970	(1,827,470)	1,610,500	-		1,510,500	1,614,705		4,205	100 %	44 %				-
Service charges - refuse revenue	1,517,570	(238,998)	1,278,572	-		1,280,872	1,280,758		(196)	100 %	84 %				1,187,584
Rental of facilities and equipment	230,115	(238,062)	4,053	-		4,053	20,268		16,215	500 %	8 %				9,321
Interest earned - internal	829,532	(363,513)	466,019	-		608,019	722,520		116,501	118 %	75 %				725,404
Interest earned - external	269,745	(207,548)	43,197	-		43,197	61,173		17,976	142 %	24 %				-
Government grants and subsidies	28,413,035	11,881,193	37,084,228	-		37,084,228	37,044,892		(49,336)	100 %	146 %				-
Licences and permits	263,180	(138,772)	114,413	-		114,413	126,357		11,944	110 %	50 %				208,488
Other revenue	6,131,940	(5,729,313)	402,627	-		402,627	1,044,885		642,258	259 %	17 %				603,077
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>50,272,612</b>	<b>2,407,704</b>	<b>52,680,317</b>	<b>-</b>		<b>52,680,317</b>	<b>61,474,238</b>		<b>(1,205,978)</b>	<b>98 %</b>	<b>102 %</b>				<b>13,164,513</b>

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Appendix A  
 Appropriation Statement (Reconciliation: Budget and In-year Performance)  
 for the year ended 30 June 2014

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (L.O. a28 and a31 of the MFMA)	Final adjustments budget	Shifting of funds (L.O. a31 of the MFMA)	Virement (L.O. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure</b>															
Employee related costs	20,709,384	(1,824,322)	18,085,062	-	-	18,085,062	17,842,900	-	(1,242,163)	93 %	88 %	-	-	-	4,896,073
Remuneration of councillors	1,550,585	489	1,551,074	-	-	1,551,074	1,593,348	-	42,274	103 %	103 %	-	-	-	1,479,997
Debt impairment	645,217	-	645,217	-	-	645,217	6,193,394	-	7,638,177	1,268 %	1,268 %	-	-	-	2,973,593
Depreciation & asset impairment	1,219,265	-	1,219,265	-	-	1,219,265	2,016,430	-	1,807,174	231 %	231 %	-	-	-	2,710,718
Finance charges	1,543,382	(1,448,316)	95,067	-	-	95,067	616,473	-	521,406	648 %	40 %	-	-	-	141,103
Bulk purchases	5,931,212	-	5,931,212	-	-	5,931,212	5,879,737	-	(51,475)	99 %	99 %	-	-	-	5,013,482
Repairs and maintenance	1,480,399	(406,760)	1,073,639	-	-	1,073,639	1,832,026	-	758,387	180 %	131 %	-	-	-	-
General expenses	7,668,190	2,703,522	10,371,712	-	-	10,371,712	12,894,138	-	3,222,426	134 %	181 %	-	-	-	78,087,965
Loss on disposal of PPE	-	-	-	-	-	-	39,276	-	39,276	DIV0 %	DIV0 %	-	-	-	-
<b>Total Expenditure</b>	<b>40,748,635</b>	<b>(775,288)</b>	<b>39,973,348</b>	<b>-</b>	<b>-</b>	<b>39,971,238</b>	<b>52,786,734</b>	<b>-</b>	<b>12,815,496</b>	<b>132 %</b>	<b>130 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>96,514,861</b>
<b>Surplus/(Deficit)</b>	<b>9,625,887</b>	<b>3,183,691</b>	<b>12,709,578</b>	<b>-</b>	<b>-</b>	<b>12,708,078</b>	<b>(1,212,495)</b>	<b>-</b>	<b>(14,021,473)</b>	<b>(10)%</b>	<b>(14)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(83,410,228)</b>

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