Can't Show Logo.bmp.jpg

Inxuba Yethemba Municipality
Annual Financial Statements
for the year ended 30 June 2014

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Inxuba Yethemba Municipality is a local municipality performing the functions as set out in the Constitution (Act No. 108 of 1996)
Mayoral committee	
Executive Mayor	Goniwe N C
	Bobo T E - Head Community Services
	Davids L - Head Finance Department
	Zizi L D - Head Techlead
Chief Whip	Mzinzi N G
Councillors	Bani Z
	Erasmus F N
	Goniwe S
	Kruger E
	Maki N E
	Masawe S V - Speaker
	Miners T E
	Ngcingolo N E
	Njobo S W
	Sammy C A
	Saptoe J
	Schulze R H
Municipal demarcation code	EC131
Grading of local authority	Grade 2
Capacity of local authority	Low capacity
Chief Finance Officer (CFO)	L S Tukwayo
Accounting Officer	M S Tantsi
Registered office	1 J A Calata Street Cradock 5880
Business address	1 J A Calata Street Cradock 5880
Postal address	P O Box 24 Cradock 5880
Bankers	First National Bank
Auditors	Auditor-General of South Africa

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
Pty	Private
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
Ltd	Limited
INEP	Intergrated National Electrification
PMU	Project Management Unit
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
DSRAC	Department of Sport, Recreation, Arts and Culture
CHDM	Chris Hani District Municipality
EPWP	Expanded Public Works Programme

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places 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 external auditors are responsible for auditing 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 on page 4.

The annual financial statements set out on pages 4 to 84, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed by:

M S Tantsi
Accounting Officer

Accounting Officer's Report

1. Review of activities

Main business and operations

The municipality is engaged in performing the functions of local governance activities as set out in the constitution (Act no. 108 of 1996).

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 38 382 420 (2013: net surplus R 27 838 725).

2. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated deficits of R 564 283 580 and that the municipality's total liabilities exceed its assets by R nil.

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interest in contracts awarded.

5. Accounting policies

The annual financial statements prepared in accordance with the Standard of Generally Recognised Accounting Practices.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

M S Tantsi	South African

7. Interest in controlled entities

Name of controlled entity	Interest	
Mmotile Investments (Pty) Ltd	100% interest	-

The controlled entities were dormant in the current year and the only transactions were the interest received from call account or administrative fees paid to the controlling entity, Inxuba Yethemba Municipality.

Details of the municipality's investment in controlled entities are set out in note 10.

8. Bankers

The municipality mainly banks with First National Bank a division of First Rand Bank

9. Auditors

The office of the Auditor-General of South Africa will continue in office for the next financial period.

Inxuba Yethemba Municipality
Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Cash and cash equivalents	6	6 299 795	14 265 014
Receivables from exchange transactions	5	9 762 654	13 796 817
Receivables from non-exchange transactions	4	2 670 107	4 592 097
Inventories	3	688 770	707 224
		19 421 326	**33 361 152**
Non-Current Assets			
Land & buildings	7	40 181 390	40 181 390
Property, plant and equipment	8	654 515 611	649 861 716
Intangible assets	9	(811 208)	(345 794)
Investments in controlled entities	10	100	100
Other financial assets	11	8 439	8 258
		693 894 332	**689 705 670**
Total Assets		**713 315 658**	**723 066 822**
Liabilities			
Current Liabilities			
Other financial liabilities	15	-	382 236
Finance lease obligation	14	640 061	640 061
Payables from exchange transactions	17	43 255 418	31 412 583
VAT payable	18	22 581 427	18 899 434
Payables from non-exchange transaction	19	3 241 158	3 159 780
Unspent conditional grants and receipts	13	9 487 211	4 995 429
Provisions	16	2 514 193	2 514 193
Current portion - long term liability		413 765	-
		82 133 233	**62 003 716**
Non-Current Liabilities			
Other financial liabilities	15	348 274	911 950
Finance lease obligation	14	1 155 518	(304 169)
Employee benefit obligation	12	38 919 069	38 919 069
Provisions	16	26 475 984	25 576 467
		66 898 845	**65 103 317**
Total Liabilities		**149 032 078**	**127 107 033**
Net Assets		**564 283 580**	**595 959 789**
Accumulated surplus	47	564 283 580	595 959 789

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Service charges	21	127 948 059	88 076 402
Property rates	22	21 407 648	21 776 883
Property rates - penalties imposed		494 911	808 646
Government grants & subsidies	23	54 934 985	58 715 349
Interest received - investment	24	6 532 419	6 748 270
Licences and permits		1 569 346	1 444 644
Fines		295 478	176 703
Fees earned		1 023 488	1 048 083
Commissions received		138 961	143 544
Other income	26	1 145 473	904 167
Rental of facilities and equipment	22	2 200 589	1 817 160
Total revenue		**217 691 357**	**181 659 851**
Expenditure			
Employee related costs	27	(67 560 608)	(58 739 385)
Remuneration of councillors	28	(6 293 573)	(5 954 276)
Depreciation and amortisation	30	(2 238 924)	31 943 438
Impairment loss	51	(1 357 304)	-
Finance costs	31	(270 465)	(2 148 956)
Debt impairment	29	(42 544 229)	(32 317 368)
Repairs and maintenance		(10 400 117)	(6 686 017)
Bulk purchases	32	(49 495 162)	(47 561 363)
Contracted services	33	(5 290 809)	(1 935 865)
Grants and subsidies paid	34	(31 170 289)	(6 531 934)
Loss on disposal of assets		-	(1 116)
General expenses	35	(39 452 297)	(23 888 284)
Total expenditure		**(256 073 777)**	**(153 821 126)**
Operating (deficit) surplus		**(38 382 420)**	**27 838 725**
(Deficit) surplus for the year		**(38 382 420)**	**27 838 725**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2012	**568 121 064**	**568 121 064**
Changes in net assets		
Surplus for the year	27 838 725	27 838 725
Total changes	27 838 725	27 838 725
Opening balance as previously reported	609 372 208	609 372 208
Adjustments		
Prior year adjustments	(6 706 208)	(6 706 208)
Balance at 01 July 2013 as restated*	**602 666 000**	**602 666 000**
Changes in net assets		
Surplus for the year	(38 382 420)	(38 382 420)
Total changes	(38 382 420)	(38 382 420)
Balance at 30 June 2014	**564 283 580**	**564 283 580**

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Sale of goods and services		152 877 891	100 648 112
Grants		70 557 544	60 630 513
Interest income		6 532 419	6 748 270
Other receipts		3 346 062	3 382 608
		233 313 916	171 409 503
Payments			
Employee costs		(73 118 011)	(65 079 115)
Suppliers		10 185 255	(15 054 894)
Finance costs		(270 465)	(2 061 883)
Other payments		(24 425 394)	(47 565 363)
Other cash item		-	(8 965 350)
		(87 628 615)	(138 726 605)
Undefined difference compared to the cash generated from operations note		**(153 499 377)**	**21 675 827**
Net cash flows from operating activities	37	**(7 814 076)**	**54 358 725**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(140 332 796)	(23 567 031)
Proceeds from sale of property, plant and equipment	8	-	(1 116)
Purchase of other intangible assets	9	-	(197 039)
Proceeds from sale of financial assets		(181)	(167)
Net cash flows from investing activities		**(140 332 977)**	**(23 765 353)**
Cash flows from financing activities			
Repayment of other financial liabilities		(945 912)	(339 962)
Movement in long term liabilty		413 765	-
Finance lease payments		1 459 687	(1 212 022)
Net cash flows from financing activities		**927 540**	**(1 551 984)**
Net increase/(decrease) in cash and cash equivalents		**(147 219 513)**	**29 041 388**
Cash and cash equivalents at the beginning of the year		14 265 014	(4 682 590)
Cash and cash equivalents at the end of the year	6	**(132 954 499)**	**24 358 798**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	121 183 545	(3 000 855)	**118 182 690**	127 948 059	**9 765 369**
Rental of facilities and equipment	1 712 174	(45 121)	**1 667 053**	2 200 589	**533 536**
Licences and permits	1 562 195	(210 000)	**1 352 195**	1 569 346	**217 151**
Fees earned	1 138 308	(191 520)	**946 788**	1 023 488	**76 700**
Commissions received	140 000	-	**140 000**	138 961	**(1 039)**
Other income - (rollup)	1 311 022	(602 379)	**708 643**	1 145 473	**436 830**
Interest received - investment	6 970 262	(415 262)	**6 555 000**	6 532 419	**(22 581)**
Total revenue from exchange transactions	**134 017 506**	**(4 465 137)**	**129 552 369**	**140 558 335**	**11 005 966**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	21 900 000	1 570 000	**23 470 000**	21 407 648	**(2 062 352)**
Property rates - penalties imposed	848 000	-	**848 000**	494 911	**(353 089)**
Government grants & subsidies	76 741 131	5 533 339	**82 274 470**	54 934 985	**(27 339 485)**
Transfer revenue					
Fines	119 262	54 838	**174 100**	295 478	**121 378**
Total revenue from non-exchange transactions	**99 608 393**	**7 158 177**	**106 766 570**	**77 133 022**	**(29 633 548)**
Total revenue	**233 625 899**	**2 693 040**	**236 318 939**	**217 691 357**	**(18 627 582)**
Expenditure					
Personnel	(67 165 214)	(3 718 146)	**(70 883 360)**	(67 560 608)	**3 322 752**
Remuneration of councillors	(6 219 509)	(172 280)	**(6 391 789)**	(6 293 573)	**98 216**
Depreciation and amortisation	(57 685 972)	13 932	**(57 672 040)**	(2 238 924)	**55 433 116**
Impairment loss/ Reversal of impairments	-	-	**-**	(1 357 304)	**(1 357 304)**
Finance costs	(558 623)	-	**(558 623)**	(270 465)	**288 158**
Debt impairment	(8 112 486)	-	**(8 112 486)**	(42 544 229)	**(34 431 743)**
Repairs and maintenance	(10 486 462)	(109 256)	**(10 595 718)**	(10 400 117)	**195 601**
Bulk purchases	(50 595 550)	-	**(50 595 550)**	(49 495 162)	**1 100 388**
Contracted Services	(4 903 430)	(5 593 193)	**(10 496 623)**	(5 290 809)	**5 205 814**
Grants and subsidies paid	(168 800)	-	**(168 800)**	(31 170 289)	**(31 001 489)**
General expenses	(32 115 606)	(6 201 041)	**(38 316 647)**	(39 452 297)	**(1 135 650)**
Total expenditure	**(238 011 652)**	**(15 779 984)**	**(253 791 636)**	**(256 073 777)**	**(2 282 141)**
Deficit before taxation	**(4 385 753)**	**(13 086 944)**	**(17 472 697)**	**(38 382 420)**	**(20 909 723)**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(4 385 753)**	**(13 086 944)**	**(17 472 697)**	**(38 382 420)**	**(20 909 723)**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Position					
Assets					
Current Assets					
Inventories	950 000	-	**950 000**	688 770	**(261 230)**
Receivables from non-exchange transactions	19 000 000	-	**19 000 000**	2 670 107	**(16 329 893)**
Consumer debtors	-	-	**-**	9 762 654	**9 762 654**
Cash and cash equivalents	3 723 000	-	**3 723 000**	6 299 795	**2 576 795**
	23 673 000	**-**	**23 673 000**	**19 421 326**	**(4 251 674)**
Non-Current Assets					
Land & buildings	-	40 181 000	**40 181 000**	40 181 390	**390**
Property, plant and equipment	211 978 657	-	**211 978 657**	654 515 611	**442 536 954**
Intangible assets	5 947	11 435	**17 382**	(811 208)	**(828 590)**
Investments in controlled entities	-	-	**-**	100	**100**
Other financial assets	8 015	-	**8 015**	8 439	**424**
	211 992 619	**40 192 435**	**252 185 054**	**693 894 332**	**441 709 278**
Total Assets	**235 665 619**	**40 192 435**	**275 858 054**	**713 315 658**	**437 457 604**
Liabilities					
Current Liabilities					
Finance lease obligation	-	-	**-**	640 061	**640 061**
Payables from exchange transactions	12 000 000	-	**12 000 000**	43 255 421	**31 255 421**
VAT payable	6 500 000	-	**6 500 000**	22 581 427	**16 081 427**
Consumer deposits	902 656	1 131 504	**2 034 160**	3 241 158	**1 206 998**
Unspent conditional grants and receipts	3 000 000	-	**3 000 000**	9 487 211	**6 487 211**
Provisions	-	-	**-**	2 514 193	**2 514 193**
Current portion - long term liability	429 474	-	**429 474**	413 765	**(15 709)**
Bank overdraft	2 500 000	-	**2 500 000**	-	**(2 500 000)**
	25 332 130	**1 131 504**	**26 463 634**	**82 133 236**	**55 669 602**
Non-Current Liabilities					
Other financial liabilities	482 476	-	**482 476**	348 274	**(134 202)**
Finance lease obligation	-	-	**-**	1 155 518	**1 155 518**
Employee benefit obligation	41 087 789	-	**41 087 789**	38 919 069	**(2 168 720)**
Provisions	79 485 320	-	**79 485 320**	26 475 984	**(53 009 336)**
	121 055 585	**-**	**121 055 585**	**66 898 845**	**(54 156 740)**
Total Liabilities	**146 387 715**	**1 131 504**	**147 519 219**	**149 032 081**	**1 512 862**
Net Assets	**89 277 904**	**39 060 931**	**128 338 835**	**564 283 577**	**435 944 742**

Inxuba Yethemba Municipality
Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Accumulated surplus	89 277 904	39 060 931	**128 338 835**	562 835 289	**434 496 454**
Undefined Difference	-	-	-	**1 448 288**	**1 448 288**
Total Net Assets	**89 277 904**	**39 060 931**	**128 338 835**	**562 835 289**	**434 496 454**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Sale of goods and services	128 568 000	(9 685 750)	**118 882 250**	-	**(118 882 250)**
Grants	60 611 000	18 371 000	**78 982 000**	-	**(78 982 000)**
Interest income	4 330 000	(245 000)	**4 085 000**	-	**(4 085 000)**
	193 509 000	**8 440 250**	**201 949 250**	**-**	**(201 949 250)**
Payments					
Employee costs	(177 934 000)	574 695	**(177 359 305)**	-	**177 359 305**
Finance costs	(530 000)	-	**(530 000)**	-	**530 000**
	(178 464 000)	**574 695**	**(177 889 305)**	**-**	**177 889 305**
Net cash flows from operating activities	**15 045 000**	**9 014 945**	**24 059 945**	**-**	**(24 059 945)**
Cash flows from investing activities					
Purchase of property, plant and equipment	(13 953 000)	(1 875 000)	**(15 828 000)**	-	**15 828 000**
Proceeds from sale of property, plant and equipment	400 000	-	**400 000**	-	**(400 000)**
Net cash flows from investing activities	**(13 553 000)**	**(1 875 000)**	**(15 428 000)**	**-**	**15 428 000**
Cash flows from financing activities					
Repayment of other financial liabilities	(331 912)	(8 049)	**(339 961)**	-	**339 961**
Net increase/(decrease) in cash and cash equivalents	1 160 088	7 131 896	**8 291 984**	-	**(8 291 984)**
Cash and cash equivalents at the beginning of the year	1 114 917	(12 182 893)	**(11 067 976)**	-	**11 067 976**
Cash and cash equivalents at the end of the year	**2 275 005**	**(5 050 997)**	**(2 775 992)**	**-**	**2 775 992**

Appropriation Statement

Figures in Rand	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
2014											
Financial Performance											
Property rates	21 900 000	1 570 000	23 470 000	-		23 470 000	21 902 559		(1 567 441)	93 %	100 %
Service charges	121 183 545	(3 000 855)	118 182 690	-		118 182 690	127 948 059		9 765 369	108 %	106 %
Investment revenue	6 970 262	(415 262)	6 555 000	-		6 555 000	6 532 419		(22 581)	100 %	94 %
Transfers recognised - operational	76 741 131	5 533 339	82 274 470	-		82 274 470	53 072 345		(29 202 125)	65 %	69 %
Other own revenue	6 830 961	(994 182)	5 836 779	-		5 836 779	6 373 335		536 556	109 %	93 %
Total revenue (excluding capital transfers and contributions)	**233 625 899**	**2 693 040**	**236 318 939**	**-**		**236 318 939**	**215 828 717**		**(20 490 222)**	**91 %**	**92 %**
Employee costs	(67 165 214)	(3 718 146)	(70 883 360)	-	-	(70 883 360)	(67 560 608)	-	3 322 752	95 %	101 %
Remuneration of councillors	(6 219 509)	(172 280)	(6 391 789)	-	-	(6 391 789)	(6 293 573)	-	98 216	98 %	101 %
Debt impairment	(8 112 486)	-	(8 112 486)			(8 112 486)	(42 544 229)	-	(34 431 743)	524 %	524 %
Depreciation and asset impairment	(57 685 972)	13 932	(57 672 040)			(57 672 040)	(3 596 228)	-	54 075 812	6 %	6 %
Finance charges	(558 623)	-	(558 623)	-	-	(558 623)	(270 465)	-	288 158	48 %	48 %
Materials and bulk purchases	(50 595 550)	-	(50 595 550)	-	-	(50 595 550)	(49 495 162)	-	1 100 388	98 %	98 %
Transfers and grants	(168 800)	-	(168 800)	-	-	(168 800)	(31 170 289)	-	(31 001 489)	18 466 %	18 466 %
Other expenditure	(47 505 498)	(11 903 490)	(59 408 988)	-	-	(59 408 988)	(55 143 223)	-	4 265 765	93 %	116 %
Total expenditure	**(238 011 652)**	**(15 779 984)**	**(253 791 636)**	**-**	**-**	**(253 791 636)**	**(256 073 777)**	**-**	**(2 282 141)**	**101 %**	**108 %**
Surplus/(Deficit)	**(4 385 753)**	**(13 086 944)**	**(17 472 697)**	**-**		**(17 472 697)**	**(40 245 060)**		**(22 772 363)**	**230 %**	**918 %**

Appropriation Statement

Figures in Rand	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
Transfers recognised - capital	-	-	-	-		-	1 862 640		1 862 640	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(4 385 753)**	**(13 086 944)**	**(17 472 697)**	**-**		**(17 472 697)**	**(38 382 420)**		**(20 909 723)**	**220 %**	**875 %**
Surplus/(Deficit) for the year	**(4 385 753)**	**(13 086 944)**	**(17 472 697)**	**-**		**(17 472 697)**	**(38 382 420)**		**(20 909 723)**	**220 %**	**875 %**
Cash flows											
Net cash from (used) operating	15 045 000	9 014 945	24 059 945	-		24 059 945	(7 814 076)		(31 874 021)	(32)%	(52)%
Net cash from (used) investing	(13 553 000)	(1 875 000)	(15 428 000)	-		(15 428 000)	(140 332 977)		(124 904 977)	910 %	1 035 %
Net cash from (used) financing	(331 912)	(8 049)	(339 961)	-		(339 961)	927 540		1 267 501	(273)%	(279)%
Net increase/(decrease) in cash and cash equivalents	**1 160 088**	**7 131 896**	**8 291 984**	**-**		**8 291 984**	**(147 219 513)**		**(155 511 497)**	**(1 775)%**	**(12 690)%**
Cash and cash equivalents at the beginning of the year	1 114 917	(12 182 893)	(11 067 976)	-		(11 067 976)	14 265 014		25 332 990	(129)%	1 279 %
Cash and cash equivalents at year end	**2 275 005**	**(5 050 997)**	**(2 775 992)**	**-**		**(2 775 992)**	**(132 954 499)**		**130 178 507**	**4 789 %**	**(5 844)%**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

The results of controlled entity, is included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in a controlled entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the cost on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

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

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

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

Non-controlling interest in the surplus or deficit of the controlling entity is separately disclosed.

1.1 Consolidation (continued)

Transfer of functions between entities not under common control

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

Not under common control - For a transaction or event to occur between entities not under common control, the transaction or event needs to be undertaken between entities not within the same sphere of government or between entities that are not part of the same economic entity. Entities that are not ultimately controlled by the same entity before and after the transfer of functions are not within the same economic entity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with the Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Assets and liabilities, which cannot be measured reliably, are recorded at provisional amounts which are finalised within 24 months of the acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

The excess is determined as the consideration paid, plus the fair value of any interest held prior to obtaining control, plus non-controlling interest less the fair value of the identifiable assets and liabilities of the acquiree.

The excess is recognised in surplus or deficit on acquisition date.

1.3 Transfer of functions between entities under common control

Definitions

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

Assets and liabilities, which cannot be measured reliably, are recorded at provisional amounts which are finalised within 24 months of the transfer date.

The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable standards of GRAP.

1.3 Transfer of functions between entities under common control (continued)

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP.

The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.4 Mergers

Definitions

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified. As no acquirer can be identified, a merger does not result in the entity having or obtaining control over any of the entities that are involved in the transaction or event, as the combining entities are not controlled entities of each other, either before or after the merger.

Accounting by the entity as the combined entity

Initial recognition and measurement

As of the merger date, the municipality recognises all the assets acquired and liabilities assumed. The assets acquired and liabilities assumed are measured at their carrying amounts.

Assets and liabilities, which cannot be measured reliably, are recorded at provisional amounts which are finalised within 24 months of the merger date.

The difference between the carrying amounts of the assets acquired and the liabilities assumed is recognised in accumulated surplus or deficit.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a merger in accordance with the applicable Standards of GRAP.

Accounting by entity as the combining entity

Assets transferred and liabilities de-recognised

As of the merger date, the municipality as the combining entity transfers and de-recognises from its annual financial statements, all the assets and liabilities de-recognised at their carrying amounts.

Until the merger date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The difference between the carrying amounts of the assets transferred and the liabilities de-recognised are recognised in accumulated surplus or deficit.

1.5 Significant judgements and sources of estimation uncertainty

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

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value in use of non-cash generating assets
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate

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

Allowance for impairment

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

1.6 Land & buildings

Land & buildings 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; or
- administrative purposes; or
- sale in the ordinary course of operations.

Land & buildings is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the land & buildings will flow to the municipality, and the cost or fair value can be measured reliably.

Land & buildings is initially recognised at cost. Transaction costs are included in the initial measurement.

Where land & buildings is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the land & buildings, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.6 Land & buildings (continued)

Fair value

Subsequent to initial measurement land & buildings is measured at fair value.

The fair value of land & buildings reflects market conditions at the reporting date.

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

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Land & buildings 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.

The gain or loss arising from the derecognition of land & buildings is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such difference is recognised in surplus or deficit when the asset is derecognised.

Compensation from third parties for land & buildings that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment are initially recognised 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.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

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

Item	**Average useful life**
Land	Indefinite
Buildings	20-60 years
Plant and machinery	3-10
Furniture and fixtures	3-10
Motor vehicles	3-20
Office equipment	3-7
Infrastructure	
• Roads and pavings	
• Access roads	
Other property, plant and equipment	3-12
Other equipment	3-10

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 Intangible assets

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised 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 can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows 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.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

1.9 Intangible assets (continued)

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	**Useful life**
Computer software	3 years

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 arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.10 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

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

Class	**Category**
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other Dep - SA Perm Collateral	Financial asset measured at amortised cost

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

Class	**Category**
DBSA Loan	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Accounting Policies

1.11 Financial instruments (continued)

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabiliites initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

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

1.11 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

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

Accounting Policies

1.11 Financial instruments (continued)

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 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.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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 municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

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

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

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

1.12 Leases

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

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets in the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

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

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.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.13 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or

1.13 Inventories (continued)

- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.14 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.15 Impairment of cash-generating assets

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

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.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.15 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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.

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Cash-generating units

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

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 uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

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 municipality 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.

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses 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 municipality 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.

1.16 Impairment of non-cash-generating assets

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

Identification

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

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.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.16 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

The municipality assesses 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.

1.17 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

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

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

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

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

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

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

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

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

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

1.18 Employee benefits (continued)

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

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

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

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

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

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.19 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised becuase:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.
-

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.20 Revenue from exchange transactions

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Rendering of services

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

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.21 Revenue from non-exchange transactions

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

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

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Recognition

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

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

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

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

Property rates for municipalities

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

Collection charges and penalty interest is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality recognises the amount of revenue on accrual basis. Where settlement discounts or reductions in the amount receivable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the municipality.

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.22 Borrowing costs

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

1.23 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 40 for detail.

Accounting Policies

1.25 Unauthorised expenditure

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

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

1.26 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.

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular 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.

1.28 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:
- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.29 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

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

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and reconciliation between the statement of financial performance and the budget for the reporting period have been included in theStatement of comparison of budget and actual amounts.

1.30 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management is those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Accounting Policies

1.30 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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

1.31 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

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

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

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

All amendments to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furhtermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furhtermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 27 and GRAP 31 (as revised 2012)

These Standards of GRAP replace the previous Standard of GRAP on Agriculture (GRAP 101) and Standard of GRAP on Intangible Assets due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27) and Intangible Assets (IPSAS 31) respectively.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation now addresses the manner in which the municipality applies the probability test on initial recognition of both:

(a) exchange revenue (GRAP 9); and
(b) non-exchange revenue (GRAP 23).

All amendments to be applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

The expected impact of the amendment is that if in 2012/13 the municipality did not use the probability of non-payment in the initial recognition and measurement of revenue, then in 2013/14 it need not prospectively restate the comparative information to exclude the probability of non-payment.

IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

Interpretation to be applied retrospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

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

2.2 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:

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is 1 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

The amendment will not have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is 1 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

The amendment will not have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A merger is where a new combined entity is started, acquirer can be identified and the conbining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is 1 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

The amendment will not have a material impact on the municipality's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

2. New standards and interpretations (continued)

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, by-laws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The expected impact of the standard is that the municipality will recognise traffic fines revenue on accrual basis and the related receivables which will be impaired subsequently .

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

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

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Alllowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

The expected impact of the amendment is that the municipality will no longer be required to reclassfy assets as held for sale but certain disclosure must be if, at reporting date, management has taken a decision to dispose of a significant asset or group of asset.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

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

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

The standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

3. Inventories

Consumable stores	643 436	621 418
Fuel (Diesel, Petrol)	45 334	85 806
	688 770	**707 224**

4. Receivables from non-exchange transactions

Property rates	34 957 259	30 962 972
Sundry receivables	191 009	355 472
Less: Allowance for impairment	(32 478 161)	(26 726 347)
	2 670 107	**4 592 097**

Property rates: Gross balance		
Current	722 907	499 446
31 - 60 days	243 145	192 698
61 - 90 days	189 020	319 477
91 - 120 days	191 276	144 702
> 120 days	33 610 910	29 809 223
	34 957 258	**30 965 546**

Property rates: Allowance for impairment		
Current	(26 726 347)	(26 726 347)

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions impaired

As of 30 June 2014, receivables from non-exchange transactions of R 21 021 474 (2013: R 17 292 895) were impaired and provided for.

The ageing of these receivables are as follows:

0 to 3 months	1 590 915	1 520 118
3 to 6 months	808 589	752 533
Over 6 months	19 780 720	16 319 179

Reconciliation of allowance for impairment

Opening balance	(26 726 347)	(35 557 540)
Allowance for impairment	-	8 831 193
	(26 726 347)	**(26 726 347)**

5. Receivables from exchange transactions

Gross balances		
Electricity	15 091 769	7 512 607
Water	88 513 095	77 036 129
Sewerage	72 019 996	63 598 721
Refuse	43 507 907	38 675 370
Sundry debtors	5 722 666	5 274 353
	224 855 433	**192 097 180**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Receivables from exchange transactions (continued)

	2014	2013
Less: Allowance for impairment		
Electricity	(9 439 251)	(2 009 131)
Water	(88 431 273)	(73 520 968)
Sewerage	(70 442 927)	(61 789 031)
Refuse	(41 685 621)	(36 584 682)
Other receivables	(5 093 707)	(4 396 551)
	(215 092 779)	**(178 300 363)**

	2014	2013
Net balance		
Electricity	5 652 518	5 503 476
Water	81 822	3 515 161
Sewerage	1 577 069	1 809 690
Refuse	1 822 286	2 090 688
Sundry debtors	628 959	877 802
	9 762 654	**13 796 817**

	2014	2013
Electricity		
Current (0 -30 days)	2 642 218	2 931 608
31 - 60 days	1 784 486	378 943
61 - 90 days	335 189	182 617
>90 days	(661 047)	278 789
Attorneys, penalties & agreements	1 551 672	1 731 519
	5 652 518	**5 503 476**

	2014	2013
Water		
Current (0 -30 days)	(1 520 781)	80 745
31 - 60 days	727 427	1 108 715
61 - 90 days	561 690	1 389 688
> 90 days	(20 128 960)	102 081
Attorneys, penalties & agreements	20 442 446	833 932
	81 822	**3 515 161**

	2014	2013
Sewerage		
Current (0 -30 days)	284 113	253 442
31 - 60 days	154 966	128 932
61 - 90 days	128 091	96 759
> 90 days	(21 486 932)	15 993
Attorneys, penalties & agreements	22 496 831	1 314 564
	1 577 069	**1 809 690**

	2014	2013
Refuse		
Current (0 -30 days)	638 569	926 340
31 - 60 days	357 607	361 068
61 - 90 days	337 878	316 032
> 90 days	(17 991 387)	17 763
Attorneys, penalties & agreements	18 479 619	469 485
	1 822 286	**2 090 688**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Receivables from exchange transactions (continued)

Sundry		
Current (0 -30 days)	201 209	156 776
31 - 60 days	65 622	32 770
61 - 90 days	48 190	23 161
> 90 days	313 938	665 095
	628 959	**877 802**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(178 300 363)	(137 151 803)
Contributions to allowance	(36 792 416)	(41 148 560)
	(215 092 779)	**(178 300 363)**

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings and to historical information about counterparty default rates.

Receivables from exchange transactions impaired

As of 30 June 2014, receivables from exchange transactions of R 218 143 494 (2013: R 183 731 732) were impaired and provided for.

The amount of the allowance was R 224 880 293 as of 30 June 2014 (2013: R 178 300 364).

The ageing of these receivables is as follows:

0 - 6 months	10 387 348	7 179 038
Over 6 months	207 756 146	178 081 218

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	16 511	6 585
Bank balances	5 936 606	2 278 280
Short-term deposits	346 678	11 980 149
	6 299 795	**14 265 014**

Figures in Rand	2014	2013

6. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rate.
The municipaity had the following short term deposits:

Investments unlisted: short - term		
Nedbank	-	8 258
Standard Bank - Call 2885531871001 LED Funding	-	48 656
Standard Bank - Call 2885531871002 Vusubuntu Conference	-	929 032
FNB - Call 62374497115 Vat Maxprof	-	1 813 035
FNB - Call 62121694104 MIG Funding	-	2 200 545
FNB - Call - MSIG	-	107 021
ABSA Bank - Call 9247070027	-	53 974
FNB - Call 62404194368 Equitable Share	-	6 580 779
ABSA Bank - Call 92 7492 3100 Equitable share	134 921	129 076
ABSA Bank - Call 92 6449 4272 Vehicles VAT	-	109 773
Standard Bank - 288553187004 Equitable share	31 459	-
ABSA - 92-6449-4272 FMG	116 277	-
ABSA - 92-4707-0027 Tourism Development	55 763	-
	338 420	**11 980 149**

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
First National Bank - Main Account - 519-800-28125	1 514 636	4 105 930	802 199	(5 750 486)	(22 172 442)	(13 735 265)
First National Bank - Eskom Account - 519-810-35195	9 234	36 111	44 590	11 687 092	-	2 207 690
Total	**1 523 870**	**4 142 041**	**846 789**	**5 936 606**	**(22 172 442)**	**(11 527 575)**

7. Land & buildings

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	40 181 390	-	40 181 390	40 181 390	-	40 181 390

Reconciliation of land & buildings - 2014

	Opening balance	Total
Investment property	40 181 390	40 181 390

Reconciliation of land & buildings - 2013

	Opening balance	Total
Investment property	40 181 390	40 181 390

8. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold property	26 961 567	(59 369)	26 902 198	26 062 050	(59 370)	26 002 680
Plant and machinery	1 127 357	(650 511)	476 846	1 127 357	(433 302)	694 055
Furniture and fixtures	1 406 980	(708 924)	698 056	1 406 980	(540 776)	866 204
Motor vehicles	3 870 793	(2 269 885)	1 600 908	3 870 793	(967 036)	2 903 757
Office equipment	224 596	(114 217)	110 379	224 596	(80 158)	144 438
IT equipment	409 835	(225 326)	184 509	409 835	(157 521)	252 314
Infrastructure	353 084 725	(10 508 592)	342 576 133	353 028 759	(10 508 591)	342 520 168
Other property, plant and equipment	47 145 988	2 929 243	50 075 231	31 191 276	2 929 242	34 120 518
Ancillary fleet equipment and security	-	-	-	13 316 856	-	13 316 856
Artwork	141 888 086	(4 779 439)	137 108 647	141 888 086	(4 779 439)	137 108 647
Other equipment	68 694	(34 676)	34 018	68 694	(26 403)	42 291
Asset found	8 950	-	8 950	-	-	-
Work in Progress	(4 570 649)	(1 066 758)	(5 637 407)	(4 570 649)	(1 066 758)	(5 637 407)
IT Leased Assets	3 417 101	-	3 417 101	-	-	-
Park facilities	88 124 743	1 278 363	89 403 106	88 124 743	1 278 362	89 403 105
Community Assets	7 556 936	-	7 556 936	7 556 936	567 154	8 124 090
Total	**670 725 702**	**(16 210 091)**	**654 515 611**	**663 706 312**	**(13 844 596)**	**649 861 716**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Additions through entity combinations	Other changes, movements	Depreciation	Impairment loss	Total
Leasehold property	26 002 680	900 037	-	-	(519)	-	26 902 19
Plant and machinery	694 055	-	-	-	(86 661)	(130 548)	476 84
Furniture and fixtures	866 204	-	-	-	(108 155)	(59 993)	698 05
Motor vehicles	2 903 757	-	-	-	(193 407)	(1 109 442)	1 600 90
Office equipment	144 438	-	-	-	(16 032)	(18 027)	110 37
IT equipment	252 314	-	-	-	(31 504)	(36 301)	184 50
Infrastructure	342 520 168	120 051 995	-	-	(119 996 030)	-	342 576 13
Community assets	34 120 518	15 954 713	-	-	-	-	50 075 23
Ancillary fleet equipment and security	13 316 856	-	-	(13 316 856)	-	-	
Artwork	137 108 647	-	-	-	-	-	137 108 64
Other Assets	42 291	-	-	-	(5 280)	(2 993)	34 01
Asset found	-	8 950	-	-	-	-	8 95
Work in Progress	(5 637 407)	-	-	-	-	-	(5 637 40
IT Leased Assets	-	-	3 417 101	-	-	-	3 417 10
Park facilities	89 403 105	-	-	-	-	-	89 403 10
Community Assets	8 124 090	-	-	-	(567 154)	-	7 556 93
	649 861 716	**136 915 695**	**3 417 101**	**(13 316 856)**	**(121 004 742)**	**(1 357 304)**	**654 515 61**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Additions through entity combinations	Other changes, movements	Depreciation	Total
Leasehold property	415 587	25 587 093	-	-	-	26 002 680
Plant and machinery	780 715	-	-	-	(86 660)	694 055
Furniture and fixtures	974 359	-	-	-	(108 155)	866 204
Motor vehicles	3 097 164	-	-	(38 681)	(154 726)	2 903 757
Office equipment	160 470	-	-	-	(16 032)	144 438
IT equipment	283 818	-	-	-	(31 504)	252 314
Infrastructure	330 824 120	-	-	-	11 696 048	342 520 168
Community Assets	30 092 499	-	-	-	4 028 019	34 120 518
Ancillary fleet equipment and security	-	13 316 856	-	-	-	13 316 856
Artwork	138 638 672	-	-	-	(1 530 025)	137 108 647
Other Assets	47 572	-	-	-	(5 281)	42 291
Work in Progress	10 766 269	-	(15 336 918)	-	(1 066 758)	(5 637 407)
Park facilities	84 657 582	-	-	-	4 745 523	89 403 105
Airport	7 556 936	-	-	-	567 154	8 124 090
	608 295 763	**38 903 949**	**(15 336 918)**	**(38 681)**	**18 037 603**	**649 861 716**

Pledged as security

No assets were pledged as security.

Assets subject to finance lease (Net carrying amount)

	2014	2013
Land	(524 367)	-
Leasehold property	26 902 198	26 002 680
IT equipment	(189 025)	1 515 392
Other equipment	34 018	42 291
IT Leased Assets	3 417 101	-
	29 639 925	**27 560 363**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	449 451	(1 260 659)	(811 208)	323 245	(669 039)	(345 794)

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software, internally generated	(345 794)	(465 414)	(811 208)

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

9. Intangible assets (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	122 700	197 039	(665 533)	(345 794)

10. Investments in controlled entities

Name of company	Held by	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
Mmotile Investments (Pty) Ltd	Inxuba Yethemba	100,00 %	100,00 %	100	100

Mmotlie (Pty) Ltd is a wholly owned subsidiary of Inxuba Yethemba Municipality. The entity is active but did not trade in the current year.

11. Other financial assets

	2014	2013
At amortised cost		
Other Dep - SA Perm Deposit	8 439	8 258
Non-current assets		
At amortised cost	8 439	8 258

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

12. Employee benefit obligations

Defined benefit plan

The defined benefit plan, consists of the post - employment medical aid benefits.

The actuarial valuation determined that the post - employment medical aid benefit liability represents a reasonable best estimate of the cost to the municipality of providing post - employment medical benefits however it was recommended that the municipality should perform an annual valuation of the liability to reflect changes in actual experiences, the level of subsidy and the valuation assumptions.This recommendation is presently being implemented.

The plan is a post-employment medical aid benefit plan.

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.
Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the survivng dependants may continue membership of the medical scheme. In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP25 statement places the responsibility on management to set these assumptions as guided by the principles set these assumptions as guided by the principles set out in the statement and in discussion with the actuary.
This assumption is required to reflect estimated future changes in the costs of medical services, resulting from both inflation and specific changes in medical costs (i.e due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective. The expected value of each spouse and their spouse's future medical aid subsidy is projected by allowing for future medical inflation(set with reference to the past relationship between CPI and medical aid contribution rate inflation, CPI inflation derived from the relationship between current conventional bond yields [R209] and current index-linked bonds yields [R202]). The projected amounts are then discounted at the assumed discount interest rate(R209 SA government bond as at valuation date) to the present date valuation (calculation). An allowance for the mortality, retirement (normal retirement age assumed to be 65) and withdrawals from the service have been factored in. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of the an employee up until retirement and the current policy for awarding medical aid subsidies remains unchanged in the future. Also it is assumed that 100% of all active members on medical aid will remain remain on medical aid once they retire and on the same medical aid option.

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

	2014	2013
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(38 919 069)	(38 919 069)

Changes in the present value of the defined benefit obligation are as follows:

	2014	2013
Opening balance	38 919 069	33 244 062
Contributions by plan participants	(1 353 000)	(1 286 000)
Net expense recognised in the statement of financial performance	1 039 076	6 961 007
	38 605 145	**38 919 069**

Net expense of the defined benefit obligation recognised in the statement of financial performance

	2014	2013
Current service cost	1 314 085	1 131 000
Interest cost	2 037 104	1 844 007
Actuarial (gains) losses	(2 312 113)	3 986 000
	1 039 076	**6 961 007**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

12. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,94 %	8,00 %
Long term medical inflation	8,05 %	7,70 %
Medical cost trend rates	- %	4,61 %
Expected increase in salaries	- %	6,95 %
Expected increase in healthcare costs	- %	9,50 %
Increase/ Decrease in the Medical Aid Inflation	1,00 %	- %
Expected increase/decrease in assumed level of mortality	20,00 %	- %
Average retirement age	63 years	

The mortality rates tables used are the SA 85-90 mortality tables.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
LGW SETA	44 706	-
MV Line Cradock	(525 025)	-
EPWP Lusaka Paving project	260 234	-
MIG Grant	9 749 074	4 995 429
Vubusuntu	(41 778)	-
	9 487 211	**4 995 429**

Movement during the year

Balance at the beginning of the year	4 729 127	14 927
Additions during the year	17 544 000	13 228 000
Income recognition during the year	(12 785 916)	(8 247 498)
	9 487 211	**4 995 429**

Refer to note 23 for reconciliation of grants from the National Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Finance lease obligation

Minimum lease payments due		
- within one year	47 861	860 478
- in second to fifth year inclusive	-	342 733
Present value of minimum lease payments	**47 861**	**1 203 211**
Present value of minimum lease payments due		
- within one year	38 182	640 061
- in second to fifth year inclusive	-	269 635
	38 182	**909 696**
Non-current liabilities	1 155 518	(304 169)
Current liabilities	640 061	640 061
	1 795 579	**335 892**

It is the municipality's policy to lease certain equipment under finance leases.

Interest rates are fixed at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.

15. Other financial liabilities

At amortised cost		
DBSA Loan	348 274	1 294 186
Non-current liabilities		
At amortised cost	348 274	911 950
Current liabilities		
At amortised cost	-	382 236

Notes to the Annual Financial Statements

Figures in Rand

16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Provision 14th Cheque	2 514 193	-	2 514 193
Landfil site rehabilitation	25 576 467	899 517	26 475 984
	28 090 660	**899 517**	**28 990 177**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Provision 14th Cheque	-	2 514 193	-	2 514 193
Landfill site rehabilitation	(5 313)	25 592 406	(10 626)	25 576 467
	(5 313)	**28 106 599**	**(10 626)**	**28 090 660**

Non-current liabilities	26 475 984	25 576 467
Current liabilities	2 514 193	2 514 193
	28 990 177	**28 090 660**

Environmental rehabilitation provision

The provision relates to the rehabilitation of landfill sites in relation to the requirements of the Department of Water Affairs and Forestry " Minimum Requirements of Waste Disposal by Landfill" Second Edition 1998.

In terms of the Department of Water Affairs and Forestry the legislation does not dicatate the time frame in which the closure of the landfill sites must be taken hence the uncertanity on the timing of the costs.

Provision 14th Cheque

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

16. Provisions (continued)

At the introduction of the task group grading there was a dispute raised by the unions on the remuneration for the task grading or the wage curve. It was proposed between the two parties South African Local Goverment Association (SALGA) and the two unions Independent Municipal and Allied Trade Union (IMATU) and South African Municipal Workers Union (SAMWU), that a once off payment payment equivalent to a months salary up tp R 10 000 be made by the employer.

A court ruling was passed and the provision is to be reversed.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

17. Payables from exchange transactions

Trade payables	6 207 172	4 330 901
Payments received in advanced - contract in process	192 830	105 284
Other payables	12 730 316	8 294 681
Accrued leave pay	3 335 703	1 666 111
Accrued bonus	280 555	280 555
Deposits received	869 334	639 426
Unallocated receipts	19 513 769	15 373 846
Sundry creditors	125 739	721 779
	43 255 418	**31 412 583**

18. VAT payable

Tax payable	22 581 427	18 899 434

19. Consumer deposits

Electricity	1 082 421	1 022 261
Water	2 158 737	2 137 519
	3 241 158	**3 159 780**

20. Revenue

Service charges	127 948 059	88 076 402
Rental of facilities and equipment	2 200 589	1 817 160
Licences and permits	1 569 346	1 444 644
Fees earned	1 023 488	1 048 083
Commissions received	138 961	143 544
Other income	1 145 473	904 167
Interest received - investment	6 532 419	6 748 270
Property rates	21 407 648	21 776 883
Property rates - penalties imposed	494 911	808 646
Government grants & subsidies	54 934 985	58 715 349
Fines	295 478	176 703
	217 691 357	**181 659 851**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	127 948 059	88 076 402
Rental of facilities and equipment	2 200 589	1 817 160
Licences and permits	1 569 346	1 444 644
Fees earned	1 023 488	1 048 083
Commissions received	138 961	143 544
Other income - (rollup)	1 145 473	904 167
Interest received - investment	6 532 419	6 748 270
	140 558 335	**100 182 270**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

20. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	21 407 648	21 776 883
Property rates - penalties imposed	494 911	808 646
Transfer revenue		
Government grants & subsidies	54 934 985	58 715 349
Fines	295 478	176 703
	77 133 022	**81 477 581**

21. Service charges

Sale of electricity	79 417 394	46 550 175
Sale of water	15 769 383	22 381 342
Sewerage and sanitation charges	17 996 363	16 828 972
Refuse removal	14 764 919	2 315 913
	127 948 059	**88 076 402**

22. Property rates

Rates received

Residential	23 554 879	21 784 091
Less: Income forgone	(2 147 231)	(7 208)
	21 407 648	21 776 883
Property rates - penalties imposed	494 911	808 646
	21 902 559	**22 585 529**

Figures in Rand	2014	2013

23. Government grants and subsidies

Operating grants		
Equitable share	40 341 000	40 499 704
Operating Grant PMU	-	661 400
Financial Management Grant	1 550 000	1 500 000
Other Grant - Property Rates	-	55 116
CHDM Landfill Sites Licensing Grant	-	1 000 000
DSRAC Grant	2 510 000	2 510 000
Municipal Systems Improvement Grant	890 000	701 754
Local Economic Development Grant	216 754	50 000
CHDM Agency	6 564 591	4 405 346
EPWP Operational Grant	1 000 000	1 000 000
Other Sundry Grant	-	2 232 029
	53 072 345	54 615 349
Capital grants		
INEP Grant	1 862 640	2 600 000
EPWP Capital Grant - Lusaka paving project	-	1 500 000
	1 862 640	4 100 000
	54 934 985	**58 715 349**

Equitable Share

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

Financial Management Grant

Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 550 000)	(1 500 000)
	-	**-**

PMU Grant

Current-year receipts	-	661 400
Conditions met - transferred to revenue	-	(661 400)
	-	**-**

DSRAC (Libraries) Grant

Current-year receipts	2 510 000	2 510 000
Conditions met - transferred to revenue	(2 510 000)	(2 510 000)
	-	**-**

LGW SETA

Balance unspent at beginning of year	-	(39 472)
Current-year receipts	117 000	279 352
Conditions met - transferred to revenue	(117 000)	(279 352)
Other	44 706	39 472
	44 706	**-**

The grant is used for local government skills development and training.

LED

Figures in Rand	2014	2013

23. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	(282 638)
Conditions met - transferred to revenue	-	282 638
	-	**-**

The grant is used for loacl economic developement.

MSIG

Balance unspent at beginning of year	-	131 416
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(890 000)	(800 000)
Other	-	(131 416)
	-	**-**

The grant is used for the municipal systems improvement.

National Treasury Above 1%

Balance unspent at beginning of year	-	2 232 029
Conditions met - transferred to revenue	-	(2 232 029)
	-	**-**

INEP

Balance unspent at beginning of year	-	(390)
Current-year receipts	-	2 600 000
Conditions met - transferred to revenue	-	(2 600 000)
Other	-	390
	-	**-**

MV Line Cradock

Current-year receipts	(525 025)	-

EPWP Lusaka Paving Grant

Current-year receipts	1 000 000	1 500 000
Conditions met - transferred to revenue	(1 000 000)	(1 500 000)
Other	260 234	-
	260 234	**-**

The grant is used for expanded public works programme.

CHDM Landfill Sites Licencing Grant

Current-year receipts	250 179	1 000 000
Conditions met - transferred to revenue	(250 179)	(1 000 000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Government grants and subsidies (continued)

MIG

Balance unspent at beginning of year	4 995 429	14 927
Current-year receipts	14 104 000	13 228 000
Conditions met - transferred to revenue	(13 907 000)	(8 502 217)
Other	4 556 645	254 719
	9 749 074	**4 995 429**

Grant to be used for the Municipal Infrastucture development and upgrading.

Vubusuntu Grant

Conditions met - transferred to revenue	(41 778)	-

24. Investment revenue

Interest revenue		
Interest from investments	432 022	854 626
Interest charged on receivables from exchange and non ex-change transactions	6 100 397	5 893 644
	6 532 419	**6 748 270**

25. Rental income

Facilities and equipment		
Rental of facilities	2 119 043	1 745 795
Rental of equipment	81 546	71 365
	2 200 589	**1 817 160**

26. Other income

Clearence application fees	22 998	29 080
Connection fees	10 233	7 170
Entrance and hunting fees	37 569	83 643
Fire brigade fees	29 494	24 148
Plan fees	158 232	167 480
Private jobbing	209 268	207 368
Road worthy certificates	94 591	311 815
Search fees	6 036	8 457
Membership fees	-	95
Sundry fees	243 174	37 047
Surplus cash	25 493	1 460
Testing of meters	381	1 666
Weighbridge fees	5 102	649
Reconnection fees	35 901	19 774
Tourism cultural fees	265 614	-
Sundry sales	1 387	4 315
	1 145 473	**904 167**

Figures in Rand	2014	2013

27. Employee related costs

Basic	40 257 194	34 931 774
Medical aid - company contributions	3 884 391	4 711 918
UIF	499 609	411 587
WCA	731 119	-
SDL	669 858	532 532
Other payroll levies	252 720	604 790
Leave pay provision charge	-	(623 471)
Group life	160 356	102 004
Levy bargaining council	11 573	21 810
Performance incentive - staff	24 000	262 015
Defined contribution plans	6 627 161	5 874 881
Overtime payments	4 461 620	3 615 084
13th Cheques	2 972 225	2 335 831
Car allowance	1 335 520	1 354 692
Housing benefits and allowances	211 259	37 465
Entertainment	1 576	2 086
Other allowance	135 937	101 286
Uniform allowance	8 400	7 216
	62 244 518	**54 283 500**

Remuneration of Mzwandile Tantsi (Appointed 1 July 2013) - Municipal Manager

Annual remuneration	794 532	741 810
Car allowance	170 304	159 000
Performance bonuses	47 085	52 789
Contributions to UIF, medical and pension funds	12 362	10 735
Public office Allowance	20 640	19 272
Subsistance Allowance	20 640	19 272
Telephone, parking, badges	180	1 985
	1 065 743	**1 004 863**

Remuneration of Tukwayo Lennox S (Appointed 1 April 2011) - Chief Finance Officer

Annual remuneration	633 984	591 912
Car allowance	179 736	167 808
Performance bonuses	38 081	42 694
Contributions to UIF, medical and pension funds	10 019	9 473
Telephone, parking, badges, etc	3 266	1 106
	865 086	**812 993**

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of Bafo Sigenu (Appointed 1 July 2013) - Corporate services manager

Annual Remuneration	677 028	632 106
Car/Transport Allowance	123 312	115 128
Performance Bonuses	38 081	56 925
Contributions to UIF, medical and pension funds	10 409	9 765
Acting allowance	-	51 835
Subsistance allowance	415	-
Housing Allowance	-	12 486
Telephone, parking, badges	-	739
	849 245	**878 984**

Notes to the Annual Financial Statements

27. Employee related costs (continued)

Remuneration of Majiba Nuluthando T (Appointed 1 July 2013) - Community services manager

Figures in Rand	2014	2013
Annual Remuneration	630 084	588 270
Car Allowance	167 388	156 282
Performance Bonuses	38 081	49 809
Contributions to UIF, Medical and Pension Funds	9 445	9 126
Telephone, parking, badges	365	15 168
	845 363	**818 655**

Remuneration of Jojiyasi Lulamile (Appointed 1 July 2013) - Local economics development manager

Figures in Rand	2014	2013
Annual Remuneration	625 260	583 770
Car Allowance	176 532	164 820
Performance Bonuses	38 081	42 694
Contributions to UIF, Medical and Pension Funds	10 026	9 407
Acting Allowance	-	11 130
Telephone, parking, badges	159	117
	850 058	**811 938**

Remuneration of Saleni Amos Mthetho (Appointed 1 May 2013) - Technical Services Manager

Figures in Rand	2014	2013
Annual Remuneration	606 024	94 536
Car Allowance	192 312	30 000
Performance Bonuses	28 561	-
Contributions to UIF, Medical and Pension Funds	9 884	1 516
Telephone, parking, badges	3 814	2 400
	840 595	**128 452**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

28. Remuneration of councillors

Executive mayor	719 486	685 380
Speaker	563 053	536 304
Mayoral committee members	1 432 495	1 244 954
Councillors	2 670 924	2 472 768
Contributions to Pension and Medical aid: Executive Mayor and Speaker	907 615	1 014 870
	6 293 573	**5 954 276**

28. Remuneration of councillors (continued)

In-kind benefits

The executive mayor, deputy executive mayor, speaker and mayoral committee members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

Executive Mayor	Councillor Allowance	Travel Allowance	Cellphone Allowance	Total
N C Goniwe	451 548	169 452	41 654	719 486
Total	451 548	169 452	41 654	719 486

Speaker	Councillor Allowance	Travel Allowance	Cellphone Allowance	Total
S V Masawe	406 716	135 552	20 785	563 053
Total	406 716	135 552	20 785	563 053

Chief Whip	Councillor Allowance	Travel Allowance	Cellphone Allowance	Total
N G Mzinzi	381 882	127 305	20 785	529 972
Total	381 882	127 305	20 785	529 972
	381 882	**127 305**	**20 785**	**529 972**

Mayoral Committee	Councillor Allowance	Travel Allowance	Cellphone Allowance	Total
L Davids - Head finance department	280 056	-	20 785	300 841
T E Bobo - Head community services	210 045	70 011	20 785	300 841
L D Zizi - Head TECHLED	210 045	70 011	20 785	300 841
	700 146	**140 022**	**62 355**	**902 523**

Councillors	Councillor Allowance	Travel Allowance	Cellphone Allowance	Total
Z Bani	203 675	-	20 785	224 460
F N Erasmus	152 763	50 912	20 785	224 460
S Goniwe	152 763	50 912	20 785	224 460
E Kruger	152 763	50 912	20 785	224 460
N E Maki	203 675	-	20 785	224 460
C E B Miles	152 763	50 912	20 785	224 460
T E Miners	152 763	50 912	20 785	224 460
S W Njobo	183 152	-	18 712	201 864
N E Ngcingolo	203 675	-	20 785	224 460
C A Sammy	152 763	50 912	20 785	224 460
J Saptoe	152 763	50 912	20 785	224 460
R H Schulze	152 763	50 912	20 785	224 460
	2 016 281	**407 296**	**247 347**	**2 670 924**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

29. Debt impairment

Debt impairment	-	687 424
Contributions to allowance for impairment	42 544 229	31 629 944
	42 544 229	**32 317 368**

30. Depreciation and amortisation

Property, plant and equipment	2 154 787	(31 985 507)
Intangible assets	84 137	42 069
	2 238 924	**(31 943 438)**

31. Finance costs

Non-current borrowings	-	181 082
Trade and other payables	270 465	36 801
Finance leases	-	87 073
Other interest paid	-	1 844 000
	270 465	**2 148 956**

32. Bulk purchases

Electricity	49 380 040	47 305 396
Water	115 122	255 967
	49 495 162	**47 561 363**

Electricity losses 2014 - R 8 834 636.41

Electricity losses 2013 - R 9 872 981.93

33. Contracted services

Other Contractors	5 290 809	1 935 865

34. Grants and subsidies paid

Other subsidies		
Grants in aid	31 127 507	6 531 934
Other grants	42 782	-
	31 170 289	**6 531 934**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

35. General expenses

Advertising	258 227	470 196
Assessment rates & municipal charges	600 000	200 000
Auditors remuneration	4 009 540	3 705 710
Bank charges	683 481	624 273
Chemicals	667 113	1 207 425
Commission paid	933 321	858 323
Conferences and seminars	5 120	12 108
Consulting and professional fees	294 935	197 680
Consumables	597 853	511 696
Entertainment	89 235	101 581
Departmental service levy	9 934 827	9 362
Expense 8	131 593	-
Flowers	-	170 131
Hire	651 995	(545 869)
IT expenses	1 781 133	1 472 792
Incorporation costs	2 947 064	1 563 867
Insurance	891 214	995 980
Lease rentals on operating lease	26 601	38 955
Levies	(39 916)	(32 655)
Motor vehicle expenses	3 383 206	2 590 591
Other expenses	3 754 794	4 322 679
Postage and courier	723 687	649 536
Printing and stationery	461 855	462 122
Protective clothing	314 181	72 019
Subscriptions and membership fees	1 353 552	342 827
Telephone and fax	2 690 942	2 446 599
Tourism development	158 062	142 652
Training	464 069	217 710
Travel - local	1 684 613	1 079 994
	39 452 297	**23 888 284**

36. Auditors' remuneration

Fees	4 009 540	3 705 710

37. Cash (used in) generated from operations

(Deficit) surplus	(38 382 420)	27 838 725
Adjustments for:		
Depreciation and amortisation	2 238 924	(31 943 438)
Gain on sale of assets and liabilities	-	1 116
Finance costs - Finance leases	-	87 073
Impairment deficit	1 357 304	-
Debt impairment	42 544 229	32 317 368
Movements in retirement benefit assets and liabilities	-	5 675 007
Movements in provisions	899 517	28 095 973
Changes in working capital:		
Inventories	18 454	89 775
Receivables from exchange transactions	(38 510 066)	(15 832 530)
Receivables from non-exchange transactions	1 921 990	(4 592 097)
Payables from exchange transactions	11 842 839	(761 711)
VAT	3 681 993	7 000 981
Unspent conditional grants and receipts	4 491 782	5 254 863
Consumer deposits	81 378	1 127 620
	(7 814 076)	**54 358 725**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	-	3 992 000
• Infrastructure	11 199 403	9 081 845
• Valuation roll	259 497	2 121 000
• Indigent households	2 121 000	3 300 000
	13 579 900	**18 494 845**

This committed expenditure relating to plant and equipment , the infrastucture and the indigent household projects will be financed by available bank facilities, accumulated surpluses, existing cash resources, funds internally generated and the MIG grant.

39. Related parties

Relationships	
Accounting Officer	Mr M S Tantsi is a director of Mmotlie Investemts (Pty) Ltd
Controlled entity	Mmotlie Investments (Pty) Ltd refer to note 10
Members of key management	Mzwandile Tantsi - Municipal Manager Lennox S. Tukwayo - CFO Sigenu Bafo - Corporate services manager Lulamile Jojiyasi - LED Manager Noluthando T. Majiba - Community services manager Amos M. Saleni - Technical services manager

Refer to note 27 for the disclosure of the remuneration of key management (s57 managers)

The councillors of the municipality are as follows:

Goniwe N C - Executive Mayor
Bobo T E - Headof Community Services
Davids L - Head of Finance Department
Masawe S V - Speaker
Mzinzi N G - Chief Whip
Zizi L D - Head of TECHLEAD
Bani Z
Erasmus F N
Goniwe S
Kruger E
Maki N E
Miles C E B
Miners T E
Ngcingolo N E
Njobo S W - Appointed 7 August 2013
Sammy C A
Saptoe J
Schulze R H

Councilor remuneration is disclosed in note 28

Related party balances

Loan accounts - Owed by related parties		
Mmotlie Investments	16 492	16 492

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

40. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Position

1.Receivables from non-exchange transactions were disclosed twice on the face of the financial statements in 2012/2013, these have been disclosed together as one amount for receivables from exchange transactions.

2.Accrual for bonus provision were disclosed in provision in the 2012/2013, these have beed reclassified to accruals in the 2013/2014 financial statements.

Trade and other receivables from non exchange transactions	-	(355 472)
Receivables from exchange transactions	-	355 472
Perfomance Bonus provision	-	(280 555)
Accruals	-	280 555

Statement of Financial Performance

Interest on creditors were included in general expenses in the 2012/2013 financial statements, it has been reclassifyed to finance cost in the 2013/2014 financial statements.

General expenses	-	(36 801)
DFinancd costs	-	36 801

41. Risk management

Financial risk management

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

Liquidity risk

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

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 twelve months equal their carrying balances as the impact of discounting is not significant.

41. Risk management (continued)

Credit risk

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

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 management.

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

Financial instrument	2014	2013
Receivables from exchange transactions	46 555 070	13 796 817
Receivables from non-exchange transactions	6 417 613	4 592 097
Cash and cash equivalents	6 299 795	14 265 014
Investments	8 439	8 258

42. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated deficits of R 564 283 580 and that the municipality's total liabilities exceed its assets by R nil.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

43. Events after the reporting date

Inxuba Yethamba municipality transferred the water and sewerage services to the Chris Hani District Municipality. This was effective from 1 July 2014.

- This is as a result of the cancellation of agency contract with Chris Hani District Municipality.
- The municipality will have to transfer the trade receivables to Chris Hani District Municipality.

44. Fruitless and wasteful expenditure

	2014	2013
Opening balance	422 225	46 014
Fruitless and wastefull expenditure current year	280 847	376 211
	703 072	**422 225**

The fruitless and wastefull expenditure is comprised of:

Interest on overdue account - Auditor General R 265 374

Interest on pension fund - R 10 180

Interest on other creditors - R 5 091

45. Irregular expenditure

	2014	2013
Add: Irregular Expenditure - current year	6 192 000	-

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

45. Irregular expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

Current year	6 192 000	-

Details of irregular expenditure – current year

Nature of non-compliance	Disciplinary steps taken/criminal proceedings	
No bid adjudication and specifications committee meeting for the contract awarded	Matter still to be presented to council	3 992 000
Non compliance with Supply Chain Management regulations - incorrect contract grading advertised	No action taken yet	550 000
Non compliance with Supply Chain Management regulations - incorrect contract grading advertised	No action taken yet	550 000
Non compliance with supply chain management regulations - incorrect contract grading advertised	No action taken yet	550 000
Non compliance with supply chain management regulations - incorrect contract grading advertised	No action taken yet	550 000
		6 192 000

46. 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 accounting officer and includes a note to the annual financial statements.

Goods and services 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 accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. Details of deviations are as follow:

Supplier	Goods /Services procured	Reason for deviation	Amount
Digital Dynamix CC	Set up Exchange Server	Only one Supplier available	11 731
Dag n Nag	Repairs and maintenance	Only one supplier available	104 597
Flight Centre	Travel Flights	Only one supplier available	57 792
Sunny Side Hotel	Accomodation	Only one supplier available	21 600
Wits Business School	CPMD	Only one supplier available	227 500
Karoo Document Solutions	Computer Equipment	Not advertised	82 900
OVK	Repairs, Fencing and gates	Only one supplier available	33 723
Landis and Gyr	Meter boxes	Only one suplier available	290 244
Viking Trading	Plumbing stock	Not advertised, urgent	31 841
Parktonian Hotel	Accomodation	Only one supplier available	30 150
Tams	Insurance repairs	Only one supplier available	11 000
Elwandle projects	Legal fees	Only one supplier available	25 650
Le Doux Engineering	Repairs and maintenance	Only one supplier available	20 081
Tams Hyper Stores Cc	Tams Hyper Stores Cc	Only one supplier available	20 560
MICA	Repairs material swimming pools	Only one supplier available	17 900
Sine and trading	catering	Only one supplier available	3 710
Waltons	Stationery	Only one supplier available	11 787
Cradock SAAD	Materials stores	Only one supplier available	13 680
Coetzer Fire Services Cc	Fire extinguishers repairs	Only one supplier available	87 375
Odocure Eastern Cape (Pty) Ltd	Rental	Only one supplier available	90 026
Middelburg Eastern Cape (Pty) Ltd	Vehicles repairs	Only one supplier available	21 990
Ian Dickie	Vehicle repairs	Only one supplier available	15 048
BEKA	Streetlights repairs	Only one supplier available	34 698

Notes to the Annual Financial Statements

Figures in Rand			2014	2013

46. Deviation from supply chain management regulations (continued)

Escom	Training on year end reporting	Only one supplier available	13 999
Regenesys	Workshop	Not practical to strip the asset to find cost without further costs	134 000
Le Doux Engineering	Repairs vehicles	Only one supplier available	20 081
Universal Equipment	Repairs Vehicles	Impractical to have the equipment opened and stripped to determine the fault	283 285
Sine and trading	Catering	Only one supplier available	3 710
Steers	Catering	Only one supplier available	10 263
Cradock Spar	Catering	Only one supplier available	9 899
Brummer Engineering	Repairs Sewer Truck	Only one supplioer available	10 465
Arti Volts	Repairs electrical network	Only two suppliers available	16 169
Pikanini Promotions Cc	Awareness campaigns	Not advertised, urgent	101 945
Eya Bantu Professionals	Repairs electrical network	Only one supplier available	12 802
Umhlobo Wenene	Advertising	Not advertised on website, urgent	93 623
Cradock Automotive Service	Repairs vehicles	Impractical to have equipment opened and stripped to determine the fault	11 400
Strydom & Kroqwana Cc	Repairs	Crisis at Taxi Rank, emergency	44 542
Water Institute of South Africa	Conference	Sole supplier	28 000
The Wineglass Hotel and Spa	Conference Accomodation	Sole supplier closest and cheapest	16 000
Industries Education & Training	Training	Sole supplier	10 374
O.V.K Oos Kaap	Side walks material	Only one supplier available	11 101
Transform	Repairs electrical network	Only one supplier available	18 289
			2 115 530

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

47. Accumulated surplus

48. Professional and special services

49. Contingencies

Litigation is in the process against the municipality relating to a legal dispute with Afriforum a civil rights organisation linked to the Solidarity trade union and an application has been filed by Afriforum.The municipality's lawyers and management estimate the costs of the claim to be R 5 000.

Litigation is in the process against the municipality and Mr Kersop relating to a legal suit instituted by Mr Dikana. municipality's lawyers and management estimate the costs of the claim to be R 50 000.

Litigation is in the process against the municipality relating to a legal dispute with South Afican Municipal Workers Union (SAMWU).The municipality's lawyers and management estimate the costs of the claim to be R 35 000.

Litigation is in the process against the municipality relating to a dispute with South African Municipal Workers Union (SAMWU) regarding the appointment of Mr Maki.The municipality's lawyers and management estimate the costs of the claim to be R 5 000.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	431 251	78 464
Current year subscription / fee	767 297	571 086
Amount paid - current year	(1 092 938)	(632 170)
	105 610	**17 380**

Audit fees

Opening balance	3 005 996	3 567 136
Current year fee	3 987 812	4 070 889
Amount paid - current year	(4 200 000)	(4 632 029)
	2 793 808	**3 005 996**

PAYE and UIF

Opening balance	576 926	527 386
Current year subscription / fee	7 571 083	7 018 418
Amount paid - current year	(7 543 703)	(6 968 878)
	604 306	**576 926**

Pension and medical aid deductions

VAT

VAT payable	22 581 427	18 899 434

VAT output payables and VAT input receivables are shown in note 18.

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Bobo T E	263	-	263
Davids L	160	-	160
Erasmus F N	2 708	-	2 708
Goniwe S	269	-	269
Maki N E	153	-	153
Masawe S V	-	10 553	10 553
Miles C E B	562	-	562
Miners T E	251	-	251
Mzinzi N G	1 494	-	1 494
Ngcingolo E N	174	-	174
Saptoe L R	720	-	720
Schulze R H	925	-	925
Zizi L D	3 191	-	3 191
	10 870	**10 553**	**21 423**

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

51. Impairment of assets

	2014	2013
Impairments		
Property, plant and equipment Property plant and equipment was impaired based on the assessed condition of the assets during the physical verification The recoverable amount of the asset was based on its fair value less costs to sell or its fair value in use.	1 357 304	-

The main classes of assets affected by impairment losses are:

Property,plant and equipment

The main events and circumstances that led to the recognition of these impairment losses are as follows:

Property, plant and eqipment was based on impairment based on the assessed condition of the assets during the physical verification.The recoverable amount of the assets was based on it's fair value less costs to sell or it's fair value in use.

The main events and circumstances that led to the reversals of these impairment losses are as follows:

52. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a description of each individual prior period error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.

1. Misstatement of property plant and equipment due to incorrect application of Directive 7

A prior period error on the balances of the property plant and equipment (movable assets) was detected as a result of failure to use more reliable information

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

52. Prior period errors (continued)

The effect of this adjustment on the prior year is as follows:

Property, plant and equipment

2011/2012	R 7 340 398	
2012/2013	R 3 470 320	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Mar	Jun	Sep	Dec	Mar		Yes/ No	
Local Government Financial Management Grant	National Trasuery	-	-	-	-	-	-	490 000	706 000	287 000	67 000	-	-	-	-	-		Yes	
Municipal Systems Improvement Grant		-	-	-	-	-	-	52 000	-	117 000	722 000	-	-	-	-	-		Yes	
Expanded Public Works Programme Intergrated Grant (Municipality)		-	-	-	-	-	-	293 000	297 000	292 000	118 000	-	-	-	-	-		Yes	
Intergrated National Electrification Programme (Municipal) Grant		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Municipal Infrastructure Grant		-	-	-	-	-	-	7 755 000	753 000	774 000	4 624 000	-	-	-	-	-		Yes	
		-	-	-	-	-	-	3 590 000	1 756 000	1 470 000	5 531 000	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
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 of Actual Outcome against Adjustments Budget	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
Revenue By Source															
Property rates	-	-	-	-		-	21 407 648		21 407 648	DIV/0 %	DIV/0 %				21 776 884
Property rates - penalties & collection charges	-	-	-	-		-	494 911		494 911	DIV/0 %	DIV/0 %				808 646
Service charges - electricity revenue	-	-	-	-		-	79 417 394		79 417 394	DIV/0 %	DIV/0 %				46 550 175
Service charges - water revenue	-	-	-	-		-	33 765 745		33 765 745	DIV/0 %	DIV/0 %				39 210 314
Service charges - sanitation revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	-	-	-	-		-	14 764 919		14 764 919	DIV/0 %	DIV/0 %				2 315 913
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	-	-	-	-		-	2 200 589		2 200 589	DIV/0 %	DIV/0 %				1 817 161
Interest earned - external investments	-	-	-	-		-	432 022		432 022	DIV/0 %	DIV/0 %				854 626
Interest earned - outstanding debtors	-	-	-	-		-	6 100 397		6 100 397	DIV/0 %	DIV/0 %				5 893 644
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	-	-	-	-		-	295 478		295 478	DIV/0 %	DIV/0 %				176 703
Licences and permits	-	-	-	-		-	1 569 346		1 569 346	DIV/0 %	DIV/0 %				1 444 644
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other revenue	-	-	-	-		-	2 307 923		2 307 923	DIV/0 %	DIV/0 %				2 095 794
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				(1 116)
Total Revenue (excluding capital transfers and contributions)	**-**	**-**	**-**	**-**		**-**	**162 756 372**		**162 756 372**	**DIV/0 %**	**DIV/0 %**				**122 943 388**

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
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 of Actual Outcome against Adjustments Budget	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
Expenditure By Type															
Employee related costs	-	-	-	-	-	-	66 824 438	-	66 824 438	DIV/0 %	DIV/0 %	-	-	-	59 362 855
Remuneration of councillors	-	-	-	-	-	-	6 293 573	-	6 293 573	DIV/0 %	DIV/0 %	-	-	-	5 954 276
Debt impairment	-	-	-		-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	32 317 368
Depreciation & asset impairment	-	-	-		-	-	582 801	-	582 801	DIV/0 %	DIV/0 %	-	-	-	(29 640 826)
Finance charges	-	-	-	-	-	-	5 091	-	5 091	DIV/0 %	DIV/0 %	-	-	-	2 148 957
Bulk purchases	-	-	-	-	-	-	42 836 273	-	42 836 273	DIV/0 %	DIV/0 %	-	-	-	47 561 363
Other materials	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contracted services	-	-	-	-	-	-	5 290 809	-	5 290 809	DIV/0 %	DIV/0 %	-	-	-	1 935 865
Transfers and grants	-	-	-	-	-	-	31 170 289	-	31 170 289	DIV/0 %	DIV/0 %	-	-	-	6 531 934
Other expenditure	-	-	-	-	-	-	48 713 219	-	48 713 219	DIV/0 %	DIV/0 %	-	-	-	30 449 154
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**201 716 493**	**-**	**201 716 493**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**156 620 946**
Surplus/(Deficit)	**-**	**-**	**-**	**-**		**-**	**(38 960 121)**		**(38 960 121)**	**DIV/0 %**	**DIV/0 %**				**(33 677 558)**
Transfers recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributions recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**-**	**-**	**-**	**-**		**-**	**(38 960 121)**		**(38 960 121)**	**DIV/0 %**	**DIV/0 %**				**(33 677 558)**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**-**	**-**	**-**	**-**		**-**	**(38 960 121)**		**(38 960 121)**	**DIV/0 %**	**DIV/0 %**				**(33 677 558)**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**-**	**-**	**-**	**-**		**-**	**(38 960 121)**		**(38 960 121)**	**DIV/0 %**	**DIV/0 %**				**(33 677 558)**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**-**	**-**	**-**	**-**		**-**	**(38 960 121)**		**(38 960 121)**	**DIV/0 %**	**DIV/0 %**				**(33 677 558)**