TSOLWANA LOCAL
MUNICIPALITY
EC132

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Annual Financial Statements

FINANCIAL STATEMENTS

30 JUNE 2014

TSOLWANA LOCAL MUNICIPALITY

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

TSOLWANA Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The TSOLWANA Municipality includes the following areas:

Tarkastad
Hofmeyr
Ntabethemba

MUNICIPAL MANAGER

Mr SJ Dayi

CHIEF FINANCIAL OFFICER

Me. S du Toit

REGISTERED OFFICE

12 Murray street, Tarkastad

AUDITORS

Auditor General South Africa

PRINCIPLE BANKERS

First National Bank, Tarkastad

ATTORNEYs

Kirchmann's Inc
Bowes McDougal
Smith Tabata

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
SALBC Leave Regulations

TSOLWANA LOCAL MUNICIPALITY

MEMBERS OF THE TSOLWANA LOCAL MUNICIPALITY

COUNCILLORS

Proportional (Mayor)	K Nqiqhi	
Proportional	M Bennett	
Proportional	C Boast	
Proportional	V Dyasi	
Proportional	G Hlomendlini	
Ward 1	M Mangcotywa	
Ward 2	T Baleng	
Ward 3	N Ngcefe	
Ward 4	N Nqabisa	
Ward 5	I van heerden	(Resigned during June 2014)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2014, which are set out on pages 1 to 86 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2015 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

30-08-2014

Mr SJ Dayi
Municipal Manager

Date

TSOLWANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of TSOLWANA LOCAL MUNICIPALITY for the fiscal year 2013/2014

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

2. KEY FINANCIAL INDICATORS

The economic downturn and the Eskom issues continue to play havoc with good financial management. The Tsolwana economy has been battered of late and all indications are that it will get worse before it gets better.

This is not because of bad or incompetent management, but because it is the nature of the business and the economy. I would therefore hope that National and Provincial bureaucrats take heed of this fact before making any incorrect or ill-conceived statements or judgements.

Financial Statement Ratios:

INDICATOR	30 June 2014	30 June 2013
Surplus / (Deficit) for the year before Appropriations	5 244 882	6 056 249
Accumulated Surplus / (Deficit) at the end of the Year	75 991 699	70 743 986
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	30.67%	35.65%
Remuneration of Councillors	3.45%	4.12%
Debt Impairment	16.01%	6.40%
Depreciation and Amortisation	9.84%	5.68%
Repairs and Maintenance	3.50%	3.57%
Actuarial losses	1.14%	0.00%
Finance Charges	0.14%	0.20%
Bulk Purchases	10.75%	13.85%
Grants and Subsidies	0.00%	0.00%
Operating Grant Expenditure	10.43%	12.98%
General Expenses	14.07%	17.55%
Current Ratio:		
Creditors Days	58	64
Debtors Days	695	818

One indicator needing comment is that of repairs and maintenance are not yet at the level it is suppose to be. The creditors days ass well as the debtors days outstanding as improved and we will continue to work towards improving these ratios.

3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2014 are as follows:

DETAILS	Actual 2013/2014 R	Actual 2012/2013 R	Percentage Variance %
Income:			
Opening surplus / (deficit)	70 746 817	64 690 567	9.36%
Operating income for the year (incl. gains in disposal of assets)	81 607 551	62 349 923	30.89%
	152 354 368	127 040 491	19.93%
Expenditure:			
Operating expenditure for the year	76 362 669	56 293 674	35.65%
Closing surplus / (deficit)	75 991 699	70 746 817	7.41%
	152 354 368	127 040 491	19.93%

4. FINANCING OF PROPERTY, PLANT AND EQUIPMENT

The expenditure on Property, Plant and Equipment during the year amounted to R 14 369 258 (2012/2013: R 10 015 937), and in percentage terms amounts to 16% of budget. Full details of Property, Plant and Equipment are disclosed in note number 10 to the Annual Financial Statements.

5. LONG-TERM LIABILITIES

	2014 R	2013 R
The outstanding amount of Long-term Liabilities as at 30 June was :	**11 325**	**61 646**

Tsolwana municipality only have a Finance lease liability and we did not enter into any long term liabiltiy for the period under review

Refer to Note number 2 for more detail

6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:	**6 772 362**	**5 274 334**
Provision for Post Retirement Benefits	5 041 131	3 698 657
Provision for Long Service Awards	469 316	394 219
Provision for Rehabilitation of Landfill-sites	1 261 915	1 181 459
	6 772 362	**5 274 334**

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 3 and 4 for more detail.

7. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note number 5	101 101	100 759
Current Employee benefits	Note number 6	935 199	940 029
Provisions	Note number 0	-	-
Payables from exchange transactions	Note number 7	3 478 714	3 486 768
Unspent Conditional Government Grants and Receipts	Note number 8	8 805 370	7 696 499
Taxes	Note number 9.1	2 838 176	1 590 477
Cash and Cash Equivalents	Note number 17	-	-
Current Portion of Long-term Liabilities	Note number 2	11 325	50 321
		16 169 885	13 864 854

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is:	**92 047**	**54 099**

Refer to Note number 12 for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:	**76 169 269**	**69 244 603**

Refer to Note number 10 for more detail.

10. INVESTMENTS

The municipalities does not have monies on fixed investment, we do however have monies in call accounts which are included under cash and cash equivalents.

11. LONG-TERM RECEIVABLES

The municipality does not have long-term recievables

12. CURRENT ASSETS

Current Assets are made up as follows:

Inventory	Note number 13	788 131	835 182
Receivables from exchange transactions	Note number 14	2 911 208	3 124 272
Receivables from non-exchange transactions	Note number 15	2 361 087	1 223 665
Unpaid Conditional Government Grants and Receipts	Note number 8	247 352	917 651
Operating Lease Asset	Note number 16.1	-	-
Taxes	Note number 9.2	915 573	1 689 285
Cash and Cash Equivalents	Note number 17	13 392 912	10 700 623
		20 616 263	**18 490 679**

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 8 and 19 as well as Appendix C for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 45

15 EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager and Heads of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.

Me. S du Toit
CHIEF FINANCIAL OFFICER
31 August 2014

TSOLWANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R (Actual)	2013 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		**75 991 699**	**70 743 986**
Accumulated Surplus/(Deficit)		75 991 699	70 743 986
Non-Current Liabilities		**6 602 442**	**5 087 276**
Long-term Liabilities	**2**	-	11 325
Employee benefits	**3**	5 340 527	3 894 493
Non-Current Provisions	**4**	1 261 915	1 181 459
Current Liabilities		**16 169 885**	**13 864 854**
Consumer Deposits	**5**	101 101	100 759
Current Employee benefits	**6**	935 199	940 029
Payables from exchange transactions	**7**	3 478 714	3 486 768
Unspent Conditional Government Grants and Receipts	**8**	8 805 370	7 696 499
Taxes	**9.1**	2 838 176	1 590 477
Current Portion of Long-term Liabilities	**2**	11 325	50 321
Total Net Assets and Liabilities		**98 764 027**	**89 696 116**
ASSETS			
Non-Current Assets		**78 147 763**	**71 205 436**
Property, Plant and Equipment	**10**	76 169 269	69 244 603
Investment Property	**11**	1 886 449	1 906 734
Intangible Assets	**12**	92 047	54 099
Current Assets		**20 616 263**	**18 490 679**
Inventory	**13**	788 131	835 182
Receivables from exchange transactions	**14**	2 911 208	3 124 272
Receivables from non-exchange transactions	**15**	2 361 087	1 223 665
Unpaid Conditional Government Grants and Receipts	**8**	247 352	917 651
Taxes	**9.2**	915 573	1 689 285
Cash and Cash Equivalents	**17**	13 392 912	10 700 623
Total Assets		**98 764 026**	**89 696 116**

TSOLWANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 R	2013 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		**52 799 943**	**45 616 682**
Taxation Revenue		**1 661 846**	**1 509 757**
Property taxes	**18**	1 661 846	1 509 757
Transfer Revenue		**51 123 139**	**44 103 925**
Government Grants and Subsidies - Capital	**19**	15 439 277	13 347 220
Government Grants and Subsidies - Operating	**19**	35 683 862	30 756 704
Public Contributions and Donations		-	-
Other Revenue		**14 958**	**3 000**
Revenue from Insurance claims		10 556	-
Fines		4 402	3 000
Revenue from Exchange Transactions		**28 807 609**	**16 733 242**
Service Charges	**20**	15 140 811	7 310 283
Water Service Authority Contribution	**21**	9 499 819	6 489 172
Rental of Facilities and Equipment		122 271	59 874
Interest Earned - external investments		643 723	300 186
Interest Earned - outstanding debtors		2 028 899	1 367 316
Agency Services		1 282 552	918 833
Other Income	**22**	80 221	287 240
Gain on disposal of Property, Plant and Equipment		9 314	338
Total Revenue		**81 607 551**	**62 349 923**
EXPENDITURE			
Employee related costs	**23**	23 421 559	20 068 002
Remuneration of Councillors	**24**	2 636 563	2 319 466
Debt Impairment	**25**	12 226 267	3 602 237
Depreciation and Amortisation	**26**	7 514 494	3 194 921
Repairs and Maintenance	**30**	2 674 823	2 007 306
Actuarial losses	**3**	867 322	2 287
Finance Charges	**27**	105 912	113 084
Bulk Purchases	**28**	8 210 913	7 796 083
Grants and Subsidies	**29**	1 380	-
Operating Grant Expenditure	**31**	7 962 277	7 309 414
General Expenses	**32**	10 741 158	9 880 873
Total Expenditure		**76 362 669**	**56 293 674**
NET SURPLUS/(DEFICIT) FOR THE YEAR		**5 244 882**	**6 056 249**

TSOLWANA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 1 JULY 2012	**90 028 722**	**90 028 722**
Correction of error:		
Revenue from grants	**343 981**	**343 981**
Correction on Investment property	**(25 507 145)**	**(25 507 145)**
Correction on Land	**(127 400)**	**(127 400)**
Correction on rates prior jnl	**(47 591)**	**(47 591)**
	64 690 567	**64 690 567**
Net Surplus for the year	6 056 249	6 056 249
Balance at 30 JUNE 2013	**70 746 817**	**70 746 817**
Net Surplus for the year	5 244 882	5 244 882
Balance at 30 June 2014	**75 991 699**	**75 991 699**

TSOLWANA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30 JUNE 2014 R	30 JUNE 2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		18 290 345	11 928 326
Government		53 321 190	48 614 239
Interest		643 723	1 667 502
Dividends		-	-
Payments			
Suppliers and employees		(54 971 931)	(49 753 884)
Finance charges	**27**	(105 912)	(113 084)
Transfers and Grants		1 380	-
Cash generated by operations	**35**	17 178 794	12 343 100
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**10**	(14 369 258)	(10 015 937)
Purchase of Investment property		-	-
Proceeds on Disposal of Fixed Assets		9 314	338
Purchase of Intangible Assets		(87 564)	(8 240)
Net Cash from Investing Activities		**(14 447 508)**	**(10 023 839)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(38 997)	(66 632)
New loans raised		-	-
Increase in Consumer Deposits		-	3 023
Net Cash from Financing Activities		**(38 997)**	**(63 608)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2 692 289**	**2 255 652**
Cash and Cash Equivalents at the beginning of the year		10 700 623	8 444 971
Cash and Cash Equivalents at the end of the year	**36**	13 392 912	10 700 623
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2 692 289**	**2 255 652**

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	13 392 912	6 010 879	7 382 033	The cash on hand is more than initially budgeted for due to the high level of unspent grants.
Call investment deposits	-	-	-	
Consumer debtors	5 272 295	2 400 560	2 871 735	The consumers debtors are higher due to the Pre-Paid monies due from the service provider as well as a portion for the 14th cheque. A further contributing factor is the poor collection levels.
Other Receivables	1 162 925	-	1 162 925	We did not budget for other receivables such as unpaid grants and material amounts for Taxes to be due at year end.
Current portion of long-term receivables	-	-	-	
Inventory	788 131	30 000	758 131	We did not use all the inventory as budgeted also resulted in a lower percentage spending on maintenance for the year.
Total current assets	20 616 263	8 441 439	12 174 824	
Non current assets				
Long-term receivables	-	-	-	
Investment property	1 886 449	29 013 184	(27 126 735)	Not material
Property, plant and equipment	76 169 269	96 598 690	(20 429 421)	We did not budget to have unspent grants resulting in projects not being done, therefore the actual asset value is lower.
Intangible Assets	92 047	290 400	(198 353)	The material difference is due to amortisation for the year not taken into account during the budget.
Total non current assets	78 147 765	125 902 274	(47 754 509)	
TOTAL ASSETS	98 764 028	134 343 713	(35 579 685)	
LIABILITIES				
Current liabilities				
Borrowing	11 325	-	11 325	The borrowing part was budgeted only under non current whereas the finance lease will have an effect on the next 12 months, not taken into account in the budget.
Consumer deposits	101 101	100 236	865	Not material
Trade and other payables	15 122 260	3 284 863	11 837 398	The budgeted figures does not inlcude the unspent portion of the grants. Also due to increase in debtors, the VAT output also increased included in the actual figures.
Provisions and Employee Benefits	935 199	-	935 199	The actual figure is lower due to the fact that we anticipated a higher contribution and expenditure for the year.
Total current liabilities	16 169 885	3 385 099	12 784 787	
Non current liabilities				
Borrowing	-	-	-	Refer to comment under Current liabilities.
Provisions and Employee Benefits	6 602 442	5 314 151	1 288 291	The provision for the 203/14 is more thatn what was anticiapted.
Total non current liabilities	6 602 442	5 314 151	1 288 291	
TOTAL LIABILITIES	22 772 328	8 699 250	14 073 078	
NET ASSETS	75 991 701	125 644 463	(49 652 762)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	75 991 699	124 042 653	(48 050 954)	
Reserves	-	1 750 000	(1 750 000)	
TOTAL COMMUNITY WEALTH/EQUITY	75 991 699	125 792 653	(49 800 954)	

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Buget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	6 010 879	-	6 010 879	n/a
Consumer debtors	2 400 560	-	2 400 560	n/a
Other Receivables	-	-	-	n/a
Inventory	30 000	-	30 000	n/a
Total current assets	8 441 439	-	8 441 439	
Non current assets				
Long-term receivables	-	-	-	n/a
Investments	-	-	-	n/a
Investment property	29 013 184	-	29 013 184	n/a
Property, plant and equipment	96 598 690	-	96 598 690	n/a
Biological Assets	148 190	-	148 190	n/a
Intangible Assets	290 400	-	290 400	n/a
Heritage Assets	-	-	-	n/a
Total non current assets	126 050 463	-	126 050 463	
TOTAL ASSETS	134 491 903	-	134 491 903	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	n/a
Borrowing	-	-	-	n/a
Consumer deposits	100 236	-	100 236	n/a
Trade and other payables	3 284 863	-	3 284 863	n/a
Provisions and Employee Benefits	-	-	-	n/a
Total current liabilities	3 385 099	-	3 385 099	
Non current liabilities				
Borrowing	-	-	-	n/a
Provisions and Employee Benefits	5 314 151	-	5 314 151	n/a
Total non current liabilities	5 314 151	-	5 314 151	
TOTAL LIABILITIES	8 699 250	-	8 699 250	
NET ASSETS	125 792 653	-	125 792 653	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	124 042 653	-	124 042 653	n/a
Reserves	1 750 000	-	1 750 000	n/a
TOTAL COMMUNITY WEALTH/EQUITY	125 792 653	-	125 792 653	

Variances of 10% and less are not regarded as material

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	1 661 846	1 733 562	(71 716)	Immaterial
Service charges	19 062 931	15 573 500	3 489 431	Due to higher tariffs on water and higher consumption.
Rental of facilities and equipment	122 271	71 000	51 271	More monies were received during the year due to the election from the IEC for rental of facilities during registration and voting period.
Interest earned - external investments	643 723	470 000	173 723	We managed to generate more interest than initially anticipated. Our cash available are decreasing and therefore a lower interest income was expected.
Interest earned - outstanding debtors	2 028 899	1 410 000	618 899	Due to the high unpaid rate the interest also increased more than anticipated.
Dividends received	-	-	-	
Fines	4 402	240 000	(235 598)	Not material amount - Our Traffic department is not ready for operations and therefore we only reflect what department of Justice is paying over to us.
Licences and permits	-	-	-	
Agency services	10 782 371	8 254 703	2 527 667	The monies paid from Chris Hani district Municipality increased due to additional works that needed to be done.
Government Grants and Subsidies - Operating	35 683 862	39 337 042	(3 653 180)	Not material
Other revenue	80 221	90 400	(10 179)	The variance is due to unidentified revenue in previous periods which could not be identfied as at year end.
Gains on disposal of PPE	9 314	-	9 314	Immaterial
Total Operating Revenue	70 079 839	67 180 207	2 899 632	
EXPENDITURE BY TYPE				
Employee related costs	23 421 559	23 554 177	(132 618)	Not material
Remuneration of councillors	2 636 563	2 644 367	(7 804)	Not material
Debt impairment	12 226 267	2 918 000	9 308 267	This is due to the impairment on the Water and Sanitation debtors that will be transferred to the district at 1 July 2014.
Depreciation & asset impairment	7 514 494	6 248 957	1 265 537	Due to change in useful life not taken into account in budget
Finance charges	105 912	60 000	45 912	Due to increase in inflation for cost of landfill sites not taken into account in the budget
Bulk purchases	8 210 913	9 048 760	(837 847)	Lessor electricity were bought during the year under review.
Grants and subsidies paid	3 923 500	4 388 900	(465 400)	We have paid slightly less than budgeted, this will however improof during the coming financial year due to proper implementation of indigent subisidy registratio process.
Other expenditure	22 245 581	26 494 998	(4 249 418)	Not material
Total Operating Expenditure	80 284 789	75 358 159	4 926 630	
Operating Deficit for the year	(10 204 951)	(8 177 952)	(2 026 999)	
Government Grants and Subsidies - Capital	15 439 277	22 263 091	(6 823 814)	A Portion remain unspent at year end due to late implementation of projects resulted in all conditions not being met as at year end, hence the commitments disclosed.
Net Surplus for the year	5 234 326	14 085 139	(8 850 813)	

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Buget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	1 733 562	-	1 733 562	n/a
Property rates - penalties & collection charges	-	-	-	n/a
Service charges	15 573 500	-	15 573 500	n/a
Rental of facilities and equipment	71 000	-	71 000	n/a
Interest earned - external investments	470 000	-	470 000	n/a
Interest earned - outstanding debtors	1 410 000	-	1 410 000	n/a
Dividends received	-	-	-	n/a
Fines	240 000	-	240 000	n/a
Licences and permits	-	-	-	n/a
Agency services	8 254 703	-	8 254 703	n/a
Government Grants and Subsidies - Operating	39 337 042	-	39 337 042	n/a
Other revenue	90 400	-	90 400	n/a
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	67 180 207	-	67 180 207	
EXPENDITURE BY TYPE				
Employee related costs	23 554 177	-	23 554 177	n/a
Remuneration of councillors	2 644 367	-	2 644 367	n/a
Debt impairment	2 918 000	-	2 918 000	n/a
Depreciation & asset impairment	6 248 957	-	6 248 957	n/a
Finance charges	60 000	-	60 000	n/a
Bulk purchases	9 048 760	-	9 048 760	n/a
Other materials	-	-	-	n/a
Contracted services	-	-	-	n/a
Grants and subsidies paid	4 388 900	-	4 388 900	n/a
Other expenditure	26 494 998	-	26 494 998	n/a
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	75 358 159	-	75 358 159	
Operating Surplus/(Deficit) for the year	(8 177 952)	-	(8 177 952)	
Government Grants and Subsidies - Capital	22 263 091	-	22 263 091	n/a
Net Surplus/(Deficit) for the year	14 085 139	-	14 085 139	

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	18 290 345	24 123 139	(5 832 794)	
Government - operating	53 321 190	32 614 359	20 706 831	
Government - capital	-	14 396 850	(14 396 850)	We experienced some major challenges during the budget process to made the figures within the budget realistic as far as the cashflow statement. The cash flow was however done on expectation to hig for the municipaltiy at this stage, though it will not make us to continue striving towards such positive cashflow statement.
Interest	643 723	917 550	(273 828)	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(54 971 931)	(51 326 183)	(3 645 748)	
Finance charges	(105 912)	-	(105 912)	
Transfers and Grants	-	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	17 177 414	20 725 715	(3 548 301)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	9 314	-	9 314	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(14 369 258)	(23 188 344)	8 819 087	The difference is due to us not being able to implement and complete all our projects on time.
NET CASH FROM/(USED) INVESTING ACTIVITIES	-14 359 944	(23 188 344)	8 828 400	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	(38 997)	-	(38 997)	We did not enter into any finance agreement during the year under review.
Increase/(decrease) in consumer deposits	-	2 500	(2 500)	Not material
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-38 997	2 500	-41 497	
NET INCREASE/(DECREASE) IN CASH HELD	2 778 473	(2 460 130)	5 238 603	
Cash and Cash Equivalents at the beginning of the year	10 700 623	8 636 009	2 064 614	
Cash and Cash Equivalents at the end of the year	13 392 912	6 175 879	7 217 033	

TSOLWANA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	24 123 139	-	24 123 139	n/a
Government - operating	32 614 359	-	32 614 359	n/a
Government - capital	14 396 850	-	14 396 850	n/a
Interest	917 550	-	917 550	n/a
Dividends	-	-	-	n/a
Payments				n/a
Suppliers and Employees	(51 326 183)	-	(51 326 183)	n/a
Finance charges	-	-	-	n/a
Transfers and Grants	-	-	-	n/a
NET CASH FROM/(USED) OPERATING ACTIVITIES	20 725 715	-	20 725 715	
				n/a
CASH FLOWS FROM INVESTING ACTIVITIES				n/a
				n/a
Receipts				n/a
Proceeds on disposal of Assets	-	-	-	n/a
Decrease/(increase) in non-current receivables	-	-	-	n/a
Decrease/(increase) in non-current investments	-	-	-	n/a
Payments				n/a
Capital assets	(23 188 344)	-	(23 188 344)	n/a
NET CASH FROM/(USED) INVESTING ACTIVITIES	(23 188 344)	-	(23 188 344)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	n/a
Increase/(decrease) in consumer deposits	2 500	-	2 500	n/a
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	2 500	-	2 500	n/a
NET INCREASE/(DECREASE) IN CASH HELD	(2 460 130)	-	(2 460 130)	
Cash and Cash Equivalents at the beginning of the year	8 636 009	-	8 636 009	n/a
Cash and Cash Equivalents at the end of the year	6 175 879	-	6 175 879	n/a

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet:

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.7. CONSOLIDATED FINANCIAL STATEMENTS

The Economic Entity's financial statements incorporate the financial statements of the parent entity, *Tsolwana Municipality*, and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

Tsolwana Municipality does not have entities.

1.8. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.9. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements..

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.10. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 **(Revised – Nov 2010**	**Consolidated and Separate Financial Statements** The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	**Unknown**
GRAP 8 **(Revised – Nov 2010)**	**Interest in Joint Ventures** The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Municipality is not involved in any joint ventures.	**Unknown**
GRAP 18 **(Original – Feb 2011)**	**Segment Reporting** The objective of this Standard is to establish	**1 April 2015**

	principles for reporting financial information by segments. No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.	
GRAP 20 **(Original – June 2011)**	**Related Party Disclosure** The objective of this Standard is to ensure that a Municipality's financial statements contains 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 resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	**Unknown**
GRAP 32 **(Original – Aug 2013)**	**Service Concession Arrangements: Grantor** The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment. or No such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 105 **(Original – Nov 2010)**	**Transfer 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. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**1 April 2015**
GRAP 106 **(Original – Nov 2010)**	**Transfer 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	**1 April 2015**

	control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	
GRAP 107 **(Original – Nov 2010)**	**Mergers** The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**1 April 2015**
GRAP 108 **(Original – Sept 2013)**	**Statutory Receivables** The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	**Unknown**
IGRAP 11	**Consolidation - Special Purpose Entities (SPE)** The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE. No significant impact is expected as the Municipality does not have any SPE's at this stage.	**Unknown**
IGRAP 12	**Jointly Controlled Entities non-monetary contributions** The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	**Unknown**

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.11. RESERVES

1.11.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.11.2 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Tsolwana Municipality does not have an Employee Benefits Reserve.

1.11.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from accumulated surplus to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment are offset by transfers from this Reserve to the accumulated surplus.

1.11.4 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.11.5 Non-Current Provisions Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions

1.11.6 Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions, a transfer is made from accumulated surplus to the Public Contributions Reserve equal to the Public Contribution recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Public Contributions Reserve to accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment are offset by transfers from this Reserve to the accumulated surplus.

1.11.7 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance. .

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.11.8 Valuation Roll Reserve

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation.

1.12. LEASES

1.12.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.12.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.13. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.14. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.15. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality’s interest, it is recognised as interest earned in the Statement of Financial Performance.

1.16. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market’s current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality 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.

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

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.17. EMPLOYEE BENEFITS

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.

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

1.17.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at 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 requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

1.17.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

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

1.17.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.17.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.17.5 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.17.6 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. 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. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.17.7 Other Short-term Employee Benefits

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.

1.18. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.19. PROPERTY, PLANT AND EQUIPMENT

1.19.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if 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. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

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

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 assets acquired is initially measured at fair value (the cost). It the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.19.2 Subsequent Measurement – Cost Model

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.19.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.19.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		*Years*
Infrastructure		**Other**	
Roads and Paving	6 - 28	Buildings	100
Stormwater	7 – 44	Specialist vehicles	6 – 10
Electricity	6 – 50	Other vehicles	5-15
		Office equipment	3 – 20
		Furniture and fittings	5-15
		Plant and Equipment	5 – 12
Community		Other plant and Furniture and fittings	5 - 15
Buildings	100	Landfill sites	9
Recreational Grounds	100	Computer equipment	3-15
Civic Buildings	100		

Finance lease assets	
Office equipment	5
Other assets	5

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.19.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

1.20. INTANGIBLE ASSETS

1.20.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- 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 asset or liability, regardless of whether the Municipality intends to do so; or

- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

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

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.20.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.20.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**
Computer Software	4
Computer Software Licenses	4

1.20.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.20.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

1.21. INVESTMENT PROPERTY

1.21.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.21.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.21.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

1.21.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment Property	**Years**
Buildings	100

1.21.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.21.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010

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1.22 HERITAGE ASSETS

1.22.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.22.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.22.2 Subsequent Measurement – Revaluation Model

After recognition as an asset, heritage assets are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in the Statement of Financial Performance.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Statement of Financial Performance. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.22.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.22.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.22.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.23 BIOLOGICAL ASSETS

1.23.1 Initial Recognition

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

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

Biological assets are initially measured at their fair value less cost to sell.

1.23.2 Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable/bearer biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

1.25. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.25.1 Cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset’s recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.25.2 Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information
- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an 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.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.26. INVENTORIES

1.26.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

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

1.26.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

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

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.27. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.27.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.27.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.27.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.27.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.27.2.3 *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.27.2.4 *Non-Current Investments*

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

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

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

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.27.3 De-recognition of Financial Instruments

1.27.3.1 *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.27.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.27.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.28. REVENUE

1.28.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

1.28.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per CHDM approval.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

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

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.29 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality’s objectives, either by providing economic benefits or service potential.

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

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, asset or liability; or

- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

(a) identifying the acquirer (Municipality);
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.30. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

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.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.

- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality 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 Municipality or an entity related to the Municipality. 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).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or
(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

(a) all members of the governing body of the Municipality;
(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
(d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

(a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.

(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.31. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.33. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.34. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is 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. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.35. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.35.1 Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.35.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.35.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.35.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.35.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.

- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.35.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.35.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.35.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.35.9 Provision for Accrued Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.35.10 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.35.11 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

1.35.12 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.36. TAXES – VALUE ADDED TAX

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

1.37. CAPITAL COMMITMENTS

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

1.38. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.39. TAXATION

1.39.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.36.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.36.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.37 CONTIGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is 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. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A Contingent assets usually arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Management judgement is required when recognising and measuring contingent liabilities and assets.

		2014 R	2013 R
2	**LONG-TERM LIABILITIES**		
	Capitalised Lease Liability - At amortised cost	11 325	61 646
		11 325	**61 646**
	Current Portion transferred to Current Liabilities	**11 325**	**50 321**
	Capitalised Lease Liability - At amortised cost	11 325	50 321
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	**-**	**11 325**

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	12 360	54 865
Payable within two to five years	-	12 360
Payable after five years	-	-
	12 360	67 225
Less: Future finance obligations	(1 035)	(5 579)
Present value of lease obligations	**11 325**	**61 646**

Leases are secured by property, plant and equipment - Note 10

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Interest	Lease Term	Maturity Date
Fintech	Photo copy machine - 001-844535-1-15	Prime	5yrs	31/12/2014
Fintech - Expired	Photo copy machine - 001795340-1-15	Prime	5yrs	31/01/2014
Fintech - Expired	Photo copy machine - 001795340-2-15	Prime	5yrs	31/01/2014

It should be noted that two of the contracts expired in December 2013/January 2014 and the municipality opt to continue on a month to month basis until a new contract has been signed with a successful bidder.

		2014 R	2013 R
3	**EMPLOYEE BENEFITS**		
	Post Retirement Benefits - Refer to Note 4.1	4 927 239	3 587 309
	Long Service Awards - Refer to Note 4.2	413 288	307 184
	Total Non-current Employee Benefit Liabilities	**5 340 527**	**3 894 493**

	2014 R	2013 R
Post Retirement Benefits		
Balance 1 July	3 698 657	3 340 644
Contribution for the year	280 134	228 507
Interest Cost	329 454	263 749
Expenditure for the year	(111 348)	(94 944)
Actuarial Loss/(Gain)	844 234	(39 299)
Total post retirement benefits 30 June	**5 041 131**	**3 698 657**
Less: Transfer of Current Portion - Note 6	(113 892)	(111 348)
Balance 30 June	**4 927 239**	**3 587 309**
Long Service Awards		
Balance 1 July	394 219	291 881
Contribution for the year	63 412	49 079
Interest Cost	24 036	17 544
Expenditure for the year	(35 439)	(5 872)
Actuarial Loss/(Gain)	23 088	41 586
Total long service 30 June	**469 316**	**394 219**
Less: Transfer of Current Portion - Note 6	(56 028)	(87 035)
Balance 30 June	**413 288**	**307 184**
TOTAL NON-CURRENT EMPOLYEE BENEFITS		
Balance 1 July	4 092 876	3 632 525
Contribution for the year	343 546	277 586
Interest cost	353 490	281 293
Expenditure for the year	(146 787)	(100 816)
Actuarial Loss/(Gain)	867 322	2 287
Total employee benefits 30 June	**5 510 447**	**4 092 876**
Less: Transfer of Current Portion - Note 6	(169 920)	(198 383)
Balance 30 June	**5 340 527**	**3 894 493**

3 EMPLOYEE BENEFITS (CONTINUE)

3.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2014	2013
In-service (employee) members	43	29
In-service (employee) non-members	78	79
Continuation members (e.g. Retirees, widows, orphans)	3	4
Total Members	**124**	**112**

The liability in respect of past service has been estimated to be as follows:

	2014	2013
In-service members	3 794 456	2 416 098
Continuation members	1 246 675	1 282 559
Total Liability	**5 041 131**	**3 698 657**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 R	2011 R	2010 R	2009 R
Total Liability	3 340 646	**2 698 186**	**2 229 443**	**1 011 116**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health; and
Samwumed

Key actuarial assumptions used:	2014 %	2013 %
i) Rate of interest		
Discount rate	9.20%	9.04%
Health Care Cost Inflation Rate	8.39%	7.96%
Net Effective Discount Rate	0.08%	1.00%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	4 927 239	3 587 309
Total Liability	**4 927 239**	**3 587 309**

The fund is wholly unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	3 698 657	3 340 644
Total expenses	498 240	397 312
Current service cost	280 134	228 507
Interest Cost	329 454	263 749
Benefits Paid	(111 348)	(94 944)
Actuarial (gains)	844 234	(39 299)
Present value of fund obligation at the end of the year	5 041 131	3 698 657
Less: Transfer of Current Portion - Note 6	(113 892)	(111 348)
Balance 30 June	**4 927 239**	**3 587 309**

Sensitivity Analysis on the Accrued Liability

Assumption	**In-service members liability (Rm)**	**Continuation members liability (Rm)**	**Total liability (Rm)**
Central Assumptions	2.416	1.283	3.699

The effect of movements in the assumptions are as follows:

Assumption	**Change**	**In-service members liability (Rm)**	**Continuation members liability (Rm)**	**Total liability (Rm)**	**% change**
Central Assumptions		3.794	1.247	5.041	
Health care inflation	1%	4.647	1.346	5.993	19%
Health care inflation	-1%	3.129	1.157	4.286	-15%
Discount	1%	3.138	1.159	4.297	-15%
Discount	-1%	4.649	1.346	5.995	19%
Post-Retirement mortality	-1 year	3.927	1.306	5.233	4%
Average retirement age	-1 year	4.156	1.247	5.403	7%
Continuation of membershop at retii	-10%	2.900	1.247	4.147	-18%

Assumption	**Change**	**Current-service Cost (R)**	**Interest Cost (R)**	**Total (R)**	**% change**
Central Assumption		280 100	329 500	609 600	
Health care inflation	1%	356 700	386 700	743 400	22%
Health care inflation	-1%	222 000	283 600	505 600	-17%
Post-retirement mortality	-1 year	289 500	342 100	631 600	4%
Average retirement age	-1 year	318 500	347 000	665 500	9%
Withdrawal Rate	-50%	349 900	358 400	708 300	16%

	2014	**2013**

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.	121	107

Key actuarial assumptions used:	%	%
i) Rate of interest		
Discount rate	7.70%	6.84%
General Salary Inflation (long-term)	6.96%	6.62%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.69%	0.21%

The amounts recognised in the Statement of Financial Position are as follows:	R	R
Present value of fund obligations	413 288	307 184
Net liability	**413 288**	**307 184**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 R	2011 R	2010 R	2009 R
Total Liability	277 355	**243 263**	**201 273**	**167 136**

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	394 219	291 881
Total expenses	52 009	60 751
Current service cost	63 412	49 079
Interest Cost	24 036	17 544
Benefits Paid	(35 439)	(5 872)
Actuarial (gains)/losses	23 088	41 586
Present value of fund obligation at the end of the year	469 316	394 219
Less: Transfer of Current Portion - Note 6	(56 028)	(87 035)
Balance 30 June	**413 288**	**307 184**

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	**Change**	**Liability (Rm)**	**% change**
Central assumptions		0.469	
General salary inflation	1%	0.494	5%
General salary inflation	-1%	0.447	-5%
Discount rate	1%	0.445	-5%
Discount rate	-1%	0.496	6%
Average retirement age	-2 yrs	0.443	-6%
Average retirement age	2 yrs	0.500	7%
Withdrawal rates	-50%	0.562	20%

Assumption	**Change**	**Current-service Cost (R)**	**Interest Cost (R)**	**Total (R)**	**% change**
Central assumptions		63 400	24 000	87 400	
General salary inflation	1%	67 700	25 300	93 000	6%
General salary inflation	-1%	59 500	22 800	82 300	-6%
Average retirement age	-1 year	60 300	22 900	83 200	-5%
Average retirement age	-1 year	67 200	25 900	93 100	7%
Withdrawal rates	-50%	83 600	28 900	112 500	29%

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	2014 R	2013 R
CAPE RETIREMENT FUND		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1% (30 June 2012 - 108.0%).		
Contributions paid recognised in the Statement of Financial Performance	1 130 026	956 545
CAPE JOINT PENSION FUND		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in an sound financial position with a funding level of 99.70% (30 June 2021 - 99.40%).		
Contributions paid recognised in the Statement of Financial Performance	197 717	154 945
DEFINED CONTRIBUTION FUNDS		
Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
SALA Pension Fund	1 552 848	1 406 190
	2 880 592	2 517 680

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	1 261 915	1 181 459
Total Non-current Employee Benefit Liabilities	**1 261 915**	**1 181 459**
Landfill Sites - Tarkastad		
Balance 1 July	645 810	613 434
Restated Balance 1 July	645 810	613 434
Additions	43 980	32 376
Total provision 30 June	**689 790**	**645 810**
Landfill Sites - Hofmeyr		
Balance 1 July	535 649	509 367
Restated Balance 1 July	535 649	509 367
Additions	36 477	26 282
Total provision 30 June	**572 126**	**535 649**

It is expected that outflows of economic benefits in respect of the provision for rehabilitation of landfill sites will not occur beyond the 3-Year Medium Term Revenue and Expenditure Framework period. No portion will be transferred to the current portion because the municipality did not budget to incur these expenditures.

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

Landfill Sites

	Tarkastad	Hofmeyr
Area (m²)	11 682	5 131
Cost of Storm water Cut off drain (R60/m)	60	60
P&G (15%)	51 902	38 217
Closure report and closure design (indirect)	228 000	228 000
Stormwater: form Diversion Bems	81 533	23 475
Stormwater: Concrete pipe culverts and h	57 000	57 000
Install Monitoring Borehole	114 000	114 000
Re-vegetation	11 400	11 400
Scarify Roads	41 040	24 453
Construct whaleback structures on cells	41 040	24 453
Contingencies	19 895	14 650

5 CONSUMER DEPOSITS

Water and Electricity	101 101	100 759
Total Consumer Deposits	**101 101**	**100 759**
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

6 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 3	113 892	111 348
Current Portion of Long-Service Provisions - Note 3	56 028	87 035
Staff Bonuses	765 279	741 646
Total Current Employee Benefits	**935 199**	**940 029**

The movement in current employee benefits are reconciled as follows:

Staff Bonuses

Balance at beginning of year	741 646	508 571
Contribution to current portion	1 428 568	978 252
Expenditure incurred	(1 404 934)	(745 176)
Balance at end of year	**765 280**	**741 646**

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement. A 5% was included for section 57 Managers on their annual packages for possible performance contracts.

7 PAYABLES FROM EXCHANGE TRANSACTIONS

	2014 R	2013 R
Trade Payables	319 938	1 550 375
Sundry Creditors	20 771	20 850
Retentions and Sureties	882 392	431 084
Payments received in advance	209 409	121 086
Leave payable	1 929 488	1 256 329
Unknown Receipts	116 360	41 703
E-Natis Creditors	356	65 341
Total Trade Payables	**3 478 714**	**3 486 768**

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	8 805 241	8 040 369
National Government Grants	4 733 569	5 404 208
Provincial Government Grants	999 680	1 078 086
District Municipality	2 886 242	1 148 458
Other Grant Providers	185 750	409 616
Less: Unpaid Grants	247 352	917 651
Provincial Government Grants	247 352	917 651
Correction on Opening balance of 2012/13		(343 877)
Total Conditional Grants and Receipts	**8 557 888**	**6 778 840**

Correction of error: Correction to opening balance due to monies not previously recognised in revenue. The monies received did not met the definition of a grant and were therefore restated and recognised in revenue.
See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. An amount of R418 000 m was deducted from Equitable share that relates to the unspent portion of 2011/2012 that was incorrectly approved by National Treausury.

Unspent grants can be attributed to projects that are work in progress on the relevant financial year-ends.

9 TAXES

9.1 VAT PAYABLE

VAT Payable	-	-
VAT output in suspense	2 838 176	1 590 477
Total Vat payable	2 838 176	1 590 477

9.2 VAT RECEIVABLE

VAT Receivable	839 093	1 511 454
VAT input in suspense	76 480	177 832
Total VAT receivable	915 573	1 689 285

9.3 NET VAT RECEIVABLE/(PAYABLE)

NET VAT RECEIVABLE/(PAYABLE)	(1 922 604)	98 808

VAT is receivable/payable on the cash basis.

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value	Cost				Accumulated Depreciation				Carrying Value		
	Opening Balance	Additions	Disposals/Writ	Closing Balance	Opening Balance	Depreciation Charge	Disposals/Wr	Closing Balance	Opening Balance	Additions	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	**4 709 198**	**-**	**-**	**4 709 198**	**1 485**	**490**	**-**	**1 975**	**4 707 714**	**(490)**	**4 707 224**
Land	4 660 200	-		4 660 200	-		-	-	**4 660 200**	**-**	4 660 200
Buildings	48 998	-		48 998	1 485	490	-	1 975	**47 514**	**(490)**	47 024
Infrastructure	**54 846 304**	**6 226 248**	**-**	**61 072 552**	**24 326 929**	**6 658 607**	**-**	**30 985 536**	**30 519 376**	**(432 359)**	**30 087 017**
Electricity	20 196 176	192 307		20 388 483	2 019 751	395 094	-	2 414 845	**18 176 425**	**(202 787)**	17 973 638
Roads, Pavements, Bridges & Storm Water	34 650 128	6 033 941		40 684 069	22 307 178	6 263 513	-	28 570 691	**12 342 951**	**(229 572)**	12 113 379
Lease Assets	**244 204**	**-**	**-**	**244 204**	**205 481**	**31 548**	**-**	**237 029**	**38 724**	**(31 548)**	**7 176**
Office Equipment	244 204			244 204	205 481	31 548	-	237 029	**38 724**	**(31 548)**	7 176
Community Assets	**33 492 553**	**7 497 964**	**-**	**40 990 517**	1 332 178	**343 369**	**-**	**1 675 547**	**32 160 375**	**7 154 595**	**39 314 970**
Cemeteries	-			-	-		-	-	**-**	**-**	-
Civic Building	15 219 663	6 816 323		22 035 986	941 482	176 010	-	1 117 492	**14 278 181**	**6 640 313**	20 918 494
Community Halls	8 723 660	144 442		8 868 102	181 754	80 269	-	262 023	**8 541 906**	**64 173**	8 606 079
Recreational Grounds	9 549 230	537 199		10 086 429	208 942	87 090	-	296 032	**9 340 288**	**450 109**	9 790 397
Other Assets	**4 198 647**	**645 046**	**(109 805)**	**4 733 888**	**2 380 232**	**404 819**	**(104 046)**	**2 681 004**	**1 818 415**	**240 227**	**2 052 883**
Landfill sites	565 238	-		565 238	376 997	62 804		439 802	**188 241**	**(62 804)**	125 437
Furniture & Fittings	56 645	86 842	(10 238)	133 250	38 240	3 642	(10 027)	31 856	**18 405**	**83 200**	101 394
Motor Vehicles	856 298	360 603	(30 000)	1 186 900	268 990	86 257	(30 000)	325 248	**587 307**	**274 345**	861 653
Office Equipment	599 111	5 068	(14 161)	590 018	320 803	64 753	(11 011)	374 545	**278 308**	**(59 685)**	215 473
Computer Equipment	603 222	192 533	(26 306)	769 448	299 270	100 721	(23 908)	376 083	**303 952**	**91 812**	393 366
Plant and Machinery	1 518 133		(29 100)	1 489 033	1 075 931	86 641	(29 100)	1 133 472	**442 203**	**(86 641)**	355 561
	97 490 907	**14 369 258**	**(109 805)**	**111 750 359**	**28 246 304**	**7 438 833**	**(104 046)**	**35 581 091**	**69 244 603**	**6 930 425**	**76 169 269**

30 JUNE 2013

Reconciliation of Carrying Value	Cost				Accumulated Depreciation				Carrying Value		
	Opening Balance	Additions	Disposals/Writ	Closing Balance	Opening Balance	Depreciation Charge	Disposals/Wr	Closing Balance	Opening Balance	Additions	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	**4 709 198**	**-**	**-**	**4 709 198**	**995**	**490**	**-**	**1 485**	**4 708 204**	**(490)**	**4 707 714**
Land	4 660 200			4 660 200	-		-	-	**4 660 200**	**-**	4 660 200
Buildings	48 998			48 998	995	490	-	1 485	**48 004**	**(490)**	47 514
Infrastructure	**52 337 883**	**2 508 421**	**-**	**54 846 304**	**22 043 987**	**2 282 942**	**-**	**24 326 929**	**30 293 896**	**225 479**	**30 519 376**
Electricity	18 468 097	1 728 079		20 196 176	1 607 667	412 084	-	2 019 751	**16 860 430**	**1 315 995**	18 176 425
Roads, Pavements, Bridges & Storm Water	33 869 786	780 342		34 650 128	20 436 320	1 870 858	-	22 307 178	**13 433 466**	**(1 090 516)**	12 342 951
Lease Assets	**244 204**	**-**	**-**	**244 204**	**156 640**	**48 841**	**-**	**205 481**	**87 564**	**(48 841)**	**38 724**
Office Equipment	244 204			244 204	156 640	48 841	-	205 481	**87 564**	**(48 841)**	38 724
Community Assets	**26 357 194**	**7 135 359**	**-**	**33 492 553**	1 037 586	**294 592**	**-**	**1 332 178**	**25 319 608**	**6 840 767**	**32 160 375**
Cemeteries	-			-	-		-	-	**-**	**-**	-
Civic Building	13 225 612	1 994 051		15 219 663	765 410	176 072	-	941 482	**12 460 202**	**1 817 979**	14 278 181
Community Halls	5 114 099	3 609 561		8 723 660	143 409	38 345	-	181 754	**4 970 690**	**3 571 216**	8 541 906
Recreational Grounds	8 017 483	1 531 747		9 549 230	128 767	80 175	-	208 942	**7 888 716**	**1 451 572**	9 340 288
Other Assets	**3 826 490**	**372 157**	**-**	**4 198 647**	**1 887 159**	**493 073**	**-**	**2 380 232**	**1 939 331**	**(120 916)**	**1 818 415**
Landfill sites	565 238			565 238	314 193	62 804		376 997	**251 045**	**(62 804)**	188 241
Furniture & Fittings	56 645			56 645	31 606	6 635	-	38 240	**25 039**	**(6 635)**	18 405
Motor Vehicles	832 595	23 702		856 298	197 353	71 637	-	268 990	**635 242**	**(47 935)**	587 307
Office Equipment	535 621	63 490		599 111	255 603	65 200		320 803	**280 018**	**(1 711)**	278 308
Computer Equipment	520 789	82 433		603 222	206 045	93 225	-	299 270	**314 744**	**(10 792)**	303 952
Plant and Machinery	1 315 601	202 532		1 518 133	882 359	193 571	-	1 075 931	**433 242**	**8 960**	442 203
	87 474 970	**10 015 937**	**-**	**97 490 907**	**25 126 366**	**3 119 937**	**-**	**28 246 304**	**62 348 604**	**6 895 999**	**69 244 603**

Assets with a cost of R109 805 and a Carrying value of R5 759 has been written off due to the fact that they are no longer in a working condition. Council approved of it on the 29th of August 2013. These assets are included in the balances above.

Road assets with a carrying value of R0 at 30 June 2013 were re-assed. The lifespan has been expanded with 2 years while we are in process of re-surficing the roads. The impact is as follows:

Depreciation prior to change in accounting estimate:	4 351 747
Depreciation for 2012/13 after re-assessment:	1 870 858
Effect of Change in accounting estimate.	2 480 889

Department of Human Settlement are busy re-surficing internal roads on our behalf. These projects were not finalised at year end and were only completed subsequent to 30 June 2014. The budgeted amounts for these roads are as follow:

	Budgeted amount
Tarkastad (Middle Income)	1 300 000
Mitford	9 600 000
Baccles Farm Rocklands	7 500 000
Khwezi Village	5 200 000
Springrive Thembalethu	3 700 000
Tendgergate/Khayalethu	8 600 000
Hofmeyr	7 900 000
Tarkastad other	10 500 000
	54 300 000

Change in useful life has been done on Infrastructure assets due to the fact that the assets are all still in working condition and there is no immediate plans to replace these assets.

The leased property, plant and equipment and the buildings are secured as set out in note 2.

Tsolwanay Municipality did an assessment of useful lifes and depreciation method as at 30 June 2014 since the previous review was done on 30 June 2011. No impairment was identify nor was any changes in method of depreciation identified other thatn those mentioned above. The material factors could be identified other than those that excisted as at 30 June 2011 when the initial review took place. The same factors were still applicable and therefore no changes.

A fixed asset register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

10 Assets pledged as security:

No assets are pledged as security.

Third party payments received for losses incurred:

Tsolwana municipality did not receive any third party payments for any losses on assets for the period under review.

Impairment of property plant and equipment for the year

We have assessed the following classes of assets for impairments, however no impairments were identified other than those items to be disposed of.

Land and Buildings
Infrastructure
Community Assets
Lease Assets
Other movable assets.

11 INVESTMENT PROPERTY

	2014 R	2013 R
Net Carrying amount at 1 July	**1 906 734**	**1 927 019**
Cost	2 028 500	28 878 900
Correction of error on Cost - RDP houses not to be capitalised		(26 850 400)
Under Construction		
Accumulated Depreciation	(121 766)	(1 444 736)
Correction of error on accumulated depreciation - RDP houses not to be capitalised		1 343 255
Accumulated Impairment	-	-
Depreciation for the year	(20 285)	(20 285)
Net Carrying amount at 30 June	**1 886 449**	**1 906 734**
Cost	2 028 500	2 028 500
Accumulated Depreciation	(142 051)	(121 766)
Accumulated Impairment	-	-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property	27 018	14 467

12 INTANGIBLE ASSETS

Computer Software

	2014 R	2013 R
Net Carrying amount at 1 July	**54 099**	**100 558**
Cost	226 685	218 445
Accumulated Amortisation	(172 586)	(117 887)
Additions	87 564	8 240
Amortisation	(49 617)	(54 699)
Net Carrying amount at 30 June	**92 047**	**54 099**
Cost	314 250	226 685
Accumulated Amortisation	(222 203)	(172 586)

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

13 INVENTORY

	2014 R	2013 R
Assets held for sale	264 000	264 000
Electrical stock	99 643	236 083
Other Water department inventory	424 489	335 099
Total Inventory	**788 131**	**835 182**
Water inventory (Reservoirs)	26 217	6 064
Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
Consumable stores materials surplusses identified during the annual stores counts.	-	-
Inventory recognised as an expense during the year	**425 896**	**286 280**

No inventory assets were pledged as security for liabilities.

14 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2014 R	2013 R
Electricity	6 336 428	4 461 780
Pre-paid Electricity - Conlog	903 038	295 448
Water	10 311 921	2 747 403
Refuse	4 534 379	3 412 280
Sewerage	6 415 848	5 183 520
Other	50 942	96 144
CHDM Service Authority	52 718	1 230 336
Total Receivables from Exchange Transactions	**28 605 275**	**17 426 911**
Less: Allowance for Doubtful Debts	(25 694 067)	(14 302 639)
Total Net Receivables from Exchange Transactions	**2 911 208**	**3 124 272**

Correction of error: Monies due from Conlog to the municipality for May 2013 and June 2013 for pre-paid electricity were not recognised and the money was received in 2013/14. The debtor now recognised.

Consumer debtors are are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Ageing of Receivables from Exchange Transactions:

	2014 R	2013 R
(Electricity): Ageing		
Current (0 - 30 days)	657 259	370 692
31 - 60 Days	262 779	211 354
61 - 90 Days	158 279	163 908
+ 90 Days	5 258 111	3 715 825
Total	**6 336 428**	**4 461 780**
(Water): Ageing		
Current (0 - 30 days)	1 877 871	85 115
31 - 60 Days	937 114	83 847
61 - 90 Days	502 068	78 804
+ 90 Days	6 994 868	2 499 637
Total	**10 311 921**	**2 747 403**
(Refuse): Ageing		
Current (0 - 30 days)	119 810	72 806
31 - 60 Days	107 813	58 103
61 - 90 Days	103 815	54 071
+ 90 Days	4 202 828	3 227 300
Total	**4 534 266**	**3 412 280**

(Sewerage): Ageing	2014 R	2013 R
Current (0 - 30 days)	137 626	110 858
31 - 60 Days	122 912	89 428
61 - 90 Days	119 403	82 402
+ 90 Days	6 035 907	4 900 832
Total	**6 415 848**	**5 183 520**

(Other): Ageing

Current (0 - 30 days)	2 730	2 741
31 - 60 Days	2 730	2 730
61 - 90 Days	2 730	2 730
+ 90 Days	92 868	85 770
Total	**101 058**	**93 971**

(Total): Ageing

Current (0 - 30 days)	2 795 296	642 212
31 - 60 Days	1 433 348	445 462
61 - 90 Days	886 295	381 916
+ 90 Days	22 584 582	14 429 365
Total	**27 699 522**	**15 898 955**

Receivables from exchange and non-exchange per classifaction:

	Government	Business	Households
Current (0 - 30 days)	49 122	22 446	2 539 051
31 - 60 Days	60 667	35 841	1 341 882
61 - 90 Days	9 599	18 588	901 443
+ 90 Days	838 709	1 923 717	25 583 313
	958 097	2 000 592	30 365 689

Reconciliation of Provision for Bad Debts

Balance at beginning of year	14 302 639	12 410 993
Contribution to provision	11 391 428	2 776 532
Bad Debts Written Off	-	(884 886)
Balance at end of year	**25 694 067**	**14 302 639**

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Electricity	4 487 560	3 882 732
Water	10 311 905	2 464 371
Refuse	4 461 347	3 313 890
Sewerage	6 415 769	4 626 024
Other	17 486	15 622
	25 694 067	**14 302 639**

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2014 R	2013 R
Rates	5 833 754	4 594 314
Correction on opening balance of rates		(47 591)
Other Receivables	1 665 633	980 404
Employee related debtors	142 752	222 614
14th Cheque payment irregular	767 997	-
Under investigation	478 201	478 201
Fuel Deposits	5 000	5 000
Contractor penalties	187 532	187 532
Fruitless and Wastefull expenditure recoverable	62 875	62 875
Other	21 276	24 181
Total Receivables from Non-Exchange Transactions	**7 499 388**	**5 527 127**
Less: Allowance for Doubtful Debts	(5 138 300)	(4 303 461)
Total Net Receivables from Non-Exchange Transactions	**2 361 087**	**1 223 665**

Rates debtors are are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

A 14th Cheque was paid to employees on demand of employees and approval of council based on the national dispute between Unions and the Bargaining council. The court ruled in the favour of SALGA and the monies paid are therefore due to the municipality.

A fraudelent activity has been identified during the previous year under review. A cheque to the amount of R478 201 was deposited into an unknown companies bank account and it was not captured on the system. The case has been excelated to a higher level, however the monies are not transferred back into the bank account of the municipality.

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

	2014	2013
Current (0 - 30 days)	56 960	44 678
31 - 60 Days	140 475	70 180
61 - 90 Days	93 068	72 718
+ 90 Days	5 543 251	4 406 738
Total	**5 833 754**	**4 594 314**

Reconciliation of Provision for Bad Debts

	2014	2013
Balance at beginning of year	4 303 461	3 477 757
Contribution to provision	834 839	825 704
Balance at end of year	**5 138 300**	**4 303 461**

The entire provision for bad debts relates to the outstanding rates balance.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers.The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

16 OPERATING LEASE ARRANGEMENTS

16.1 The Municipality as Lessor (Asset)

Balance on 1 July	-	1 172
Movement during the year	-	(1 172)
Balance on 30 June	**-**	**-**

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	27 018	14 467
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	**27 018**	**14 467**

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for pervious ranging until 2015.
The municipality does not engage in any sub-lease arrangements.
The municipality did not receive any contingent rent during the year

17 CASH AND CASH EQUIVALENTS

Assets		
Call Investment Deposits	9 550 925	9 073 252
Housing bank account	955 841	1 026 068
Capital Bank Account	461 093	280 471
Primary Bank Accounts	2 424 964	320 743
Cash Floats	90	90
Total Cash and Cash Equivalents - Assets	**13 392 912**	**10 700 623**

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts

First National Bank - Acc no 53850009219	- Housing Bank account	955 841	1 026 068
First National Bank - Acc no 62023697157	- Capital Bank account	461 093	280 471
First National Bank - Acc no 53852257262	- Primary Bank account	2 424 964	320 743
		3 841 897	**1 627 282**

First National Bank - Acc no 53850009219		
Cash book balance at beginning of year	1 026 068	1 374 004
Cash book balance at end of year	955 841	1 026 068
Bank statement balance at beginning of year	1 026 068	1 323 147
Bank statement balance at end of year	955 841	1 026 068
First National Bank - Acc no 62023697157		
Cash book balance at beginning of year	280 471	973 063
Cash book balance at end of year	461 093	280 471
Bank statement balance at beginning of year	1 276 161	973 899
Bank statement balance at end of year	2 375 067	1 276 161
First National Bank - Acc no 53852257262		
Cash book balance at beginning of year	320 743	466 594
Cash book balance at end of year	2 424 964	320 743
Bank statement balance at beginning of year	1 589 651	1 050 757
Bank statement balance at end of year	3 700 590	1 589 651

Call Investment Deposits

Call investment deposits consist out of the following accounts:	2014 R	2013 R
- Acc no 61385739623	2 076 466	2 018 141
- Acc no 62067415127	140 561	137 797
- Acc no 62196097995	6 583 339	5 965 957
- Acc no 62240939100	750 559	951 357
	9 550 925	9 073 252

18 PROPERTY RATES

	2014 R	2013 R
Actual		
Rateable Land and Buildings	2 628 285	2 412 896
Residential, Commercial Property, State	2 628 285	2 412 896
Less: Rebates	(966 439)	(903 139)
Total Assessment Rates	**1 661 846**	**1 509 757**

Rebates of 25% were given to the Farmers and R15 000 to all other Residential households.

Valuations - 1 JULY 2008

Rateable Land and Buildings	
Residential	106 922 500
Residential - Other	21 558 500
RDP Houses	4 185 500
Industrial	22 329 500
Government Properties	20 100 500
Public Benefit	10 122 000
Agricultural	1 053 487 260
Municipal owned Property	7 021 000
Total Assessment Rates	**1 245 726 760**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. A valuer was appointed with effect of 1 July 2013 to assist with the new valuations for implementation 1 July 2014, effective 1 July 2013.

Rates:		
Residential	0.61c/R	0.57c/R
Commercial/Business Properties	1.22c/R	1.14c/R
Public Service Infrastructure	-	-
Public Benefit Organisations	0.15c/R	0.14c/R
Industrial Properties	1.22c/R	1.14c/R
Agricultural Properties used for Agricultual Purposes	1.15c/R	1.14c/R
Agricultural Properties used for commercial/Industrial	0.31c/R	0.29c/R
Agricultural Properties used for Eco- Tourism, Conservation Trading or Hunting of Game	0.31c/R	0.29c/R
Agricultural Properties not used for any purpose/purpose unknown to Municipality	0.61c/R	0.57c/R
State Owned Property	0.15c/R	0.14c/R
Municipal Owned Property	-	-
Vacant Properties	1.22c/R	1.14c/R

Rates are levied annually and monthly. Monthly rates are payable by the end of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

19 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	**27 463 000**	**24 741 419**
Equitable Share	27 463 000	24 741 419
Conditional Grants	**23 661 021**	**19 362 320**
Grants and donations	23 661 021	19 362 320
Total Government Grants and Subsidies	**51 124 021**	**44 103 739**
Government Grants and Subsidies - Capital	15 439 277	13 347 219
Government Grants and Subsidies - Operating	35 684 865	30 756 519
	51 124 142	**44 103 739**

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share

Executive & Council	6 451 208	5 259 542
Budget & Treasury	4 767 472	3 149 574
Corporate Services	3 148 172	4 175 768
Community & Social Services	6 035 557	7 217 082
Technical Services	7 060 591	4 939 481
	27 463 000	**24 741 447**

The municipality does not expect any significant changes to the level of grants.

19.1 Equitable share

Opening balance	-	-
Grants received	27 463 000	24 741 419
Conditions met - Operating	(27 463 000)	(24 741 419)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

19.2 Department of Public Works and Roads

Opening balance	(917 651)	(1 717 830)
Grants received	917 651	3 502 051
Conditions met - Operating	(247 352)	(198 388)
Conditions met - Capital	-	(2 503 484)
Conditions still to be met	(247 352)	(917 651)

Monies transferred through SLA for the design and construction of internal roads.

19.3 Local Government Financial Management Grant (FMG)

Opening balance	-	-
Grants received	1 650 000	1 500 000
Conditions met - Operating	(1 454 276)	(1 500 000)
Conditions met - Capital	(195 724)	-
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

19.4 Municipal Systems Improvement Grant

Opening balance	-	-
Grants received	890 000	800 000
Conditions met - Operating	(890 000)	(800 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

19.5 Municipal Infrastructure Grant (MIG)

Opening balance	5 223 972	3 796 281
Grants received	11 823 000	11 683 000
Conditions met - Operating	(393 827)	(584 150)
Conditions met - Capital	(12 089 432)	(7 890 740)
Monies returned to National Treasury	(284 000)	(1 780 419)
Grant expenditure to be recovered	4 279 714	5 223 972

The grant was used to upgrade infrastructure in previously disadvantaged areas.

19.6 Housing Grants

Opening balance	1 078 086	1 433 995
Grants received	-	-
Conditions met - Operating	(78 406)	(355 909)
Conditions met - Capital	-	-
Grant expenditure to be recovered	999 680	1 078 086

Housing grants was utilised for the development of erven and the erection of top structures.

19.7 Integrated National Electrification Grant

Opening balance	180 236	134 004
Grants received	2 000 000	2 000 000
Conditions met - Operating	-	-
Conditions met - Capital	(1 592 381)	(1 953 768)
Monies returned to National Treasury	(134 000)	-
Conditions still to be met	453 855	180 236

The National Electrification Grant was used for electrical connections in previously

19.8 Other Grants

Opening balance	1 214 197	746 185
Correction on opening balance 1 July 2013		(343 877)
Grants received	8 577 539	4 387 770
Conditions met - Operating	(5 158 003)	(2 576 653)
Conditions met - Capital	(1 561 741)	(999 227)
Conditions still to be met	3 071 992	1 214 197

Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)

19.9 Total Grants

Opening balance	6 778 840	4 392 635
Correction on opening balance 1 July 2013	-	(343 877)
Grants received	53 321 190	48 614 239
Conditions met - Operating	(35 684 744)	(30 756 519)
Conditions met - Capital	(15 439 277)	(13 347 219)
Monies returned to National Treasury	(418 000)	(1 780 419)
Conditions still to be met/(Grant expenditure to be recovered)	**8 558 009**	**6 778 840**

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	8 805 362	7 696 491
Unpaid Conditional Government Grants and Receipts	(247 352)	(917 651)
	8 558 009	**6 778 840**

20 SERVICE CHARGES

Electricity	6 344 171	5 532 521
Correction of error		295 448
Water	7 753 952	800 391
Refuse removal	2 521 660	1 568 672
Sewerage and Sanitation Charges	2 443 147	1 881 525
	19 062 931	10 078 557
Less: Rebates	(3 922 120)	(2 768 274)
Total Service Charges	**15 140 811**	**7 310 283**

Correction of error: An error was detected whereby monies due from Conlog were not recognised in revenue during 2012/13 to the amount of R295 448. The monies were received in the current year and therefore the correction was done between the Electricity Revenue and Debtors due to municipality
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

21 WATER SERVICE AUTHORITY CONTRIBUTION

Chris Hani District Municipality - Water and Sewerage functions	9 499 819	6 489 172
Total finance charges	**9 499 819**	**6 489 172**

22 OTHER INCOME

	2014 R	2013 R
Pound Fees	2 347	6 450
Cemetery Fees	5 651	6 148
Building Plan & Inspection	1 852	482
Work for consumers	8 328	3 561
Sundry Income	62 043	270 599
Total Other Income	**80 221**	**287 240**

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) and fees for items not included under service charges (camping, fire brigade and impounding fees)

23 EMPLOYEE RELATED COSTS

Bonus	1 399 750	978 252
Bargaining Council Levy	9 981	7 699
Contribution to Current Employee Benefits - Staff Leave	745 191	559 237
Contribution to Employee Benefits - Long Service Awards	87 448	66 623
Housing subsidy	31 128	21 696
Medical Aid Contributions	574 142	401 603
Overtime	987 922	538 783
Pension Fund Contributions	2 595 537	2 263 879
Post Employment Health Contribution	498 240	397 312
Salaries and Wages	15 702 504	14 080 920
Standby allowance	53 783	16 145
Travel, motor car, telephone, assistance and other allowances	596 399	620 901
UIF Contributions	139 534	114 951
	23 421 559	20 068 002
Less: Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	**23 421 559**	**20 068 002**

Increases for 2013/14 were inline with the agreed upon increase as per the agreement between SALGA and the respective unions. All permanent employees are paid according to the Task grades set by SALGA except for those employees that were paid above the salary set by SALGA prior to the job evaluation excercise in 2010.

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - Mr SJ Dayi		
Annual Remuneration	683 467	631 674
Performance Bonuses	79 910	-
Car Allowance	156 000	156 184
Telephone allowance	15 600	15 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	144 964	137 271
Total	**1 079 941**	**940 729**

Remuneration of the Director Technical Services - Ms NY Mqoqi		
Annual Remuneration	504 185	569 634
Travelling Allowance	39 600	52 800
Telephone allowance	7 200	10 560
Contributions to UIF, Medical, Pension Funds and Bargaining Council	74 918	118 309
Total	**625 904**	**751 303**

Technical Manager resigned as from 1 April 2014 and the position was vacant as at 30 June 2

Remuneration of the Director Corporate Services - Mr M Siqaza		
Annual Remuneration	640 816	597 884
Performance Bonuses	63 697	-
Travelling Allowance	48 000	48 000
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	94 403	93 766
Total	**856 516**	**749 250**

Remuneration of the Director Financial Services - Ms S du Toit		
Annual Remuneration	721 736	659 378
Performance Bonuses	63 697	-
Car Allowance	63 000	33 000
Telephone allowance	9 600	8 800
Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 961	1 784
Total	**859 993**	**702 962**

Remuneration of the Director Community Services - Mr Z Nxano		
Annual Remuneration	640 816	597 884
Performance Bonuses	63 697	-
Travelling Allowance	48 000	48 000
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	94 403	93 765
Total	**856 516**	**749 249**

24 REMUNERATION OF COUNCILLORS

Councillors allowance	1 847 880	1 485 687
Travel and other allowances	590 965	678 834
Pension Fund Contributions	197 717	154 945
Total Councillors' Remuneration	**2 636 563**	**2 319 466**

In-kind Benefits

The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council. Allowances paid to the councillors are inline with the Gazette issued January 2014.

Mayor - K Nqiqhi

Councillor allowance	467 644	401 829
Travel allowance	85 582	143 524
Telephone allowance	30 189	38 963
Contributions to UIF, Medical and Pension Funds	62 962	41 007
Total	**646 376**	**625 323**

M Bennett

Councillor allowance	211 588	133 088
Travel allowance	25 644	43 024
Telephone allowance	20 868	12 126
Contributions to UIF, Medical and Pension Funds	-	-
Total	**258 100**	**188 238**

M Mangcotywa

Councillor allowance	119 761	114 099
Travel allowance	44 644	43 024
Telephone allowance	20 868	12 126
Contributions to UIF, Medical and Pension Funds	20 229	18 990
Total	**205 502**	**188 238**

TM Baleng

Councillor allowance	185 222	114 099
Travel allowance	25 644	43 024
Telephone allowance	20 868	12 126
Contributions to UIF, Medical and Pension Funds	26 367	18 990
Total	**258 100**	**188 238**

CM Boast

Councillor allowance	158 990	133 088
Travel allowance	25 644	43 024
Telephone allowance	20 868	12 126
Contributions to UIF, Medical and Pension Funds		-
Total	**205 502**	**188 238**

N Nqabisa

Councillor allowance	185 224	114 099
Travel allowance	25 644	43 024
Telephone allowance	20 868	12 126
Contributions to UIF, Medical and Pension Funds	26 365	18 990
Total	**258 100**	**188 238**

VG Dyasi

Councillor allowance	158 990	133 088
Travel allowance	25 644	43 024
Telephone allowance	20 868	12 126
Contributions to UIF, Medical and Pension Funds	-	-
Total	**205 502**	**188 238**

N Ngcefe

Councillor allowance	119 761	114 099
Travel allowance	44 644	43 024
Telephone allowance	20 868	12 126
Contributions to UIF, Medical and Pension Funds	20 229	18 990
Total	**205 502**	**188 238**

GN Hlomendlini

Councillor allowance	130 787.1	114 098.8
Travel allowance	30 772.3	43 023.7
Telephone allowance	20 868.0	12 126.0
Contributions to UIF, Medical and Pension Funds	23 074.6	18 989.6
Total	**205 502**	**188 238**

IP van Heerden

Councillor allowance	109 913	114 099
Travel allowance	40 844	43 024
Telephone allowance	19 129	12 126
Contributions to UIF, Medical and Pension Funds	18 499	18 990
Total	**188 385**	**188 238**

Councillor van Heerden resigned from the council during June 2014.

25 DEBT IMPAIRMENT

Trade Receivables from exchange transactions - Note 14	11 391 428	2 776 532
Trade Receivables from non-exchange transactions - Note 15	834 839	825 704
Debt impairment recognised in statement of financial performance	**12 226 267**	**3 602 237**

26 DEPRECIATION AND AMORTISATION

Property Plant and Equipment	7 438 833	3 119 937
Depreciation on Assets written off	5 759	
Investment Property	20 285	20 285
Intangible Assets	49 617	54 699
	7 514 494	**3 194 921**

27 FINANCE CHARGES

Landfill sites	80 457	58 657
Finance leases	4 543	54 427
Creditors	20 912	-
Total finance charges	**105 912**	**113 084**

28 BULK PURCHASES

Electricity	8 081 962	7 689 494
Water	128 952	106 590
Total Bulk Purchases	**8 210 913**	**7 796 083**

		2014 R	2013 R
29	**GRANTS AND SUBSIDIES**		
	Pauper funerals	1 380	-
	Total Grants and Subsidies	**1 380**	**-**

		2014 R	2013 R
30	**REPAIRS AND MAINTENANCE**		
	Infrastructure	1 767 674	1 076 910
	Land and Buildings	155 809	261 684
	Other Assets	751 340	668 713
	Total Grants and Subsidies	**2 674 823**	**2 007 306**

		2014 R	2013 R
31	**OPERATING GRANT EXPENDITURE**		
	Operating grant expenditure per vote		
	Budget & Treasury	1 372 298	1 401 702
	Executive & Council	1 855 101	219 200
	Corporate Services	1 096 195	931 837
	Community & Social Services	3 021 736	1 953 925
	Technical Services	616 948	2 802 750
	Total Operating grant expenditure	**7 962 277**	**7 309 414**

		2014 R	2013 R
32	**GENERAL EXPENSES**		
	20 year celebrations	42 843	-
	Advertisement	159 374	178 704
	Assets on behalf of Chris Hani District Municipality	11 233	454 806
	Audit Fees	2 896 046	2 697 013
	Bank Charges	255 432	202 234
	Blue drop and Green drop	68 580	-
	Books, Magazines and Publications	67 052	20 404
	Cleaning materials	33 234	24 673
	Customer Care	115 636	116 389
	Entertainment	78 677	77 622
	Fuel Cost	1 163 983	1 154 919
	IDP related Expenditures	3 770	-
	Insurance	363 528	367 720
	Interest on DBSA loan on behalf of Chris Hani District Municipality	100 514	20 439
	Legal Cost	112 443	271 701
	Litricery day	3 114	-
	Losses	85 547	-
	Mayor's Cup	43 522	-
	Mayor's fund and Imbizo	144 451	237 868
	Membership fees	473 207	412 406
	Other	607 506	471 627
	Postage	29 965	26 537
	Pound expenses	8 400	3 650
	Printing and stationery	337 138	289 095
	Professional Fees	420 381	638 568
	Rentals	6 221	55 690
	Revenue enhancement	86 650	-
	Safety clothes	158 793	8 615
	Skills development levy	216 868	183 924
	SMME Seminar	9 900	145 585
	Special program Unit	253 783	-
	Telephone	611 459	517 382
	Third party payment - Conlog	242 953	-
	Town Planning	1 540	30 702
	Training	201 328	360 977
	Travel and subsistence	1 105 504	742 873
	Valuation roll from own funding	181 713	-
	Vehicle and Equipment hire	5 644	139 866
	Water demand	22 600	-
	Water purification and chemicals	10 627	28 884
	General Expenses	**10 741 158**	**9 880 873**

33 CORRECTION OF ERROR IN TERMS OF GRAP 3

33.1 Unspent Government Grants

Balance previously reported 1 July 2012	**4 392 635**
Monies were received in the past and recognised as conditional grants, however the monies not spent were not due to be paid back and therefore corrected to revenue prior to 1 July 2012 - Refer to note 8	(343 877)
	4 048 758

33.2 Receivables from non-exchnge transactions

Balance previously reported 1 July 2012	**3 679 753**
A Journal was passed incorrectly in the previous year and this correction is correcting it.	(47 591)
	3 632 161
	-

33.3 Investment property

Balance previously reported 1 July 2012	**28 878 900**
RDP houses previously capitalised derecognised since it does not qualify as an asset. Refer note 11	(26 850 400)
	2 028 500
	-

33.4 Land

Balance previously reported 1 July 2012	**4 787 600**
RDP houses previously capitalised derecognised since it does not qualify as an asset. Refer note 10	(127 400)
	4 660 200

33.5 Accumulated Amortisation - Invesment properties

Balance previously reported 1 July 2012	**(1 444 736)**
RDP houses previously capitalised derecognised since it does not qualify as an asset. Refer note 11	1 343 255
	(101 481)

34 STATEMENT OF FINANCIAL PERFORMANCE

Balance previously reported	**5 489 578**
Stale cheques written back for 2012/2013 agains general expenditure - other	2 831
Correction on amortisation of investment property corrected due to assets capitalised not qualifying as an asset as per Grap 16 and Grap 17 for 2012/2013	268 504
Debtor was not created for 2012/13 on Pre-paid electricity for monies due to the municipality from the service provider - Conlog for the months May 2013 and June 2013 - Refer note 22	295 448
Total	**6 056 361**

35 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

	2014 R	2014 R
Surplus/(Deficit) for the year	5 244 882	6 056 249
<u>**Adjustments for:**</u>		
Depreciation	7 464 877	3 140 222
Amortisation of Intangible Assets	49 617	54 699
Gain on disposal of property, plant and equipment	(9 314)	(338)
Debt Impairment	12 226 267	3 602 237
Contribution to staff leave	745 191	559 237
Contribution from/to employee benefits	697 036	558 879
Actuarial losses	867 322	2 287
Grants Received	53 321 190	48 614 239
Grant Expenditure	(51 124 021)	(44 103 739)
Operating lease income accrued	-	1 172
Operating Surplus/(Deficit) before changes in working capital	29 483 048	18 485 145
Changes in working capital	(12 304 253)	(6 142 045)
Increase/(Decrease) in Trade and Other Payables	(717 053)	(1 267 422)
Increase/(Decrease) in Taxes	2 021 411	(544 161)
(Increase)/Decrease in Inventory	47 051	(224 605)
(Increase)/Decrease in Trade and other receivables	(13 655 662)	(4 105 857)
Cash generated/(absorbed) by operations	**17 178 794**	**12 343 100**

36 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 17	9 550 925	9 073 252
Cash Floats - Note 17	90	90
Bank - Note 17	3 841 897	1 627 282
Total cash and cash equivalents	**13 392 912**	**10 700 623**

37 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 36	13 392 912	10 700 623
	13 392 912	10 700 623
Less:	8 805 370	7 696 499
Unspent Committed Conditional Grants - Note 8	8 805 370	7 696 499
Resources available for working capital requirements	**4 587 542**	**3 004 124**
Resources available for working capital requirements	4 587 542	3 004 124

38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	11 325	61 646
Used to finance property, plant and equipment - at cost	(11 325)	(61 646)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	**-**	**-**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

39 BUDGET COMPARISONS

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
39.1 Operational				
Revenue by source				
Property Rates	1 661 846	1 733 562	(71 716)	-4%
Government Grants and Subsidies - Capital	15 439 277	22 263 091	(6 823 814)	-44%
Government Grants and Subsidies - Operating	35 683 862	39 337 042	(3 653 180)	-10%
Public Contributions and Donations	-	-	-	0%
Fines	4 402	240 000	(235 598)	-5352%
Service Charges	19 062 931	15 573 500	3 489 431	18%
Rental of Facilities and Equipment	122 271	71 000	51 271	42%
Interest Earned - external investments	643 723	470 000	173 723	27%
Interest Earned - outstanding debtors	2 028 899	1 410 000	618 899	31%
Agency Services	10 782 371	8 254 703	2 527 667	23%
Other Income	90 777	90 400	377	0%
Gain on disposal of Property, Plant and Equipment	9 314	-	9 314	100%
	85 529 672	89 443 298	(3 913 627)	-5%
Expenditure by nature				
Employee related costs	23 421 559	23 554 177	132 618	-1%
Remuneration of Councillors	2 636 563	2 644 367	7 804	0%
Debt Impairment	12 226 267	2 918 000	(9 308 267)	76%
Depreciation and Amortisation	7 514 494	6 248 957	(1 265 537)	17%
Repairs and Maintenance	2 674 823	3 127 395	452 572	-17%
Actuarial losses	867 322	-	(867 322)	100%
Finance Charges	105 912	60 000	(45 912)	43%
Bulk Purchases	8 210 913	9 048 760	837 847	-10%
Grants and Subsidies	3 923 500	4 388 900	465 400	-12%
Operating Grant Expenditure	7 962 277	10 569 520	2 607 243	-33%
General expenditure	10 741 158	12 798 084	2 056 926	-19%
	80 284 789	75 358 159	(4 926 630)	6%
Net Surplus for the year	**5 244 882**	**14 085 139**	**(8 840 257)**	

39.2 Expenditure by Vote

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
Executive & Council	9 002 023	8 250 849	(751 174)	-8%
Budget & Treasury	10 921 466	9 977 429	(944 037)	-9%
Corporate Services	5 037 296	4 062 369	(974 927)	-19%
Community & Social Services	13 537 878	16 269 773	2 731 895	20%
Technical Services	37 864 006	36 797 738	(1 066 268)	-3%
	76 362 669	**75 358 159**	**(1 004 511)**	**-1%**

40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

40.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:	2014 R	2013 R
Opening balance	8 560 644	7 998 323
Unauthorised expenditure current year - operating	(3 736 406)	562 321
Written off by council	3 736 406	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	**8 560 644**	**8 560 644**

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)

40.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:	2014 R	2013 R
Opening balance	372 147	349 583
Fruitless and wasteful expenditure current year	23 110	22 564
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	**395 257**	**372 147**

Incident	Disciplinary steps/criminal proceedings	2014	2013
Interest on late payment of creditors	*None*	20 912	20 439
Expenditure incurred for Accomodation	*None*	2 198	2 125
		23 110	22 564

40.3 Irregular expenditure

Reconciliation of irregular expenditure:	2014	2013
Opening balance	8 593 570	8 098 546
Irregular expenditure current year	-	495 024
Condonement supported by council	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	**8 593 570**	**8 593 570**

Incident	Disciplinary steps/criminal proceedings	2014	2013
SCM Policy was not in line with SCM Regulations therefore all expenditures between R2001 - R200 000 has been declared as Irregular.	*None*	-	492 099
Expenditure incurred prior to order being	*None*	-	2 925
		-	495 024

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

Deviation letters were approved for all procurement that was either an emergency, sole supplier and or where we do not have 3 or more suppliers to provide us with the services.

40.4 Material Losses

Water distribution losses		
- Kilo litres disinfected/purified/purchased	825 840	779 129
- Kilo litres lost during distribution	544 979	509 795
- Percentage lost during distribution	65.99%	65.43%
- Rand value of loss	441 433	412 934
Electricity distribution losses		
- Units purchased (Kwh)	9 333 017	9 599 886
- Units lost during distribution (Kwh)	3 619 078	4 385 451
- Percentage lost during distribution	38.78%	45.68%
- Rand value of loss	1 628 585	1 798 035

	2014 R	2013 R

41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

41.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Opening balance	-	-
Council subscriptions	450 000	400 000
Amount paid - current year	(450 000)	(400 000)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

41.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	11 995	119 267
Current year audit fee	2 932 803	2 462 283
External Audit - Auditor-General	2 932 803	2 462 283
Amount paid - current year	(2 932 803)	(1 948 956)
Amount paid - prior year	(11 995)	(119 267)
Amount paid - National Treasury	-	(501 332)
Balance unpaid (included in creditors)	-	**11 995**

41.3 VAT - [MFMA 125 (1)(b)]

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

41.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year payroll deductions and Council Contributions	3 270 834	2 492 371
Amount paid - current year	(3 270 834)	(2 492 371)
Balance unpaid (included in creditors)	**-**	**-**

41.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year payroll deductions and Council Contributions	5 179 654	4 355 290
Amount paid - current year	(5 179 654)	(4 355 290)
Balance unpaid (included in creditors)	**-**	**-**

41.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

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

	2014 R Outstanding more than 90 days	2013 R Outstanding more than 90 days
Councillor IP van Heerden	186 685	77 935
Total Councillor Arrear Consumer Accounts	**186 685**	**77 935**

41.7 Other non-compliance (MFMA 125(2)(e))

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA.

The municipality did not submit all the relevant reports in time to National Treasury as required ito Section (71) of the MFMA.

All capital projects were not registered on CIDB (i-tender form); SCM is not familiar with the administration system from CIDB to register all of our tender notices and all stages of the tendering process.

42 CAPITAL COMMITMENTS

	2014 R	2013 R
Commitments in respect of capital expenditure:		
Approved and contracted for:	13 219 171	7 203 008
Total commitments consist out of the following:		
Traffic Testing Station	3 105 281	6 077 215
Zola Sport fields Facilities	-	704 727
Renovation of Hofmeyr phase 2	-	193 203
Thembalethu	-	227 863
Municipal Offices	2 984 795	-
Mathyantya Elec ph 3	397 717	-
Internal Roads W1 & W2	6 553 763	-
Bacclesfarm Bridge	177 615	-
	13 219 171	**7 203 008**
This expenditure will be financed from:		
Government Grants	13 219 171	7 203 008
	13 219 171	**7 203 008**

43 FINANCIAL RISK MANAGEMENT

	2014 R	2013 R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2012 - 0.5%) Increase in interest rates	133 816	106 389
0.5% (2012 - 0.5%) Decrease in interest rates	(66 908)	(53 194)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 14 and 15 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 14 and 15 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2014 %	2014 R	2013 %	2013 R
Non-Exchange Receivables				
Rates	100.00%	-	100.00%	-
Exchange Receivables				
Electricity	4.64%	1 191 609	1.68%	208 355
Water	0.00%	-	1.59%	197 918
Refuse	-0.18%	(46 891)	0.21%	25 584
Sewerage	0.00%	-	3.60%	446 639
Other	0.31%	80 842	0.61%	75 608
	4.77%	1 225 560	7.69%	954 104

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 14 and 15 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors

	2014 %	2014 R	2013 %	2013 %
Non-Exchange Receivables				
Rates	100.00%	5 833 754	100.00%	4 594 314
Exchange Receivables				
Electricity	17.47%	4 487 560	27.15%	3 882 732
Water	40.13%	10 311 905	17.23%	2 464 371
Refuse	17.36%	4 461 347	23.17%	3 313 890
Sewerage	24.97%	6 415 769	32.34%	4 626 024
Other	0.07%	17 486	0.11%	15 622
	100.00%	25 694 067	100%	14 302 639

	2014 %	2014 R	2013 %	2013 %
Bad debts written off per debtor class:				
Non-Exchange Receivables				
Rates	0.00%	-	0.00%	0.00%
Exchange Receivables				
Other	0.00%	-	0.00%	-
	0.00%	-	0.00%	-

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2014 R	2014 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	2 911 208	3 124 272
Receivables from non-exchange transactions	2 361 087	980 404
Cash and Cash Equivalents	13 392 912	10 700 623
Non-Current Investments	-	-
Unpaid conditional grants and subsidies	247 352	917 651
	18 912 559	15 722 950

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of

2014	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 5 and 10 years
Long Term liabilities - Finance Lease Liability	11 325	-	-	-
Capital repayments	12 360		-	-
Interest	(1 035)		-	-
Provisions - Landfill Sites	-	1 261 915	-	-
Capital repayments	-	1 261 915	-	-
Trade and Other Payables	457 069	-	-	-
Unspent conditional government grants and receipts	8 805 370	-	-	-
	9 273 764	1 261 915	-	-

2013	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 5 and 10 years
Long Term liabilities - Finance Lease Liability	61 646	-	-	-
Capital repayments	67 225	-	-	-
Interest	(5 579)	-	-	-
Provisions - Landfill Sites	535 648	645 810	-	-
Capital repayments	535 648	645 810	-	-
Trade and Other Payables	1 612 928	-	-	-
Unspent conditional government grants and receipts	7 696 499	-	-	-
	9 906 722	645 810	-	-

44 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

44.1 Financial Assets

Financial Assets	Classification		
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	2 911 208	3 124 272
Receivables from non-exchange transacti	Financial instruments at amortised cost	2 361 087	980 404
Other Receivables			
Government Subsidies and Grants	Financial instruments at amortised cost	247 352	917 651
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	9 550 925	9 073 252
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	(955 841)	1 026 068
Cash Floats and Advances	Financial instruments at amortised cost	90	90
		14 114 821	**15 121 736**

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost	14 114 821	15 121 736
At amortised cost	**14 114 821**	**15 121 736**

44.2 Financial Liability

Financial Liability	Classification		
Long-term Liabilities			
Capitalised Lease Liability	Financial instruments at amortised cost	-	11 325
Payables from exchange transactions			
Trade creditors	Financial instruments at amortised cost	319 938	1 550 375
Arrear portion of long term liabilities	Financial instruments at amortised cost	20 771	20 850
Retentions	Financial instruments at amortised cost	882 392	431 084
Other Payables			
Government Subsidies and Grants	Financial instruments at amortised cost	8 805 241	8 040 369
Current Portion of Long-term Liabilities			
Capitalised Lease Liability	Financial instruments at amortised cost	11 325	50 321
		10 039 666	**10 104 324**

SUMMARY OF FINANCIAL LIABILITY

Financial instruments at amortised cost	**10 039 666**	**10 104 324**

45 EVENTS AFTER THE REPORTING DATE

The municipality signed an addendum with Chris Hani District Municipality that relates to the contract between us for the Water Servive Provision. The addendum is extending the contract until 30 June 2015 and it stipulates that all revenue, inlcuding the billing, collection and manement thereoff will be done by Chris Hani District Municipality as from 1 July 2014. This will result in the transfer of all the outstanding Water and Sanitation debtor at year end on the 1 July 2014 resulting further in a loss to be recognised for Tsolwana Municpality to the amount of R16 638 067 and the Provision will be reversed against this loss to the amount of R7 090 395.

46 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under

47 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

48 CONTINGENT LIABILITY

The municipality are not registered for Workmen's Compensation and therefore there is a posiblity for Tsolwana Municipality to pay to Workmens Commisionar an amount of R1 516 806 based on calculations made since 2000.	1 516 806	1 225 595
The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act. Regulation 29 states that a maximum of R5 000 000 might be imposed for first time offenders. As the municipality are already in phase 3 of obtaining the required permits from the Department of Water and Environmental Affairs it is unlikely that the full penalty will be imposed on the municipality	-	-
Riegers Plant Hire CC instituted a claim for alleged breach of contract against the Kwakhiwe Construction/BNX Trading Joint Venture arising out of their non-payment of invoices. Kwakhiwe Construction brought a defense that the amount claimed was not owed by them, buth rather by the municipality as per the signed cession agreement. It is for that reason that they decided to bring an application to join the municipality in the main claim, which was granted by the court albeit wrongly. The Municipality has been joined to the main action, and at this point the Pleas shall be served and filed accordingly. Total amount of R430 000 is the possible liabillity if successfull alternatively the municipality will only incurr legal cost of R50	430 000	430 000
An employee has alleged damages against the municipality for defamation. No court papers has been filed to date. Possible amount R350 000	350 000	350 000
Notice has been received by the Municipality for the intention to institute legal proceedings against the Mayor and Tsolwana municipality in terms of section 3 of the legal proceedings against certain organs of state Act 40 of 2002 ("ILPCOS"). Possible amount R200 000	200 000	200 000
Iyabuya Iafrica Consulting Engineers is currently suing the municipality for non-payment of an amount of R250 000, evidence have been provided from the Municipality that payment was made. Attorneys current estimate of cost is R400 000.	400 000	400 000
TOTAL AS AT 30 JUNE	2 896 806	2 605 595

49 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

49.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note to the Annual Financial Statements.

49.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 23 to the Annual Financial Statements.

49.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an indirect interest:

Councillors	-	16 875
Top Management	37 325	15 850
Middle management	4 290	12 057
Other	54 975	7 800

50 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The Municipalities cash reserves decreased tremendiously during the past few financial years.

The debtors increased with more than the annual increase in tariffs which resulting in a tremendious increase in the provision for bad debts and is an indication that cash due to us might not be collected. The water and sanitation tariffs approved by the district Municipality increase with more than 100% on average that will have a negative impact on the

The municipality remain grant dependant and is exploring options to increase the revenue source of the municipality.

Other Indicators

Possible outflow of recources due the contingent liability disclosed in note 48

The new contract between the municipality and the district municipality stipulates that any losses incurred as from 1 July 2011 will be for the account of Tsolwana Municipality which might have a negative impact on the cashflow of the municipality

APPENDIX A - Unaudited
TSOLWANA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
MUNICIPAL VOTES CLASSIFICATION

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
3 480 999	(2 645 284)	835 715	Municipal Manager	5 854 411	(5 890 380)	(35 970)
2 880 969	(2 796 734)	84 235	General Council	3 079 817	(3 111 643)	(31 826)
8 397 995	(9 097 515)	(699 519)	Finance & Administration	10 284 697	(10 921 466)	(636 769)
5 055 216	(5 383 282)	(328 066)	Administration: Human Resourses	4 084 851	(5 037 296)	(952 446)
1 683 068	(539 428)	1 143 640	Public Safety	4 944 981	(701 982)	4 242 999
9 906 512	(5 099 694)	4 806 818	Planning & Development	4 475 315	(5 070 901)	(595 586)
439 000	(625 172)	(186 172)	Libraries	439 000	(660 082)	(221 082)
199 148	(43 393)	155 755	Cemetries	131 651	(27 381)	104 271
2 285 723	(100 412)	2 185 311	Sport & Recreation	209 847	(115 429)	94 417
3 671 676	(4 966 656)	(1 294 981)	Waste Management	5 580 789	(6 962 102)	(1 381 313)
3 746 256	(4 448 162)	(701 906)	Road Transport	7 597 040	(6 305 432)	1 291 608
12 088 436	(11 242 961)	845 475	Electricity	15 833 571	(11 698 398)	4 135 173
5 076 501	(5 848 192)	(771 691)	Water	13 536 699	(14 965 142)	(1 428 443)
3 438 424	(3 456 788)	(18 364)	Waste Water Management	5 554 883	(4 895 034)	659 849
62 349 923	(56 293 674)	6 056 249	Sub Total	81 607 551	(76 362 669)	5 244 882
-	-	-		-	-	-
62 349 923	(56 293 674)	6 056 249	**Total**	81 607 551	(76 362 669)	5 244 882

APPENDIX B - Unaudited
TSOLWANA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
6 361 968	(5 442 018)	919 950	Executive & Council	8 934 228	(9 002 023)	(67 796)
8 397 995	(9 097 515)	(699 519)	Budget & Treasury	10 284 697	(10 921 466)	(636 769)
5 055 216	(5 383 282)	(328 066)	Corporate Services	4 084 851	(5 037 296)	(952 446)
18 185 127	(11 374 756)	6 810 371	Community & Social Services	15 781 583	(13 537 878)	2 243 705
24 349 616	(24 996 103)	(646 486)	Technical Services	42 522 192	(37 864 006)	4 658 186
						-
62 349 923	(56 293 674)	6 056 249	**Total**	81 607 551	(76 362 669)	5 244 882

APPENDIX D - Unaudited
TSOLWANA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2012	Correction of error	Balance 1 JULY 2012	Grants Received	Monies Returned	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2013
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS								
	R	**R**	**R**	**R**		**R**	**R**	**R**
National Government Grants				2 015 862	2 300 000			
Equitable Share	-	-	-	24 741 419		24 741 419	-	-
NT - 1% Contribution Audit fees	-		-	501 332		501 332		-
Local Government Financial Management Grant	-	-	-	1 500 000		1 500 000	-	-
Integrated National Electrification Programme (Eskom) Grant	134 004	-	134 004	2 000 000	-	-	1 953 768	180 236
- DME Projects	134 004	-	134 004	2 000 000	-	-	1 953 768	180 236
Municipal Infrastructure Grant	3 796 281		3 796 281	11 683 000	1 780 419	584 150	7 890 740	5 223 972
Municipal Systems Improvement Grant	0	-	0	800 000		800 000	-	-
EPWP	-	-	-	1 000 000		1 000 000	-	-
Total National Government Grants	3 930 285	-	3 930 285	42 225 751		29 126 901	9 844 508	5 404 208
Provincial Government Grants			2 015 862					
Project Library	-	-	-	439 000		439 000	-	-
Department of Raods - Internal roads	(1 717 830)	-	(1 717 830)	3 502 051		198 388	2 503 484	(917 651)
Other Housing monies	829 611	-	829 611					829 611
DPLG & Housing	-	-	-					-
1400 Thornhill Housing	63 264	-	63 264			4 200		59 064
671 Tarkastad Housing	129 446	-	129 446			129 446	-	-
1000 Tarkastad Housing	276 252	-	276 252	-		222 263	-	53 989
1000 Hofmeyer Housing	135 422	-	135 422	-		-	-	135 422
Total Provincial Government Grants	(283 835)	-	(283 835)	3 941 051		993 297	2 503 484	160 434
District Municipality Grants								
Rehabilitation of internal roads	109 274	-	109 274	-		-	-	109 274
Other - IDP	70 000	-	70 000			70 000		-
Tendergate Goat Project	8 411	-	8 411	30 000		-	-	38 411
Paving Project	-	-	-	2 000 000	-	-	999 227	1 000 773
Total District Municipality Grants	187 685	-	187 685	2 030 000	-	70 000	999 227	1 148 458
Other Grant Providers								
HIV assistance	-	-	-	-		-	-	-
Vuna award	40 000	-	40 000			40 000	-	-
IDP assistance	-	-	-	250 000		250 000		-
SETA				79 448		79 448		-
HR Related projects	-	-	-					-
Valuations	146 987	-	146 987			97 854		49 133
Mapping project	55 145	-	55 145			33 275		21 871
Schaapkraal project	112 697	-	112 697					112 697
LED project: Vlekpoort	-	-	-					-
LED project: Other	120 175	-	120 175	87 990		65 745	-	142 420
Voting station	83 495	-	83 495	-		-	-	83 495
EPWP grant	-	-	-	-		-	-	-
Total Other Grant Providers	558 500	-	558 500	417 438		566 321	-	409 616
Total	**4 392 635**	**-**	**4 392 635**	**48 614 239**		**30 756 519**	**13 347 219**	**7 122 717**

APPENDIX C - Unaudited
TSOLWANA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2013	Correction of error	Balance 1 JULY 2013	Grants Received	Monies Returned	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2014
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	46 236	R	R	R
National Government Grants								
Equitable Share	-	-	-	27 463 000		27 463 000	-	-
NT - 1% Contribution Audit fees	-		-			-		-
Local Government Financial Management Grant	-	-	-	1 650 000		1 454 276	195 724	-
Integrated National Electrification Programme (Eskom) Grant	180 236	-	180 236	2 000 000	134 000	-	1 592 381	453 855
- DME Projects	180 236	-	180 236	2 000 000	134 000	-	1 592 381	453 855
Municipal Infrastructure Grant	5 223 972	-	5 223 972	11 823 000	284 000	393 827	12 089 432	4 279 714
Municipal Systems Improvement Grant	-		-	890 000		890 000	-	-
EPWP	-	-	-	1 000 000		1 000 000	-	-
Total National Government Grants	5 404 208	-	5 404 208	44 826 000	418 000	31 201 103	13 877 536	4 733 569
Provincial Government Grants								
Project Library	-	-	-	439 000		439 000	-	-
Department of Raods - Internal roads	(917 651)	-	(917 651)	917 651		247 352		(247 352)
Other Housing monies	829 611	-	829 611			78 406		751 205
DPLG & Housing	-	-	-					-
1400 Thornhill Housing	59 064	-	59 064			-		59 064
671 Tarkastad Housing	-	-	-			-	-	-
1000 Tarkastad Housing	53 989	-	53 989	-		-	-	53 989
1000 Hofmeyer Housing	135 422	-	135 422	-		-	-	135 422
Total Provincial Government Grants	160 434	-	160 434	1 356 651		764 758	-	752 328
District Municipality Grants								
Rehabilitation of internal roads	109 274	(109 274)	-	-		-	-	-
Other - IDP	-	-	-	30 000		30 000		-
Other - Training for Caterers			-	160 000		159 990		10
Other - Internal Audit Support			-	300 000		300 000		-
Other - Clean up Compaing			-	1 175 260		1 175 260		-
Other - Stock dams			-	197 200				197 200
Other - Tendgergate Incubation Project			-	3 500 000		1 750 000		1 750 000
Tendergate Goat Project	38 411	(38 411)	-	-		-	-	-
Paving Project	1 000 773	-	1 000 773	1 500 000	-	-	1 561 741	939 032
Total District Municipality Grants	1 148 458	(147 685)	1 000 773	6 862 460	-	3 415 250	1 561 741	2 886 242
Other Grant Providers								
HIV assistance	-	-	-	-		-	-	-
Vuna award	-	-	-			-	-	-
IDP assistance	-	-	-	-		-		-
SETA	-		-	46 679		46 679		-
HR Related projects	-	-	-					-
Valuations	49 133	-	49 133			49 133		(0)
Mapping project	21 871	-	21 871			21 871		(0)
Schaapkraal project	112 697	(112 697)	-					-
LED project: Vlekpoort	-	-	-					-
LED project: Other	142 420	-	142 420	229 400		186 071	-	185 750
Voting station	83 495	(83 495)	-	-		-	-	-
EPWP grant	-	-	-	-		-	-	-
Total Other Grant Providers	409 616	(196 192)	213 424	276 079		303 753	-	185 750
Total	**7 122 717**	**(343 877)**	**6 778 840**	**53 321 190**	**418 000**	**35 684 865**	**15 439 277**	**8 557 888**