

GARIEP MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2014

AUDITOR - GENERAL
SOUTH AFRICA

0:8 DEC 2014

GARIEP MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

INDEX

NO	CONTENTS	PAGE
1	General Information and Approval of Annual Financial Statements	2 - 3
2	Members of the Council	4
3	Audit Report	5
4	Report of the Chief Financial Officer	6 - 11
5	Statement of Financial Position	12
6	Statement of Financial Performance	13
7	Statement of Changes in Net Assets	14
8	Cash Flow Statement	15
9	Budget Statement	16 - 21
10	Accounting Policies	22 - 42
11	Notes to the Annual Financial Statements	43 - 76
	Appendixes:	
12	A Schedule of External Loans	77
13	B Analysis of Property, Plant and Equipment	78
14	C Segmental Analysis of Capital Assets	81
15	D Segmental Statement of Financial Performance	82
16	E1 Reconciliation of Budgeted Financial Performance - Standard Classification	83
17	E2 Reconciliation of Budgeted Financial Performance - Vote	84
18	E3 Reconciliation of Budgeted Financial Performance - Item	85
19	E4 Reconciliation of Budgeted Cash Flow	86
20	F Disclosure of Grants	87
21	G Statement of Remuneration of Management	88

**GARIEP MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014**

GENERAL INFORMATION

GENERAL INFORMATION

Gariep Municipality (the municipality) is a local government institution in Burgersdorp, Eastern Province, and is one of four local municipalities under the jurisdiction of the Joe Gqabi District Municipality. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

EXECUTIVE MAYOR

NW Ngoqo

GRADING OF THE LOCAL AUTHORITY

Grade 2

EXTERNAL AUDITORS

Office of the Auditor General (East London)
PO Box 13252
East London
5217

PRIMARY BANKER

ABSA Bank

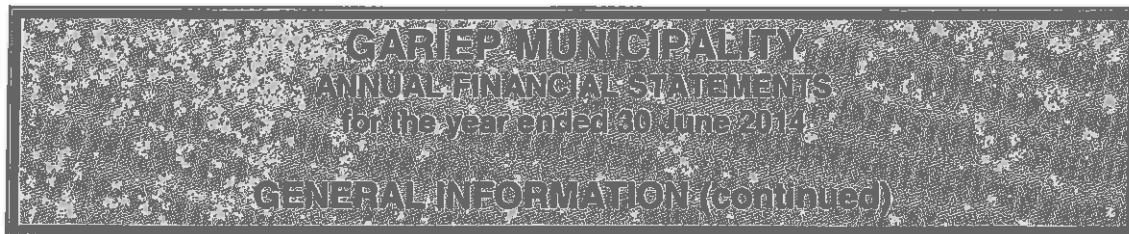
REGISTERED OFFICE

1 Jan Greyling Street
Burgersdorp
9744

PO Box 13
Burgersdorp
9744

Telephone: (051) 653-1777
Website: <http://www.gariep.gov.za/>

Facsimile: (051) 653-0056



APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 117, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

T MAWONGA
MUNICIPAL MANAGER
31 August 2014

ML MOSALA
CHIEF FINANCIAL OFFICER
31 August 2014

GARIEP MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014
MEMBERS OF THE COUNCIL

Cllr. NW Ngoqo
Cllr. SB Kolase
Cllr. E Brien
Cllr. MK Mnyombolo
Cllr. TZ Notyeke
Cllr. N Mabunu
Cllr. B Kweyiya
Cllr. P Kayster
Cllr. AM van Zyl
Cllr. NTT Kula

Mayor
Councillor
Councillor
Councillor
Councillor
Councillor
Councillor
Councillor
Councillor

CERTIFICATION OF REMUNERATION OF COUNCILLORS

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.

T MAWONGA
MUNICIPAL MANAGER
31 August 2014

GARIEP MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

AUDIT REPORT

The 2013/14 Audit Report will be attached hereto when received, after the completion of the statutory audit.

GARIEP 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 Annual Financial Statements of Gariep Municipality at 30 June 2014.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2014 indicates an increase in Net Assets, an increase in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Unspent Conditional Grants which is more than the increase in Payables.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2014	2013
Surplus / (Deficit) before Appropriations	(24 942 059)	(17 376 377)
Surplus / (Deficit) at the end of the Year	239 029 383	263 971 441
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	27.93%	28.87%
Remuneration of Councillors	2.69%	2.96%
Depreciation and Amortisation	18.83%	20.26%
Impairment Losses	4.03%	4.14%
Repairs and Maintenance	1.04%	1.63%
Interest Paid	4.33%	2.33%
Bulk Purchases	17.35%	18.80%
Contracted Services	10.52%	9.52%
Grants and Subsidies Paid	1.04%	0.73%
General Expenses	12.24%	10.76%
Current Ratio:		
Trade Creditors Days	424	278
Debtors from Exchange Transactions Days	96	101

2.2 Performance Indicators:

INDICATOR	2014	2013
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	39.71%	43.24%
Outstanding Service Debtors to Revenue	74.59%	79.04%
Liquidity Management:		
Liquidity Ratio	0.02	0.01
Liability Management:		
Capital Cost as percentage of Own Revenue	19.46%	11.83%
Borrowing as percentage of Total Capital Assets	1.05%	1.55%
Safety of Capital:		
Gearing	1.38%	1.90%
Financial Viability:		
Debt Coverage	12.98	17.99
Cost Coverage	0.02	0.01

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "EC(1), EC(2) and E(3)".

The services offered by Gariiep Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

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

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	263 971 441	109 842 757	140.32	-	100.00
Operating income for the year	81 071 240	80 861 051	0.26	98 809 789	(17.95)
	345 042 682	190 703 808	80.93	98 809 789	249.20
Expenditure:					
Operating expenditure for the year	106 013 299	98 237 428	7.92	147 075 186	(27.92)
Sundry transfers	-	(171 505 061)	(100.00)	-	-
Closing surplus / (deficit)	239 029 382	263 971 441	(9.45)	(48 265 397)	(595.24)
	345 042 682	190 703 808	80.93	98 809 789	249.20

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	49 484 118	49 569 554	(0.21)	61 714 211	(19.85)
Expenditure	75 345 734	64 656 102	16.53	91 231 593	(17.41)
Surplus / (Deficit)	(25 861 616)	(15 086 548)	71.55	(29 517 382)	(12.32)
Surplus / (Deficit) as % of total income	(52.32)%	(30.44)%		(47.83)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	-	-	-	-	-
Expenditure	484 800	610 136	(20.54)	521 209	(6.99)
Surplus / (Deficit)	(484 800)	(610 136)	(20.54)	(521 209)	(6.99)
Surplus / (Deficit) as % of total income	(100.00)%	(100.00)%		(100.00)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	18 021 509	14 941 370	20.61	18 268 543	(1.35)
Expenditure	3 400 965	6 186 370	(45.02)	10 561 728	(67.80)
Surplus / (Deficit)	14 620 544	8 755 000	67.00	7 706 815	89.71
Surplus / (Deficit) as % of total income	81.13%	58.60%		42.19%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R18 389 777 (2013: R18 469 489). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	13 585 613	16 350 126	(16.91)	18 827 035	(27.84)
Expenditure	26 781 801	26 784 819	(0.01)	44 760 657	(40.17)
Surplus / (Deficit)	(13 196 188)	(10 434 693)	26.46	(25 933 621)	(49.12)
Surplus / (Deficit) as % of total income	(97.13)%	(63.82)%		(137.75)%	

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1 Operating Budget:

DETAILS	2014	2013
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(48 265 397)	(38 871 232)
Revenue variances	(17 738 549)	(30 166 059)
Expenditure variances:		
Employee Related Costs	2 485 049	5 738 358
Remuneration of Councillors	54 279	146 541
Collection Costs	-	-
Depreciation and Amortisation	(11 872 640)	(12 233 694)
Impairment Losses	(1 311 595)	1 011 951
Repairs and Maintenance	1 724 106	413 681
Interest Paid	(2 195 244)	(468 233)
Bulk Purchases	20 417 078	6 175 319
Contracted Services	1 642 343	943 814
Grants and Subsidies Paid	27 642 334	36 900 805
General Expenses	2 476 176	13 032 371
Actual surplus before appropriations	(24 942 059)	(17 376 377)

DETAILS	2014	2013
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(48 265 397)	(38 871 232)
Executive and Council	3 805 538	2 156 456
Finance and Administration	8 198 730	24 017 358
Health	(4 757)	125 985
Community and Social Services	140 660	1 633 154
Housing	36 409	71 244
Public Safety	589 501	639 524
Sport and Recreation	(73 292)	188 925
Waste Management	6 913 729	7 153 788
Roads and Transport	(10 659 029)	(6 614 269)
Water	-	(5 265 167)
Electricity	12 737 433	(4 567 310)
Other	1 638 414	1 955 167
Actual surplus before appropriations	(24 942 059)	(17 376 377)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E(1), E(2) and E(3)".

5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2014 amounted to R239 029 383 (30 June 2013: R263 971 441) and is made up as follows:

Accumulated Surplus	<u>239 029 382</u>
	<u>239 029 382</u>

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2014 was R3 300 112 (R5 004 660).

Refer to Note 16 and Appendix "A" for more detail.

7. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R14 348 000 as at 30 June 2014 (30 June 2013: R14 684 000) and is made up as follows:

Post-retirement Health Care Benefits Liability	12 369 000
Long Service Awards Liability	1 978 999
	<u>14 348 000</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 17 for more detail.

8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R1 177 220 as at 30 June 2014 (30 June 2013: R1 172 463) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	1 177 220
	<u>1 177 220</u>

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

Refer to Note 18 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R86 371 780 as at 30 June 2014 (30 June 2013: R66 027 049) and is made up as follows:

Consumer Deposits	Note 11	60 241
Provisions	Note 12	762 607
Payables from Exchange Transactions	Note 13	51 008 558
Payables from Non-exchange Transactions	Note 14	29 075 729
Unspent Conditional Grants and Receipts	Note 15	3 630 574
Current Portion of Long-term Liabilities	Note 16	1 834 072
		<u>86 371 780</u>

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 Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R298 188 305 as at 30 June 2014 (30 June 2013: R305 457 122).

Refer to Note 6 and Appendices "B, C and E (4)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R577 613 as at 30 June 2014 (30 June 2013: R636 032).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 7 for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R15 810 020 as at 30 June 2014 (30 June 2013: R15 660 801).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 8 for more detail.

13. HERITAGE ASSETS

The net value of Heritage Assets were R213 000 as at 30 June 2014 (30 June 2013: R213 000).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 9 for more detail.

14. CURRENT ASSETS

Current Assets amounted R29 192 782 as at 30 June 2014 (30 June 2013: R28 327 784) and is made up as follows:

Inventories	Note 1	102 722
Receivables from Exchange Transactions	Note 2	8 129 120
Receivables from Non-exchange Transactions	Note 3	17 022 367
VAT Receivable	Note 4	2 594 844
Cash and Cash Equivalents	Note 5	1 349 729
		<u>29 192 782</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

15. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 15 and 22, and Appendix "D" for more detail.

16. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 49.

17. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2014

GARIEP MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	Actual	
		2014 R	2013 Restated R
ASSETS			
Current Assets		29 192 782	28 327 784
Inventories	1	102 722	216 125
Receivables from Exchange Transactions	2	8 123 120	7 422 885
Receivables from Non-exchange Transactions	3	17 022 367	18 642 185
VAT Receivable	4	2 594 844	1 163 085
Cash and Cash Equivalents	5	1 349 729	883 504
Non-Current Assets		315 033 712	322 531 830
Property, Plant and Equipment	6	298 188 305	305 457 122
Intangible Assets	7	577 613	836 032
Investment Property	8	15 810 020	15 860 801
Heritage Assets	9	213 000	213 000
Biological Assets	10	244 775	164 875
Total Assets		344 226 494	350 859 613
LIABILITIES			
Current Liabilities		86 371 780	66 027 049
Consumer Deposits	11	60 241	128 381
Provisions	12	762 607	670 000
Payables from Exchange Transactions	13	51 008 558	30 832 497
Payables from Non-exchange Transactions	14	29 075 729	24 898 342
Unspent Conditional Grants and Receipts	15	3 630 574	6 656 760
Current Portion of Long-term Liabilities	16	1 834 072	2 841 070
Non-Current Liabilities		18 825 331	20 861 123
Long-term Liabilities	16	3 300 112	5 004 660
Employee Benefit Liabilities	17	14 348 000	14 684 000
Non-current Provisions	18	1 177 220	1 172 463
Total Liabilities		105 197 111	86 888 172
Total Assets and Liabilities		239 029 383	263 971 441
NET ASSETS		239 029 383	263 971 441
Accumulated Surplus / (Deficit)		239 029 383	263 971 441
Total Net Assets		239 029 383	263 971 441

AUDITOR - GENERAL
 SOUTH AFRICA
 08 DEC 2014
 C. Makgato

GARIEP MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual	
		2014 R	2013 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	19	7 637 441	6 292 100
Property Rates - Penalties and collection charges	26	34 986	-
Fines	20	14 443	22 218
Income from Agency Services	21	3 168 619	1 069 619
Government Grants and Subsidies Received	22	43 525 124	45 968 091
Public Contributions and Donations	23	-	1 754
Revenue from Exchange Transactions			
Service Charges	24	23 234 842	20 506 124
Rental of Facilities and Equipment	25	184 862	131 398
Interest Earned - External Investments	26	181 930	106 388
Interest Earned - Outstanding Debtors	26	2 619 579	6 045 543
Other Revenue	27	426 952	717 814
Fair Value Gains	38	42 463	-
Total Revenue		81 071 240	80 861 051
EXPENDITURE			
Employee Related Costs	28	29 604 990	28 357 300
Remuneration of Councillors	29	2 853 279	2 905 958
Depreciation and Amortisation	30	19 967 130	19 898 931
Impairment Losses	31	4 267 624	4 063 232
Repairs and Maintenance	32	1 104 571	1 599 994
Finance Costs	33	4 595 244	2 293 492
Bulk Purchases	34	18 389 777	18 469 489
Contracted Services	35	11 152 469	9 355 347
Grants and Subsidies Paid	36	1 101 377	721 490
General Expenses	37	12 976 838	10 572 195
Total Expenditure		106 013 299	98 237 428
SURPLUS / (DEFICIT) FOR THE YEAR		(24 942 059)	(17 376 377)

Refer to Budget Statement for explanation of budget variances

AUDITOR - GENERAL
 SOUTH AFRICA
 08 DEC 2014
 Z. Mdletshwa

GARIEP MUNICIPALITY

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

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2013		
Balance at 30 June 2012	109 842 757	109 842 757
Correction of Error (Note 40)	171 505 061	171 505 061
Restated Balance	281 347 818	281 347 818
Surplus / (Deficit) for the year	(17 376 377)	(17 376 377)
Net gains / (losses) not recognised in the Statement of Financial Performance	-	-
Offsetting of Depreciation	-	-
Restated Balance at 30 June 2013	263 971 441	263 971 441
<i>Variance with 2012/13 AFS due to Corrections: R24 829 669</i>		
2014		
Change in Accounting Policy (Note 39)	-	-
Correction of Error (Note 40)	-	-
Restated Balance at 30 June 2013	263 971 441	263 971 441
Surplus / (Deficit) for the year	(24 942 059)	(24 942 059)
Contributions to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Balance at 30 June 2014	239 029 382	239 029 382

AUDITOR - GENERAL
SOUTH AFRICA

08 DEC 2014

T. Molokwane

GARIEP MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Actual 2014 R	2013 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Property Rates	5 586 235	6 850 459
Government Grant and Subsidies	40 498 938	39 771 949
Public Contributions and Donations	-	1 754
Service Charges	17 227 300	9 138 320
Interest Received	181 930	106 388
Other Receipts	8 305 100	5 274 078
Payments		
Employee Related Costs	(29 848 384)	(28 290 300)
Remuneration of Councillors	(2 853 279)	(2 905 958)
Interest Paid	(4 595 244)	(2 293 492)
Suppliers Paid	(6 293 369)	(11 125 887)
Other Payments/Adjustments	(12 636 815)	(8 906 721)
NET CASH FLOWS FROM OPERATING ACTIVITIES	15 572 413	7 620 590
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(12 394 641)	(8 015 416)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(12 394 641)	(8 015 416)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (Decrease) in Long Term Liabilities	(2 711 547)	(1 833 590)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(2 711 547)	(1 833 590)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	466 225	(2 228 416)
Cash and Cash Equivalents at Beginning of Period	883 504	3 111 920
Cash and Cash Equivalents at End of Period	1 349 729	883 504

AUDITOR - GENERAL
SOUTH AFRICA
08 DEC 2014
Z. Moletshe

30 June 2014

**GARIEP MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014**

Description	Original	Budget	Final	Spending	Final	Actual	Unaudited	Variances	Actual Outcome	Actual Outcome
	Total Budget	Adjustments	Adjusted Budget	of Funds	Budget	Outcome	Expenditures	R	as % of Final Budget	as % of Original Budget
FINANCIAL POSITION										
Current Assets										
Inventories						102 722		102 722	0,00	0,00
Non-current Assets Held-for-Sale						8 123 120		15 792 752	0,00	0,00
Receivables from Exchange Transactions	(7 669 632)		(7 669 632)			17 022 367		17 022 367	0,00	0,00
Receivables from Non-exchange Transactions						2 594 844		2 594 844	0,00	0,00
VAT Receivable						1 349 729		980 377	292,56	292,56
Cash and Cash Equivalents	461 352		461 352							
Non-Current Assets										
Property, Plant and Equipment	91 821 875		91 821 875			299 186 325		205 268 430	324,75	324,75
Intangible Assets						577 613		577 613	0,00	0,00
Investment Property						15 810 020		15 810 020	0,00	0,00
Intangible Assets						219 000		219 000	0,00	0,00
Total Assets	84 613 595		84 613 595		84 613 595	344 228 494		259 612 900	406,82	406,82
Current Liabilities										
Consumer Deposits						60 241		60 241	0,00	0,00
Provisions						782 607		782 607	0,00	0,00
Payables from Exchange Transactions						51 008 558		51 008 558	0,00	0,00
Payables from Non-exchange Transactions	21 700 635		21 700 635			28 075 729		7 375 094	133,89	133,89
Unspent Conditional Grants and Receipts						3 630 574		3 630 574	0,00	0,00
Non-Current Liabilities										
Retirement Benefits Liabilities	480 718		480 718			14 346 000		13 867 261	2 984,70	2 984,70
Non-current Provisions						1 177 220		1 177 220	0,00	0,00
Total Liabilities	25 042 973		25 042 973		25 042 973	105 197 111		80 154 133	420,07	420,07
Total Assets and Liabilities	59 570 616		59 570 616		59 570 616	239 029 383		179 458 767	407,25	407,25
Net Assets (Equity)										
Reserves										
Accumulated Surplus / (Deficit)	(170 449 452)		(170 449 452)			239 029 383		409 479 805	0,00	0,00
Total Net Assets	(170 449 452)		(170 449 452)		(170 449 452)	239 029 383		409 479 805	0,00	0,00

Financial Position: Explanation of Variance between Approved Budget and Actual
 The municipality's budget department previously did not contain the necessary experience to compile a complete and credible Financial Position budget. It is therefore evident from the above that the material variances are due to an incomplete and inaccurate Financial Position Budget. The municipality will review its Budget process and reports to ensure that the 2015 budget cycle delivers a complete and credible budget in this regard.

**AUDITOR - GENERAL
SOUTH AFRICA**
08 DEC 2014
Z. Mkhisen

30 June 2014

Description	Original Budget	Budget Adjustments	Final Adjustments	Spending of Funds	Variance	Final Budget	Actual Outcome	Unauthorized Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions	8 223 924	1 029 610	7 653 533	-	7 653 533	7 637 441	-	-	(16 092)	99,03	110,31
Property Rates	104 524	(85 899)	18 630	-	18 630	34 986	-	-	16 356	0,00	0,00
Property Rates - Penalties imposed and collection charges	4 832 074	(138 049)	4 744 028	-	4 744 028	3 168 619	-	-	(1 575 408)	0,00	64,64
Fines	37 659 160	(6 019 919)	31 599 246	-	31 706 246	16 508 942	-	-	(15 597 304)	51,44	43,36
Income for Agency Services	46 303 881	(13 731 110)	27 822 771	-	27 822 771	23 234 842	-	-	(4 287 929)	84,42	50,16
Government Grants and Subsidies Received	448 928	(40 185)	409 141	-	409 141	184 882	-	-	(224 259)	45,18	41,14
Revenue from Exchange Transactions	1 071 151	19 588	1 090 717	-	1 090 717	1 811 930	-	-	(908 797)	16,89	18,88
Services Charges	4 224	5 449 740	5 453 964	-	5 453 964	2 819 579	-	-	(2 634 385)	48,03	62,01
Rental of Facilities and Equipment	327 535	200 227	527 762	-	527 761	428 982	-	-	(100 809)	80,80	130,35
Interest Earned - External Investments				-			-	-			
Interest Earned - Outstanding Debtors				-			-	-			
Other Income				-			-	-			
Total Revenue	97 695 799	(18 386 030)	79 309 769	-	79 426 789	53 965 069	-	-	(25 671 731)	67,80	55,13
Expenditure											
Employee Related Costs	38 058 194	(6 391 514)	31 678 680	-	32 090 039	29 604 990	-	-	(2 485 049)	92,26	77,79
Remuneration of Councilors	1 780 717	1 134 041	2 914 758	-	2 907 556	2 853 279	-	-	(54 279)	98,13	160,23
Depreciation and Amortisation	8 094 490	-	8 094 490	-	8 094 490	19 967 130	-	-	11 872 640	246,68	246,68
Impairment Losses	2 503 029	-	2 503 029	-	2 956 029	4 287 624	-	-	1 311 595	144,37	170,29
Repairs and Maintenance	2 848 668	125 669	2 974 335	-	2 828 677	1 104 571	-	-	(1 724 106)	38,05	38,76
Finance Costs	1 959 420	651 413	2 609 833	-	2 400 000	4 599 244	-	-	2 195 244	181,47	234,54
Bulk Purchases	38 805 856	-	38 805 856	-	38 805 856	18 999 777	-	-	(20 417 079)	47,39	47,39
Contracted Services	11 219 293	1 571 145	12 790 437	-	12 794 812	11 152 489	-	-	(1 642 341)	87,15	99,40
Grants and Subsidies Paid	31 019 742	(2 349 987)	28 669 754	-	28 743 711	12 935 836	-	-	(27 642 341)	3,83	3,55
General Expenses	18 135 591	(2 410 572)	15 925 019	-	15 453 013	105 013 299	-	-	(2 416 176)	68,98	71,55
Total Expenditure	154 428 698	(7 470 790)	146 957 908	-	147 075 198	105 013 299	-	-	(41 061 897)	72,08	69,05
Surplus/(Deficit) Transfers Recognised - Capital	(56 725 899)	110 915 218	(67 648 117)	-	(67 648 397)	(52 159 241)	-	-	15 490 157	0,00	0,00
Surplus/(Deficit) after Capital Transfers and	19 385 000	-	19 385 000	-	19 385 000	27 218 182	-	-	7 833 182	140,41	140,41
Surplus/(Deficit) from Discontinued Operations	(37 348 959)	(10 915 218)	(48 265 177)	-	(48 265 397)	(24 942 059)	-	-	23 323 338	0,00	0,00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	0,00	0,00
Surplus/(Deficit) for the Year	(27 348 959)	(10 915 218)	(48 265 177)	-	(48 265 397)	(24 942 059)	-	-	23 323 338	0,00	0,00

Financial Performance: Explanation of Variances between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Depreciation and Amortisation: Depreciation and Amortisation increased beyond budgetary expectations.

Impairment Losses: Under budgeted for Impairment Losses on Receivables.

Finance Costs: Finance Costs increased beyond budgetary expectations due to incorrect accounting treatment of Finance Leases and interest charged on late payments of suppliers.

Other material Variances included above are due to incorrect classification of amounts on the approved Budget Schedule.

Accurate classification of the budget amounts in accordance with the GRAP-ATS classification resolves the variances.

Furthermore, as indicated above certain Revenue Variance also occurred during the 2014 Financial Period. This was mainly due to inaccurate budgeting, and the municipality is in the process of reviewing its Budget process to promote an credible, accurate and complete 2015 Budget Cycle.

AUDITOR - GENERAL
SOUTH AFRICA

08 DEC 2014

Z. Ndlovu

30 June 2014

Description	Original Budget		Budget Adjustments		Final Adjusted Budget		Shifting of Funds	Variance	Final Budget		Actual Outcome		Unauthorised Expenditure	Variance		Actual Outcome as % of		
	R	R	R	R	R	R			R	R	R	R		R	R	R	R	R
CASH FLOW																		
Cash flows from/used in Operating Activities																		
Property Rates	82 114 000		82 114 000		82 114 000			(19 084 500)	47 049 500	5 986 235	40 498 598			(41 463 265)	1,67	8,99		
Grants	46 346 000		46 346 000		46 346 000			5 449 000	51 795 000	17 227 300	17 227 300			(11 296 082)	78,19	87,38		
Public Contributions and Donations	-		-		-			-	-	1 811 930	1 811 930			1 811 930	0,00	0,00		
Service Charges	-		-		-			-	-	8 305 100	8 305 100			8 305 100	0,00	0,00		
Interest Received	-		-		-			-	-	(29 848 984)	(29 848 984)			(4 660 488)	0,00	0,00		
Other Receipts	-		-		-			-	-	(2 360 123)	(2 360 123)			(4 985 157)	0,00	0,00		
Employee Related Costs	(39 046 281)		(39 046 281)		(39 046 281)			4 637 409	(34 508 872)	(6 283 389)	(6 283 389)			(4 985 244)	0,00	0,00		
Remuneration of Councilors	(1 548 674)		(1 548 674)		(1 548 674)			(811 448)	(2 360 123)	(4 985 244)	(4 985 244)			(6 283 389)	0,00	0,00		
Interest Paid	(240 000)		(240 000)		(240 000)			3 715 082	(110 000 863)	(12 636 815)	(12 636 815)			97 364 147	0,00	0,00		
Suppliers Paid	(113 716 045)		(113 716 045)		(113 716 045)			-	-	-	-			-	0,00	0,00		
Other Payments	-		-		-			-	-	-	-			-	0,00	0,00		
Cash flows from/used in Investing Activities																		
Purchase of Property, Plant and Equipment	(19 383 000)		(19 383 000)		(19 383 000)			(109 633)	(19 383 000)	(12 384 841)	(12 384 841)			6 988 559	0,00	0,00		
Decrease / (Increase) in Long-Term Receivables	(200 000)		(200 000)		(200 000)			-	(309 833)	309 833	309 833			309 833	0,00	0,00		
Cash flows from/used in Financing Activities																		
Loans repaid	-		-		-			-	-	-	-			-	0,00	0,00		
Cash and Cash Equivalents at End of the Year	(65 874 000)		(65 874 000)		(65 874 000)			(2 284 280)	(67 958 280)	488 225	(2 711 547)			68 424 515	0,00	0,00		

Cash Flow: Explanation of Variances between Approved Budget and Actual
 The municipality's budget department previously did not contain the necessary experience to compile a complete and credible Cash Flow budget. It is therefore evident from the above that the material variances are due to an incomplete and inaccurate Cash Flow Budget. The municipality will review its budget process and expenses to ensure that the 2015 budget cycle delivers a complete and credible budget in this regard.

AUDITOR - GENERAL
 SOUTH AFRICA
 08 DEC 2014
 Z. Madisa

30 June 2013

Description	Original Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unaudited Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
FINANCIAL POSITION											
Current Assets											
Inventories											
Receivables from Exchange Transactions	88 617 905	-	88 617 905	-	-	88 617 905	216 125	-	216 125	0,00	0,00
Receivables from Non-exchange Transactions	-	-	-	-	-	-	7 422 695	-	(81 195 020)	8,39	8,39
VAT Receivable	480 352	-	480 352	-	-	480 352	18 642 185	-	18 642 185	0,00	0,00
Cash and Cash Equivalents	-	-	-	-	-	-	883 504	-	1 183 085	0,00	0,00
Non-Current Assets											
Property, Plant and Equipment	88 987 134	8 898 713	75 885 647	-	7 588 586	83 474 432	305 457 122	-	221 982 490	365,93	442,77
Intangible Assets	-	-	-	-	-	-	936 032	-	838 032	0,00	0,00
Investment Property	-	-	-	-	-	-	15 880 801	-	15 880 801	0,00	0,00
Heritage Assets	-	-	-	-	-	-	213 000	-	213 000	0,00	0,00
Total Assets	158 085 391	8 898 713	164 984 104	-	7 588 586	172 562 689	350 659 613	-	178 308 925	203,33	221,97
Current Liabilities											
Consumer Deposits	-	-	-	-	-	-	128 391	-	128 391	0,00	0,00
Provisions	-	-	-	-	-	-	670 000	-	670 000	0,00	0,00
Payables from Exchange Transactions	27 515 701	-	27 515 701	-	-	27 515 701	30 832 497	-	30 832 497	0,00	0,00
Payables from Non-exchange Transactions	-	-	-	-	-	-	24 898 342	-	(2 817 359)	90,48	90,48
Unspent Conditional Grants and Receipts	248 575	-	248 575	-	-	248 575	6 658 760	-	5 658 760	0,00	0,00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	2 841 070	-	2 892 455	1 142,94	1 142,94
Non-Current Liabilities											
Retirement Benefits	448 900	-	448 900	-	-	448 900	14 584 000	-	14 294 100	3 283,84	3 283,84
Non-current Provisions	-	-	-	-	-	-	1 172 463	-	1 172 463	0,00	0,00
Total Liabilities	30 884 127	-	30 884 127	-	-	30 884 127	86 888 172	-	58 204 045	283,17	283,17
Total Assets and Liabilities	127 381 264	8 898 713	134 279 977	-	7 588 586	141 688 582	263 971 441	-	122 102 880	186,07	207,23
Net Assets (Equity)											
Statutory Funds	127 381 264	8 898 713	134 279 977	-	7 588 586	141 688 582	253 971 441	-	122 102 880	186,07	207,23
Accumulated Surplus / (Deficit)	-	-	-	-	-	-	289 971 441	-	122 102 880	186,07	207,23
Total Net Assets	127 381 264	8 898 713	134 279 977	-	7 588 586	141 688 582	289 971 441	0	122 102 880	186,07	207,23

Financial Position Explanation of Variances between Approved Budget and Actual
 The municipality's budget department previously did not contain the necessary experience to compile a complete and credible Financial Position Budget. It is therefore evident from the above that the material variances are due to an incomplete and inaccurate Financial Position Budget. The municipality will review its Budget process and expenses to ensure that the 2015 budget cycle delivers a complete and credible budget in this regard.

AUDITOR - GENERAL
 SOUTH AFRICA
 08 DEC 2014
 T. M. du Toit

30 June 2013

Description	Original Budget		Budget Adjustments		Final Adjustments Budget		Shifting of Funds	Virement	Final Budget		Actual Outcome	Unauthorized Expenditure	Variance	Actual Outcome as % of		
	R	R	R	R	R	R			R	R				R	R	R
FINANCIAL PERFORMANCE																
Revenue from Non-exchange Transactions	6 556 746	-	-	-	6 556 746	-	-	-	6 556 746	6 292 100	-	-	(264 646)	95,96	95,96	
Property Rates	-	-	-	-	-	-	-	-	-	22 218	-	-	(22 218)	0,00	0,00	
Property Rates - Penalties Imposed and collection charges	98 991	-	-	-	98 991	-	-	-	98 991	-	-	-	0,00	0,00		
Licences and Permits	2 870 282	-	-	-	2 870 282	-	-	-	2 870 282	1 059 619	-	-	(1 810 663)	37,27	37,27	
Income for Agency Services	49 843 920	-	-	-	49 843 920	-	-	-	49 843 920	18 657 159	-	-	(31 186 761)	37,43	37,43	
Government Grants and Subsidies Received	-	-	-	-	-	-	-	-	-	1 754	-	-	1 754	0,00	0,00	
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Revenue from Exchange Transactions	50 193 916	-	-	-	50 193 916	-	-	-	50 193 916	30 505 124	-	-	(19 688 792)	40,95	40,95	
Service Charges	133 924	-	-	-	133 924	-	-	-	133 924	131 398	-	-	(2 526)	98,11	98,11	
Rental of Facilities and Equipment	1 014 348	-	-	-	1 014 348	-	-	-	1 014 348	108 398	-	-	(907 950)	10,49	10,49	
Interest Earned - External Investments	152 418	-	-	-	152 418	-	-	-	152 418	6 045 543	-	-	5 893 126	3 996,43	3 996,43	
Other Income	182 575	-	-	-	182 575	-	-	-	182 575	717 814	-	-	535 239	441,53	441,53	
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	0,00	0,00	
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	-	-	-	-	0,00	0,00	
Total Revenue	111 027 110				111 027 110				111 027 110	53 550 118			(57 476 992)	48,23	48,23	
Expenditure																
Employee Related Costs	34 095 658	-	-	-	34 095 658	-	-	-	34 095 658	28 357 300	-	-	(5 738 358)	83,17	83,17	
Remuneration of Councilors	3 052 489	-	-	-	3 052 489	-	-	-	3 052 489	2 905 958	-	-	(146 531)	95,20	95,20	
Depreciation and Amortisation	7 665 237	-	-	-	7 665 237	-	-	-	7 665 237	19 898 931	-	-	12 233 694	259,60	259,60	
Impairment Losses	5 075 184	-	-	-	5 075 184	-	-	-	5 075 184	4 093 232	-	-	(1 011 951)	80,06	80,06	
Repairs and Maintenance	2 013 675	-	-	-	2 013 675	-	-	-	2 013 675	1 589 994	-	-	(413 681)	79,46	79,46	
Finance Costs	1 825 259	-	-	-	1 825 259	-	-	-	1 825 259	2 293 482	-	-	468 223	125,65	125,65	
Bulk Purchases	24 644 808	-	-	-	24 644 808	-	-	-	24 644 808	18 469 469	-	-	(6 175 339)	74,94	74,94	
Contracted Services	10 299 181	-	-	-	10 299 181	-	-	-	10 299 181	9 355 347	-	-	(943 834)	90,84	90,84	
Grants and Subsidies Paid	37 622 295	-	-	-	37 622 295	-	-	-	37 622 295	721 490	-	-	(36 900 805)	1,92	1,92	
General Expenses	23 604 595	-	-	-	23 604 595	-	-	-	23 604 595	10 572 195	-	-	(13 032 371)	44,79	44,79	
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	0,00	0,00	
Total Expenditure	149 898 342				149 898 342				149 898 342	98 237 428			(51 660 914)	65,54	65,54	
Surplus/(Deficit) Transfers Recognised - Capital	(38 871 232)				(38 871 232)				(38 871 232)	(44 667 309)			(5 818 076)	0,00	0,00	
Surplus/(Deficit) after Capital Transfers and Surplus / (Deficit) from Discontinuing Operations	(38 871 232)				(38 871 232)				(38 871 232)	(17 376 377)			21 494 855	0,00	0,00	
Share of Surplus/(Deficit) of Associate														0,00	0,00	
Surplus/(Deficit) for the Year	(38 871 232)				(38 871 232)				(38 871 232)	(17 376 377)			21 494 855	0,00	0,00	

Financial Performance: Explanation of Variances between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Depreciation and Amortisation increased beyond budgetary expectations.

Finance Costs: Finance Costs increased beyond budgetary expectations due to incorrect accounting treatment of Finance Leases and Interest charged on late payments of suppliers.

Furthermores, as indicated above certain Revenue Variances also occurred during the 2014 Financial Period. This was mainly due to inaccurate budgeting, and the municipality is in the process of reviewing its Budget process to promote an credible, accurate and complete 2015 Budget Cycle.

AUDITOR - GENERAL
SOUTH AFRICA
08 DEC 2014

C. M. M. M.

30 June 2015

Description	Original	Budget	Final	Shifting	Virement	Final	Actual	Unauthorised	Variance	Actual Outcome	Actual Outcome
	Total Budget	Adjustments	Adjustments Budget	Funds		Budget	Outcome	Expenditure		as % of Final Budget	as % of Original Budget
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	61 086 413	7 670 423	68 755 836	-	-	68 755 836	6 850 459	-	(61 905 377)	9,96	11,21
Grants	51 170 000	(7 888 000)	43 282 000	-	-	43 282 000	39 771 949	-	(3 510 051)	91,89	77,73
Public Contributions and Donations	-	-	-	-	-	-	1 754	-	1 754	0,00	0,00
Service Charges	-	-	-	-	-	-	9 139 320	-	9 139 320	0,00	0,00
Interest Received	-	-	-	-	-	-	106 388	-	106 388	0,00	0,00
Other Receipts	(40 391 531)	7 211 157	(33 180 374)	-	-	(33 180 374)	5 274 078	-	5 274 078	0,00	0,00
Employee Related Costs	(2 553 500)	(399 899)	(3 952 489)	-	-	(3 952 489)	(2 293 952)	-	(1 658 537)	0,00	0,00
Remuneration of Councilors	(1 015 425)	-	(1 015 425)	-	-	(1 015 425)	(1 125 827)	-	(111 125 827)	0,00	0,00
Interest Paid	-	(5 899 892)	(5 899 892)	-	-	(5 899 892)	(9 906 721)	-	(4 006 829)	0,00	0,00
Suppliers Paid	(89 171 311)	-	(89 061 293)	-	-	(89 061 293)	(9 906 721)	-	(80 154 572)	0,00	0,00
Other Payments	-	-	-	-	-	-	-	-	-	0,00	0,00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(14 156 000)	(4 180 877)	(18 336 877)	-	-	(18 336 877)	(9 015 416)	-	(9 321 461)	0,00	0,00
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	0,00	0,00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0,00	0,00
Profit on Sale of Land	(70 330)	-	(70 330)	-	-	(70 330)	-	-	(70 330)	0,00	0,00
Decreases / (Increases) in Long-term Receivables	-	-	-	-	-	-	-	-	-	0,00	0,00
Cash Flows from/(used in) Financing Activities											
Loans repaid	(609 834)	(250 000)	(859 834)	-	-	(859 834)	(1 833 590)	-	(1 223 756)	0,00	0,00
Cash and Cash Equivalents at End of the Year	(35 613 510)	(3 328 270)	(38 941 780)	-	-	(38 941 780)	(2 222 416)	-	(37 319 364)	0,00	0,00

Cash Flow: Explanation of Variances between Approved Budget and Actual

The municipality's budget department previously did not contain the necessary experience to compile a complete and credible Cash Flow budget. It is therefore evident from the above that the material variances are due to an incomplete and inaccurate Cash Flow budget. The municipality will review the Budget process and expereise to ensure that the 2015 budget cycle delivers a complete and credible budget in this regard.

RECONCILIATION OF BUDGET SURPLUS/DEFICIT IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2013/14	2012/13
Net surplus/(deficit) per the statement of financial performance	R (24 842 059)	R (17 376 577)
Revenue from Non-exchange Transactions		
Property Rates	316 092	284 648
Property Rates - Penalties Imposed and collection charges	(34 989)	-
Fines	4 186	76 789
Licences and Permits	-	-
Revenue for Agency Services	1 575 408	1 800 663
Government Grants and Subsidies Received	7 664 122	3 875 829
Public Contributions and Donations	-	(1 754)
Revenue from Exchange Transactions		
Service Charges	4 287 828	29 687 792
Rental of Facilities and Equipment	224 279	2 526
Interest Earned - External Investments	908 787	907 880
Interest Earned - Outstanding Debtors	2 834 385	(5 883 126)
Other Revenue	100 808	(555 239)
Expenditure		
Employee Related Costs	(2 485 049)	(5 738 358)
Remuneration of Councilors	(54 279)	(1 146 541)
Collection Costs	-	-
Depreciation and Amortisation	11 872 640	12 233 694
Impairment Losses	1 311 595	(1 011 961)
Repairs and Maintenance	(1 724 106)	(413 881)
Printing Costs	2 186 244	488 223
Bulk Purchases	(20 417 079)	(6 175 319)
Contracted Services	(1 842 349)	(843 814)
Grants and Subsidies Paid	(27 842 334)	(36 900 805)
General Expenses	(2 476 176)	(1 032 371)
Net surplus/(deficit) per approved budget	R (48 265 397)	R (89 871 232)

AUDITOR - GENERAL
SOUTH AFRICA
08 DEC 2014
T. Mofolo

GARIEP MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the 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*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, 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 is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.