

Mbizana Local Municipality

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

General Information

Mayoral committee

Mayor	M.M Twabu
Speaker	T.D Mafumbatha
Chief Whip	A. Maquthu

Executive Committee

L. Makholosa
W.A Hlangabezo
D.D Mnisi
N. Giyama- Bongwana
E.F Matekana
N. Msokana
F. Siramza
S. Magini
N. Mbadlanyana

Councillors

N. Kwelemtini
F. Mbuyelwa
L. Nojila
B. Matshoba
V.T Mbele
S. Godi
P. Booie
T. Somadlangathi
F.P Mjoli
S. Faku
Z. Mhlwazi
N. Madikizela
N. Mbewu
L.G Mcambalala
S.M Thukwana
R.T Nkomo
H.M Nonqane
T. Maphasa
W.M Diya
M. Xesibe
P.V Ndovela
N. Hlebo
N.B Mteki
A.I Guqaza
M.J Dimane
B.A Jalubane
N. Sibutha
T. Faku
L.A Njomi

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

General Information

	Z.P Ndebele S.Ngonini N.E Cengimbo H.M Mpukwana A.R Ngubo Z. Nohiya N. Mafuya N. Stata J.N Madikizela P. Mfingwana N.N Mhlembana K. Ndzinya R.N Madikizela Z.W Mqokolwana T.H Kango M.J Ndesi I.M Sabuka N. Madikizela N. Magqabi N. Sikibi
Grading of local authority	Grade 3
Accounting Officer	Mr L Mahlaka
Chief Finance Officer (CFO)	Mr B Fikeni
Registered office	51 Main Street Bizana 4800
Postal address	P.O Box 12 Bizana 4800
Bankers	First National Bank
Auditors	Auditor General of South Africa Registered Auditors

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 14
Accounting Policies	15 - 46
Notes to the Annual Financial Statements	47 - 92

The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

Appropriation Statement	93
Appendix B: Analysis of Property, Plant and Equipment	94-95
Appendix C: Segmental analysis of Property, Plant and Equipment	96
Appendix D: Segmental Statement of Financial Performance	97
Appendix E (1): Actual versus Budget (Revenue and Expenditure)	98
Appendix E (2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	99
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	100
Appendix G (1): Budgeted Financial Performance (revenue and expenditure by standard classification)	101
Appendix G (2): Budgeted Financial Performance (revenue and expenditure by municipal vote)	102

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Index

Abbreviations

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

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

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

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

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

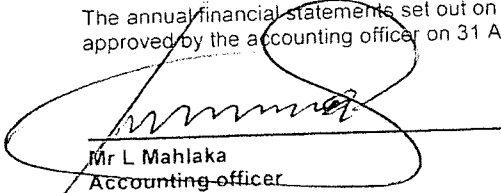
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

The annual financial statements set out on pages 6 to 91, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014.



Mr L Mahlaka
Accounting officer

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

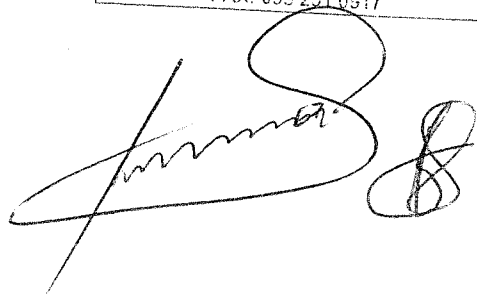
Statement of Financial Position as at 30 June 2014

	Note(s)	2014 R	Restated 2013 R
Assets			
Current Assets			
Other receivables from exchange transactions	5	2 586 774	3 185 428
Receivables from non-exchange transactions	6	6 503 564	5 047 516
Receivables from exchange transactions	7	4 253 627	5 224 306
VAT receivable	8	4 602 946	4 935 951
Cash and cash equivalents	9	126 152 442	117 518 723
Inventories	10	888 960	346 745
Prepayments	48	1 191 113	-
Operating lease asset	11	1 719 697	1 790 504
		147 899 123	138 049 173
Non-Current Assets			
Investment property	2	7 542 397	6 870 365
Property, plant and equipment	3	285 904 361	263 394 530
Intangible assets	4	88 356	167 994
		293 535 114	270 432 889
Non-Current Assets		293 535 114	270 432 889
Current Assets		147 899 123	138 049 173
Total Assets		441 434 237	408 482 062
Liabilities			
Current Liabilities			
Provisions	12	202 719	197 702
Payables from exchange transactions	13	27 468 757	29 404 309
Unspent conditional grants and receipts	14	4 955 894	9 792 921
Consumer deposits	15	420 337	402 726
		33 047 707	39 797 658
Non-Current Liabilities			
Provisions	12	5 591 594	1 562 421
Non-Current Liabilities		5 591 594	1 562 421
Current Liabilities		33 047 707	39 797 658
Total Liabilities		38 639 301	41 360 079
Assets		441 434 237	408 482 062
Liabilities		(38 639 301)	(41 360 079)
Net Assets		402 794 936	367 121 983
Accumulated surplus		402 794 936	367 121 983

MBIZANA LOCAL MUNICIPALITY
P.O. BOX 12 BIZANA 4800

2014 -12- 15

OFFICE OF THE MUNICIPAL MANAGER
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Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

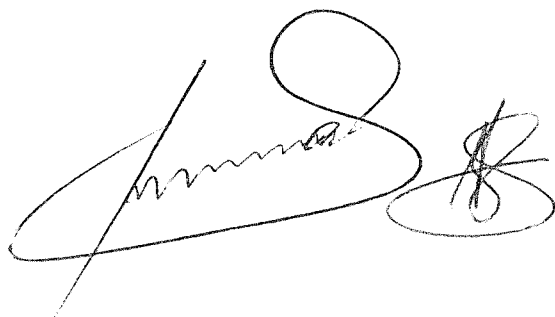
Statement of Financial Performance

	Note(s)	2014 R	Restated 2013 R
Revenue			
Revenue from exchange transactions			
Service charges	18	18 686 809	16 343 550
Rental of facilities and equipment	20	809 070	879 880
Licences and permits		1 203 029	1 096 795
Other income	21	2 532 396	1 180 260
Interest received	22	6 213 348	5 007 992
Total revenue from exchange transactions		29 444 652	24 508 477
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	17	9 974 852	7 379 021
Transfer revenue			
Government grants & subsidies	19	193 901 685	168 716 831
Fines		356 259	218 800
Total revenue from non-exchange transactions		204 232 796	176 314 652
Total revenue	16	233 677 448	200 823 129
Expenditure			
Personnel	24	(51 289 943)	(44 578 297)
Remuneration of councillors	25	(16 338 321)	(15 037 200)
Depreciation and amortisation	28	(19 047 263)	(25 162 271)
Finance costs	29	(430 605)	(163 422)
Debt impairment	26	(3 070 843)	(5 040 520)
Repairs and maintenance		(1 072 261)	(5 830 725)
Bulk purchases	31	(20 811 676)	(16 903 629)
Grants related expenditure	32	(21 420 846)	(16 618 571)
General Expenses	23	(55 813 979)	(36 496 680)
Total expenditure		(189 295 737)	(165 831 315)
Total revenue		233 677 448	200 823 129
Total expenditure		(189 295 737)	(165 831 315)
Operating surplus		44 381 711	34 991 814
Fair value adjustments	27	672 032	(1 130 635)
Surplus before taxation		45 053 743	33 861 179
Taxation		-	-
Surplus for the year		45 053 743	33 861 179
Attributable to:			
Owners of the controlling entity		45 053 743	33 861 179

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Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

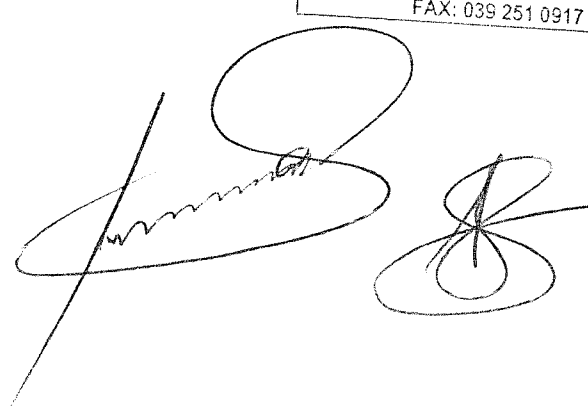
Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	338 790 378	338 790 378
Adjustments		
Prior year adjustments	(5 529 574)	(5 529 574)
Balance at 01 July 2012 as restated	333 260 804	333 260 804
Changes in net assets		
Surplus for the year	33 861 179	33 861 179
Total changes	33 861 179	33 861 179
Opening balance as previously reported	370 907 542	370 907 542
Balance at 01 July 2013 as restated	370 907 542	370 907 542
Changes in net assets		
Other fair value gains (losses)	672 032	672 032
Prior Period errors	(13 838 382)	(13 838 382)
Net income (losses) recognised directly in net assets	(13 166 350)	(13 166 350)
Surplus for the year	45 053 743	45 053 743
Total recognised income and expenses for the year	31 887 393	31 887 393
Total changes	31 887 393	31 887 393
Balance at 30 June 2014	402 794 935	402 794 935

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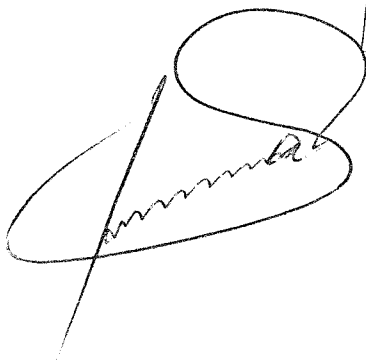
Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Cash Flow Statement

	Note(s)	2014 R	Restated 2013 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		30 469 649	17 197 141
Grants		186 378 784	163 542 902
Interest income		6 213 348	5 007 992
		<u>223 061 781</u>	<u>185 748 035</u>
Payments			
Employee costs		(67 483 736)	(59 615 497)
Suppliers		(111 864 150)	(14 117 142)
Finance costs		(430 605)	(163 422)
		<u>(179 778 491)</u>	<u>(73 896 061)</u>
Total receipts		223 061 781	185 748 035
Total payments		(179 778 491)	(73 896 061)
Net cash flows from operating activities	33	<u>43 283 290</u>	<u>111 851 974</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(34 649 571)	(71 206 400)
Purchase of other intangible assets	4	-	(159 275)
		<u>(34 649 571)</u>	<u>(71 365 675)</u>
Net cash flows from investing activities			
Net increase/(decrease) in cash and cash equivalents		8 633 719	40 486 299
Cash and cash equivalents at the beginning of the year		117 518 723	77 032 424
Cash and cash equivalents at the end of the year	9	<u>126 152 442</u>	<u>117 518 723</u>

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Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	31 271 000	671 000	31 942 000	18 686 809	(13 255 191)	Appendix E(1)
Rental of facilities and equipment	688 000	-	688 000	809 070	121 070	Appendix E(1)
Licences and permits	1 476 000	-	1 476 000	1 203 029	(272 971)	Appendix E(1)
Other income	14 968 000	37 187 000	52 155 000	2 532 396	(49 622 604)	Appendix E(1)
Interest received - investment	4 182 000	-	4 182 000	6 213 348	2 031 348	Appendix E(1)
Total revenue from exchange transactions	52 585 000	37 858 000	90 443 000	29 444 652	(60 998 348)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12 674 000	(1 233 000)	11 441 000	9 974 852	(1 466 148)	Appendix E(1)
Government grants & subsidies	190 074 679	5 135 178	195 209 857	193 901 685	(1 308 172)	Appendix E(1)
Transfer revenue						
Fines	389 000	(21 000)	368 000	356 259	(11 741)	Appendix E(1)
Total revenue from non-exchange transactions	203 137 679	3 881 178	207 018 857	204 232 796	(2 786 061)	
'Total revenue from exchange transactions'	52 585 000	37 858 000	90 443 000	29 444 652	(60 998 348)	Appendix E(1)
'Total revenue from non-exchange transactions'	203 137 679	3 881 178	207 018 857	204 232 796	(2 786 061)	Appendix E(1)
Total revenue	255 722 679	41 739 178	297 461 857	233 677 448	(63 784 409)	
Expenditure						
Personnel	(67 736 000)	13 415 000	(54 321 000)	(51 289 943)	3 031 057	Appendix E(1)
Remuneration of councillors	(15 262 000)	(736 000)	(15 998 000)	(16 338 321)	(340 321)	Appendix E(1)
Depreciation and amortisation	-	(30 068 000)	(30 068 000)	(19 047 263)	11 020 737	Appendix E(1)
Finance costs	-	-	-	(430 605)	(430 605)	Appendix E(1)
Debt impairment	(4 036 000)	-	(4 036 000)	(3 070 843)	965 157	Appendix E(1)
Repairs and maintenance	(13 479 000)	(3 323 000)	(16 802 000)	(1 072 261)	15 729 739	Appendix E(1)
Bulk purchases	(24 000 000)	3 500 000	(20 500 000)	(20 811 676)	(311 676)	Appendix E(1)
Grants and subsidies paid	(1 400 000)	-	(1 400 000)	(788 132)	611 868	Appendix E(1)
General Expenses	(129 809 000)	(24 528 000)	(154 337 000)	(76 446 693)	77 890 307	Appendix E(1)
Total expenditure	(255 722 000)	(41 740 000)	(297 462 000)	(189 295 737)	108 166 263	
	255 722 679	41 739 178	297 461 857	233 677 448	(63 784 409)	Appendix E(1)
	(255 722 000)	(41 740 000)	(297 462 000)	(189 295 737)	108 166 263	Appendix E(1)
Operating surplus	679	(822)	(143)	44 381 711	44 381 854	
Fair value adjustments	-	-	-	672 032	672 032	Appendix E(1)
	679	(822)	(143)	44 381 711	44 381 854	Appendix E(1)
	-	-	-	672 032	672 032	Appendix E(1)
Surplus before taxation	679	(822)	(143)	45 053 743	45 053 886	

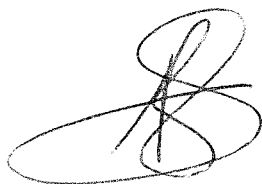
Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Deficit before taxation	679	(822)	(143)	45 053 743	45 053 886	Appendix E(1)
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	679	(822)	(143)	45 053 743	45 053 886	



Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	347 000	-	347 000	888 960	541 960	Incorrect budget basis.
Operating lease asset	1 495 000	-	1 495 000	1 719 697	224 697	Incorrect budget basis
Other receivables from exchange transactions	210 000	-	210 000	2 586 774	2 376 774	Incorrect budget basis
Receivables from non-exchange transactions	135 000	-	135 000	6 503 564	6 368 564	Incorrect budget basis
VAT receivable	4 125 000	-	4 125 000	4 602 946	477 946	Incorrect budget basis
Prepayments	-	-	-	1 191 113	1 191 113	Incorrect budget basis
Consumer debtors	9 599 000	-	9 599 000	4 253 627	(5 345 373)	Incorrect budget basis
Cash and cash equivalents	126 615 000	(7 802 000)	118 813 000	126 152 442	7 339 442	
	142 526 000	(7 802 000)	134 724 000	147 899 123	13 175 123	
Non-Current Assets						
Investment property	5 544 000	-	5 544 000	7 542 397	1 998 397	Incorrect budget basis
Property, plant and equipment	291 206 000	13 680 000	304 886 000	285 904 361	(18 981 639)	Incorrect budget basis
Intangible assets	-	-	-	88 356	88 356	Incorrect budget basis
	296 750 000	13 680 000	310 430 000	293 535 114	(16 894 886)	
Non-Current Assets	142 526 000	(7 802 000)	134 724 000	147 899 123	13 175 123	Incorrect budget basis
Current Assets	296 750 000	13 680 000	310 430 000	293 535 114	(16 894 886)	Incorrect budget basis
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	-	-	
Total Assets	439 276 000	5 878 000	445 154 000	441 434 237	(3 719 763)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	12 880 000	-	12 880 000	27 468 757	14 588 757	Incorrect budget basis
Consumer deposits	403 000	-	403 000	420 337	17 337	
Unspent conditional grants and receipts	9 648 000	(7 226 000)	2 422 000	4 955 894	2 533 894	Incorrect budget basis
Provisions	-	-	-	202 719	202 719	Incorrect budget basis
	22 931 000	(7 226 000)	15 705 000	33 047 707	17 342 707	
Non-Current Liabilities						

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Provisions	-	-	-	5 591 594	5 591 594	Incorrect budget basis
Non-current provisions	22 931 000	(7 226 000)	15 705 000	33 047 707	17 342 707	Incorrect budget basis
Total Liabilities	22 931 000	(7 226 000)	15 705 000	38 639 301	22 934 301	
Assets	439 276 000	5 878 000	445 154 000	441 434 237	(3 719 763)	
Liabilities	(22 931 000)	7 226 000	(15 705 000)	(38 639 301)	(22 934 301)	
Net Assets	416 345 000	13 104 000	429 449 000	402 794 936	(26 654 064)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	416 345 000	13 104 000	429 449 000	402 794 936	(26 654 064)	

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	61 465 000	(1 254 000)	60 211 000	30 469 649	(29 741 351)	Appendix E (1)
Grants	190 075 000	-	190 075 000	186 378 784	(3 696 216)	Appendix E (1)
Interest income	4 182 000	-	4 182 000	6 213 348	2 031 348	Appendix E (1)
	255 722 000	(1 254 000)	254 468 000	223 061 781	(31 406 219)	

Payments

Suppliers and Employees	(170 405 000)	2 797 000	(167 608 000)	(179 347 886)	(11 739 886)	Incorrect budget basis
Transfers and Grants	(1 400 000)	-	(1 400 000)	-	1 400 000	Incorrect budget basis
	(171 805 000)	2 797 000	(169 008 000)	(179 347 886)	(10 339 886)	

Total receipts	255 722 000	(1 254 000)	254 468 000	223 061 781	(31 406 219)	
Total payments	(171 805 000)	2 797 000	(169 008 000)	(179 347 886)	(10 339 886)	
Net cash flows from operating activities	83 917 000	1 543 000	85 460 000	43 713 895	(41 746 105)	

Cash flows from investing activities

Purchase of property, plant and equipment	(79 881 000)	(13 380 000)	(93 261 000)	(34 649 571)	58 611 429	Incorrect budget basis
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Cash flows from financing activities

Finance costs	-	-	-	(430 605)	(430 605)	
Net increase/(decrease) in cash and cash equivalents	4 036 000	(11 837 000)	(7 801 000)	8 633 719	16 434 719	Incorrect budget basis
Cash and cash equivalents at the beginning of the year	126 615 000	-	126 615 000	117 518 723	(9 096 277)	Incorrect budget basis
Cash and cash equivalents at the end of the year	130 651 000	(11 837 000)	118 814 000	126 152 442	7 338 442	

Mbizana Local Municipality
Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Annual Financial Statements

Basis of Presentation

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

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

In the absence of an issued and effective Standard of GRAP or IPSAS an International Financial Reporting Standard (IFRS) that is effective forms part of the GRAP reporting framework. In all other cases, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

All amounts have been rounded off to the nearest rand in accordance with GRAP 1 paragraph 54 (e).

A summary of the significant accounting policies which have been consistently applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements.

Going concern assumption

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

Standards, Amendments to Standards and Interpretations Issued but not effective

The following Standards of GRAP have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The municipality has **not early-adopted** any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

- GRAP 18 Segment Reporting - Issued March 2005
- GRAP 20 Related Party Disclosures - Issued June 2011
- GRAP 32 Service Concession Arrangements - Issued August 2013
- GRAP 105 Transfer of functions between entities under common control - Issued November 2010
- GRAP 106 Transfer of functions between entities not under common control - Issued November 2010
- GRAP 107 Mergers - Issued November 2010
- GRAP 108 Statutory receivables - Issued September 2013

GRAP 18 Segment Reporting:

The standard requires the identification and aggregation of the operating segments of the municipality into reportable segments. For each of the reportable segments identified details of the financial performance and financial position will be disclosed. The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 - Related Party Disclosures

This standard requires the disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity. The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 32 - Service Concession Arrangements : Grantor

The objective of the standard is to prescribe the accounting for service concession arrangements by the grantor, a public entity. The municipality must assess whether it is a grantor ie has granted the right to use the service concession asset to the operator. This standard then requires the municipality to recognise an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if (a) the grantor controls or regulates what services the operator must provide with the asset, to whom it must be provided and at what price, and (b) the grantor controls through

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement. Where a service concession asset is recognised, the grantor shall also recognise a liability at the same amount as the service concession asset. The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant. This standard does not yet have an effective date.

GRAP 105 Transfer of functions between entities under common control

This standard requires the municipality to recognise or derecognise assets acquired or transferred and liabilities assumed or relinquished at carrying amounts for transactions that involve transfer of functions between entities under common control. The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date

GRAP 106 Transfer of functions between entities not under common control

This standard requires the municipality to recognise identifiable assets acquired and liabilities assumed at fair value and the difference recognised in surplus or deficit for transactions that involve transfer of functions between entities that are not under common control. The precise impact of this on the financial statements of the municipality is still being assessed but is not expected to be significant. This standard does not yet have an effective date

GRAP 108 - Statutory Receivables

This standard requires the entity to recognise any receivables that arise from legislation, supporting legislations, or similar means and requires settlement by the entity in cash or another financial asset as statutory receivables. The municipality shall recognise statutory receivables using the standard of GRAP on revenue from exchange transactions if the transaction is an exchange transaction or the standard of GRAP on revenue from non exchange transactions if it is a non exchange transaction. Where the transaction is not within the scope of the above, the receivable must be recognised when the definition of an asset is met. The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant. This standard does not yet have an effective date

Management has considered all the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

Standards, Amendments to standards and Interpretations issued and effective but not relevant to the entity

The following standards have been issued and are effective but are not relevant to the operations of the municipality. These standards have not been used in formulating any accounting policy.

GRAP 26	Impairment of cash generating assets
GRAP 27	Agriculture
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Accounting for Investments in Associates
GRAP 8	Financial Reporting of Interests in Joint Ventures

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty

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

Judgements

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

Estimates

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

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment Testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provision for Rehabilitation of landfill site

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, site water balance, the rehabilitation cost, the monitoring and the rehabilitation period.

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and contingent assets, as set out in notes 12 and 35 respectively. Provisions are discounted where the effect is material.

Depreciation and Amortisation

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the recoverability of debt. Each debtor is assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Budget Information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements.

Fair value determination of properties (excluding heritage assets)

In determining the fair value of investment property (and / or property, plant and equipment) the municipality applies a valuation methodology to determine the fair value of the properties based on any one of, or a combination of the following factors:

- The market related selling price of the property; or
- The market related rental that can be earned for the property; or
- The market related selling price of similar properties in the area; or
- The rentals currently or previously earned by the property.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. The cost of self constructed investment property is the cost at date of completion

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

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date.

To the extent that the fair value model is applied investment property is not depreciated. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises

The assumptions for determining the fair value of investment property recognised in the annual financial statements are set out in note 2 of the annual financial statements

Derecognition

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

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

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

1.3 Property, plant and equipment

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

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

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

Initial Recognition

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

Subsequent Measurement - Cost Model

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

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 associated with the asset.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Depreciation and Impairment

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

The useful lives of items of property, plant and equipment have been assessed in line with National Treasury guidelines as follows:

Item	Average useful life
Land	undefined
Buildings	25 years
Furniture and fixtures	5 years
Motor vehicles	5 - 10 years
Office equipment	5 years
IT equipment	3 - 5 years
Infrastructure	
• Roads and Pavings	10 years
• Electricity reticulation and supply	50 years
• Waste disposal facilities	20 - 30 years
• Storm water	60 years
• Traffic Lights	15 years
• Water supply reticulation	20 years
• Landfill sites	20 - 30 years
Community	
• Cemeteries	10 - 15 years
• Community Halls	25 years
• Housing Scheme Houses	15 years
• Recreational Facilities	25 years
Other property, plant and equipment	5 - 10 years
Park facilities	25 years

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

Property, plant and equipment

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

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

Impairments

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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

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

Derecognition

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance and examples include computer software, licences and development costs

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

The municipality recognises an intangible asset 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.

Initial recognition

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at the date of acquisition.

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent Measurement - Cost Model

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the annual financial statements.

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

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

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

Item	Useful life
Computer software, other	2 years

Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Intangible assets (continued)

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

1.5 Financial instruments

The municipality accounts for financial instruments in accordance with GRAP 104: Financial Instruments. These financial statements have been prepared and disclosed in terms of GRAP 104.

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Financial instruments (continued)

Classification

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

Class	Category
Call Accounts	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
cash and bank balances	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value if subsequently measured at fair value.

Subsequent measurement of financial assets and financial liabilities

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

Financial Instruments at Fair Value

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives
- compound instruments that are designated at fair value i. e an instrument that includes a derivative and a non-derivative host contract.
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- an investment in a residual interest for which fair value can be measured reliably

Financial Instruments at amortised cost

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the municipality designates at fair value at initial recognition or are held for trading.

Financial Instruments at Cost

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

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

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

Financial Liabilities

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

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

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

Presentation

Investments

Investments, which include fixed deposits and short term deposits invested in registered commercial banks, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost. Where the investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cashflows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of Financial Performance.

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

All trade and other receivables are assessed at least annually for possible impairment. Impairment adjustments are made through the use of an allowance account. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Financial instruments (continued)

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

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

Trade and Other Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and Cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of changes in value. For the purposes of the cashflow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. These are initially and subsequently recorded at amortised cost.

Bank overdrafts and borrowings

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.

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Leases

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

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

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases - lessor

For those leases that meet the definition of a finance lease, where the municipality is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the municipality recognises a finance lease receivable as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

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

Finance lease receivables are derecognised when the municipality's right to the underlying cash flows expire or when the municipality no longer expects economic benefits to flow from the finance lease receivable.

Finance leases - lessee

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

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

Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

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

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue.

Any contingent rents are expensed in the period in which they are incurred

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Leases (continued)

Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

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

Operating lease liabilities are derecognised when the municipality's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the municipality's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

The operating lease liability is derecognised when the municipality's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the municipality no longer anticipates economic benefits to flow from the asset.

1.7 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

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

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

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.7 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

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

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Identification

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

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount is determined for individual assets.

In determining the recoverable amount of an asset the municipality evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period

Value in use

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

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

Discount rate

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

1.9 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.9 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (payroll creditor), after deducting any amount already paid. If the amount already paid exceeds the amount of the benefits, the municipality recognise that excess as an asset (payroll debtor) to the extent that this will lead to 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.

Leave Pay

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

The liability is based on the total amount of leave days due to the employees at reporting date and on the basic salary of the employees.

Long service awards

The entity provides long service awards to eligible employees, payable on completion of a certain numbers of years of employment. A provision is raised to account for the expected long service awards due to be paid in the preceding year.

Annual Bonuses

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

The municipality pays out an Annual bonus to its employees during the month of their birthday or annually from date of employment. A liability relating to the anticipated bonuses payable is raised and is based on the monthly basic salary of the individual.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.9 Employee benefits (continued)

Post-employment benefits

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

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

The municipality does not provide any post employment benefits to any employees. All pension fund or medical aid contributions or any other benefit/contribution paid by the municipality on behalf of an employee cease when the employment is terminated, whether through retirement, resignation, death or dismissal.

Termination benefits

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

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

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

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

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.10 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35 unless the outflow or inflow of resources embodying economic benefits is remote.

The municipality has raised the following provisions for the current year

Provision for rehabilitation of Landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted over an average period as determined by valuers. For Key assumptions refer to Note 12 "Provisions"

1.11 Revenue from exchange transactions

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

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

Recognition

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, grants from National and Provincial Government, service charges, rentals, interest received and other services rendered. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity, and when these benefits can be reliably measured. Revenue arising from the application of approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Measurement

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service Charges-Electricity

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on average consumption. Revenue arising from the consumption of electricity in the month of June is fully accounted for whether invoiced or not.

Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards and other services provided on a pre-payment basis are recognised at the point of sale.

Refuse removal

Revenue 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 containers per property.

Rental income

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

Tarrif Charges

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

Income from Agency fees

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.

Investment Income

Revenue arising from the use by others of municipality assets yielding interest, is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the amount of the revenue can be measured reliably. Interest received is recognised, in surplus or deficit, using the effective interest rate method

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.12 Revenue from non-exchange transactions

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

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

Recognition

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

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Measurement

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

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are granted to certain categories of rate payers, and these are deducted from revenue.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summons that will be received based on past experience of amounts collected.

Public contributions and donations

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, a deferred income (liability) is recognised.

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.

Recovery of unauthorised, fruitless and wasteful expenditure

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.

Grants, transfers and donations

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 raised to the extent that the grant, transfer or donation is conditional and funds are invested until it is utilised and the 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. 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 in full when the asset is recognised, at an amount equalling the fair value of the asset received.

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

Taxes

The Municipality accounts for Value Added Tax on the payments basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial position.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. 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.

It is considered inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current

Borrowing costs incurred other than on qualifying assets are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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

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

The presentation and classification of items in the current year is consistent with prior periods. Where there has been a reclassification or restatement, the nature and reasons for the reclassification and restatement are disclosed in note 38 "Prior Period Errors" to the Financial Statements.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

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

Also included is 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 the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

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

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.18 Irregular expenditure (continued)

- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

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

1.21 Offsetting

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

1.22 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.23 Conditional grants and receipts

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

1.24 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.25 Change in accounting policy, estimate and errors

Changes in accounting policy that are affected by management have been applied retrospectively in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the accumulative effect of the change in policy. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimate are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative effects of the error. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of prior period errors are disclosed in the notes to the financial statements where applicable.

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.26 Budget information (continued)

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- (a) the approved and final budget amounts;
- (b) the actual amounts on a comparable basis; and
- (c) by way of note disclosure, an explanation of material differences between the budget for which the group is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Comparative information for the budget is not required.

1.27 Related parties

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

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

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

Only transactions with related parties that were not within:

- (a) normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- (b) terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

have been disclosed in the annual financial statements. Refer to Note 36 for identified related parties and related party transactions.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.28 Surplus or deficit

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

1.29 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 Annual Financial Statements are authorised for issue. Two types of events can be identified:

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

The Municipality will adjust the amounts recognised in the Annual Financial Statements to reflect adjusting events after the reporting date once the event occurred.

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

1.30 Commitments

Items are classified as a commitment when the municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for.

1.31 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets, but discloses them

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefits is probable.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014	Restated 2013
	R	R

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
2. Investment property (continued)		
- FV adjustments since purchase	74 775	74 775
- Capitalised expenditure	-	-
	<u>265 775</u>	<u>265 775</u>
Property leased to Slip Knot Investments		
LAND ERF 759/00000		
- NBV: June 2009	10 000	10 000
- FV adjustments since purchase	-	-
- Capitalised expenditure	-	-
	<u>10 000</u>	<u>10 000</u>

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

Details of valuation

Revaluations were performed by an independent valuer, K Agyaben-Boateng (Khanyisa Property and Management Services) B.Sc Honours (Land economy) and registered as a professional valuer in terms of the Valuers Act (Registration No 3550/9). They are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The properties are income producing property and therefore were valued based on the income capitalisation method ie the value of the property is equivalent to the sum total of the present values of the current and future stream of income. The following assumptions were used

- Capitalisation rate: 12%
- Fair value Escalation rate (where applicable) : 8%

For investment property, totaling R 10 000 (2013: R 10 000), where the validity of the lease could not be determined. it was concluded that the lease has not taken effect therefore the Fair value was not determinable. the property is carried at NBV.

Amounts recognised in surplus and Deficit for the year

Amounts recognised in surplus and deficit for the year are the following;

Rental revenue from investment property	698 219	742 915
fair value adjustments recognised in surplus or deficit	672 032	(1 130 635)

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	32 660 555	(107 957)	32 552 598	32 660 555	(81 662)	32 578 893
Buildings	9 154 360	(2 861 798)	6 292 562	8 895 415	(2 715 009)	6 180 406
Plant and machinery	5 793 483	(2 157 781)	3 635 702	5 681 954	(1 663 733)	4 018 221
Furniture and fixtures	7 455 148	(4 991 248)	2 463 900	5 379 974	(3 821 315)	1 558 659
Motor vehicles	6 624 234	(4 020 764)	2 603 470	5 597 048	(3 169 005)	2 428 043
Infrastructure	222 864 934	(97 655 725)	125 209 209	215 616 176	(86 191 311)	129 424 865
Community	38 390 193	(13 965 421)	24 424 772	38 316 972	(15 978 922)	22 338 050
Other property, plant and equipment	88 722 148	-	88 722 148	64 867 393	-	64 867 393
Total	411 665 055	(125 760 694)	285 904 361	377 015 487	(113 620 957)	263 394 530

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Other movements - WIP	Depreciation	Impairment loss	Impairment reversal	Total
Land	32 578 893	-	-	-	(26 295)	-	-	32 552 598
Buildings	6 180 406	200 000	-	-	(492 203)	-	404 359	6 292 562
Plant and machinery	4 018 221	396 613	-	-	(779 132)	-	-	3 635 702
Furniture and fixtures	1 558 659	1 790 091	-	-	(884 849)	-	-	2 463 900
Motor vehicles	2 428 043	1 027 187	-	-	(851 758)	-	-	2 603 470
Infrastructure	129 424 865	7 248 759	-	-	(14 179 649)	-	2 715 234	125 209 209
Community	22 338 050	132 166	-	-	(1 674 101)	-	3 628 658	24 424 772
Other property, plant and equipment	64 867 393	-	-	23 854 755	-	-	-	88 722 148
	263 394 530	10 794 816	-	23 854 755	(18 887 987)	-	6 748 251	285 904 361

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Other movements- WJP	Depreciation	Impairment loss	Impairment reversal	Total
Land	32 587 084	-	-	-	(8 191)	-	-	32 578 893
Buildings	7 055 663	6 700	-	-	(477 598)	(404 359)	-	6 180 406
Plant and machinery	4 706 172	56 681	-	-	(744 632)	-	-	4 018 221
Furniture and fixtures	2 066 364	312 136	-	-	(819 841)	-	-	1 558 659
Motor vehicles	3 453 728	-	-	-	(1 025 685)	-	-	2 428 043
Infrastructure	143 453 459	1 639 551	-	902 569	(13 855 482)	(2 715 232)	-	129 424 865
Community	24 027 921	709 314	-	2 712 056	(1 482 583)	(3 628 658)	-	22 338 050
Capital under construction	-	-	-	64 867 393	-	-	-	64 867 393
	217 350 391	2 724 382	-	68 482 018	(18 414 012)	(6 748 249)	-	263 394 530

Pledged as security

The municipality does not have any assets that have been pledged as security

Details of properties

Due to the number of the properties, it is not practical to disclose details of each property in the financial statements. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
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3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	51 264 295	4 613 288	8 989 810	64 867 393
Additions/capital expenditure	18 707 801	400 787	4 746 167	23 854 755
Other movements [specify]	-	-	-	-
Transferred to completed items	-	-	-	-
	<u>69 972 096</u>	<u>5 014 075</u>	<u>13 735 977</u>	<u>88 722 148</u>

Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	31 506 124	3 718 844	4 438 975	39 663 943
Additions/capital expenditure	19 758 171	894 444	4 550 835	25 203 450
Other movements [specify]	-	-	-	-
Transferred to completed items	-	-	-	-
	<u>51 264 295</u>	<u>4 613 288</u>	<u>8 989 810</u>	<u>64 867 393</u>

4. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer Software	630 105	(541 749)	88 356	630 105	(462 111)	167 994
Other intangible assets	-	-	-	-	-	-
Total	<u>630 105</u>	<u>(541 749)</u>	<u>88 356</u>	<u>630 105</u>	<u>(462 111)</u>	<u>167 994</u>

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer Software	167 994	-	-	79 637	88 356
Other intangible assets	-	-	-	-	-
	<u>167 994</u>	<u>-</u>	<u>-</u>	<u>79 637</u>	<u>88 356</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
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4. Intangible assets (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer Software	8 719	159 275	-	-	167 994
Other intangible assets	-	-	-	-	-
	<u>8 719</u>	<u>159 275</u>	<u>-</u>	<u>-</u>	<u>167 994</u>

Other information

The Intangible assets that are controlled by the municipality consist of computer software. The useful lives are considered finite and are amortised over 2 years.

5. Other receivables from exchange transactions

Trade debtors	1 420 287	2 018 941
Other receivables - Land Sales	210 030	210 030
Debtors- Electricity	956 457	956 457
	<u>2 586 774</u>	<u>3 185 428</u>

The municipality sold land to Bargain wholesalers (R200 000) and Paul Marais (R60 030) in prior years. As at 30 June the following amounts are still outstanding: Bargain Wholesalers R150 000 (2013: R150 000) and Paul Marais R60 030 (2013: R60 030).

In the prior year the municipality used incorrect electricity tariff rates and the correction of these incorrect billings made resulted in a change in electricity debtors to R 956 457 (2013: R956 457).

Fair value of trade and other receivables

Trade and other receivables	2 586 774	3 185 428
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The carrying value of trade and other receivables approximates their fair value.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired.

At 30 June 2014, R 1 166 487 (2013: R 1 166 487) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	-	-
2 months past due	-	-
more than 3 months past due	1 166 487	1 166 487

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
6. Receivables from non-exchange transactions		
Rates	4 055 193	2 871 886
Payroll debtors	174 109	151 456
Other Debtors - Overpayment of councillors	2 274 262	2 024 174
	<u>6 503 564</u>	<u>5 047 516</u>
Gross balance		
Debtors - rates	<u>6 910 172</u>	<u>5 077 787</u>
Less: Allowance for impairment		
Provision for bad debts - rates	<u>(2 854 979)</u>	<u>(2 205 901)</u>
Net balance		
Debtors - rates	<u>4 055 193</u>	<u>2 871 886</u>

The municipality paid Councillors salaries and allowances that were above the gazetted upper limits as set by the Bargaining council. A debtor has been raised for overpaid amounts that are owed by the councillors to the municipality.

Agreements to recover the amounts owing by councillors have been put in place. These amounts will be recovered over periods agreed with the councillors.

Rates- Ageing

Current (0-30 days)	697 714	486 109
31-60 days	192 373	115 627
61-90 days	175 939	108 287
91-120 days	185 552	85 368
121-150 days	127 750	78 099
>150 days	5 530 844	4 204 297
	<u>6 910 172</u>	<u>5 077 787</u>

Fair value of receivables from non-exchange transactions

Other receivables from non-exchange transactions	2 448 371	2 175 630
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The carrying value of trade and other receivables from non exchange transactions, approximates their fair value.

7. Receivables from exchange transactions

Gross balances

Debtors - Service charges	<u>10 924 004</u>	<u>11 789 770</u>
Less: Allowance for impairment		
Provision for bad debts	<u>(6 670 377)</u>	<u>(6 565 464)</u>
Net balance		
Debtors - Service charges	<u>4 253 627</u>	<u>5 224 306</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
7. Receivables from exchange transactions (continued)		
Included in above are receivables from exchange transactions		
Electricity	7 781 304	8 204 208
Refuse	3 478 659	3 038 172
Other	1 980 893	547 390
Written-off	(2 316 852)	-
	10 924 004	11 789 770
Net balance	10 924 004	11 789 770
Electricity: Ageing		
Current (0 -30 days)	1 309 615	1 485 411
31 - 60 days	727 200	457 738
61 - 90 days	245 525	423 453
91 - 120 days	98 709	387 115
121 - 150 days	213 386	363 197
> 150 days	5 186 869	5 087 294
	7 781 304	8 204 208
Refuse		
Current (0 -30 days)	158 581	140 509
31 - 60 days	113 586	84 935
61 - 90 days	87 195	80 888
91 - 120 days	79 118	72 836
121 - 150 days	62 495	81 367
> 150 days	2 977 684	2 577 637
	3 478 659	3 038 172
Other (specify)		
Current (0 -30 days)	73 865	51 095
31 - 60 days	1 372 303	48 947
61 - 90 days	121 583	48 947
91 - 120 days	30 774	48 947
121 - 150 days	26 324	48 947
> 150 days	356 044	300 507
	1 980 893	547 390
Reconciliation of allowance for impairment		
Balance at beginning of the year	(8 771 365)	(6 635 882)
Contributions to allowance	(3 070 843)	(2 135 483)
Debt impairment written off against allowance	2 316 852	-
Contribution to allowance - rates	2 854 979	2 205 901
	(6 670 377)	(6 565 464)

Consumer debtors pledged as security

The municipality does not have Consumer debtors that were pledged as security.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014	2013
	R	R

7. Receivables from exchange transactions (continued)

Credit quality of consumer debtors

In determining the recoverability of consumer debt the municipality considers any change in the credit quality of the consumerdebtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the consumer base being large and unrelated. Accordingly, the provision for impairment is determined according to the past payment patterns of each consumers within the various categories using the following rates;

- Debtors with history of payments between 0% and 50% of debt - 100% of outstanding debt.
- Debtors with history of payments between 51% and 80% of debt -50% of outstanding debt.
- Debtors with history of payments between 81% and 100% of debt - 0% of outstanding debt.

The average payment history as a percentage of total outstanding debt for the preceding 3 years was utilised to determine the payment history of each debtor.

Fair value of debtors- service charges

Debtors - Services charges	8 763 297	6 994 797
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The fair value of debtors - service charges is determined after taking into account possible impairment.

Consumer debtors impaired

As of 30 June 2014, consumer debtors of R 20 115 602 (2013: R 16 867 557) were impaired and provided for.

The amount of the provision was R 11 842 208 as of 30 June 2014 (2013: R 8 771 365).

The ageing of these debtors is as follows:

3 to 6 months	14 880 121	13 335 610
Over 6 months	-	-

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
8. VAT receivable		
VAT	4 602 946	4 935 951

VAT is recognised on invoice basis.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	470	102
Bank balances	1 128 174	4 743 706
Short-term deposits	123 164 181	110 984 901
Other bank balances	1 859 617	1 790 014
	126 152 442	117 518 723

The municipality had the following bank accounts

Bank / Description / Account number	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
FNB BANK - Public Sector Cheque Account - 51704922107	4 561 196	9 546 931	5 033 172	1 128 174	4 743 705	3 748 341
FNB BANK - Public Sector Account - 61170003788	342 002	330 346	328 603	342 003	330 396	328 603
FNB BANK - Public Sector Cheque Account - 51701039997	1 527 170	1 469 174	1 458 729	1 517 613	1 459 617	1 458 729
FNB BANK - 32 day Notice- 740- 0292-4914	214 754	208 043	201 797	214 754	208 043	201 797
FNB BANK - Business Call account - 611700303564	42 221	42 221	42 221	42 221	42 221	42 222
FNB BANK -Business Call Account - 620003246693	21 237	21 237	21 237	21 237	21 237	21 237
FNB BANK -Business Call Account - 61170003374	100 574	100 574	100 574	100 574	100 574	100 574
FNB BANK -Business Call Account - 62022692439	396 958	399 238	399 329	396 958	400 379	399 329
FNB BANK -Business Call Account - 62022224555	1 241	1 241	1 241	1 241	1 241	1 241
FNB BANK -Business Call Account - 62028477992	121 749 279	115 074 279	70 093 279	121 749 279	109 574 279	70 093 279
FNB BANK -Business Call Account - 62122946447	4 482	4 493	4 493	4 482	4 493	4 493
FNB BANK -Business Call Account - 62122946661	619 442	619 442	619 442	619 442	619 442	619 442
FNB BANK -Business Call Account - 62122946778	6 494	6 494	6 494	6 494	6 494	6 494
FNB BANK -Business Call Account - 62122946926	6 494	6 494	6 494	6 494	6 494	6 494
FNB BANK -Business Call Account - 62459758078	1 014	-	-	1 000	-	-
Total	129 594 558	127 830 207	78 317 105	126 151 966	117 518 615	77 032 275

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
10. Inventories		
Inventories	888 960	346 745
Inventories (write-downs)	-	-
	888 960	346 745
Inventory consists of Consumable stores	888 960	346 745
11. Operating lease asset		
Non-current assets	-	-
Current assets	1 719 697	1 790 504
Non-current liabilities	-	-
Current liabilities	-	-
	1 719 697	1 790 504

Certain of the municipality's property is held to generate rental income. Lease agreements are renewable and have varying terms of between 9 to 20 years. There are no contingent rents receivable. The Operating lease asset arose as a result of straightlining the lease rentals per requirements of GRAP 13

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014	2013
	R	R

12. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for Rehabilitation of Landfill site	1 562 421	4 029 173	-	-	5 591 594
Long Service bonus provision	197 702	5 017	-	-	202 719
	1 760 123	4 034 190	-	-	5 794 313

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for rehabilitation of Landfill site	1 328 049	234 372	-	-	1 562 421
Long service bonus Provision	-	197 702	-	-	197 702
	1 328 049	432 074	-	-	1 760 123

Non-current liabilities	5 591 594	1 562 421
Current liabilities	202 719	197 702
	5 794 313	1 760 123

Environmental rehabilitation provision

The municipality operates a refuse disposal site in Bizana Municipality. In accordance with legislation, and to comply with the Eastern Cape's Department of Water Affairs (DWA) and Department of Economic Development and Environmental Affairs (DEDEA) on the landfill waste sites, the municipality raises a provision every year for the estimated cost of rehabilitating the land over which the site is situated.

A valuation of the rehabilitation was conducted by an independent professional valuer (Ikamva Consulting) and a liability has been raised. Movements in the provision are recognised in the statement of financial performance.

The provision has been determined on the basis of a recent independent financial requirement and viability study.

Long Service bonus provision

The municipality offers employees long Service Awards for every 5 years of service completed, from 5 years of service to 45 years of service, inclusive. The LSA is not a funded arrangement.

Movements in the provision are recognised in the statement of financial performance.

13. Payables from exchange transactions

Trade payables	5 533 158	10 732 959
Retentions withheld	2 483 365	3 358 251
Electricity creditors	243 471	243 471
Accrued expenses	9 864 898	9 827 218
Unallocated Receipts	1 982 166	-
Other creditors	852 914	823 935

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
Payroll Creditors	301 764	110 753
Staff Bonus Provision	765 706	679 284
Staff Leave Provision	4 803 103	3 146 274
Workmen's Compensation Provision	638 212	482 164
	27 468 757	29 404 309

The average payment period for services received is 30 days from the receipt of the invoice as required by the MFMA. Interest charged and penalties charged for late payments have been disclosed separately.

The municipality has considered the effect of discounting Trade creditors to fair value and the difference was considered immaterial. Accordingly Trade and other payables approximate fair value.

Staff Leave provision: The staff leave provision is based on number of leave days accruing to the employees multiplied by the most recent salaries. Movements in the provision are recognised in the statement of financial performance.

Staff Bonus Provision: The municipality pays employees an annual bonus for every complete year worked. The bonus is equivalent to the basic salary on the month of their birthday. At year end a provision is raised to account for employees due to receive a bonus and is based on the completed number of months worked at year end and the basic rate of the employee. Movements in the provision are recognised in the statement of financial performance.

Workmen's Compensation Provision: In terms of COID Act, every employer must pay workmen's compensation to the Department of Labour. The compensation funds sends employers Notices of Assessment every year in April indicating the amount that must be paid. This is done throughout the year and it is not possible to predict when employers will receive their notices. The municipality thus raises a provision for the amount payable in the following year. This is based on the budgeted total personnel expenditure for the year and a percentage as determined by the Department of Labour. Movements in the provision are recognised in the statement of financial performance.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Support Grant	275 148	275 148
MSIG	634 167	457 926
Municipal Infrastructure Grant	424 985	4 104 468
Finance Management Grant	75 185	905 620
Ext 2 Residence Trust Fund	33 802	33 802
Pilot Housing Trust Fund	391 620	391 620
LED Grant	129 950	-
IEC Road Maintenance Grant	263 124	263 124
IDP Grant	6 939	-
DHLTA Fraud Prevention	160 280	160 280
Intergrated Electrification Grant	1 924 105	1 887 847
LED - Baleni Capentery	-	62 988
SDF Grant (ANDM)	237 800	500 000
EPWP Grant	20 400	250 098
LED - Economic Plan	301 868	500 000
DSRAC-Library Grant	76 521	-
	4 955 894	9 792 921

Movement during the year

Balance at the beginning of the year	9 792 921	2 240 761
Additions during the year	64 602 775	69 805 990
Income recognition during the year	(69 439 802)	(62 253 830)
	4 955 894	9 792 921

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

2014	2013
R	R

14. Unspent conditional grants and receipts (continued)

For the nature and extent of government grants recognised in the annual financial statements and unfulfilled conditions attaching to the government grants that have been recognised, See note 19 for reconciliation of grants from National/Provincial Government.

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

15. Consumer deposits

Electricity	388 769	384 269
Hall Hire	31 568	18 457
	<u>420 337</u>	<u>402 726</u>

Consumer deposits for electricity are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, Council can utilise the deposits as payment for the outstanding amounts.

Hall hire deposits are paid by consumers on hiring any of the municipal community halls. The deposit is a damage deposit and is paid back to the consumer after the event and if no damage has occurred.

Consumer deposits collected do not accrue any interest.

The carrying value of consumer deposits approximate their fair value.

16. Revenue

Service charges	18 686 809	16 343 550
Rental of facilities and equipment	809 070	879 880
Licences and permits	1 203 029	1 096 795
Other income	2 532 396	1 180 260
Interest received	6 213 348	5 007 992
Property rates	9 974 852	7 379 021
Government grants & subsidies	193 901 685	168 716 831
Fines	356 259	218 800
	<u>233 677 448</u>	<u>200 823 129</u>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	18 686 809	16 343 550
Rental of facilities and equipment	809 070	879 880
Licences and permits	1 203 029	1 096 795
Other income	2 532 396	1 180 260
Interest received	6 213 348	5 007 992
	<u>29 444 652</u>	<u>24 508 477</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
16. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	9 974 852	7 379 021
Transfer revenue		
Government grants & subsidies	193 901 685	168 716 831
Fines	356 259	218 800
	<u>204 232 796</u>	<u>176 314 652</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
17. Property rates		
Rates received		
Residential	688 024	565 276
Commercial	7 716 960	5 307 482
State	1 559 850	1 506 263
Municipal	10 018	-
Small Holdingd and Farms	-	-
	9 974 852	7 379 021
Valuations		
Residential	77 047 050	77 047 050
Commercial	413 385 000	413 385 000
State	443 751 240	443 751 240
Municipal	13 364 000	13 364 000
Small holdings and farms	65 000	65 000
Less: Income forgone	-	-
	947 612 290	947 612 290

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009.

In accordance with Municipal Property Rates Act, the municipality has obtained approval to extend current valuation roll for the year 2013/14. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.02 (businesses), R 0.018 (residential), R 0.02 (State) is applied to property valuations to determine assessment rates. Rebates of R 35 000 are granted to residential property owners.

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

The new general valuation will be implemented on 01 July 2014.

18. Service charges

Sale of electricity	17 575 697	15 224 028
Refuse removal	1 035 005	984 743
Other service charges	76 107	134 779
	18 686 809	16 343 550

Other service charges consist of

Funeral Fees	7 677	6 869
Vending and Hawking	29 078	32 805
Advertising Income	31 406	48 934
Building Plans	7 946	46 171
	76 107	134 779

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
19. Government grants and subsidies		
Operating grants		
Equitable share	126 026 847	106 463 000
Dept of Sport & Culture - Library	129 479	-
IDP Grant	143 061	200 000
Planning - Rural Housing	322 883	-
Provincial Grant - Legislature	280 500	-
Spatial Development Framework	262 200	-
EPWP Grant	1 229 698	749 902
Financial Management Grant	2 380 435	594 380
LED Grants	360 445	623 790
Municipal System Improvement Grant	713 759	342 074
	<u>131 849 307</u>	<u>108 973 146</u>
Capital grants		
Municipal Infrastructure Grant	43 976 483	31 631 532
Intergrated National Electrification Grant	18 075 895	28 112 153
	<u>62 052 378</u>	<u>59 743 685</u>
	<u>193 901 685</u>	<u>168 716 831</u>
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Unconditional grants received	126 026 847	106 463 000
Conditional grants received	67 874 838	62 253 831
	<u>193 901 685</u>	<u>168 716 831</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Support Grant		
Balance unspent at beginning of year	275 148	275 148
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>275 148</u>	<u>275 148</u>
Conditions still to be met - remain liabilities (see Note 14).		
Municipal systems improvement grant		
Balance unspent at beginning of year	457 926	-
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(713 759)	(342 074)
	<u>634 167</u>	<u>457 926</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
19. Government grants and subsidies (continued)		
This grant is used for infrastructure, capacity building and restructuring. The capacity building and restructuring grants were set up to assist the municipality in developing their planning, budgeting financial management and technical skills. Conditions still to be met - remain liabilities (see note 14).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	4 104 468	2 951 167
Current-year receipts	40 297 000	35 718 000
Conditions met - transferred to revenue	(43 976 483)	(31 631 532)
Amounts recognised against Equitable share	-	(2 933 167)
	<u>424 985</u>	<u>4 104 468</u>
This grant is used to address backlogs in municipal infrastructure required for the provision of basic services. It is used for the construction of roads, buildings etc. Conditions still to be met - remain liabilities (see note 14).		
Financial Management Grant		
Balance unspent at beginning of year	905 620	-
Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(2 380 435)	(594 380)
	<u>75 185</u>	<u>905 620</u>
This grant is used to assist in the rollout of financial management reforms embodied in the MFMA through capacity building in financial management. Conditions still to be met - remain liabilities (see note 14).		
Ext 2 Residence Grant		
Balance unspent at beginning of year	33 802	33 802
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>33 802</u>	<u>33 802</u>
Conditions still to be met - remain liabilities (see note 14).		
Pilot Housing Trust		
Balance unspent at beginning of year	391 620	391 620
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>391 620</u>	<u>391 620</u>
Conditions still to be met - remain liabilities (see note 14).		
LED Capacity Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	229 275	87 990
Conditions met - transferred to revenue	(99 325)	(87 990)

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
19. Government grants and subsidies (continued)	129 950	-
Conditions still to be met - remain liabilities (see note 14).		
IEC Grant		
Balance unspent at beginning of year	263 124	263 124
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	263 124	263 124
Conditions still to be met - remain liabilities (see note 14).		
IDP Grant		
Current-year receipts	150 000	200 000
Conditions met - transferred to revenue	(143 061)	(200 000)
	6 939	-
Conditions still to be met - remain liabilities (see note 14).		
DHLTA - Fraud Prevention Grant		
Balance unspent at beginning of year	160 280	160 280
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	160 280	160 280
Conditions still to be met - remain liabilities (see note 14).		
Integrated National Electrification Grant		
Balance unspent at beginning of year	1 887 847	-
Current-year receipts	20 000 000	30 000 000
Conditions met - transferred to revenue	(18 075 895)	(28 112 153)
Amounts recognised against Equitable Share	(1 887 847)	-
	1 924 105	1 887 847
This grant is used for installation, rehabilitation and refurbishment of electricity infrastructure at a local level to support the sustained supply of electricity and to eradicate the electrification backlogs. All Conditions have been met (see note 14).		
LED - Baleni Capentry		
Balance unspent at beginning of year	62 988	598 788
Current-year receipts	-	-
Conditions met - transferred to revenue	(62 988)	(535 800)
	-	62 988

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
19. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 14).		
Spacial Development Framework		
Balance unspent at beginning of year	500 000	500 000
Current-year receipts	-	-
Conditions met - transferred to revenue	(262 200)	-
	<u>237 800</u>	<u>500 000</u>
Conditions still to be met - remain liabilities (see note 14).		
EPWP Grant		
Balance unspent at beginning of year	250 098	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 229 698)	(749 902)
	<u>20 400</u>	<u>250 098</u>
All conditions have been met - remain liabilities (see note 14).		
Provincial Grant - Legislature		
Balance unspent at beginning of year	-	-
Current-year receipts	280 500	-
Conditions met - transferred to revenue	(280 500)	-
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14).		
LED: Economic Plan		
Balance unspent at beginning of year	500 000	-
Current-year receipts	-	500 000
Conditions met - transferred to revenue	(198 132)	-
	<u>301 868</u>	<u>500 000</u>
Conditions still to be met - remain liabilities (see note 14).		
DSRAC Library Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	206 000	-
Conditions met - transferred to revenue	(129 479)	-
	<u>76 521</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14).		
Changes in level of government grants		
Based on the allocations set out in the Division of Revenue Bill , (Bill No 05 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
20. Rental of facilities and equipment		
Premises		
Premises	698 219	742 915
Hall hire	86 923	84 573
	<u>785 142</u>	<u>827 488</u>
Facilities and equipment		
Rental of facilities	23 928	52 392
Premises	785 142	827 488
Garages and parking	-	-
Facilities and equipment	23 928	52 392
	<u>809 070</u>	<u>879 880</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
21. Other Income		
Other income	<u>2 532 396</u>	<u>1 180 260</u>
<p>Included in other income is an amount that relates to land sales and this is in relation to land sold by the municipality to various residents a couple of years back. There was no record of these sales however the owners have been making regular payments to the municipality. The municipality is in the process of correcting this through entering into agreements with the relevant individuals.</p>		
<p>The amount included in other income arising from exchanges of goods or services are as follows:</p>		
Tender Fees	432 813	203 769
Land Sales	1 325 286	102 679
Other income	8 037	-
	<u>1 766 136</u>	<u>306 448</u>
<p>The amount included in other income arising from non-exchange transactions is as follows:</p>		
LGSET/Skills Development	147 968	233 774
Natis Agency Fees	552 975	565 690
Commissions received	65 064	42 542
	<u>766 007</u>	<u>842 006</u>
Taxation revenue	766 007	842 006
Transfers	-	-
	<u>-</u>	<u>-</u>
22. Interest Revenue		
Interest revenue		
Interest on bank balances	272 294	38 270
Interest charged on trade and other receivables	495 264	181 801
Interest received - Investments	5 445 790	4 787 921
	<u>6 213 348</u>	<u>5 007 992</u>
	-	-
	<u>6 213 348</u>	<u>5 007 992</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
23. General expenses		
Accounting fees	656 521	128 959
Advertising	412 849	451 196
Auditors remuneration	3 467 841	1 930 904
Bank charges	145 739	129 859
Cleaning	434 119	441 790
Cemetery	134 863	18 553
Consulting and professional fees	3 538 476	7 944 663
Entertainment	746 663	691 051
Audit Committee Fees	46 633	25 313
Insurance	1 690 739	947 573
Community development and training	1 604 042	1 184 784
Conferences and seminars	727 459	-
Communications	443 881	321 422
IT expenses	1 099 785	944 434
Licence fees	454 651	451 691
Library books and periodicals	153 684	36 469
Institutional Support	439 678	1 904 805
Fuel and oil	1 673 812	1 389 392
Printing and stationery	-	279 576
Protective clothing	170 545	328 667
Security (Guarding of municipal property)	1 456 516	1 040 567
Subscriptions and membership fees	675	5 542
Telephone and fax	2 627 704	1 793 893
Training	1 039 314	98 460
Travel - local	3 921 145	3 807 048
Electricity Infrastructure	11 098 256	1 562 747
Ward Committee Fees	3 714 600	3 647 620
Tourism development	294 905	97 112
Environmental projects	402 919	423 202
Free basic Services	668 482	614 106
Temporary employees	157 526	36 390
Public Participation	68 541	249 543
Mayor's Special Programs	944 537	664 123
Material and Stores	85 379	158 424
HIV/AIDS	601 893	425 159
Traditional leaders	419 561	495 411
Planning and survey	1 130 019	22 015
Other expenses	9 140 027	1 804 217
	<u>55 813 979</u>	<u>36 496 680</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
24. Employee related costs		
Basic	36 055 381	33 191 206
Bonus	1 924 917	1 423 452
Medical aid - company contributions	1 365 865	1 238 125
SDL	461 952	331 234
Other payroll levies	28 000	1 060 366
Leave pay provision charge	1 656 829	790 203
Staff bonus provision charge	86 422	1 414 387
Travel, motor car, accommodation, subsistence and other allowances	934 365	590 686
Overtime payments	455 240	276 117
Long-service awards	5 017	205 688
Car allowance	2 736 282	810 963
Housing benefits and allowances	1 563 546	790 902
Insurance - UIF	255 616	210 236
Allowance - Cellphone	409 519	255 609
Allowance - Other	600 247	48 673
Allowance - Stand-by	281 274	180 468
Contribution - Pension Fund	2 456 625	1 748 592
Contribution - Bargaining Council	12 846	11 390
	51 289 943	44 578 297
Remuneration of municipal manager		
Annual Remuneration	956 786	1 034 797
Leave Pay	-	136 985
Other	15 631	16 164
Termination Benefits	-	4 288 200
	972 417	5 476 146
<p>The previous municipal manager's employment was terminated in June 2013. The current municipal manager was appointed in August 2013</p>		
Remuneration of Chief Finance Officer		
Annual Remuneration	488 094	336 000
Housing benefits, car and cellphone allowances	-	75 369
Bonuses	-	35 000
Leave Pay	-	71 712
Travelling Allowance	197 897	125 381
Other	86 914	25 084
	772 905	668 546
Remuneration of Senior Manager : Corporate services		
Annual Remuneration	237 500	-
Car Allowance	22 724	-
Travel allowance	62 416	-
Other	61 719	-
	384 359	-

The Corporate services manager post was vacant in the prior year. The manager was appointed as from February 2014.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
Remuneration of Senior Manager : Community services		
Annual Remuneration	227 263	481 706
Housing benefits, car and cellphone allowance	55 528	62 700
Leave Pay	-	60 092
Travelling allowances	63 808	251 986
Other	7 633	57 028
	<u>354 232</u>	<u>913 512</u>

The Community Services manager post was vacant since June 2013. The manager was appointed as from February 2014.

Remuneration of Senior Manager : Engineering Services

Annual Remuneration	257 737	513 852
Housing benefits, car and cellphone allowance	18 443	-
Acting allowance	126 671	-
Travelling allowance	47 500	279 918
Other	92 304	75 773
	<u>542 655</u>	<u>869 543</u>

Remuneration of Senior Manager : Planning and Development services

Annual Remuneration	505 138	376 823
Housing and Cell allowance	60 724	-
Bonuses	51 496	48 197
Leave pay	55 180	-
Other Allowances	87 584	95 650
Travel allowance	134 112	104 279
Other	-	22 875
	<u>894 234</u>	<u>647 824</u>

25. Remuneration of councillors

Basic Salaries	10 578 888	10 044 483
Contribution - Medical Aid	-	(1 406)
Allowance - Travel and car	3 447 669	2 976 557
Allowance - Cellphone	899 438	757 495
Public Office Allowance	833 927	1 058 905
Councillors' pension contribution	-	-
Insurance - UIF	2 460	297
Skills Development Levy	151 495	11 554
Subsistence and Travel	424 444	189 315
	<u>16 338 321</u>	<u>15 037 200</u>

For individual remuneration of mayor, speaker, executive council and council members refer to Appendix G

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
25. Remuneration of councillors (continued)		
In-kind benefits		
The Mayor, Speaker, Chief Whip and Councillor Mnisi are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and Speaker have the use of Council owned vehicles for official duties.		
The Mayor has one full-time bodyguard and driver.		
The Speaker has one full-time driver.		
26. Debt impairment		
Contributions to debt impairment provision	753 991	5 040 520
Debts impaired	2 316 852	-
	<u>3 070 843</u>	<u>5 040 520</u>
During the special council meeting held on 20 August 2014, council passed a resolution to write-off inactive debtor accounts that have been inactive for a long period.		
27. Fair value adjustments		
Investment property (Fair value model)	672 032	(1 130 635)
Other assets - (Fair value model)	-	-
	<u>672 032</u>	<u>(1 130 635)</u>
28. Depreciation and amortisation		
Property, plant and equipment	18 967 625	25 162 271
Intangible assets	79 638	-
	<u>19 047 263</u>	<u>25 162 271</u>
29. Finance costs		
Trade and other payables	430 605	163 422
Fair value adjustments on payables	-	-
Other interest paid	-	-
	<u>430 605</u>	<u>163 422</u>
30. Auditors' remuneration		
Fees	3 467 841	1 930 904
Adjustment for previous year	-	-
Consulting	-	-
Expenses	-	-
	<u>3 467 841</u>	<u>1 930 904</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
31. Bulk purchases		
Electricity	20 811 676	16 903 629
32. Grants related expenditure		
Intergrated Electrification	15 272 402	11 912 076
MIG Salaries	1 364 850	1 581 388
Financial Management Grant	2 040 456	572 745
Municipal System Improvement Grant	555 567	309 521
Grant - IDP	140 414	-
EPWP Casuals	1 230 293	749 902
LED: Capacity Building Grant	98 229	87 990
Mining	-	198 360
LED Projects:Baleni Capentery	(40 771)	470 000
Provincial Grant: Legislature	280 500	-
Planning - Rural Housing	120 596	-
DSRAC- Library Grant	128 310	-
MIG Projects	-	736 589
Spatial Development Framework	230 000	-
	21 420 846	16 618 571
Grants paid to ME's	-	-
Other subsidies	21 420 846	16 618 571
	21 420 846	16 618 571
Grant related expenditure was in prior years referred to as Project related and other consulting fees and the name has been changed for better presentation.		
Grant related expenditure consists of expenses incurred during the period in respect of various grants received. These expenses include salaries paid to interns, project management, consulting fees and project related travelling expenses.		
33. Cash generated from operations		
Surplus	45 053 743	33 861 179
Adjustments for:		
Depreciation and amortisation	19 047 263	25 162 271
Fair value adjustments	(672 032)	1 130 635
Debt impairment	3 070 843	5 040 520
Movements in operating lease assets and accruals	70 807	(33 390)
Movements in provisions	4 034 190	432 074
Grant roll-overs from previous year	(9 792 921)	(5 173 929)
Other non-cash items - movement in accumulated surplus due to prior period errors and restatement of comparative period figures	(12 392 632)	37 711 618
Movement in provision for landfill sites	4 029 172	-
Write-offs	1 947 706	-
Changes in working capital:		
Inventories	(542 215)	(255 313)
Other receivables from exchange transactions	598 654	(2 182 962)
Other receivables from non-exchange transactions	(1 456 048)	(4 453 101)
Consumer debtors	(2 100 164)	(1 618 324)
Prepayments	(1 191 113)	-
Payables from exchange transactions	(1 935 552)	20 886 931
VAT	333 005	(3 352 184)
Unspent conditional grants and receipts	(4 837 027)	4 618 992
Consumer deposits	17 611	76 957
	43 283 290	111 851 974

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
34. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	5 271 901	-
• Infrastructure Assets	24 285 481	23 738 514
• Intergrated Electrification	5 409 981	20 894 879
• Community Assets	5 451 370	-
	40 418 733	44 633 393
Other commitments		
• Consultants and professional fees	8 686 458	-

This committed expenditure relates to capital projects and other services that have been awarded and are currently in progress. These will be financed by

Government grants,
Retained surpluses and reserves
Own cash resources.

Operating leases - as lessor (income)

The municipality is leasing out certain property to **Jack Parkers (Pty) Ltd**. The Lease agreement has a term of 9.5 years and rentals escalate by 5% every annum. No contingent rents are receivable.

Minimum lease payments due

- within one year	1 999	1 904
- within 2 - 5 years	6 226	8 225
- later than 5 years	-	-
	8 225	10 129

The municipality is leasing out certain property to **Collins Property Investments**. The Lease agreement has a term of 20 years and rentals escalate by 8% every annum. No contingent rents are receivable.

Minimum lease payments due

-within one year	269 852	249 863
-within 2 - 5 years	1 313 261	1 215 983
- later than 5 years	566 971	934 101
	2 150 084	2 399 947

The municipality is leasing out certain property to **Africa's Best 350**. The Lease agreement has a term of 10 years and rentals escalate by prime lending rate at each anniversary date. No contingent rents are receivable.

Minimum lease payments due

-within one year	54 804	50 296
- within 2 - 5 years	142 223	197 027
- later than 5 years	-	-
	197 027	247 323

The municipality is leasing out certain property to **Blue Raindrops Trading CC**. The Lease agreement has a term of 12 years and rentals escalate by 8% at each anniversary date. No contingent rents are receivable.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014	2013
	R	R
34. Commitments (continued)		
Minimum lease payments due		
-within one year	29 425	27 245
- within 2 - 5 years	143 198	132 591
- later than 5 years	73 660	113 692
	<u>246 283</u>	<u>273 528</u>

The municipality is leasing out certain property to **Slip Knot Investments 11 (Proprietary) Limited**. The Lease agreement has a term of 20 years and rentals escalate by 8% at each anniversary date. No contingent rents are receivable.

Minimum lease payments due		
-within one year	297 636	275 589
- within 2 - 5 years	1 448 473	1 341 179
- later than 5 years	825 737	1 230 667
	<u>2 571 846</u>	<u>2 847 435</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
35. Contingencies		
At year end the municipality had the following contingent assets and contingent liabilities.		
Contingent liabilities		
Cases against the municipality		
Case 1: Gift Fynn vs Mbizana Local Municipality (Case no 885/2011) The case relates to a claim for land (Erf 41 Bizana) made by Gift Fynn against the Mbizana Local Municipality. The case is still pending and no outcome has been reached. The municipality's lawyers are of the opinion that the chances of the municipality winning the case are 50:50	250 000	600 000
Case 2: Madolwana and 11 others vs Mbizana Local Municipality The case relates to an urgent application to declare as unlawful the meeting and resolutions passed during the council meeting held on 30 August 2012. The case has since been resolved.	-	300 000
Case 3: Busuku and Siraza vs Mbizana local Municipality Urgent application to compel the speaker of the entity to convene a special council meeting. This case has been resolved	-	80 000
Case 4: Jabbar Ul Hassan Ali vs Mbizana Local municipality The case arose out of disputed application of building plans as Mr Ali would not follow the approved building plans whilst constructing his shop. The matter is currently pending before the high court and has been postponed to December 2014	300 000	-
Case 5 Mbizana Local Municipality The case arose because of the non-confirmation of work done by the service provider	-	213 158
Case 6: Jabbar UL Hassan Ali vs Mbizana Local Municipality (case 2070/2013) The case arose because of an illegal connection of electricity by Mr Ali	300 000	-
	<u>850 000</u>	<u>1 193 158</u>
Contingent assets		
Case 1: Mbizana Local Municipality vs Noloyiso Mdingi The case involves the application by the municipality for eviction of illegal occupiers around Erf 47 which is now vacant. The occupiers were evicted because they occupied Erf 47 illegally as the erf belongs to the municipality. The case is pending before the high court.	80 000	-
Case 2: Mbizana Local Municipality vs Jabbar UL Hassan Ali (case no 2457/2013) The case arose because of an illegal connection of electricity by Mr Ali and the subsequent debt that he incurred to the value of R50 000. The respondent asked for an out of court settlement and the municipality is still considering the request. A date is to be set for a meeting to discuss the proposal.	50 000	-
Case 3 : Mbizana Local Municipality vs Anders Maphekula & Others The Mersey Foundation built houses on municipal land, which is a portion of Erf 110 for its staff. These houses were handed over to the municipality and occupiers given notices to vacate which they opposed. The case is pending before the high court	80 000	-
	<u>210 000</u>	<u>-</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
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36. Related parties

The municipality has the following related party relationships ;

Relationships

Section 57 managers	refer to key management information
Mayor	Mr M.M Twabu
Speaker	Mr T.D Mafumbatha
Chief Whip	Mr A Maquthu
Executive council members	9 members
Ordinary Council members	49 councillors

Related party transactions

Debtors		
Councillors Overpaid	2 235 942	1 985 853

In the prior year councillors were paid remuneration that was above the gazzetted limits. A debtor has been raised to account for the amounts owed.

Related party transactions are at arms length.

Apart from the remuneration disclosed no further transactions occurred with councillors and section 57 managers

Compensation to accounting officer and other key management

Municipal manager	972 417	1 187 946
Termination benefits	-	4 288 200
Chief financial officer	772 905	668 546
Corporate services manager	384 359	-
Community Services manager	354 232	913 512
Engineering services manager	542 655	869 543
Planning and development manager	894 234	647 825
Mayor	677 826	699 344
Speaker	542 261	559 475
Councillors	15 118 234	13 778 381
	<u>20 259 123</u>	<u>23 612 772</u>

Key management information

Class	Description	Number
Community services manager	Mr Khuzwayo	1
Engineering services manager	Mr Mpepeto	1
Development and Planning Manager	Miss N Mafumbatha	1
Corporate Services manager	Mrs NJ Mbonani	1
Chief Financial Officer	Mr B Fikeni	1
Municipal manager	Mr L Mahlaka	1
Mayor	Mr M.M Twabu	1
Councillors	refer to Appendix G for list	60

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014	2013
	R	R

37. Change in estimate

Provision for Landfill Site

The estimated cost of landfill site has been revised and the effect of this revision has increased the cost for the current and future periods by R 4 029 173

The municipality has been preparing its provision for rehabilitation of landfill sites using one year. But due to the licensing issues as highlighted on the expert report and the amount of time it would take to get the required licenses, the municipality has changed the estimate to provide for the long-term rehabilitation as the licencing would take over a year. The implication of the above has led to a material change in the amount the municipality can disclose as a provision as will be noted on annual financial statements.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

2014
R

2013
R

38. Prior period errors

During the preparation of prior year financial statements, various journals were processed, but these were never captured onto the system. These resulted in differences between the trial balance used to prepare the financial statements and the trial balance on the system. These journals have been reversed to correct the above

The following errors have been corrected:

Statement of financial Performance

Property rates

Reversal of credit note of R341.03 that was incorrectly captured to the debtors control account and reversal of a prior year journal that was incorrectly recorded for R305.01

Service charges

In prior year the municipality used incorrect tariffs to bill consumers for electricity, a correction has been made to raise a debtor for amounts undercharged and a creditor for amounts overcharged. Overall effect on revenue is a decrease of R298 840.

Other Income

In prior year various receipts were recorded inclusive of VAT resulting in overstatement of revenue, a correction has been made to account for VAT output.

Various receipts included in sundry income where reversed more than once resulting in overstatement of revenue, a correction has been made.

The municipality rents out various properties however, the rentals billed where not according to the lease agreement. A correction has been processed and a debtor raised for amountss underbilled. After taking into account the effect of smoothing and the above transactions, the overall effect on revenue is an increase of R32 300.

Employee Costs

In the prior year, Travel and accomodation expenses and Subsistence and Travel allowance were included as part of both employee costs and general expenses. Travel and accomodation costs have been included under general expenses and Subsistence and Travel costs have been included as part of employee costs.

In the prior year employees were underpaid their annual bonuses and this has been corrected by raising a creditor for amounts owed. An amount paid to the previous municipal manager of R4 168 200 was previously raised as an accrual at year end although the agreement was signed before year end. The only amount which was not raised as an accrual is an amount of R120 000.

The provision for staff bonus and staff leave where computed incorrectly and the municipality has reviously not raised a provision for long service awards.

In prior year councillors were paid salaries and allowances that were above the gazzetted limits. The correction of the above has resulted in an increase in debtors of R2 975 398 and a decrease in accumulated surplus (councillors remuneration) of R1 193 037.22.

The above has resulted in an overall increase in employee costs of R304 978.

General Expenses

In the prior year various expenses were recorded in the incorrect period resulting in mistatement of expenses. The raising of the relevant accruals has resulted in an overall increase in general expenses.

An expense vote was incorrectly configured as an asset account resulting in expenditure incurred in prior year being carried forward as a closing balance. The correction of this error has resulted in an increase in expenses.

In the prior year there were various expenditure amounts that were recorded incorrectly by excluding(or including) VAT where it was charged (or not charged) or calculating the VAT amount incorrectly. The correction of these errors has resulted in a decrease in general expenses.

The above transactions have resulted in a decrease in expenses of R17 749 286.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
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38. Prior period errors (continued)

Statement of financial Position

Property, Plant and Equipment

Various PPE balances have been restated to bring the balances per the trial balance to agree to the fixed asset register. This included the reclassification of qualifying expenditure to capital work in progress. This has resulted in overall increase in PPE of R18 994 569 and decrease in grant related expenditure of R20 660 281.

Investment Property

In the prior year investment property was incorrectly fair valued down to R5 544 292. This error has been corrected resulting in an increase in investment property of R1 326 073 and a decrease in fair value loss of R1 130 635.

Intangible Assets

Certain computer software was previously not capitalised as Intangible assets. The capitalisation has been applied retrospectively resulting in increase in intangible assets of R 167 994.

Consumer Debtors

In the prior year the impairment of debtors was incorrectly done and a correction of this error has resulted in a decrease in consumer debtors of R1 502 426 and an increase in the debt impairment expense of R3 236 878.10

Provision for landfill sites

In the prior year the amount reported in the AFS for landfill site did not agree with the balances per the landfill sites report. The correcting of the above has resulted in an increase in Provision of R234 372.60 and an increase in Landfill site provision expense of R234 372.60. The landfill provision was reclassified from current liabilities to non current liabilities.

Trade and other receivables from exchange transactions

In prior year the municipality used incorrect tariffs to bill consumers for electricity, a correction has been made to raise a debtor for amounts undercharged and a creditor for amounts overcharged.

Various receipts included in sundry income where reversed more than once resulting in understatement of debtors. The correction of the above has resulted in an increase in receivables of R2 975 398.

Trade and other receivables from non-exchange transactions

In prior year councillors were paid salaries and allowances that were above the gazetted limits.

The calculations for overtime were computed using the incorrect rate resulting in employees being overpaid. A debtor has been raised for the amounts owing.

Trade and other receivables suspense votes amounting to R 561 013.93 emanating from prior years as journal entries to correct bank reconciliations, were written off against accumulated surplus. A council approval for the write off was obtained. The overall effect of the above transactions is an increase of R2 041 132.

Operating lease asset

The municipality rents out various properties however, the rentals billed where not according to the lease agreement. A correction has been processed and a debtor raised for amountss underbilled. After taking into account the effect of smoothing, the overall effect on operating lease asset is an increase of R295 295.

VAT Receivable

The correction of the errors on revenue and expenditure has had the effect of increasing VAT by R699 337.

Trade and other payables

In the prior year employees were underpaid their annual bonuses and this has been corrected by raising a creditor for amounts owed. An amount paid to the previous municipal manager of R4 168 200 was previously raised as an accrual at year end although the agreement was signed before year end. Only the amount of R120 000 was previously not raised as an accrual.

In prior year the municipality used incorrect tariffs to bill consumers for electricity, a correction has been made to raise a creditor for amounts overcharged.

In the prior year various expenses were recorded in the incorrect period resulting in mistatement of expenses and trade

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
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38. Prior period errors (continued)

payables. The raising of the relevant accruals and the above adjustments has resulted in an overall increase in Trade payables of R2 143 268.

Due to retrospective restatement being impracticable for earlier prior period, all errors have been corrected from 2012/13 period.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	-	18 994 569
Property, plant and equipment	-	1 326 073
Investment Property	-	(9 096 469)
Cash and Cash equivalents	-	167 994
Intangible Assets	-	2 975 398
Trade and other receivables from exchange transactions	-	2 041 132
Trade and other receivables from non- exchange transactions	-	(1 502 426)
Consumer Debtors	-	699 337
Vat Receivable	-	295 295
Operating Lease Asset	-	(154 718)
Provisions - Current	-	(2 143 268)
Trade and Other Payables	-	2 759 368
Unspent conditional grants	-	(234 372)
Provisions - Non current	-	960 289
Prepayments	-	(17 088 198)
Opening Accumulated Surplus or Deficit	-	
 Statement of Financial Performance	-	(298 840)
Revenue	-	17 749 286
Expenditure	-	17 450 446
Net surplus/deficit	-	

39. Comparative figures

Certain comparative figures have been reclassified.

Provisions

Provision for rehabilitation of landfill sites has been reclassified to Non-Current Liabilities.

Consumer Debtors

Consumer debtors with credit balances have been reclassified from Consumer debtors to Trade payables.

Other payables

In the prior year amounts relating to revenue from Electricity reconnections were recorded under Electricity liability vote. The amount has been reclassified from liabilities to revenue-service charges

Service charges

In the prior year various amounts were recorded in incorrect revenue votes. These amounts have been reclassified to the correct votes

General expenses

In the prior year amount relating to revenue collected from licence fees was incorrectly recorded in the expense vote for licence fees. This amount has been reclassified to the Licence and Permit income vote. Income on sale of electricity was incorrectly credited to electricity purchases, this amount has been reclassified from expenses to revenue.

In the prior year various accounts were not mapped resulting in expenses being understated. Affected accounts

MIG project fees -	R 735 588.97
Intergrated energy center -	R 236 676.67
Casual labour -	R 5 525

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
39. Comparative figures (continued)		
The effects of the reclassification are as follows:		
Statement of financial position		
Consumer Debtors	-	638 178
Trade payables	-	(638 178)
Other Payables	-	1 800
Statement of Financial Performance		
Property Rates	-	(180 362)
Rental of facilities and equipment	-	180 362
Licences and Permits	-	1 207
Natis Agency fees	-	10 698
Licence Fees expenditure	-	(11 905)
Service Charges	-	(2 063)
Electricity purchases	-	263
General expenses	-	966 740

Presented below are the prior period adjustments contained in the Restated Statement of Financial Performance

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

			2014 R	2013 R
39. Comparative figures (continued)				
Statement of Financial Performance	As previously reported	Reclassifications	Correction of Prior period Errors	Restated Amount
Property rates	7 199 305	180 362	(646)	7 379 021
Service charges	16 321 377	-	22 173	16 343 550
Fines	218 800	-	-	218 800
Licences and Permits	1 107 493	(10 698)	-	1 096 795
Government Grants and Subsidies	168 890 629	-	(173 798)	168 716 831
Rental of Facilities and equipment	1 045 783	(180 362)	14 436	879 880
Other Income	1 147 960	10 698	(10 204)	1 148 455
Interest received	5 190 622	-	(182 630)	5 007 992
Total Revenue	201 121 969	-	(330 669)	200 791 324
Expenditure				
Personnel Expenses	(44 883 275)	1 817 127	(1 512 151)	(44 578 297)
Remuneration of councillors	(16 198 965)	939 813	221 950	(15 037 200)
Depreciation and amortisation	(30 067 524)	-	4 905 254	(25 162 270)
Finance Costs	(148 120)	-	(15 302)	(163 422)
Debt Impairment	(1 803 642)	-	(3 236 878)	(5 040 520)
Repairs and maintenance	(5 580 924)	-	(249 801)	(5 830 725)
Bulk Purchases	(16 250 966)	-	(652 663)	(16 903 629)
Grant related expenditure	(37 278 852)	(736 589)	21 396 870	(16 618 571)
General Expenses	(29 989 070)	(582 230)	(5 925 379)	(36 496 680)
Fair Value adjustments	(2 456 708)	-	1 326 073	(1 130 635)
	16 463 923	1 438 121	15 927 304	33 829 375

Presented below are the prior period adjustments contained in the Restated Statement of Financial Position.

Statement of financial Position	As previously reported	Reclassifications	Correction of prior period errors	Total
Assets				
Current assets				
Other receivables from exchange transactions	210 030	1 353 449	1 621 949	3 185 428
Receivables from non-exchange transactions	134 498	(1 353 449)	6 266 467	5 047 516
Receivables from exchange transactions	9 598 618	638 178	(5 012 490)	5 224 306
VAT receivable	4 125 216	-	810 735	4 935 951
Cash and Cash equivalents	126 615 191	-	(9 096 468)	117 518 723
Inventories	346 745	-	-	346 745
Operating lease asset	1 495 209	-	295 295	1 790 504
Non current assets				
Property, Plant and equipment	244 399 961	-	18 994 569	263 394 530
Investment property	5 544 292	-	1 326 073	6 870 365
Intangible Assets	-	-	167 994	167 994
Total Assets	392 469 760	638 178	15 374 124	408 482 062
Liabilities				
Provisions	(5 678 755)	-	(389 090)	(6 067 845)
Payables from exchange transactions	(19 952 825)	(638 178)	(2 508 006)	(23 099 009)
Unspent conditional grants	(12 552 289)	-	2 759 368	(9 792 921)
Consumer deposits	(402 726)	-	-	(402 726)

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

			2014 R	2013 R
39. Comparative figures (continued)				
Net Assets				
Accumulated Surplus	(353 883 165)	-	(13 270 830)	(367 153 995)
	<u>-</u>	<u>-</u>	<u>1 965 566</u>	<u>1 965 566</u>

40. Going concern

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

41. Events after the reporting date

No events have occurred after 30 June 2014 which necessitates adjustment or disclosure within the annual financial statements.

42. Unauthorised expenditure

Opening Balance	9 596 086	3 383 316
Unauthorised expenditure current year	-	6 212 770
Unauthorised expenditure approved/condoned by council	-	-
Transfers to receivables for recovery	-	-
	<u>9 596 086</u>	<u>9 596 086</u>

No disciplinary steps have been taken to date.

43. Fruitless and wasteful expenditure

Opening Balance	787 528	671 580
Fruitless and wasteful expenditure current year	430 604	115 948
Condoned/Written off by council	-	-
To be recovered- contingent asset	-	-
	<u>1 218 132</u>	<u>787 528</u>

Details of fruitless and wasteful expenditure incurred in current year:

	Disciplinary steps taken/criminal proceedings	
Interest on late payment and penalties for exceeding prescribed usage limits - Eskom	None	177 152
Interest and penalties for late payment - SARS	None	200 421
Interest on late payment - Auditor General	None	43 276
Interest on late payment - Telkom	None	9 995
		<u>430 844</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
44. Irregular expenditure		
Opening balance	5 285 393	1 159 053
Add: Irregular Expenditure - current year	5 682 601	7 899 762
Less: Amounts written off by council	(8 710 206)	(3 773 422)
Less: Amounts recoverable (transfer to receivables)	-	-
	<u>2 257 788</u>	<u>5 285 393</u>

Irregular expenditure of R 8 710 205.67 (2013: R 3 773 422) was written off by council resolution at a special meeting held on 20 August 2014.

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Three quotations were not obtained from the different suppliers and the reasons were not recorded. The deviations were not reported by the accounting officer at any of the council meetings	No disciplinary steps have been taken to date	1 500 211
Goods or services above a transaction value of R200 000 (vat incl) were not procured through a competitive bidding process and reasons were not recorded. The deviations were not reported by the accounting officer at any of the council meetings	No disciplinary steps have been taken to date	2 376 236
The following bid was only advertised for 10 days and reasons were not recorded. The reason for deviation were not justified on the grounds of urgency, emergency or exceptional circumstance	No disciplinary steps have been taken to date	1 556 064
Councillors paid above the gazetted limits	No disciplinary steps have been taken to date	250 088
		<u>5 682 599</u>

45. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	-
Current year fee	3 467 841	1 894 196
Amount paid - current year	(3 467 841)	(1 894 196)
Amount paid - previous years	-	-
	<u>-</u>	<u>-</u>

PAYE and UIF

Opening balance	-	-
Current year subscription / fee	11 446 035	8 170 230
Amount paid - current year	(11 446 035)	(8 170 230)
Amount paid - previous years	-	-
	<u>-</u>	<u>-</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
45. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Opening balance	-	-
Current year subscription / fee	5 285 426	4 185 866
Amount paid - current year	-	-
Amount paid - previous years	-	-
	5 285 426	4 185 866

Councillors' arrear consumer accounts

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

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mhlembana N	-	7 710	7 710
30 June 2013			
	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Kwelemtini N	88	689	777
Mhlembana N	637	5 318	5 955
	725	6 007	6 732

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
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46. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out under policies approved by the accounting officer and council. Municipality identifies, evaluates and hedges financial risks in close co-operation with the municipality's various departments. The accounting officer and council provides written principles for overall risk management, as well as written policies covering specific areas.

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances as the impact of discounting is not significant. Trade and other payables are disclosed at their present value of R21 261 737 (2013: R25 096 587)

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	27 468 757	-	-	-
Consumer deposits	17 611	402 726	-	-
	-	-	-	-
At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	29 404 309	-	-	-
Consumer Deposits	76 957	325 769	-	-
	-	-	-	-

Liquidity risk is mainly concentrated on the Trade and Other payables balance

The municipality does not have any collateral and/or credit enhancements that aid in the mitigation of the liquidity risks.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis and assesses the credit quality of the customer, by taking into account its financial position, past experience and other factors. Sales to customers are settled in cash or bank guaranteed cheques.

The financial assets carried at amortised cost expose the entity to credit risk. The value of the maximum exposure to credit risk are as follows for each of classes of financial assets at amortised cost:

Financial instrument	2014	2013
Cash and Cash equivalents	126 152 442	117 518 723
Other receivables from exchange transactions	2 586 774	3 185 428
Receivables from non exchange transactions	6 503 564	5 047 516
Receivables from exchange transactions	4 253 627	5 224 306

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
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46. Risk management (continued)

The municipality does not hold any collateral in relation to the financial assets above.

Credit risk is mainly concentrated on Trade and other receivables from exchange transactions.

Market risk

Interest rate risk

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

At year end the entity has no significant interest-bearing assets.

Credit quality of financial assets carried at amortised cost

The municipality does not have a formal credit quality assessment process.

The credit quality of trade and other receivables from exchange transactions are determined and monitored with reference to historical payment trends. Accordingly the credit quality of the customers included in the balance of trade and other receivables from exchange transactions is determined internally through application of the entity's own credit policy. Based on the evaluation of the historical payment trends, customers included in the balance are categorised into the following:

High credit quality - Customers included in this category have evidenced no defaults or breaches in the contractual repayments.

Medium credit quality - Customers included in this category are prone to late payments, but seldomly default on the entire balance owing.

Low credit quality - Customers included in this balance includes customers that frequently default on their outstanding balances and breach contract.

Impairment disclosures for other current financial assets carried at amortised cost

Reconciliation between Gross and Net Balances

	Gross balances	Provision for Impairment	Net Balance
Other Trade and other receivables from exchange transactions	2 586 774	-	2 586 774
Trade and other receivables from Non exchange transactions	9 358 543	(2 854 978)	6 503 565
Trade and other receivables from exchange transactions	10 924 004	(6 670 378)	4 253 626
	<u>22 869 321</u>	<u>(9 525 356)</u>	<u>13 343 965</u>

Other current financial assets carried at amortised cost past due but not impaired

Other current financial assets carried at amortised cost which are related to state debtors are not considered to be impaired although they are past due. At 30 June 2014 R 1 166 487 (2013: R 1 166 487) were past due but not impaired

The ageing of amounts past due but not impaired is as follows

Less than 1 month past due	-	-
1 month past due	-	-
2 months past due	-	-
3 months or more past due	1 166 487	1 166 487
	<u>1 166 487</u>	<u>1 166 487</u>

Other current financial assets carried at amortised cost impaired

As of 30 June 2014, other current financial assets carried at amortised cost of R 20 151 028 (2013: R 16 867 557) were impaired and provided for.

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014 R	2013 R
46. Risk management (continued)		
The amount of the provision was R 9 525 356 as of 30 June 2014 (2013: R 8 771 365)		
The ageing of these balances is as follows		
Less than 3 months	5 275 479	3 531 946
Above 3 months	14 875 549	13 335 611
	<u>20 151 028</u>	<u>16 867 557</u>
Reconciliation disclosure for current financial liabilities		
Other current financial liabilities measured at amortised cost		
Trade and other payables	27 468 757	29 404 309
Consumer Deposits	420 337	402 726
Provision for landfill sites	5 591 594	1 562 421
Other Provisions	202 719	197 702
	<u>33 683 407</u>	<u>31 567 158</u>
There are no conditions attached to the financial liabilities held by the municipality		
47. Electricity Distribution Losses		
The distribution losses as a percentage of units purchased 27% (2013: 31%)		
Electricity Distribution Losses in units		
Units purchased during the year	23 148 050	21 894 554
Units sold during the year	(16 866 639)	(15 007 230)
	<u>6 281 411</u>	<u>6 887 324</u>
Distribution losses in Rands for the period 2013 - 2014		
Purchases	20 811 676	16 903 629
Own use	(52 362)	-
Pre-paid Consumer sold	(4 872 265)	(3 855 847)
Conventional Consumer Billed	(10 239 630)	(7 730 443)
Electricity loss	<u>5 647 419</u>	<u>5 317 339</u>
48. Prepayments		
Prepaid expenses are expenditure that are paid for in one accounting period, but for which the underlying services will be received in a future period.		
During the year under review the municipality paid for services that will be rendered in the following accounting period. These were the suppliers' requirements as they required payment before they can render services. These suppliers were:		
Eskom Distribution for 5% upfront payment for the upgrading of electricity lines in preparation for electrification in villages around Mbizana.		
Ntlakohlaza Travel Agency for accomodation for officials who were going to attend the IDP assessment in July 2014.		
Fort Hare Trading for registrat ion of interns into the municipal finance management programme that is going to run July 2014 to May 2015.		
Prepaid Expenses		
Current year	<u>1 191 113</u>	<u>-</u>

Mbizana Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

	2014	2013
	R	R

49. Deviation from supply chain management regulations

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

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

Goods and services amounting to R1 614 395.61 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

**MBIZANA LOCAL MUNICIPALITY
APPROPRIATION STATEMENT
AS AT 30 JUNE 2014**

Description	Original Budget		Budget Adjustments (I.L.O. s28 & s31 Of The MFMA)		Final Adjustments Budget		Shifting of funds (I.L.O s31 of the MFMA)		Virement (I.L.O. Council Approved By-law)		Final Budget		Actual Income		Unauthorised Expenditure		Variance		Actual outcome As % Of Final Budget		Actual Outcome As % Of Original Budget		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
Financial Performance																							
Property Rates	12 673 801.00	-1 232 632.00				11 441 169.00	9 974 852.00				11 441 169.00	9 974 852.00	1 466 317.00					1 466 317.00				79%	
Service Charges	31 270 762.00	670 520.00				31 941 282.00	18 686 809.00				31 941 282.00	18 686 809.00	13 254 473.00					13 254 473.00				59%	
Investment Revenue	4 090 288.00					4 090 288.00	6 213 348.03				4 090 288.00	6 213 348.03	-2 123 060.03					-2 123 060.03				152%	
Transfers Recognised - Operational	129 777 680.00	1 035 177.00				130 812 857.00	133 831 057.59				130 812 857.00	133 831 057.59	-3 019 200.59					-3 019 200.59				103%	
Other Own Revenue	17 612 539.00	37 166 387.00				54 778 926.00	2 557 164.00				54 778 926.00	2 557 164.00	52 121 762.00					52 121 762.00				15%	
Total Revenue (Excluding Capital Transfers & Contributions)	195 425 050.00	37 639 452.00				233 064 502.00	171 361 230.62				233 064 502.00	171 361 230.62	61 703 271.38					61 703 271.38				409%	
Employee Costs	67 735 688.94	-13 414 890.89				54 320 798.05	50 895 326.00				54 320 798.05	50 895 326.00	3 425 472.05					3 425 472.05				75%	
Remuneration Of Councillors	15 262 206.00	736 004.00				15 998 210.00	16 338 321.00				15 998 210.00	16 338 321.00	-340 111.00					-340 111.00				107%	
Debt Impairment	4 035 962.00					4 035 962.00	3 070 843.00				4 035 962.00	3 070 843.00	965 119.00					965 119.00				0%	
Depreciation & Asset Impairment						30 067 523.00	19 047 263.00				30 067 523.00	19 047 263.00	11 020 260.00					11 020 260.00				0%	
Finance Charges							430 604.74					430 604.74	-430 604.74					-430 604.74				0%	
Materials & Bulk Purchases	24 000 000.00	-3 500 000.00				20 500 000.00	20 811 676.00				20 500 000.00	20 811 676.00	311 676.00					311 676.00				87%	
Transfers & Grants	1 400 000.00					1 400 000.00	788 132.10				1 400 000.00	788 132.10	611 867.90					611 867.90				56%	
Other Expenditures	143 288 193.00	27 850 816.00				171 139 009.00	77 913 571.20				171 139 009.00	77 913 571.20	93 225 437.80					93 225 437.80				54%	
Total Expenditure	255 722 043.94	41 739 452.11				297 461 502.05	189 295 737.04				297 461 502.05	189 295 737.04	108 165 765.01					108 165 765.01				380%	
Surplus/(Deficit)	-60 296 993.94	-4 100 000.11				-84 397 000.05	-17 932 506.42				-84 397 000.05	-17 932 506.42	-46 464 493.63					-46 464 493.63				29%	
Gain / Loss on sale of assets							672 032.00					672 032.00											0%
Gain / Loss on fair value adjustment							62 314 217.41					62 314 217.41	2 082 782.54					2 082 782.54				0%	
Transfers recognised - Capital	60 296 993.94	4 100 000.11				64 397 000.05					64 397 000.05											29%	
Contributions recognised - Capital and contributed assets																							
Surplus/(Deficit) After Capital Transfers & Contributions																							
Share Of Surplus/(Deficit) Of Associate																							
Surplus/(Deficit) For The Year																							

Capital Expenditure & Funds Sources		Total Capital Expenditure		Sources of capital funds		Total Sources Of Capital Funds		Cash flows		Net Increase/decrease in Cash and Cash Equivalents		Cash and Cash equivalents at beginning of year		Cash and cash equivalents at year end	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Transfers Recognised - Capital	79 880 767.00	13 380 456.00			93 261 223.00	77 245 978.41						16 015 244.59			
Public Contributions & Donations	60 297 000.00	2 565 150.00			62 862 150.00	62 314 217.41						567 932.59			
Borrowing	19 563 767.00	10 795 306.00			30 379 073.00	14 931 761.00						15 447 312.00			
Internally Generated Funds	79 880 767.00	13 380 456.00			93 261 223.00	77 245 978.41						16 015 244.59			
Total Sources Of Capital Funds															
Net Cash From (Used) Operating	83 916 733.00	1 542 880.00			85 459 613.00	33 168 906.00						52 290 707.00			
Net Cash From (Used) Investing	-79 880 767.00	-13 380 456.00			-93 261 223.00	-24 535 187.00						-68 726 036.00			
Net Cash From (Used) Financing												-8 633 719.00			
Net Increase/decrease in Cash and Cash Equivalents															
Cash and Cash equivalents at beginning of year	130 651 157.00	-11 837 576.00			118 813 581.00	117 518 723.00						-7 338 861.00			
Cash and cash equivalents at year end															

MBIZANA LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2014

	Cost / Revaluation					Accumulated Depreciation							Carrying Value R		
	Opening Balance R	Additions R	Disposals R	Under Construction/ Transfers R	Revaluations R	Other Changes, movements R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of impairment loss R	Transfers R		other changes, movements R	Closing Balance R
Land	32 245 690	-	-	-	-	-	32 245 690	-	-	-	-	-	-	-	32 245 690
Land	355 365	-	-	227 443	-	-	582 808	23 915	-	-	-	-	-	93 677	489 131
Landfill Sites	59 500	-	-	-	-	-	59 500	2 380	-	-	-	-	-	14 280	45 220
Quarries	32 860 355	-	-	227 443	-	-	32 887 998	26 295	-	-	-	-	-	107 957	32 780 041
Buildings	8 895 415	200 000	-	13 735 977	-	-	22 831 392	492 203	-	-	-	-	-	2 802 852	20 028 539
Infrastructure	200 795 525	6 675 759	-	52 175 340	-	-	259 646 624	13 935 845	-	-	-	-	-	93 117 807	166 528 817
Draics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Mains	5 965 294	573 000	-	17 796 756	-	-	24 335 050	154 988	-	-	-	-	-	2 027 105	22 307 945
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs - Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	8 855 357	-	-	-	-	-	8 855 357	168 453	-	-	-	-	-	2 580 451	6 264 906
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	215 616 175	7 248 759	-	83 708 073	-	-	315 668 422	14 259 287	-	-	-	-	-	37 735 363	185 101 658
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	16 345 742	-	-	743 609	-	-	17 089 351	681 832	-	-	-	-	-	6 852 373	10 236 978
Civic Buildings	21 815 357	132 167	-	453 960	-	-	22 401 484	972 064	-	-	-	-	-	7 111 849	15 289 635
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pool:	155 873	-	-	-	-	-	155 873	10 220	-	-	-	-	-	37 409	118 463
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	38 316 972	132 167	-	1 197 569	-	-	39 646 707	12 337 516	1 664 116	-	-	-	-	14 001 632	25 645 076
	295 483 117	7 580 926	-	85 133 085	-	-	388 203 127	16 441 900	-	-	-	-	-	114 647 804	253 526 784

MBIZANA LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2014

	Cost / Revaluation				Accumulated Depreciation							Carrying Value R			
	Opening Balance R	Additions R	Disposals R	Under Construction/ Transfers R	Revaluations	Other Changes, movements	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of Impairment loss R		Transfers	other changes, movements	Closing Balance R
Total brought forward	295 489 117	7 580 926	-	85 133 085	-	-	388 203 127	98 205 904	16 441 900	-	-	-	-	114 647 804	273 555 324
Other Assets															
Office Equipment	848 691	741 869	-	-	-	-	1 590 560	316 226	204 290	-	-	-	-	520 516	1 070 043
Furniture & Fittings	3 195 211	228 136	-	-	-	-	3 423 347	2 297 092	526 717	-	-	-	-	2 823 809	599 538
Bins and Containers	197 720	-	-	-	-	-	197 720	17 526	18 736	-	-	-	-	36 262	161 458
Paintings & Artifacts	6 544	-	-	-	-	-	6 544	2 602	1 954	-	-	-	-	4 556	1 989
Emergency Equipment	80 819	-	-	-	-	-	80 819	64 655	16 164	-	-	-	-	80 819	-
Motor vehicles	4 659 817	1 027 187	-	-	-	-	5 687 004	3 074 512	758 035	-	-	-	-	3 832 547	1 854 457
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	937 230	-	-	-	-	-	937 230	94 493	93 723	-	-	-	-	188 216	749 014
Computer Equipment	1 336 072	820 087	-	-	-	-	2 156 159	1 205 396	151 888	-	-	-	-	1 357 284	798 875
Computer Software (part of computer equipment)	5 396 870	396 613	-	3 589 063	-	-	9 382 546	1 594 300	754 218	-	-	-	-	2 348 518	7 034 028
Other Assets	16 658 974	3 213 891	-	3 589 063	-	-	23 461 928	8 666 801	2 525 726	-	-	-	-	11 192 527	12 269 402
Finance Lease Assets															
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	312 148 092	10 794 817	-	88 722 148	-	-	411 665 056	106 872 705	18 967 625	-	-	-	-	125 840 330	285 824 726

MBIZANA LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2014

	Cost / Revaluation				Accumulated Depreciation						Carrying value R				
	Opening Balance R	Additions R	Disposals R	Under Construction / Transfers R	Revaluations R	Other Changes, movements R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R		Impairment loss/Reversal of impairment loss R	Transfers R	other changes, movements R	Closing Balance R
Budget & Treasury	33 182 786	-	-	-	-	-	33 182 786	802 072	61 432	-	-	-	-	863 504	32 319 281
Community Development	39 345 175	132 167	-	1 313 539	-	-	40 790 880	15 852 089	1 947 373	-	-	-	-	17 799 462	22 991 419
Corporate Services	6 746 769	2 798 328	-	6 234 815	-	-	15 779 912	3 355 500	1 108 722	-	-	-	-	4 464 222	11 315 690
Development & Planning	1 131 256	-	-	-	-	-	1 131 256	520 304	67 785	-	-	-	-	588 089	543 167
Electricity	5 965 294	673 000	-	17 796 756	-	-	24 335 050	1 872 116	154 988	-	-	-	-	2 027 105	22 307 945
Mayor's Office	1 160 852	-	-	-	-	-	1 160 852	347 454	221 043	-	-	-	-	568 497	592 355
Municipal Manager	983 487	-	-	-	-	-	983 487	790 655	137 038	-	-	-	-	927 693	55 804
Planning & Infrastructure	223 632 463	7 291 322	-	63 377 039	-	-	294 300 824	83 332 515	15 269 244	-	-	-	-	98 601 759	195 699 065
Refuse Removal & Cemetery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Speaker	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	312 148 082	10 794 817	-	88 722 148	-	-	411 665 057	106 872 705	18 967 625	-	-	-	-	125 840 330	285 824 727

MBIZANA LOCAL MUNICIPALITY

APPENDIX D SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2014

	PRIOR YEAR			CURRENT YEAR		
	2013		2014	2014		2014
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R	
200 000	36 789 081	(36 589 081)	Executive & Council	280 500	47 518 860	(47 238 360)
121 175 305	13 794 427	107 380 878	Finance & Admin	148 573 670	50 924 472	97 649 198
713 737	4 220 496	(3 506 759)	Planning & Development	659 670	5 828 316	(5 168 646)
-	-	-	Health	-	-	-
104 245	7 988 647	(7 884 402)	Community & Social Services	224 079	9 696 682	(9 472 603)
-	-	-	Housing	322 883	120 596	202 287
157 500	1 097 647	(940 147)	Public Safety	152 800	1 444 566	(1 291 766)
-	-	-	Sport & Recreation	-	98 839	(98 839)
-	247 300	(247 300)	Environmental Protection	-	29 750	(29 750)
1 734 645	5 851 137	(4 116 492)	Waste Management	2 282 673	11 539 520	(9 256 847)
1 662 485	-	1 662 485	Road Transport	1 756 005	(64 093)	1 820 098
-	-	-	Water	-	-	-
43 258 226	61 084 706	(17 826 480)	Electricity	35 855 051	52 336 714	(16 481 663)
31 816 986	35 835 317	(4 018 331)	Engineering	44 242 149	9 821 515	34 420 634
-	-	-	Other	-	-	-
200 823 129	166 908 759	33 914 370		234 349 480	189 295 737	45 053 743
			Other Charges			
200 823 129	166 908 759	33 914 370	Total	234 349 480	189 295 737	45 053 743

MBIZANA LOCAL MUNICIPALITY

APPENDIX E (1)

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2014

AS AT 30 JUNE 2014

Description	Final Budget R	Actual Amount R	Variance R	% Variance R	Explanation of significant variances greater than 10% versus budget R
REVENUE					
Property rates	11 441 169.00	9 974 852.00	-1 466 317.00	-12.82	budget was based on the assumption that there will be a new valuation roll
Service charges - refuse and electricity	32 042 250.00	18 686 809.00	-13 355 441.00	-41.68	
Fines	367 680.00	356 259.00	-11 421.00	-3.11	electricity losses
Licences and permits	2 059 066.00	1 203 029.00	-856 037.00	-41.57	less revenue collected on vending and hawking than expected
Government grants and subsidies	195 209 857.00	193 901 685.00	-1 308 172.00	-0.67	there was a decrease in demand for municipal facilities such as hall hire
Rental of facilities and equipments	687 837.00	809 070.00	121 233.00	17.63	
Recoveries	-	-	-	-	
Other income	51 471 543.16	2 532 395.79	-48 939 147.37	-95.08	This was the item used for the amount that was made available from the municipality's rr
Interest income	4 182 100.00	6 213 348.03	2 031 248.03	48.57	This was due to investments on conditional grants staying at big balances for longer than
Total Revenue	297 461 502.16	233 677 447.82	-63 784 054.34	-21.44	
EXPENDITURE					
Personnel	54 320 798.00	51 289 943.00	-3 030 855.00	-5.58	Savings on salaries on the vacancies that remained unfilled for longer periods
Remuneration of Councillors	15 998 210.00	16 338 321.00	340 111.00	2.13	
Depreciation and amortisation	30 067 523.00	19 047 263.00	-11 020 260.00	-36.65	spending less than budget
Bad debt impairment	4 035 962.00	3 070 843.00	-965 119.00	-23.91	This is due to some adjustments that were processed in both current and prior year that
Repairs and maintenance	16 801 921.00	1 072 261.00	-15 729 660.00	-93.62	Most expenditure was capitalised
Bulk Purchases	20 500 000.00	20 811 675.94	311 675.94	1.52	
Grant related expenditure	7 356 851.99	21 420 846.00	14 063 994.01	191.17	relates to expenses that may still be capitalised.
Interest and Penalties	-	430 604.74	430 604.74		This is due to interests that were charged by creditors whose accounts became overdue
General expenses	148 380 236.17	55 813 979.40	-92 566 256.77	-62.38	Included here are capital expenditure items that are later capitalised and the resulting re
Total expenditure	297 461 502.16	189 295 737.08	-108 165 765.08		
Fair value loss/gain		672 032.00			This was not budgeted for as there was an impairment in the previous financial year on
SURPLUS / (DEFICIT) FOR THE YEAR		45 053 742.74	44 381 710.74		

MBIZANA LOCAL MUNICIPALITY

APPENDIX E (2)

Budget Analysis of Capital Expenditure AS AT 30 JUNE 2014

Description	Final Budget R	Actual R	Variance R	% Variance R	Explanation of significant variances greater than 10% versus budget R
Executive & Council Finance & Admin	2 631 000.00	2 360 584.53	-270 415.47	-10.28	The variance between budgeted and actual on finance and admin is mainly because included in the budgeted figure is a budget which is to be used in purchasing furniture for new office block
Planning & Development Health	1 000 000.00	399 788.00	-600 212.00	-60.02	The project is still under construction thus the budget has not been fully utilised
Community & Social Services	1 500 000.00	-	-1 500 000.00	-100.00	There was a service provider to be appointed and although an advert was issued it was never advertised for tender so the budget for the pound was not used. Also included in this budget is a portion for community hall maintenance which was also never used because of conflicts between the school where the community hall is located and people of the community about the ownership of the hall.
Housing Public Safety	400 000.00	94 146.00	-305 854.00	-76.46	The was a service provider to be appointed,an advert was issued out but newspapers
Sport & Recreation Environmental Protection Waste Management	1 800 000.00	-	-1 800 000.00	-100.00	The project has been delayed due to negotiations with the community where landfill site was gona be built. The project has not started.
Road Transport	49 625 000.00	39 013 742.00	-10 612 258.00	-21.38	The expenditure was incurred for licencing station but was moved to MIG projects
Water Electricity Other	36 305 000.00	35 377 717.88	-927 282.12	-2.55	
Total	93 262 000.00	77 245 978.41	-16 016 021.59	-17.17	
Other Charges					
Total Capital Expenditure	93 262 000.00	77 245 978.41	-16 016 021.59		

MBIZANA LOCAL MUNICIPALITY

**APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
for the year ended 30 June 2014**

Name of Grant	Name of Origin of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and subsidies delayed/withheld				Reason for Non-compliance	Compliance to Revenue Act (*) Yes / No	Reason for Delay / Withholding of Funds
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	National Treasury	52 511 000,00	40 121 000,00	31 507 000,00	-	9 877 355,40	11 438 072,94	7 324 441,89	-	-	-	-	-	-	Yes	Not applicable
MIG Grant	National Treasury	29 538 000,00	-	13 759 000,00	-	-	7 13 759,00	-	-	-	-	-	-	-	Yes	Not applicable
MSIG	National Treasury	890 000,00	-	-	-	-	156 488,04	213 132,62	-	-	-	-	-	-	Yes	Not applicable
FMG	National Treasury	1 550 000,00	-	-	-	885 460,80	156 488,04	213 132,62	-	-	-	-	-	-	Yes	Not applicable
LED Capacity Grant	Provincial Grant	229 275,00	-	-	-	21 999,99	33 325,76	21 999,99	-	-	-	-	-	-	Yes	Not applicable
LED Strategy Grant	Provincial Grant	-	-	-	-	198 132,00	-	-	-	-	-	-	-	-	Yes	Not applicable
Sports Arts and Culture Grant	Provincial Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Not applicable
Expanded Public Works Programme (EPWP)	National Treasury	400 000,00	300 000,00	300 000,00	-	550 098,00	300 000,00	279 600,00	-	-	-	-	-	-	Yes	Not applicable
Provincial LED projects 1	Provincial Grant	289 500,00	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Not applicable
IEC	Provincial Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Not applicable
IDP	Provincial Grant	150 000,00	-	-	-	-	11 240,00	450,00	-	-	-	-	-	-	Yes	Not applicable
Integrated Electrification	Provincial Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Not applicable
LED - Bienn - Capentry	Provincial Grant	-	20 000 000,00	-	-	1 887 847,38	18 075 894,59	-	-	-	-	-	-	-	Yes	Not applicable
DHL TA - Fraud Prevention Plan	Provincial Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Not applicable
EXT2 Residence	Provincial Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Not applicable
Municipal Support Grant	Provincial Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Not applicable
Library Grant	Provincial Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Not applicable
Total Grants and Subsidies Received	Department of Sport	82 754 715	60 421 000	45 566 000	0	13 520 894	30 728 780	7 819 625	0	0	0	0	0	0	Yes	Not applicable

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

MBIZANA LOCAL MUNICIPALITY

APPENDIX G (1)

Budgeted Financial Performance (revenue and expenditure by standard classification)

30-Jun-14

Description	1 Original Budget		2 Budget Adjustments (l.o. s28 & s31 Of The MFMA)		3 Final Adjustments Budget		4 Shifting of funds (l.o s31 of the MFMA)		5 Virement (l.o. Council Approved By-law)		6 Final Budget		7 Actual Income		8 Unauthorised Expenditure		9 Variance		10 Actual outcome As % Of Final Budget		11 Actual Outcome As % Of Original Budget		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
REVENUE BY SOURCES																							
Governance and Administration:																							
Council	17 912 206.00				996 004.00							18 908 210.00					18 908 210.00					0%	
Mayor	2 870 000.00				-80 000.00						2 790 000.00						2 790 000.00					0%	
Municipal Manager	23 939 254.00				4 423 665.00						28 362 919.00			280 500.00			28 082 419.00					0%	
Speaker	3 998 320.00				-150 000.00						3 848 320.00						3 848 320.00					1%	
Budget and Treasury	20 207 850.00				30 398 437.00						50 606 287.00			148 360 637.03			-97 754 350.03					0%	
Corporate Services	27 878 782.00				391 947.00						28 270 729.00			213 033.00			28 057 696.00					734%	
Community and Public safety:																							
Community Development	16 377 815.00				-1 644 970.00						14 732 845.00			2 453 337.00			12 279 508.00					0%	
Economic and Environmental Services:																							
Development and planning	6 706 346.00				22 200.00						6 728 546.00			659 670.00			6 068 876.00					10%	
Roads Works and Engineering	70 715 837.00				11 901 609.00						82 617 446.00			44 242 149.00			38 375 297.00					63%	
Trading Services:																							
Refuse removal and cemetery	13 925 261.00				-4 519 440.00						9 405 821.00			2 285 103.00			7 120 718.00					24%	
Electricity	51 190 379.00										51 190 379.00			35 855 051.00			15 335 328.00					0%	
	255 722 050.00				41 739 452.00						297 461 502.00			234 349 480.03			63 112 021.97					70%	
EXPENDITURE																							
Governance and Administration:																							
Council	17 912 206.00				996 004.00						18 958 210.28			19 302 526.13			-344 315.85						102%
Mayor	2 870 000.00				-80 000.00						2 880 000.00			2 645 539.92			234 460.08						92%
Municipal Manager	23 939 254.00				4 423 665.00						28 312 860.10			21 883 084.21			6 429 765.89						77%
Speaker	3 998 320.00				-150 000.00						3 758 320.00			3 687 700.00			70 620.00						98%
Budget and Treasury	20 207 850.00				29 809 219.00						50 017 068.46			32 720 527.95			17 296 540.51						65%
Corporate Services	27 878 782.00				391 947.00						28 270 729.83			18 203 944.00			10 066 785.83						64%
Community and Public safety:																							
Community Development	16 377 815.00				-1 644 970.00						14 255 497.59			11 326 339.86			2 929 157.73						79%
Economic and Environmental Services:																							
Development and planning	6 706 346.00				22 200.00						6 683 709.93			5 828 316.00			865 393.93						87%
Roads Works and Engineering	70 715 837.00				4 234 535.00						75 558 781.61			9 821 515.00			65 737 266.61						13%
Trading Services:																							
Refuse removal and cemetery	13 925 261.00				-4 519 440.00						9 566 824.34			11 539 520.00			-1 972 695.66						121%
Electricity	51 190 379.00				8 256 292.00						59 420 653.95			52 336 714.00			7 083 939.95						88%
	255 722 050.00				41 739 452.00						297 692 656.09			189 295 737.07			108 396 919.02						0%
Surplus/deficit											-231 154.09			45 053 742.96			-344 315.85						
											-231 154.09			45 053 742.96			344 315.85						

MBIZANA LOCAL MUNICIPALITY

APPENDIX G (2)

**Budgeted Financial Performance (revenue and expenditure by municipal vote)
AS AT 30 JUNE 2014**

Description	Original Budget		Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)		Final Adjustments Budget		Shifting of funds (i.t.o s31 of the MFMA)		Virement (i.t.o. Council Approved By-law)		Final Budget		Actual Income		Unauthorised Expenditure		Variance		Actual outcome As % Of Final Budget		Actual Outcome As % Of Original Budget	
	1	R	2	R	3	R	4	R	5	R	6	R	7	R	8	R	9	R	10	R	11	R
REVENUE BY VOTE																						
Council	17 912 206.13		996 004.00		18 908 210.00						18 908 210.00						18 908 210.00					0%
Mayor	2 870 000.00		-80 000.00		2 790 000.00						2 790 000.00						2 790 000.00					0%
Municipal Manager	23 939 254.00		4 423 665.00		28 362 919.00						28 362 919.00		280 500.00				28 082 419.00					0%
Speaker	3 998 320.00		-150 000.00		3 848 320.00						3 848 320.00						3 848 320.00					1%
Budget and Treasury	20 207 850.00		30 398 437.00		50 606 287.00						50 606 287.00		148 689 722.93				-98 083 435.93					736%
Corporate Services	27 878 782.00		391 947.00		28 270 729.00						28 270 729.00		213 033.16				28 057 695.84					1%
Development and planning	6 706 346.00		22 200.00		6 728 546.00						6 728 546.00		643 254.65				6 085 291.35					10%
Community development	16 377 815.00		-1 644 970.00		14 732 845.00						14 732 845.00		2 140 666.10				12 592 178.90					13%
Refuse removal and cemetery	13 925 261.00		-4 519 440.00		9 405 821.00						9 405 821.00		2 285 103.21				7 120 717.79					16%
Infrastructure and Planning	70 715 837.00		11 901 609.06		82 617 446.06						82 617 446.06		44 242 149.00				38 375 287.06					63%
Electricity	51 190 379.00		-		51 190 379.00						51 190 379.00		35 855 051.00				15 335 328.00					70%
Total Revenue by vote	255 722 050.00		41 739 452.06		297 461 502.06						297 461 502.06		234 349 480.05				63 112 022.01					0%
EXPENDITURE by vote																						
Council	17 912 206.13		996 003.63		18 908 209.76						18 908 209.76		19 302 526.13				-394 316.37					102%
Mayor	2 870 000.00		-80 000.00		2 790 000.00						2 790 000.00		2 645 539.92				144 460.08					95%
Municipal Manager	23 939 253.80		4 423 665.63		28 362 919.43						28 362 919.43		21 883 094.21				6 479 825.22					77%
Speaker	3 998 320.00		-150 000.00		3 848 320.00						3 848 320.00		3 687 700.00				160 620.00					96%
Budget and Treasury	20 207 850.01		29 809 218.53		50 017 068.54						50 017 068.54		32 963 179.85				17 053 888.69					66%
Corporate Services	27 878 781.51		391 947.30		28 270 728.81						28 270 728.81		18 203 943.54				10 066 785.27					64%
Development and planning	6 706 346.00		22 199.93		6 728 545.93						6 728 545.93		4 786 593.36				1 941 952.57					71%
Community development	16 377 815.00		-1 644 969.61		14 732 845.39						14 732 845.39		12 125 410.76				2 607 434.63					82%
Refuse removal and cemetery	13 925 260.00		-4 519 438.66		9 405 821.34						9 405 821.34		11 539 520.32				-2 133 698.98					123%
Infrastructure and Planning	70 715 836.00		4 234 535.61		74 950 371.61						74 950 371.61		9 821 515.00				65 128 856.61					13%
Electricity	51 190 378.32		8 256 292.95		59 446 671.27						59 446 671.27		52 336 714.00				7 109 957.27					88%
Total Expenditure by vote	255 722 046.77		41 739 455.30		297 461 502.07						297 461 502.07		189 295 737.09				108 165 764.98					
Surplus/deficit													45 053 742.96				-45 053 742.97					

