Amajuba District Municipality
Financial statements
for the year ended 30 June 2014

General Information

Legal Form of Entity	Municipality
Legislation Governing the Municipality's Operationst	Municipal Fiance Management Act (Act No.56 of 2003)

Executive Committee

Mayor	Councilor JCN Khumalo (Mrs)
Deputy Mayor	Councilor MN Majola (Mrs)
Executive Committee -Engineering	Councilor NA Zwane
Executive Committee -Corporate Services	Councilor EM Zungu
Executive Committee -Planning & Economic Development	Councilor SB Hlatshwayo
Speaker	Councilor EM Sigasa

Grading of local authority	Grade 3 Low Capacity
Auditors	Auditor General
Bankers	ABSA Public Sector
Registered office	B9356 Section 1 Madadeni Newcastle 2951
Postal address	Private Bag X6615 Newcastle 2940

Members of Council

Councilor NS Matthews	Councilor TA Chonco
Councilor FS Tsotetsi	Councilor MS Mlangeni
Councilor NA Msibi	Councilor TM Mhlongo
Councilor VR Hlatshwayo	Councilor SB Harber
Councilor MA Buthelezi	Councilor MP Sithole
Councilor JME Damons	Councilor MA Gama
Councilor SD Msibi	Councilor SJ Zulu
Councilor S Kubheka	Councilor DRF Buthelezi
Councilor MN Mbokazi	

Audit Committee Members	Mr Bandile Mbange - Chairperson Mr Siphiwe Ngwenya - Member Ms Thabisile Ndlela - Member Mr Bheki Dladla - Member Mr Sithembiso Ngwenya - Member
Chief Financial Officer (CFO)	Mr GBVT Maseko

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

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)

Accounting Officer's Responsibilities and Approval

The Amajuba District Municipality is situated at the Amajuba Building, B 9356, Madadeni, is a category C Municipality established in terms of section 12 (1) of the Municipal Structures Act, No.117 and published in terms of Provincial Goverment Notice 346 on the 19 September 2000. The Local Goverment Operations of the Municipality are assigned by Section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act.

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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and were given unrestricted access to all financial records and related data.

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

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

The accounting officer 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.

The municipality is wholly dependent on the Provincial and National Government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Provincial and National Governments have neither the intention nor the need to liquidate or curtail materially the scale of funding of the municipality.

The financial statements set out on pages 4 to 50, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2014 and were signed on its behalf by:

Accounting Officer
Municipal Manager

Statement of Financial Position as at 30 June 2014

	Note(s)	2014 R	2013 R
Assets			
Current Assets			
Receivables from exchange transactions	7	6,227,728	-
Receivables from non-exchange transactions	8	215	64,385
VAT receivable	9	5,597,624	10,329,220
Cash and cash equivalents	10	330,248	2,662,656
		12,155,815	**13,056,261**
Non-Current Assets			
Investment property	3	569,052	-
Property, plant and equipment	4	315,993,823	60,136,280
Intangible assets	5	3,140,376	2,119,284
Investments in associates	6	-	703,143,051
		319,703,251	**765,398,615**
Total Assets		**331,859,066**	**778,454,876**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	26,395,069	44,785,259
Unspent conditional grants and receipts	12	22,617,656	42,376,393
Provisions	13	6,880,361	1,502,712
Bank overdraft	10	-	368,191
		55,893,086	**89,032,555**
Non-Current Liabilities			
Other financial liabilities	11	9,687,160	-
Total Liabilities		**65,580,246**	**89,032,555**
Net Assets		**266,278,820**	**689,422,321**
Net Assets			
Accumulated surplus		266,278,820	689,422,321

Statement of Financial Performance

	Note(s)	2014 R	2013 R
Revenue	16	192,469,194	177,361,918
Other income		7,470,093	492,141
Operating expenses		(571,894,346)	(189,830,922)
Operating deficit	20	**(371,955,059)**	**(11,976,863)**
Investment revenue	23	716,878	2,254,742
Finance costs	25	(966,483)	-
Deficit for the year		**(372,204,664)**	**(9,722,121)**

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2011 (Restated)	**734,181,718**	**734,181,718**
Changes in net assets		
Net Income (Losses) Recognised directly in Net Assets	5,651,568	5,651,568
Net income (losses) recognised directly in net assets	5,651,568	5,651,568
Surplus for the year	(9,722,121)	(9,722,121)
Total recognised income and expenses for the year	(4,070,553)	(4,070,553)
Share of Loss in Associate	(41,331,616)	(41,331,616)
Correction of PPE Opening Balancews	642,772	642,772
Total changes	(44,759,397)	(44,759,397)
Balance at 01 July 2013	**688,779,549**	**688,779,549**
Changes in net assets		
Net Income (Losses) Recognised directly in Net Assets	(50,296,065)	(50,296,065)
Net income (losses) recognised directly in net assets	(50,296,065)	(50,296,065)
Surplus for the year	(372,204,664)	(372,204,664)
Total recognised income and expenses for the year	(422,500,729)	(422,500,729)
Total changes	(422,500,729)	(422,500,729)
Balance at 30 June 2014	**266,278,820**	**266,278,820**

Cash Flow Statement

	Note(s)	2014 R	2013 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		12,318,894	-
Grants		159,796,928	185,775,430
Interest income		716,878	2,254,742
Other receipts		-	492,141
		172,832,700	188,522,313
Payments			
Employee costs		(76,825,915)	(40,802,230)
Suppliers		(136,859,955)	(143,081,319)
Finance costs		(966,483)	-
Other payments		-	(4,220,119)
		(214,652,353)	(188,103,668)
Net cash flows from operating activities	29	**(41,819,653)**	**418,645**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(281,796,395)	(6,174,779)
Proceeds from sale of property, plant and equipment	4	-	161,159
Purchase of investment property	3	(68,095)	-
Purchase of other intangible assets	5	(1,193,564)	(1,399,687)
Net cash flows from investing activities		**(283,058,054)**	**(7,413,307)**
Cash flows from financing activities			
Repayment of other financial liabilities		9,687,160	-
Movement in Investments		313,226,330	421,305
Other cash item		-	1,336,102
Net cash flows from financing activities		**322,913,490**	**1,757,407**
Net increase/(decrease) in cash and cash equivalents		**(1,964,217)**	**(5,237,255)**
Cash and cash equivalents at the beginning of the year		2,294,465	7,531,720
Cash and cash equivalents at the end of the year	10	**330,248**	**2,294,465**

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	12,458,254	-	**12,458,254**	17,424,490	**4,966,236**	
Interest received (trading)	-	-	**-**	2,622,213	**2,622,213**	
Rental income	300,000	-	**300,000**	288,082	**(11,918)**	
Recoveries	110,000	-	**110,000**	52,355	**(57,645)**	
Other income 1	89,900	-	**89,900**	7,129,656	**7,039,756**	
Interest received - investment	300,000	-	**300,000**	716,878	**416,878**	
Total revenue from exchange transactions	**13,258,154**	**-**	**13,258,154**	**28,233,674**	**14,975,520**	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	111,716,703	-	**111,716,703**	172,422,491	**60,705,788**	
Total revenue	**124,974,857**	**-**	**124,974,857**	**200,656,165**	**75,681,308**	
Expenditure						
Personnel	(64,618,428)	-	**(64,618,428)**	(69,628,199)	**(5,009,771)**	
Remuneration of councillors	(5,064,567)	-	**(5,064,567)**	(4,204,529)	**860,038**	
Depreciation and amortisation	(2,170,839)	-	**(2,170,839)**	(27,945,679)	**(25,774,840)**	
Finance costs	-	-	**-**	(966,483)	**(966,483)**	
Debt impairment	-	-	**-**	(7,365,839)	**(7,365,839)**	
Repairs and maintenance	(5,038,317)	-	**(5,038,317)**	(5,123,223)	**(84,906)**	
Bulk purchases	(4,809,172)	-	**(4,809,172)**	(7,000,000)	**(2,190,828)**	
Contracted Services	(7,527,586)	-	**(7,527,586)**	(11,610,075)	**(4,082,489)**	
General Expenses	(35,738,808)	-	**(35,738,808)**	(102,374,228)	**(66,635,420)**	
Total expenditure	**(124,967,717)**	**-**	**(124,967,717)**	**(236,218,255)**	**(111,250,538)**	
Operating deficit	**7,140**	**-**	**7,140**	**(35,562,090)**	**(35,569,230)**	
Loss on disposal of assets and liabilities	-	-	**-**	(336,642,574)	**(336,642,574)**	
Deficit before taxation	**7,140**	**-**	**7,140**	**(372,204,664)**	**(372,211,804)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**7,140**	**-**	**7,140**	**(372,204,664)**	**(372,211,804)**	
Reconciliation						

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2014											
Financial Performance											
Service charges	12,458,254	-	12,458,254	-		12,458,254	17,424,490		4,966,236	140 %	140 %
Investment revenue	300,000	-	300,000	-		300,000	716,878		416,878	239 %	239 %
Transfers recognised - operational	106,363,781	-	106,363,781	-		106,363,781	172,422,491		66,058,710	162 %	162 %
Other own revenue	500,000	-	500,000	-		500,000	10,092,306		9,592,306	2,018 %	2,018 %
Total revenue (excluding capital transfers and contributions)	**119,622,035**	**-**	**119,622,035**	**-**		**119,622,035**	**200,656,165**		**81,034,130**	**168 %**	**168 %**
Employee costs	(64,618,428)	-	(64,618,428)	-	-	(64,618,428)	(69,628,199)	-	(5,009,771)	108 %	108 %
Remuneration of councillors	(5,064,567)	-	(5,064,567)	-	-	(5,064,567)	(4,204,529)	-	860,038	83 %	83 %
Debt impairment	-	-	-			-	(7,365,839)	-	(7,365,839)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(2,170,839)	-	(2,170,839)			(2,170,839)	(27,945,679)	-	(25,774,840)	1,287 %	1,287 %
Finance charges	-	-	-	-	-	-	(966,483)	-	(966,483)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(4,809,172)	-	(4,809,172)	-	-	(4,809,172)	(7,000,000)	-	(2,190,828)	146 %	146 %
Other expenditure	(48,304,711)	-	(48,304,711)	-	-	(48,304,711)	(119,211,765)	-	(70,907,054)	247 %	247 %
Total expenditure	**(124,967,717)**	**-**	**(124,967,717)**	**-**	**-**	**(124,967,717)**	**(236,322,494)**	**-**	**(111,354,777)**	**189 %**	**189 %**
Surplus/(Deficit)	**(5,345,682)**	**-**	**(5,345,682)**	**-**		**(5,345,682)**	**(35,666,329)**		**(30,320,647)**	**667 %**	**667 %**
Impairment of Investment in associate	-	-	-	-		-	336,538,335		336,538,335	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**(5,345,682)**	**-**	**(5,345,682)**	**-**		**(5,345,682)**	**(372,204,664)**		**(366,858,982)**	**6,963 %**	**6,963 %**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Capital expenditure and funds sources											
Total capital expenditure	64,959,015	-	64,959,015	-		64,959,015	-		(64,959,015)	- %	- %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	(41,819,653)		(41,819,653)	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(283,058,054)		(283,058,054)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	322,913,490		322,913,490	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**(1,964,217)**		**(1,964,217)**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	2,294,465		2,294,465	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**330,248**		**(330,248)**	**DIV/0 %**	**DIV/0 %**

Accounting Policies

1. Presentation of Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Consolidation

Entity combinations

The municipality accounts for entity combinations using the acquisition method of accounting. The cost of the entity combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the entity combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

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

On acquisition, the municipality assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for municipality purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

1.2 Consolidation (continued)

Investment in associates

An associate is an entity over which the controlling entity has significant influence and which is neither a controlled entity nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the municipality's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the municipality’s share of net assets of the investee. The surplus or deficit of the municipality includes the municipality’s share of the surplus or deficit of the investee.

The municipality’s share of the surplus or deficit of the investee is recognised in surplus or deficit.

Distributions received from an investee reduce the carrying amount of the investment.

The most recent available financial statements of the associate are used by the municipality in applying the equity method. When the reporting date's of the municipality and the associate are different, the associate prepares, for the use of the municipality, financial statements as of the same date as the financial statements of the municipality unless it is impractical to do so.

When the financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the municipality, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the municipality’s financial statements. In any case, the difference between the reporting date of the associate and that of the municipality is more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

The municipality’s financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Deficits in an associate in excess of the municipality's interest in that associate are recognised only to the extent that the municipality has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the municipality resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in surplus or deficit.

Surpluses and deficits on transactions between the municipality and an associate are eliminated to the extent of the municipality's interest therein.

The controlling entity discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements.

Accounting Policies

1.4 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.

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 entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Accounting Policies

1.4 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	**Average useful life**
Land	Indefinite
Buildings	30 years
Plant and machinery	10 - 15 years
Furniture and fixtures	7 - 10 years
Motor vehicles	
• Specialised Vehicles	10 - 15 years
• Other Vehicles	5 years
Office equipment	3 - 7 years
IT equipment	3 years
Computer software	3 years
Infrastructure	
• Water and Sewerage	10 years
Community	20 - 30 years
• Recreational Facilities	30 years
• Buildings	
Other property, plant and equipment	2 - 5 years

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.

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

1.4 Property, plant and equipment (continued)

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

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

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

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

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.

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Accounting Policies

1.5 Intangible assets (continued)

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, internally generated	3 years
Computer software, other	3 years

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

1.6 Investments in controlled entities

1.7 Investments in associates

1.8 Financial instruments

1.9 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.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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 return on the remaining balance of the liability.

Operating leases - lessee

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

1.10 Impairment of cash-generating assets

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.10 Impairment of cash-generating assets (continued)

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

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

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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

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.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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.

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

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

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Share capital / contributed capital

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

1.13 Employee benefits

1.14 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.

1.14 Provisions and contingencies (continued)

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.

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised.

1.15 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.

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.

Measurement

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

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

1.16 Revenue from non-exchange transactions

1.17 Investment income

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

1.18 Borrowing costs

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure 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.

1.23 Use of estimates

The preparation of 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 financial statements are disclosed in the relevant sections of the 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.

1.24 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.

1.25 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.

1.26 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.

1.27 Budget information

Municipality 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 municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The 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 financial statements.

1.28 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.

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

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	
• GRAP 12 (as revised 2012): Inventories	01 April 2013	
• GRAP 13 (as revised 2012): Leases	01 April 2013	
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	
• IGRAP16: Intangible assets website costs	01 April 2013	
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

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

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

The impact of this amendment is currently being assessed.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Notes to the Financial Statements

2. New standards and interpretations (continued)

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

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

The impact of this amendment is currently being assessed.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

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

The impact of this amendment is currently being assessed.

GRAP 18: Segment Reporting

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Notes to the Financial Statements

2. New standards and interpretations (continued)

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP 20: Related parties

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

Notes to the Financial Statements

	2014	2013
	R	R

3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	569,052	-	569,052	-	-	-

Reconciliation of investment property - 2014

	Opening balance	Additions	Transfers	Total
Investment property	-	68,095	500,957	569,052

Reconciliation of investment property - 2013

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.

4. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	569,591	-	569,591	569,591	-	569,591
Buildings	25,146,930	(5,242,421)	19,904,509	23,979,763	(6,014,101)	17,965,662
Plant and machinery	9,024,153	(4,982,230)	4,041,923	8,245,384	(4,085,938)	4,159,446
Furniture and fixtures	3,167,659	(2,043,137)	1,124,522	3,186,404	(1,569,346)	1,617,058
Motor vehicles	7,552,804	(4,752,642)	2,800,162	6,698,621	(3,941,432)	2,757,189
Office equipment	4,603,802	(3,308,033)	1,295,769	4,543,089	(2,943,707)	1,599,382
Park facilities	39,044,257	(10,098,274)	28,945,983	38,556,754	(7,088,802)	31,467,952
Wastewater network	46,902,118	(4,235,213)	42,666,905	-	-	-
Water network	232,787,935	(18,143,476)	214,644,459	-	-	-
Total	**368,799,249**	**(52,805,426)**	**315,993,823**	**85,779,606**	**(25,643,326)**	**60,136,280**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Revaluations	Depreciation
Land	569,591	-	-	-	-	-	
Buildings	17,965,663	1,122,910	-	-	1,792,235	44,256	(981,76
Plant and machinery	4,159,646	72,465	-	(3,422)	(316)	781,258	(965,69
Furniture and fixtures	1,617,058	14,262	-	(20,944)	(3,613)	45,699	(523,14
Motor vehicles	2,757,190	-	-	(29,949)	-	1,030,353	(957,43
Office equipment	1,599,382	419,878	-	(49,924)	(12,766)	127,670	(784,50
Park facilities	31,467,952	476,827	-	-	(1,775,540)	10,676	(1,181,97
Wastewater network	-	1,365,245	45,536,873	-	-	-	(4,235,21
Water network	-	6,240,314	226,547,621	-	-	-	(18,143,47
	60,136,482	**9,711,901**	**272,084,494**	**(104,239)**	**-**	**2,039,912**	**(27,773,20**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Changes to Opening Balances	Disposals	Transfers	Revaluations	Depreciatior
Land	581,918	-	-	-	(12,327)	-	
Buildings	19,509,304	1,763,596	(1,792,370)	-	(488,630)	-	(1,026,23
Plant and machinery	4,805,240	102,465	(59,910)	-	-	23,803	(711,95
Furniture and fixtures	895,027	878,093	11,104	(5,329)	-	139,183	(295,16
Motor vehicles	1,690,276	-	1,065,646	-	-	175,475	(793,94
Office equipment	1,881,647	427,940	41,578	(155,830)	-	69,751	(657,56
Park facilities	29,533,088	1,953,714	1,782,923	-	-	-	(1,801,77
	58,896,500	**5,125,808**	**1,048,971**	**(161,159)**	**(500,957)**	**408,212**	**(5,286,64**

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	-	2,568,540	1,103,580	3,672,120
Additions/capital expenditure	5,563,158	447,305	511,880	6,522,343
	5,563,158	**3,015,845**	**1,615,460**	**10,194,463**

Reconciliation of Work-in-Progress 2013

	Included within Community	Included within Other PPE	Total
Opening balance	998,940	-	998,940
Additions/capital expenditure	1,569,600	1,103,580	2,673,180
	2,568,540	**1,103,580**	**3,672,120**

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.

5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,296,466	(1,156,090)	3,140,376	3,102,902	(983,618)	2,119,284

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Impairment loss	Total
Computer software	2,119,284	1,193,564	(172,472)	3,140,376

Notes to the Financial Statements

	2014 R	2013 R

5. Intangible assets (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	870,325	1,399,687	(150,728)	2,119,284

6. Investments in associates

Name of entity	Listed / Unlisted	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
uThukela Water (Pty) Ltd		- %	33.33 %	-	703,143,051
				-	703,143,051
Group co ID 1		- %	- %	-	703,143,051
				-	703,143,051
				-	1,406,286,102

The carrying amounts of associates are shown net of impairment losses.

The annual financial statements of Uthukela Water (Pty)Ltd are prepared for the accounting period 01 July 2013 to 30 June 2014 , which is the same as the Amajuba District Municipality ,no adjustments were made to this effect.

No loans were made to or received from the associate. No shares were sold nor any acquired during the year..

With effect from 01 July 2013, the municipality has taken over a portion of the assets, liabilities and staff that relate to Amajuba District Municipality from uThukela Water. The municipality is therefore providing water and sanitation services as a water services provider and authority.

Movements in carrying value

	2014	2013
Opening balance	703,143,051	744,474,666
Share of surplus/deficit	-	(41,331,648)
Disposal of investment in associate	(703,143,051)	-
Dividends	-	33
	-	**703,143,051**

Investment in associate at 30 June 2014 has been written down as Amajuba DM has taken over the assets and liabilities relating to the provision of water and sanitation. There was no cash consideration given therfore the transfer is a non-cash movement.

7. Receivables from exchange transactions

	2014	2013
Trade debtors	6,227,730	-
Operating lease receivables (if immaterial)	(2)	-
	6,227,728	**-**

Trade and other receivables pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any of the accounts receivable.

	2014 R	2013 R

7. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Although credit quality can be assessed, the municipality did not apply any methods to evaluate credit quality

Trade and other receivables impaired

As of 30 June 2014, trade and other receivables of R - (2013: R -) were impaired and provided for.

The amount of the provision was R (7,365,839) as of 30 June 2014 (2013: R -).

Reconciliation of provision for impairment of trade and other receivables

Provision for impairment	7,365,839	-

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note). Unwind of discount is included in XXX in surplus or deficit (note). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

8. Receivables from non-exchange transactions

Sundry Debtors	215	64,385

9. VAT receivable

VAT	5,597,624	10,329,220

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS.

10. Cash and cash equivalents

Cash and cash equivalents included in the statement of financial position comprise the following statement of amounts indicating financial position:

Petty cash	3,000	3,000
Bank balances	197,340	-
Call investment deposits	131,597	2,659,656
Other cash and cash equivalents	(1,689)	-
Bank overdraft	-	(368,191)
	330,248	**2,294,465**

Current assets	330,248	2,662,656
Current liabilities	-	(368,191)
	330,248	**2,294,465**

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.
No restrictions exist with regard to the use of cash.
No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

	2014 R	2013 R

10. Cash and cash equivalents (continued)

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.
Although credit quality can be assessed, the municipality did not apply any methods to evaluate the credit quality

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - Cheque Account - 405 347 2593	197,340	(61,036)	735,501	197,340	(368,191)	735,501
ABSA BANK - 32 Day Notice - 907 431 6117	-	1,363,772	1,284,101	-	1,363,772	1,284,101
STANDARD BANK - 32 Day Notice - 068 448 3090 02	131,597	120,016	120,016	131,597	120,016	120,016
FIRST NATIONAL BANK - Call Account - 743 545 87212	-	1,143,781	5,389,102	-	1,143,781	5,389,102
Total	**328,937**	**2,566,533**	**7,528,720**	**328,937**	**2,259,378**	**7,528,720**

11. Other financial liabilities

	2014 R	2013 R
Designated at fair value		
DBSA Loan - 61000383	521,896	-
DBSA Loan - 61000384	4,454,759	-
DBSA Loan - 61000385	377,314	-
DBSA Loan - 61003315	3,269,437	-
DBSA Loan - 61000916	328,474	-
DBSA Loan - 61000917	735,280	-
	9,687,160	**-**

The financial liability relates to DBSA loans taken over form uThukela Water which are now due and payable by Amajuba DM in terms of the transfer of the water and sanitation function. These loans include interest capitalised as they were not serviced by uThukela Water.

	2014 R	2013 R
Non-current liabilities		
Designated at fair value	9,687,160	-

	2014 R	2013 R

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG Grant	6,605,896	11,200,695
2010 Sports Stadia Grant - Monte Vista	-	7,338,250
Sports & recreation grant	-	1,357,058
National lottery grant	-	3,116,000
Governance Expert Grant	820,398	871,308
Department of Public Works grant	7,078	1,672,301
Massification grant	16,796	1,584,150
Municipal Systems Improvement Grant MSIG	187,043	-
Disaster Management Centre Grant	5,620,428	5,000,000
WC/WD Management Grant	1,453	3,518,701
Road Asset Management System Grant	59,922	1,532,189
Boreholes Maintenance Grant	699,837	699,837
COGTA Groundwater Maintenance Grant	-	3,026,568
Finance Management Grant	654,443	993,355
DWA ACIP grant - Utrecht Ponds	37,820	265,981
Councillors Trainning Grant	79,388	200,000
DOHS - Rural Household Infrastructure Grant	4,000,000	-
DWA - Municipal Infrastructure Grant MWIG	3,827,154	-
	22,617,656	**42,376,393**

Movement during the year

Balance at the beginning of the year	42,376,393	40,438,960
Additions during the year	39,786,955	88,146,412
Income recognition during the year	(59,545,692)	(86,208,979)
	22,617,656	**42,376,393**

13. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Staff leave	1,020,780	4,905,109	5,925,889
Performance bonuses	481,932	472,540	954,472
	1,502,712	**5,377,649**	**6,880,361**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Reversed during the year	Total
Staff leave	964,611	56,169	-	1,020,780
Perfomance bonuses	687,132	481,932	(687,132)	481,932
	1,651,743	**538,101**	**(687,132)**	**1,502,712**

Performance bonuses are paid to employees subject to certain conditions. The provision is a calculation of the amount due to employees at the reporting date. Performance bonuses are measured at face value as it is expected that these would normally be paid shortly after the financial year end once performance evaluations have been completed.

Notes to the Financial Statements

	2014 R	2013 R

14. Payables from exchange transactions

Trade payables	23,063,195	38,181,654
Payments received in advanced - contract in process	721,576	-
Retentions	5,246,110	6,603,605
Other creditors	(2,981,688)	-
Deposits received	345,876	-
	26,395,069	**44,785,259**

15. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2014

	Financial liabilities at amortised cost	Total
Loans from owners	5,246,110	5,246,110
Other financial liabilities	23,063,195	23,063,195
Sundry Creditors	345,876	345,876
	28,655,181	**28,655,181**

2013

	Financial liabilities at amortised cost	Total
Other financial liabilities	6,603,605	6,603,605
Trade and other payables	38,181,654	38,181,654
	44,785,259	**44,785,259**

16. Revenue

Service charges	17,424,490	-
Interest received (trading)	2,622,213	-
Rental income	288,082	265,121
Recoveries	52,355	127,995
Other income 1	7,129,656	99,025
Interest received - investment	716,878	2,254,742
Government grants & subsidies	172,422,491	177,361,918
	200,656,165	**180,108,801**

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

Service charges	17,424,490	-
Interest received (trading)	2,622,213	-
Rental income	288,082	265,121
Recoveries	52,355	127,995
Other income 1	7,129,656	99,025
Interest received - investment	716,878	2,254,742
	28,233,674	**2,746,883**

Notes to the Financial Statements

	2014 R	2013 R

16. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	172,422,491	177,361,918

	2014 R	2013 R

17. Government grants and subsidies

Equitable share	52,618,015	49,508,846
DWAF Water Op[erating Subsidy	1,500,000	-
Operating Projects Grant	61,610,261	73,601,651
Levies Replacement Grant	51,917,000	47,630,000
Municipal Systems Improvement Grant	616,629	1,000,000
Financial Management Grant	845,557	1,511,565
Skills Developemnt Grant	32,688	401,440
Water Demand Management Grant	-	626,713
Road Asset Management	1,153,140	1,548,683
Tourism Signage Development Grant	-	799,969
Shared Services Grant	-	733,051
Councillors Trainning Grant	120,612	-
ACIP Tweedildale Grant	1,078,106	-
IGR Grant -Government Expert	50,911	-
Disaster Management Grant;	879,572	-
	172,422,491	**177,361,918**

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	11,200,695	18,137,846
Current-year receipts	51,962,000	49,992,000
Conditions met - transferred to revenue	(56,556,799)	(51,833,305)
Other	-	(5,095,846)
	6,605,896	**11,200,695**

Conditions still to be met - remain liabilities (see note 12).

Emadlangeni Bulk Water Supply

Current-year receipts	-	4,517,915
Conditions met - transferred to revenue	-	(4,517,915)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

Tourism Signage

Balance unspent at beginning of year	-	799,969
Conditions met - transferred to revenue	-	(799,969)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

2010 Base Camp and Academy (Monte Vista)

Balance unspent at beginning of year	7,338,250	7,422,040
Conditions met - transferred to revenue	-	(83,790)

	2014 R	2013 R
17. Government grants and subsidies (continued)		
Other	(7,338,250)	-
	-	**7,338,250**

Conditions still to be met - remain liabilities (see note 12).

Sports and Recreation Grant

	2014 R	2013 R
Balance unspent at beginning of year	1,357,058	2,310,000
Current-year receipts	-	1,050,000
Conditions met - transferred to revenue	(211,000)	(2,002,942)
Other	(1,146,058)	-
	-	**1,357,058**

Conditions still to be met - remain liabilities (see note 12).

National Lottery

	2014 R	2013 R
Balance unspent at beginning of year	3,116,000	3,116,000
Other	(3,116,000)	-
	-	**3,116,000**

Conditions still to be met - remain liabilities (see note 12).

Inter-Governmental Relations Grant

	2014 R	2013 R
Balance unspent at beginning of year	-	417,000
Conditions met - transferred to revenue	-	(417,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

Governance Expert Grant

	2014 R	2013 R
Balance unspent at beginning of year	871,308	436,271
Current-year receipts	-	800,000
Conditions met - transferred to revenue	(50,910)	(364,963)
	820,398	**871,308**

Conditions still to be met - remain liabilities (see note 12).

Public Works (EPWP) Grant

	2014 R	2013 R
Balance unspent at beginning of year	1,672,301	1,210,000
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,455,223)	(537,699)
Other	(1,210,000)	-
	7,078	**1,672,301**

Conditions still to be met - remain liabilities (see note 12).

Massification Grant

	2014 R	2013 R
Balance unspent at beginning of year	1,584,150	1,978,000
Conditions met - transferred to revenue	(1,567,354)	(393,850)

	2014 R	2013 R

17. Government grants and subsidies (continued)

	16,796	**1,584,150**

Conditions still to be met - remain liabilities (see note 12).

Municipal Systems Improvement Grant

Current-year receipts	890,000	-
Conditions met - transferred to revenue	(702,957)	-
	187,043	**-**

Conditions still to be met - remain liabilities (see note 12).

Disaster Management Centre Grant

Balance unspent at beginning of year	5,000,000	-
Current-year receipts	1,500,000	5,000,000
Conditions met - transferred to revenue	(879,572)	-
	5,620,428	**5,000,000**

Conditions still to be met - remain liabilities (see note 12).

WC/WD Management Grant

Balance unspent at beginning of year	3,518,701	-
Current-year receipts	-	4,000,000
Conditions met - transferred to revenue	(3,517,248)	(481,299)
	1,453	**3,518,701**

Conditions still to be met - remain liabilities (see note 12).

DWA ACIP Grant - Utrecht Ponds

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

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

WSDP Grant

Current-year receipts	-	184,932
Conditions met - transferred to revenue	-	(184,932)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

Road Asset Management System Grant

Balance unspent at beginning of year	1,532,189	1,304,872
Current-year receipts	1,706,000	1,776,000
Conditions met - transferred to revenue	(1,620,323)	(1,548,683)
Other	(1,557,944)	-

Notes to the Financial Statements

	2014 R	2013 R

17. Government grants and subsidies (continued)

	59,922	**1,532,189**

Conditions still to be met - remain liabilities (see note 12).

Skills Development Grant

Balance unspent at beginning of year	-	226,128
Current-year receipts	-	184,932
Conditions met - transferred to revenue	-	(411,060)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Boreholes Refurbishment Grant

Balance unspent at beginning of year	699,837	986,651
Conditions met - transferred to revenue	-	(286,814)
	699,837	**699,837**

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

COGTA Maintenance Grant

Balance unspent at beginning of year	3,026,568	1,089,263
Current-year receipts	-	2,870,000
Conditions met - transferred to revenue	(3,026,568)	(932,695)
	-	**3,026,568**

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Finance Management Grant

Balance unspent at beginning of year	993,355	1,004,920
Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(845,557)	(1,511,565)
Other	(993,355)	-
	654,443	**993,355**

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

DWA ACIP Grant - Utrecht Ponds

Balance unspent at beginning of year	265,981	-
Current-year receipts	-	550,000
Conditions met - transferred to revenue	-	(284,019)
Other	(228,161)	-

Notes to the Financial Statements

	2014 R	2013 R

17. Government grants and subsidies (continued)

	37,820	**265,981**

Conditions still to be met - remain liabilities (see note 12).

Councillors Trainning Grant

Balance unspent at beginning of year	200,000	200,000
Conditions met - transferred to revenue	(120,612)	-
	79,388	**200,000**

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

DOHS - Rural Household Infrastructure Granrt

Current-year receipts	4,000,000	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

DWA - Municipal Water Infrastructure Grant MWIG

Current-year receipts	10,484,000	-
Conditions met - transferred to revenue	(6,656,846)	-
	3,827,154	**-**

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

18. Other revenue

Rental income - third party	288,082	265,121
Recovery - Telephone	52,355	127,995
Sundry income	7,129,656	99,025
	7,470,093	**492,141**

Notes to the Financial Statements

	2014 R	2013 R

19. General expenses

Advertising	192,133	240,663
Assessment rates & municipal charges	73,377	36,748
Auditors remuneration	1,484,403	1,051,218
Bank charges	177,291	71,788
Cleaning	580,758	352,634
Consulting and professional fees	233,082	1,971,657
Consumables	573,862	-
Debt collection	39,502	-
Entertainment	153,937	251,277
VIP Desludging	5,800,241	1,315,789
Insurance	431,523	384,998
Conferences and seminars	135,966	339,515
Audit Commitee Costs	236,025	355,970
Audit Commitee Costs	122,400	123,101
Lease rentals on operating lease	578,965	426,244
Fleet	1,903,392	443,863
Internal Audit Fees	1,806,203	559,550
Levies - SALGA	-	232,700
Levies - SALGA	1,097,377	400,000
Magazines, books and periodicals	1,726	41,201
Placement fees	-	1,250
Postage and courier	6,082	11,494
Printing and stationery	142,215	467,382
Promotions	344,478	657,987
Protective clothing	116,865	23,861
License fees	261,003	191,621
Telephone and fax	1,025,455	1,222,605
Training	232,339	328,082
Travel - local	2,389,036	2,013,769
Electricity	3,875,022	1,011,589
Tourism Development Programmes	109,395	1,719,624
General Expenditure	3,548,877	3,275,716
Grant Funded Expenditure	64,903,749	76,375,329
LED Projects Cost	4,385,194	6,477,896
Sports Debvelopment Programmes	2,919,473	3,005,035
Disaster Management Programmes	550,397	1,030,518
WSP Contributions	-	15,838,445
Social Development Programmes	1,942,485	5,348,482
	102,374,228	**127,599,601**

20. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges		
Equipment		
• Contractual amounts	578,965	426,244
Loss on sale of property, plant and equipment	(104,239)	-
Loss on sale of businesses (or controlled entities, joint ventures and associates)	(336,538,335)	-
Depreciation on property, plant and equipment	27,945,679	5,161,563
Employee costs	73,832,728	45,001,489

Notes to the Financial Statements

	2014 R	2013 R

21. Employee related costs

Basic	44,145,883	26,930,469
Bonus	3,893,130	2,391,593
Medical aid - company contributions	2,254,725	1,324,450
UIF	292,845	138,506
WCA	-	225,261
SDL	634,149	392,320
Other payroll levies	270,721	152,450
Leave pay provision charge	4,509,917	1,020,780
Defined contribution plans	4,617,956	2,671,030
Travel, motor car, accommodation, subsistence and other allowances	4,889,959	4,561,760
Overtime payments	3,673,480	810,712
Housing benefits and allowances	189,503	154,177
Bargaining council contribution	12,535	7,862
Standby Allowance	223,722	-
Shift Allowance	19,674	-
	69,628,199	**40,781,370**

Remuneration of Municipal Manager

Annual Remuneration	908,333	455,000
Car Allowance	148,000	73,500
Other	256,844	62,345
	1,313,177	**590,845**

The Municipal Manager has been in the employ of the municipality 12 months of the 2014 financial year and for only 7 months of the 2013 financial year.

Remuneration of Chief Financial Officer

Annual Remuneration	1,006,858	280,000
Car Allowance	-	42,500
Other	18,000	31,667
	1,024,858	**354,167**

The Chief Financial Officer has been in the employ of the municipality for 12 months of the 2014 financial year and for only 5 months of the 2013 financial year.

Corporate services

Annual Remuneration	786,943	192,961
Car Allowance	175,000	40,000
Other	18,000	-
	979,943	**232,961**

The Director Corporate Services has been in the employ of the municipality for 12 months of the 2014 financial year and for 4 months of the 2013 financial year

Director of Engineering services

Annual Remuneration	616,937	159,361
Car Allowance	108,000	36,000
Other	241,015	37,600
	965,952	**232,961**

Notes to the Financial Statements

	2014 R	2013 R

21. Employee related costs (continued)

The Director: Engineering Services has been in the employ of the municipality for 12months of the 2014 financial year and only 4 months of the 2013 financial year.

Director of development planning

	2014 R	2013 R
Annual Remuneration	682,120	419,060
Car Allowance	217,406	217,406
Other	72,917	62,417
	972,443	**698,883**

Director of Community Services

	2014 R	2013 R
Annual Remuneration	754,373	519,750
Car Allowance	138,000	126,500
Other	87,962	-
	980,335	**646,250**

22. Remuneration of councillors

	2014 R	2013 R
Mayor	685,377	685,377
Deputy Mayor	342,576	332,163
Executive Committee Members	556,877	563,432
Speaker	536,311	536,311
Councillors	2,083,388	2,102,836
	4,204,529	**4,220,119**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties and has four full time driver/bodyguards.

23. Investment revenue

	2014 R	2013 R
Interest revenue		
Bank	716,878	2,254,742

24. Depreciation and amortisation

	2014 R	2013 R
Property, plant and equipment	27,945,679	5,161,563

25. Finance costs

	2014 R	2013 R
Other interest payable	966,483	-

26. Auditors' remuneration

	2014 R	2013 R
Fees	1,484,403	1,051,218

	2014 R	2013 R

27. Contracted services

	2014 R	2013 R
Information Technology Services	422,175	386,358
Security Services	3,322,525	1,510,382
Water Tanker Services	7,865,375	-
Hygiene Services	-	19,158
Other Contractors	-	9,193,781
	11,610,075	**11,109,679**

28. Bulk purchases

	2014 R	2013 R
Water	7,000,000	-

29. Cash (used in) generated from operations

	2014 R	2013 R
Deficit	(372,204,664)	(9,722,121)
Adjustments for:		
Depreciation and amortisation	27,945,679	5,161,563
Loss on sale of assets	336,642,574	-
Debt impairment	7,365,839	-
Movements in provisions	5,377,649	(149,031)
Changes in working capital:		
Receivables from exchange transactions	(6,227,730)	-
Consumer debtors	(7,365,839)	-
Other receivables from non-exchange transactions	64,170	167,591
Payables from exchange transactions	(18,390,190)	(2,590,292)
VAT	4,731,596	5,613,502
Unspent conditional grants and receipts	(19,758,737)	1,937,433
	(41,819,653)	**418,645**

30. Movement in investments (incl. Controlled entities, JVs & Assoc)

	2014 R	2013 R
Fair value of assets acquired		
Property, plant and equipment	318,688,807	-
Trade and other receivables	30,420,699	-
Trade and other payables	(966,483)	-
Borrowings	(9,687,160)	-
Total net assets acquired	338,455,863	-
Less: Existing share of net assets before acquisition	(703,143,051)	-
	(364,687,188)	**-**
Consideration paid		
Impairment of Investment in Associate	364,687,188	-

31. Commitments

Authorised capital expenditure

	2014 R	2013 R
Already contracted for but not provided for		
• Property, plant and equipment	43,070,756	79,088,070
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	1,500,000	22,764,000

This committed expenditure relates to projects and will be financed by conditional grants and funds internally generated

Notes to the Financial Statements

		2014 R	2013 R

32. Contingencies

Litigation is in the process against the municipality relating to a dispute with a service provider who alleges that the municipality has contravened a contract by terminating the contract prior to the termination and is seeking damages of R 3,000,000. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and therefore no provision has been made in the financial statements.

33. Related parties

Relationships
Entity owned by other municipalities (Prior year Associate) Refer to note 6

The entity, uThukela Water (Pty) Ltd, is owned by Newcastle LM and uMzinyathi DM and supplies the municipality with bulk water services.

Related party balances

	2014 R	2013 R
Amounts included in Trade Payables regarding related parties		
uThukela Water (Proprietary) Limited	7,000,000	-

Related party transactions

	2014 R	2013 R
Purchases from related parties		
uThukela Water (Proprietary) Limited	7,000,000	-

34. Risk management

Capital risk management

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , , , , 11, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

	Note	2014 R	2013 R
Total borrowings			
Other financial liabilities	11	9,687,160	-
Less: Cash and cash equivalents	10	330,248	2,294,465
Net debt		9,356,912	(2,294,465)
Total equity		266,278,820	688,779,549
Total capital		**275,635,732**	**686,485,084**

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.

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.

	2014 R	2013 R

34. Risk management (continued)

Credit risk

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

35. Going concern

We draw attention to the fact that at 30 June 2014, while the municipality had total accumulated surpluses of R 266,278,820, the the current liabilities exceeded the current assets by R46 422 122 and that the available cash resources did not cover the commitments for unspent conditional grants with an amount of R29 356 412 uncovered .

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that both Provincial and National government have neither the intention nor the need to liquidate or curtail materially the scale of funding of the municipality.

36. Unauthorised expenditure

Unspent Conditional Grants	22,287,408	38,158,485
Budget Vote overspending	447,893,114	-
	470,180,522	**38,158,485**

The unauthorised expenditure relates to the spending of conditional grants on other matters not related to the grant conditions as well as overspending of the budget. Included in the amount for budget overspending is an amoount for impairment of investment in associate.

The matter is still under investigation and appropriate action will be taken when the matter is finalised

There is currently no disciplinarhy action taken in respect to this unauthorised expenditure

37. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	290,417	68,925

Fruitless and wasteful expenditure relates to penalties charged on late submission of EMP201 returns to SARS.This has been corrected and all returns have been submitted.

38. Irregular expenditure

Opening balance	75,112,134	79,998,761
Add: Irregular Expenditure - current year	267,287	11,793,307
Less: Amounts condoned	(27,641,139)	(16,679,934)
	47,738,282	**75,112,134**

Analysis of expenditure awaiting condonation (under investigation)

Current year	267,287	11,793,307
Prior years	47,470,995	63,318,827
	47,738,282	**75,112,134**

Details of irregular expenditure – current year

-

		2014 R	2013 R

38. Irregular expenditure (continued)

Details of irregular expenditure condoned

	Condoned by (condoning authority)		
Procurement of goods and services outside SCM policy	Council		27,641,139

Details of irregular expenditure recoverable (not condoned)

Procurement of goods and services outside SCM policy	47,470,995	

39. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2014 R	2013 R
Net deficit per the statement of financial performance	(372,204,664)	(9,722,121)

40. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

	2014 R	2013 R
Operating activities		
Basis differences	(41,819,653)	418,645
Investing activities		
Basis differences	(283,058,054)	(6,077,205)
Financing activities		
Basis differences	322,913,490	421,305
Net cash generated from operating, investing and financing activities	**(1,964,217)**	**(5,237,255)**

41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2014 R	2013 R
Current year subscription / fee	1,097,377	-
Amount paid - current year	1,097,377	-
	2,194,754	**-**

Audit fees

	2014 R	2013 R
Current year subscription / fee	1,484,403	1,051,218
Amount paid - current year	(1,484,403)	(1,051,218)
	-	**-**

PAYE and UIF

	2014 R	2013 R
Current year subscription / fee	12,875,771	7,233,751
Amount paid - current year	(12,875,771)	(7,233,751)
	-	**-**

Notes to the Financial Statements

	2014 R	2013 R

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

Pension and Medical Aid Deductions

Current year subscription / fee	6,872,681	3,995,480
Amount paid - current year	(6,872,681)	(3,995,480)
	-	-

VAT

VAT receivable	5,597,624	10,329,220

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

Supply chain management regulations (SCM Deviations)

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
VIP Toilet De-sludging	-	1,120,000
Artwork decoration and display for three reception areasw	-	58,085
Upgrade of volume photocopiers: 48 months contract @0% escalation	-	14,763
Supply and delivery of yellow maize seeds	-	359,100
Supply and delivery of 1200 bags 3:2:1 fertilizers	-	622,084
Implementing agent for Emadlangeni Sanitation project	-	49,000,000
Supply and Deliver chemicals for water treatment plants	167,481	-
Direct Purchase - Supply and delivery of round-up ready maize seeds	434,032	-
Direct Purchase - Supply and deliver protective clothing (PPE)	133,225	-
Repair sewerage pump	31,760	-
Instalation of pump and removal of sludge	66,117	-
TLB hire for burst pipes	55,225	-
Technical support for loading water and waste water analysis data	12,339	-
Suply mobrey open channel ultrasonic flow meter	20,385	-
Supply and deliver V250F Submersible drainage pipe	1,636	-
Repair, serice and calibrate water testing equipment	12,400	-
	934,600	**51,174,032**

42. 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 financial statements.

The services and goods as detailed above 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.

The deviations were reported to Council and ratified by Council as per the municipality's Supply Chain Management Policy.

Detailed Income statement

	Note(s)	2014 R	2013 R
Revenue			
Service charges		17,424,490	-
Interest received (trading)		2,622,213	-
Government Grants and Subsidies		172,422,491	177,361,918
Rental income		288,082	265,121
Recoveries		52,355	127,995
Sundry Revenue		7,129,656	99,025
Interest received - investment	23	716,878	2,254,742
Total Revenue		**200,656,165**	**180,108,801**
Expenditure			
Employee Related Costs	21	(69,628,199)	(40,781,370)
Remuneration of councillors	22	(4,204,529)	(4,220,119)
Depreciation and amortisation	24	(27,945,679)	(5,161,563)
Finance costs	25	(966,483)	-
Debt impairment		(7,365,839)	-
Repairs and maintenance		(5,123,223)	(977,746)
Bulk purchases	28	(7,000,000)	-
Contracted services	27	(11,610,075)	(11,090,523)
General Expenses	19	(28,223,327)	(20,524,791)
Grant Funded Expenditure		(64,903,749)	(76,375,329)
LED Projects Cost		(4,385,194)	(6,477,896)
Sports Development Programmes		(2,919,473)	(3,023,543)
WSP Contributions		-	(15,838,445)
Social Development Programmes		(1,942,485)	(5,359,597)
Total expenditure		**(236,218,255)**	**(189,830,922)**
Loss on disposal of assets and liabilities		(336,642,574)	-
Deficit for the year		**(372,204,664)**	**(9,722,121)**