Ehlanzeni District Municipality
Annual Financial Statements
for the year ended 30 June 2014

General Information

Mayoral committee

Executive Mayor	LN Shongwe
Speaker	MJ Mavuso
Mayoral committee	TB Mdluli
	MJ Mnisi
	BN Mdakane
	ET Mabuza
	NC Hlophe
	SP Monareng
Councillors	HL Lekhuleni
	SP Mnisi
	ML Mathebula
	KR Mkhari
	TC Dibakoane
	MW Nkhata
	M Chembeni-Sahi
	SV Khumalo
	MM Nthali
	BK Mokoena
	TP Maphanga
	L Sithole
	ST Mkhumbane
	RG Herbst
	GP Mkhombo
	PF Rossouw
	RN Mnisi
	TJ Makhubedu
	MJ Morema
	LC Dlamini
	TM Charles
	JJ Khoza
	HK Malomane
	TP Mkhatshwa Manave
	NB Matume
	ET Mkhabela
	CN Mnyambu
	SI Mokoena
	M Mayinga
	DD Ngwenyama
	SR Schormann
	WH Shongwe
	TE Masilela
	M Zitha
	LA Mabuza
	SR Silombo
	GN Mogiba
	DA Maphanga
	Z Godi
	VX Baloyi
	H Khumalo

General Information

	RD Makhubele VN Mzimba EN Khoza DR Mashabane LE Khosa BR Ncube RS Ndlovu HP Thobakgale SE Molobela F Essack S Mabuza EIT Shabangu LN Moreko RE Khumalo TS Khoza LV Mashaba
Grading of local authority	5
Municipal demarcation code	DC32
Accounting Officer	Adv. H Mbatha
Chief Financial Officer	WJ Khumalo
Registered office	8 Van Niekerk Street Mbombela Mpumalanga 1200
Postal address	P O Box 3333 Mbombela Mpumalanga 1200
Bankers	Standard Bank of South Africa
Auditors	Auditor General South Africa
Attorneys	VF Mokoena Attorneys Singwane & Partners Attorneys

Index

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 5 to 64, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014.

Adv. H Mbatha
Accounting Officer

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated
Assets			
Current Assets			
Inventories	5	382 369	267 227
Investments	7	179 440	177 388
Receivables from exchange transactions	4	484 637	516 737
VAT receivable	6	2 307 761	4 014 219
Cash and cash equivalents	3	49 684 704	11 147 877
		53 038 911	**16 123 448**
Non-Current Assets			
Property, plant and equipment	8	232 600 592	240 071 234
Investments	7	3 538 892	2 636 260
Work in progress	10	425 760	6 372 027
		236 565 244	**249 079 521**
Total Assets		**289 604 155**	**265 202 969**
Liabilities			
Current Liabilities			
Short term portion of long term liabilities	12	11 967 478	10 800 546
Payables from exchange transactions	9	35 106 504	14 772 432
Unspent conditional grants and receipts	13	10 159 029	4 458 606
Provisions	11	24 498 027	20 687 699
		81 731 038	**50 719 283**
Non-Current Liabilities			
Long-term liabilities	12	174 735 925	186 703 752
Total Liabilities		**256 466 963**	**237 423 035**
Net Assets		**33 137 192**	**27 779 934**
Accumulated surplus		33 137 192	27 779 934

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Other income	35	1 659 908	1 370 157
Rental of facilities and equipment	35	175 818	72 600
Interest received	32	2 640 885	2 007 952
Dividends received	35	97 427	104 889
Revenue from non-exchange transactions			
Government grants & subsidies	14	194 145 116	206 099 284
Total revenue		**198 719 154**	**209 654 882**
Expenditure			
Employee related cost	15	(72 958 716)	(69 351 009)
Remuneration of councillors	16	(12 652 515)	(11 794 725)
Audit fees	21	(2 419 014)	(1 950 943)
Depreciation	17	(10 617 898)	(10 034 611)
Finance costs	18	(24 204 997)	(23 278 108)
Debt impairment	36	-	(39 456 705)
Repairs and maintenance		(99 179)	(40 893)
Contracted services	19	(2 410 706)	(2 049 181)
Grants and subsidies paid	20	(31 115 904)	(37 867 562)
General expenses	22	(37 019 420)	(34 032 800)
Total expenditure		**(193 498 349)**	**(229 856 537)**
Operating surplus (deficit)		**5 220 805**	**(20 201 655)**
Profit/(loss) on disposal of assets		(85 906)	54 955
Gain on fair value adjustment		902 633	587 427
Actuarial (loss)/gain		(800 000)	130 000
Surplus (deficit) for the year		**5 237 532**	**(19 429 273)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	49 004 452	49 004 452
Adjustments		
Prior period adjustments	(1 795 245)	(1 795 245)
Balance at 01 July 2012 as restated	**47 209 207**	**47 209 207**
Changes in net assets		
Surplus for the year	(19 429 273)	(19 429 273)
Total changes	(19 429 273)	(19 429 273)
Opening balance as previously reported	29 877 028	29 877 028
Adjustments		
Prior period adjustments - Note 34	(2 097 094)	(2 097 094)
Balance at 01 July 2013 as restated	**27 779 934**	**27 779 934**
Changes in net assets		
Prior period adjustments	119 726	119 726
Net income (losses) recognised directly in net assets	119 726	119 726
Surplus for the year	5 237 532	5 237 532
Total recognised income and expenses for the year	5 357 258	5 357 258
Total changes	5 357 258	5 357 258
Balance at 30 June 2014	**33 137 192**	**33 137 192**

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
SARS VAT refunds		14 147 131	7 607 976
Grants		198 817 000	206 099 284
Interest income		2 640 885	2 007 952
Other receipts		63 334 024	28 417 898
		278 939 040	244 133 110
Payments			
Employee costs		(82 881 749)	(76 922 378)
Suppliers		(73 124 113)	(94 371 175)
Finance costs		(22 640 997)	(23 278 108)
Other payments		(53 667 564)	(28 083 390)
		(232 314 423)	(222 655 051)
Net cash flows from operating activities	23	**46 624 617**	**21 478 059**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(3 313 213)	(1 041 582)
Proceeds from sale of property, plant and equipment	8	80 052	-
(Increase)/decrease in work in progress		5 946 266	(5 504 415)
Net cash flows from investing activities		**2 713 105**	**(6 545 997)**
Cash flows from financing activities			
Repayment of long-term liabilities		(10 800 895)	(9 711 596)
Net cash flows from financing activities		**(10 800 895)**	**(9 711 596)**
Net increase/(decrease) in cash and cash equivalents		**38 536 827**	**5 220 466**
Cash and cash equivalents at the beginning of the year		11 147 877	5 927 411
Cash and cash equivalents at the end of the year	3	**49 684 704**	**11 147 877**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	1 588 000	2 000	**1 590 000**	1 659 908	**69 908**	
Rental of facilities and equipment	212 000	19 200	**231 200**	175 818	**(55 382)**	
Interest received	1 584 000	1 000 000	**2 584 000**	2 640 885	**56 885**	
Dividends received	-	2 000 000	**2 000 000**	97 427	**(1 902 573)**	Note 40.1
Total revenue from exchange transactions	**3 384 000**	**3 021 200**	**6 405 200**	**4 574 038**	**(1 831 162)**	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	226 827 000	(9 500 000)	**217 327 000**	194 145 116	**(23 181 884)**	Note 40.2
Total revenue	**230 211 000**	**(6 478 800)**	**223 732 200**	**198 719 154**	**(25 013 046)**	
Expenditure						
Employee related cost	(77 017 292)	(2 676 136)	**(79 693 428)**	(72 958 716)	**6 734 712**	Note 40.3
Remuneration of councillors	(12 750 928)	(130 995)	**(12 881 923)**	(12 652 515)	**229 408**	
Audit fees	(2 500 000)	-	**(2 500 000)**	(2 419 014)	**80 986**	
Depreciation	(19 558 000)	-	**(19 558 000)**	(10 617 898)	**8 940 102**	Note 40.4
Finance costs	(22 544 000)	132 755	**(22 411 245)**	(24 204 997)	**(1 793 752)**	Note 40.5
Repairs and maintenance	(730 434)	408 807	**(321 627)**	(99 179)	**222 448**	Note 40.6
Contracted services	(2 110 000)	(300 706)	**(2 410 706)**	(2 410 706)	**-**	
Grants and subsidies paid	(61 710 000)	16 104 930	**(45 605 070)**	(31 115 904)	**14 489 166**	Note 40.2
General expenses	(39 531 101)	(7 555 659)	**(47 086 760)**	(37 019 420)	**10 067 340**	Note 40.6
Total expenditure	**(238 451 755)**	**5 982 996**	**(232 468 759)**	**(193 498 349)**	**38 970 410**	
Operating surplus	**(8 240 755)**	**(495 804)**	**(8 736 559)**	**5 220 805**	**13 957 364**	
Fair value adjustments	-	-	**-**	(85 906)	**(85 906)**	Note 40.5
Fair value adjustment	-	-	**-**	902 633	**902 633**	Note 40.5
Actuarial gain	-	-	**-**	(800 000)	**(800 000)**	Note 40.5
	-	**-**	**-**	**16 727**	**16 727**	
Surplus/(deficit for the year	**(8 240 755)**	**(495 804)**	**(8 736 559)**	**5 237 532**	**13 974 091**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	327 000	-	**327 000**	382 369	**55 369**	
Investments	-	-	**-**	179 440	**179 440**	
Receivables from exchange transactions	135 000	-	**135 000**	484 637	**349 637**	
VAT receivable	2 687 000	-	**2 687 000**	2 307 761	**(379 239)**	
Cash and cash equivalents	12 109 000	(6 488 000)	**5 621 000**	49 684 704	**44 063 704**	Note 40.7
	15 258 000	**(6 488 000)**	**8 770 000**	**53 038 911**	**44 268 911**	
Non-Current Assets						
Property, plant and equipment	243 727 000	-	**243 727 000**	232 600 592	**(11 126 408)**	
Investments	1 171 000	-	**1 171 000**	3 538 892	**2 367 892**	
Work in progress	-	-	**-**	425 760	**425 760**	
	244 898 000	**-**	**244 898 000**	**236 565 244**	**(8 332 756)**	
Total Assets	**260 156 000**	**(6 488 000)**	**253 668 000**	**289 604 155**	**35 936 155**	
Liabilities						
Current Liabilities						
Long-term liabilities	9 750 000	-	**9 750 000**	11 967 478	**2 217 478**	
Payables from exchange transactions	13 613 000	(6 488 000)	**7 125 000**	35 106 504	**27 981 504**	Note 40.7
Consumer deposits	6 000	-	**6 000**	-	**(6 000)**	
Unspent conditional grants and receipts	-	10 000 000	**10 000 000**	10 159 029	**159 029**	
Provisions	14 514 000	10 000 000	**24 514 000**	24 498 027	**(15 973)**	
	37 883 000	**13 512 000**	**51 395 000**	**81 731 038**	**30 336 038**	
Non-Current Liabilities						
Long-term liabilities	198 572 000	(20 000 000)	**178 572 000**	174 735 925	**(3 836 075)**	
Total Liabilities	**236 455 000**	**(6 488 000)**	**229 967 000**	**256 466 963**	**26 499 963**	
Net Assets	**23 701 000**	**-**	**23 701 000**	**33 137 192**	**9 436 192**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	23 701 000	-	**23 701 000**	33 137 192	**9 436 192**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	226 827 000	(9 000)	**226 818 000**	198 817 000	**(28 001 000)**	Note 40.2
Interest income	1 584 000	1 000 000	**2 584 000**	2 640 885	**56 885**	
Dividends received	-	2 000 000	**2 000 000**	-	**(2 000 000)**	
Other receipts	1 800 000	21 000	**1 821 000**	77 481 155	**75 660 155**	Note 40.7
	230 211 000	**3 012 000**	**233 223 000**	**278 939 040**	**45 716 040**	
Payments						
Supplier and employee costs	(205 819 027)	4 326 000	**(201 493 027)**	(209 673 426)	**(8 180 399)**	Note 40.7
Finance costs	(22 285 000)	-	**(22 285 000)**	(22 640 997)	**(355 997)**	Note 40.5
	(228 104 027)	**4 326 000**	**(223 778 027)**	**(232 314 423)**	**(8 536 396)**	
Net cash flows from operating activities	**2 106 973**	**7 338 000**	**9 444 973**	**46 624 617**	**37 179 644**	
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	200 000	-	**200 000**	80 052	**(119 948)**	
Purchase of property, plant and equipment	(3 479 000)	-	**(3 479 000)**	(3 313 213)	**165 787**	
Decrease/(Increase) other non-current assets	6 372 027	-	**6 372 027**	5 946 266	**(425 761)**	
Net cash flows from investing activities	**3 093 027**	**-**	**3 093 027**	**2 713 105**	**(379 922)**	
Cash flows from financing activities						
Repayment of borrowings	(9 876 000)	-	**(9 876 000)**	(10 800 895)	**(924 895)**	
Net cash flows from financing activities	**(9 876 000)**	**-**	**(9 876 000)**	**(10 800 895)**	**(924 895)**	
Net increase/(decrease) in cash and cash equivalents	(4 676 000)	7 338 000	**2 662 000**	38 536 827	**35 874 827**	
Cash and cash equivalents at the beginning of the year	16 785 000	-	**16 785 000**	11 147 877	**(5 637 123)**	
Cash and cash equivalents at the end of the year	**12 109 000**	**7 338 000**	**19 447 000**	**49 684 704**	**30 237 704**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

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

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables /Investments and/or other financial assets

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges. This estimate is based on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

Effective interest rate

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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.2 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Initial recognition

Property, plant and equipment is initially measured at cost.

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

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

Subsequent measurement - cost model

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

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Accounting Policies

1.2 Property, plant and equipment (continued)

Depreciation and impairment

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

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

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

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

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

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

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

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Buildings	50 years
Plant and machinery	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	5 - 10 years
Office equipment	3 - 10 years
Bins and containers	5 - 10 years

1.3 Financial instruments

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

1.3 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

1.3 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

Accounting Policies

1.3 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.4 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 municipality assesses the classification of each element separately.

Finance leases - lessor

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

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

Accounting Policies

1.4 Leases (continued)

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 on the remaining balance of the liability.

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

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

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

Accounting Policies

1.5 Inventories (continued)

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

1.6 Non-current assets held for sale and disposal groups

Initial recognition

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

Subsequent measurement

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

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

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

1.7 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).

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

Identification

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Accounting Policies

1.8 Employee benefits

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

1.8 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

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

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

1.8 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

1.8 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.9 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.9 Provisions and contingencies (continued)

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

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

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

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

Contingencies are disclosed in note 26.

1.10 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, commission and volume rebates.

Sale of goods

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

1.10 Revenue from exchange transactions (continued)

Interest and dividends

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

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue from non-exchange transactions

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

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

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

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

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

Recognition

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

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

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

Measurement

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

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

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

Transfers

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

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.12 Investment income

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

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number and 1.7. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Comparative figures

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

Accounting Policies

1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.16 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.

1.17 Irregular expenditure

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

1.18 Presentation of currency

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

1.19 Work in progress

Work in progress is recognised at cost and not depreciated. It includes all costs incurred in bringing the ultimate assets to their condition and location as intended by management.

Work in progress will be transferred to property, plant and equipment when the assets are available for use.

Work in progress relating to projects on behalf of other entities will be transferred to the specific entity when the assets are available for use.

1.20 Value Added Tax

The municipality accounts for VAT on the payment basis.

1.21 Budget information

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

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

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the Statement of Financial Performance and the budget for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

1.22 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.

1.22 Related parties (continued)

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

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

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

1.23 Going concern assumption

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

1.24 Capital commitments

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

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 25: Employee Benefits

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

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

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

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

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

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

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

The impact of the standard is not material.

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

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

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

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

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

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

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

The impact of the amendment is not material.

GRAP 7 (as revised 2012): Investments in Associates

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments were made to definitions and a requirement to include transaction costs on initial recognition of an investment in an associate under the equity method has been included.

All amendments to be applied prospectively.

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

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

The impact of the amendment is not material.

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

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

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

All amendments to be applied prospectively.

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
The impact of the amendment is not material.

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

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

All amendments to be applied prospectively.

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

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

The impact of the amendment is not material.

GRAP 27 and GRAP 31 (as revised 2012)

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

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

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

This interpretation now addresses the manner in which the municipality applies the probability test on initial recognition of both:
(a) exchange revenue (GRAP 9); and
(b) non-exchange revenue (GRAP 23).

All amendments to be applied prospectively.

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

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

The impact of the amendment is not material.

IGRAP 16: Intangible Assets - Website Costs

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

Interpretation to be applied retrospectively.

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

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

The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 2015 or later periods:

GRAP 20: Related Party Disclosures

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

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

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
* A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

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

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

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;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
- related party transactions; and
- remuneration of management.

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

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

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

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

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

GRAP 105: Transfers of Functions Between Entities Under Common Control

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

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

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

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

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

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

The impact of this standard is currently being assessed.

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

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

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

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

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

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

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

No effective date has yet been determined by the Minister of Finance.

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

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

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

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

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

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

The impact of this standard is currently being assessed.

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

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

GRAP 108: Statutory Receivables

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time.

The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

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

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

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

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

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

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

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

All amendments to be applied prospectively.

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

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

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

GRAP 100 (revised 2013): Discontinued Operations

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

2.3 Standards and interpretations not yet effective or relevant

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

GRAP 18: Segment Reporting

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

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

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

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

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

Figures in Rand	2014	2013

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 000	4 000
Bank balances	49 680 704	11 143 877
	49 684 704	**11 147 877**

The municipality had the following bank accounts

Account number / description	Cash book and Bank statement balances 30 June 2014	30 June 2013	30 June 2012
FNB Nelspruit - 62 113 491 419	17 308 435	4 279 379	2 433 972
FNB Nelspruit - 62 113 492 938	226 848	219 686	211 861
FNB Nelspruit - 62 113 495 916	464 065	447 978	431 114
FNB Nelspruit - 62 113 496 360	461 230	445 250	428 485
FNB Nelspruit - 62 113 496 708	1 067 537	1 028 746	988 888
FNB Nelspruit - 62 113 468 564	1 478 855	1 424 589	1 369 058
FNB Nelspruit - 62 113 499 554	62 580	61 599	60 033
Standard Bank Nelspruit - 63395622 (Primary bank account)	28 607 887	3 228 678	-
Standard Bank Nelspruit - 273226703	3 267	7 972	-
Total	**49 680 704**	**11 143 877**	**5 923 411**

4. Receivables from exchange transactions

Trade and other receivables	484 637	516 737

Trade and other receivables

2014	Gross balance	Allowance for debt impairment	Total
Property rates	119 475 060	(119 475 060)	-
Other receivables	643 294	(158 657)	484 637
	120 118 354	**(119 633 717)**	**484 637**

2013	Gross balance	Allowance for debt impairment	Total
Property rates	119 475 060	(119 475 060)	-
Other receivables	675 394	(158 657)	516 737
	120 150 454	**(119 633 717)**	**516 737**

Trade and other receivables: Ageing

Current	424 637	516 737
365+ days	119 693 717	119 633 717

Trade and other receivables impaired

365+ days	(119 633 717)	(119 633 717)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(119 633 717)	(80 018 356)
Provision for impairment	-	(39 615 361)
	(119 633 717)	**(119 633 717)**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Inventories

Consumable stores	382 369	267 227

Opening balance	267 227	312 304
Additions	913 028	547 389
Issued	(795 911)	(527 507)
Written off	(1 975)	(64 959)
Closing balance	**382 369**	**267 227**

Inventories comprise of office stationery.

6. VAT receivable

SARS VAT refundable	2 307 761	4 014 219

7. Investments

Fixed deposits	179 440	177 388
Listed investments	3 538 892	2 636 260
	3 718 332	**2 813 648**

Sanlam listed investments are disclosed at current market value of shares at reporting date. The municipality's risk is that the share price of listed investments might drop significantly during the period under review and result in a substantial loss of the investment. The share price risk is managed by only investing in reputable listed entities with a good track record.

8. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	8 103 054	-	8 103 054	7 165 083	-	7 165 083
Buildings	233 869 677	(22 376 268)	211 493 409	232 512 648	(16 717 059)	215 795 589
Furniture and fixtures	9 337 646	(3 840 910)	5 496 736	9 330 179	(2 932 121)	6 398 058
Motor vehicles	4 129 727	(3 331 608)	798 119	4 537 850	(3 133 631)	1 404 219
Office equipment	32 236 732	(26 233 408)	6 003 324	32 029 402	(23 732 833)	8 296 569
Plant and equipment	2 565 648	(1 860 137)	705 511	2 390 443	(1 379 276)	1 011 167
Bins and containers	4 289	(3 850)	439	4 289	(3 740)	549
Total	**290 246 773**	**(57 646 181)**	**232 600 592**	**287 969 894**	**(47 898 660)**	**240 071 234**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	7 165 083	937 971	-	-	8 103 054
Buildings	215 795 589	1 357 029	-	(5 659 209)	211 493 409
Furniture and fixtures	6 398 058	37 495	(14 962)	(923 855)	5 496 736
Motor vehicles	1 404 219	-	(56 737)	(549 363)	798 119
Office equipment	8 296 569	800 680	(91 290)	(3 002 635)	6 003 324
Plant and equipment	1 011 167	180 038	(2 968)	(482 726)	705 511
Bins and containers	549	-	-	(110)	439
	240 071 234	**3 313 213**	**(165 957)**	**(10 617 898)**	**232 600 592**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	7 165 083	-	-	-	7 165 083
Buildings	221 434 442	-	-	(5 638 853)	215 795 589
Furniture and fixtures	7 334 563	306	(12 498)	(924 313)	6 398 058
Motor vehicles	1 962 643	36 940	(13 684)	(581 680)	1 404 219
Office equipment	9 886 251	878 244	(31 317)	(2 436 609)	8 296 569
Plant and equipment	1 339 382	126 092	(1 261)	(453 046)	1 011 167
Bins and containers	659	-	-	(110)	549
	249 123 023	**1 041 582**	**(58 760)**	**(10 034 611)**	**240 071 234**

Pledged as security

Carrying value of assets pledged as security:

Land and buildings	211 493 409	215 795 589

Refer to Appendix B for more detail on property, plant and equipment.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

9. Payables from exchange transactions

Trade payables	29 297 341	10 629 644
Retentions	5 809 163	4 142 788
	35 106 504	**14 772 432**

10. Work in progress

Construction work in progress	425 760	6 372 027

11. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	5 165 000	791 000	(173 000)	5 783 000
Leave provision	3 825 900	386 483	(425 034)	3 787 349
Post retirement benefits	11 524 000	3 266 000	(120 000)	14 670 000
Provision for performance bonuses	172 799	650 000	(565 121)	257 678
	20 687 699	**5 093 483**	**(1 283 155)**	**24 498 027**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	4 663 000	905 000	(403 000)	5 165 000
Leave provision	3 184 473	1 065 356	(423 929)	3 825 900
Post retirement benefits	9 851 000	1 736 000	(63 000)	11 524 000
Provision for performance bonuses	84 939	450 000	(362 140)	172 799
	17 783 412	**4 156 356**	**(1 252 069)**	**20 687 699**

Leave provision

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Provision for performance bonuses

Performance bonuses are being paid to Municipal Manager and senior managers after an evaluation of performance by the council.

Post retirement benefits

	2014	2013
Opening balance of defined benefits	11 524 000	9 851 000
Interest cost	1 123 000	761 000
Current service cost	1 121 000	1 055 000
Expected employer benefit payments	(120 000)	(63 000)
Actuarial loss/(gain)	1 022 000	(80 000)
	14 670 000	**11 524 000**

Net expense recognised in Statement of Financial Performance

	2014	2013
Interest cost	1 123 000	761 000
Current service cost	1 121 000	1 055 000
Actuarial loss/(gain)	1 022 000	(80 000)
	3 266 000	**1 736 000**

Figures in Rand	2014	2013

11. Provisions (continued)

Long service awards

Transfers from accumulated surplus	5 165 000	4 663 000
Interest cost	441 000	384 000
Current service cost	572 000	571 000
Benefits paid	(173 000)	(403 000)
Actuarial gain	(222 000)	(50 000)
	5 783 000	**5 165 000**

Net expense recognised in Statement of Financial Performance

Interest cost	441 000	384 000
Current service cost	572 000	571 000
Actuarial gain	(222 000)	(50 000)
	791 000	**905 000**

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Post retirement benefit

The municipality operates an accredited medical aid scheme. Employees who are not on a fixed contract participate in the post retirement medical assistance plan.

The post retirement assistance plan consisting of KeyHealth Medical Scheme (Keyhealth), LA Health Medical Scheme (LA Health) , Bonitas Medical Aid Fund (Bonitas), Hosmed Medical Scheme (Hosmed) and SAMWU National Medical Scheme (SAMWUMED). The members are entitled to a 60% retirement subsidy of the total contribution subject to a maximum of R 3,618 as from 1 July 2014.

These funds are subject to actuarial valuations. The last valuation was performed by an independent actuarial firm, Alexander Forbes, on 30 June 2014.

Long service awards

The municipality rewards it's employees who are in service for an unbroken period of 10 years and longer. Employees are entitled/awarded leave days equivalent to number of years served eg. 10 years of service, one gets 10 days of leave, which can either be taken as leave or to be paid out in cash.

The awards were subjected to actuarial valuation by an independent actuarial firm, Alexander Forbes, on 30 June 2014.

Provision for performance bonuses

Performance bonuses accrued to fixed contract employees subject to certain conditions being met.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

11. Provisions (continued)

Calculation of actuarial gains & losses

The following key assumptions were used at reporting date:

	2014	2013
Post retirement benefits		
Discount rate	10.00%	9.80%
Rand Cap Inflation	8.60%	7.80%
Health Care Cost Inflation	9.60%	8.80%
Salary Inflation	8.60%	7.80%
Expected retirement age	65 years	65 years
Continuation members	4	4
In-service members	107	112
Long service awards		
Discount rate	8.50%	7.80%
Inflation rate	6.40%	5.60%
Salary Inflation	7.40%	6.60%
In-service members	117	122

12. Long term liabilities

	2014	2013
At amortised cost		
DBSA loan	186 703 403	197 504 298

The municipality has three separate loans at DBSA with different maturity dates and interest rates. Details of the loans are as follows:

DBSA - 61000886
Maturity date: 31/12/2029
Interest calculated at
11.12%

DBSA - 61000887
Maturity date: 31/12/2020
Interest calculated at 6.75%

DBSA - 61000885
Maturity date: 31/12/2016
Interest calculated at
11.43%

	2014	2013
Non-current liabilities		
At amortised cost	174 735 925	186 703 752
Current liabilities		
At amortised cost	11 967 478	10 800 546

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Mpumalanga Provincial Government Department of Finance	1 000 000	-
Mpumalanga Provincial Government Department of Human Settlement	1 854 366	1 890 526
National Department of Water Affairs	1 923 754	2 138 914
National Treasury Finance Management Grant	846	959
National Department Roads & Transport	625 836	363 205
Municipal Systems Improvement Grant	227	65 002
Energy Efficiency and Demand Grant	4 754 000	-
	10 159 029	**4 458 606**

See note 14 for reconciliation of grants and subsidies.

Figures in Rand	2014	2013

14. Government grants and subsidies

Government grant - Equitable Share	188 227 000	178 734 000
Government grant - Municipal Systems Improvement Grant	954 775	2 805 801
Government grant - Finance Management Grant	1 500 113	958 041
Government grant - Department of Water Affairs	215 160	10 230 289
Government grant - Barberton Mines (Pty) Ltd	555 000	683 591
Government grant - Department Roads & Transport	1 447 368	-
Government grant - Expanded Public Works Program Incentive	1 000 000	1 407 000
Government grant - Department of Human Settlement	-	11 280 562
Government grant - Energy Efficiency and Demand	245 700	-
	194 145 116	**206 099 284**

Mpumalanga Provincial Government Department of Finance

Balance unspent at beginning of year	-	-
Current-year receipts	1 000 000	-
	1 000 000	**-**

Conditions still to be met - remain liabilities (see note 13).

The grant was received for a data cleansing project for Thaba Chweu Local Municipality.

Mpumalanga Provincial Government Department of Human Settlement

Balance unspent at beginning of year	1 890 526	-
Current year receipts	-	13 171 088
Conditions met - transferred to revenue	-	(11 280 562)
Current year expenditure	(36 160)	-
	1 854 366	**1 890 526**

Conditions still to be met - remain liabilities (see note 13).

The purpose of the grant is to provide funding for the creation of sustainable human settlements.

National Department of Water Affairs

Balance unspent at beginning of year	2 138 914	706 699
Current year receipts	-	11 662 505
Conditions met - transferred to revenue	(215 160)	(10 230 290)
	1 923 754	**2 138 914**

Conditions still to be met - remain liabilities (see note 13).

The purpose of the grant is to develop infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large bulk infrastructure serving numerous communities over a large area within a municipality. In the case of sanitation, to supplement regional bulk collection as well as regional waste water treatment works.

National Treasury Finance Management Grant

Balance unspent at beginning of year	959	-
Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 500 113)	(1 499 041)
	846	**959**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 13).

The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

National Department of Roads & Transport

Balance unspent at beginning of year	363 205	503 205
Current year receipts	1 710 000	-
Conditions not met - transferred to revenue	(1 447 369)	(140 000)
	625 836	**363 205**

Conditions still to be met - remain liabilities (see note 13).

The purpose of this grant is to assist rural district municipalities to set up rural RAMS, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	65 002	1 870 802
Current year receipts	890 000	1 000 000
Conditions met - transferred to revenue	(954 775)	(2 805 800)
	227	**65 002**

Conditions still to be met - remain liabilities (see note 13).

The purpose of this grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required by the Municipal Systems Act and related legislation.

Sector Education and Training Authority

Current-year receipts	107 276	147 545
Current year expenditure	(107 276)	(147 545)
	-	**-**

The purpose of the funds is for skills and capacity building within the municipality.

Expanded Public Works Program Incentive

Balance unspent at beginning of year	-	-
Current-year receipts	1 000 000	1 407 000
Conditions met - transferred to revenue	(1 000 000)	(1 407 000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Government grants and subsidies (continued)

The purpose of this grant is to incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines:

- road maintenance and maintenance of buildings
- low traffic volume roads and rural roads
- other economic and social infrastructure
- tourism and cultural industries
- sustainable land based livelihoods
- waste management
- parks and beautification
- social services programs
- health services programs
- community safety programs
- basic services infrastructure

Barberton Mines (Pty) Ltd

	2014	2013
Balance unspent at beginning of year	-	83 591
Current-year receipts	555 000	600 000
Conditions met - transferred to revenue	(555 000)	(683 591)
	-	**-**

Conditions still to be met - remain liabilities (see note 13).

The purpose of the funds is for Small, Medium and Macro Enterprise development.

National Department of Minerals and Energy

	2014	2013
Current-year receipts	4 999 700	-
Conditions met - transferred to revenue	(245 700)	-
	4 754 000	**-**

Conditions still to be met - remain liabilities (see note 13).

To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

15. Employee related costs

Basic	43 262 872	42 131 950
Bonus	3 699 129	2 857 234
Medical aid - company contributions	3 415 703	3 232 317
UIF	264 805	274 660
SDL	564 781	561 617
Leave pay provision charge	386 482	242 877
Post-employment benefits - pension - defined contribution plan	8 899 166	8 346 853
Travel, motor car, accommodation, subsistence and other allowances	11 070 298	10 521 955
Overtime payments	634 003	609 938
Acting allowances	396 768	182 595
Housing benefits and allowances	354 898	377 666
Industrial council levy	9 811	9 347
Standby allowances	-	2 000
	72 958 716	**69 351 009**

Remuneration of Municipal Manager - Adv. HM Mbatha

Annual Remuneration	1 091 063	997 221
Car Allowance	189 479	188 334
Performance Bonuses	203 567	137 098
Contributions to UIF, Medical and Pension Funds	284 040	271 750
		-
	1 768 149	**1 594 403**

Remuneration of Chief Finance Officer - W Khumalo

Annual Remuneration	840 779	768 696
Car Allowance	292 435	291 493
Performance Bonuses	172 856	116 713
Contributions to UIF, Medical and Pension Funds	205 670	186 161
Acting allowance	7 500	-
	1 519 240	**1 363 063**

Manager: Corporate services - MH Shabangu (From 01/11/2013)

Annual Remuneration	635 390	73 840
Car Allowance	208 000	43 200
Contributions to UIF, Medical and Pension Funds	153 654	22 123
Acting allowance	96 821	39 456
	1 093 865	**178 619**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

15. Employee related costs (continued)

Manager: LED & Tourism - NP Mahlalela

Annual Remuneration	803 038	738 585
Car Allowance	226 672	228 917
Performance Bonuses	103 359	108 329
Contributions to UIF, Medical and Pension Funds	206 558	189 644
Acting allowance	10 281	2 115
	1 349 908	**1 267 590**

Manager: Technical services - K Shrinivasan (Resigned 28/2/2014)

Annual Remuneration	515 413	708 288
Car Allowance	160 000	240 000
Contributions to UIF, Medical and Pension Funds	1 189	1 689
Acting allowance	-	4 047
	676 602	**954 024**

Acting Manager: Technical services - DD Mabena (Acting from 01/03/2014)

Annual Remuneration	171 088	-
Car Allowance	44 160	-
Contributions to UIF, Medical and Pension Funds	35 962	-
Acting allowance	64 271	-
	315 481	**-**

Manager: Municipal Health & Environment- ST Shabangu

Annual Remuneration	640 704	635 962
Car Allowance	240 000	240 000
Contributions to UIF, Medical and Pension Funds	139 215	74 462
Acting allowance	14 994	-
	1 034 913	**950 424**

Manager: Public Safety & Disaster Management - SR Mhlongo

Annual Remuneration	644 211	549 593
Car Allowance	240 000	240 000
Performance Bonuses	85 339	29 026
Contributions to UIF, Medical and Pension Funds	176 359	161 301
Acting allowance	25 698	12 988
	1 171 607	**992 908**

Salaries, allowances and benefits of Councillors as disclosed in note 16 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act.

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

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

16. Remuneration of councillors

Executive Mayor	849 000	806 999
Speaker	683 107	373 791
Councillors	7 003 489	6 741 237
Councillors' pension contribution	670 191	680 596
Chief Whip	641 899	611 080
Councillors other allowances	2 804 829	2 581 022
	12 652 515	**11 794 725**

In-kind benefits

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

The Executive Mayor has the use of a council owned vehicles for official duties.

The Executive Mayor has a full-time bodyguard, a full-time driver and a full-time security guard at her residence, at the cost of the council.

Executive Mayor - Cllr LN Shongwe

Annual Remuneration	613 748	540 014
Car Allowance	202 008	192 019
Contributions to UIF, Medical and Pension Funds	33 244	74 966
	849 000	**806 999**

Speaker - Cllr MJ Mavuso (Previous MMC - LED & Tourism)

Annual Remuneration	471 914	438 369
Car Allowance	157 148	144 014
Contributions to UIF, Medical and Pension Funds	24 000	55 739
Acting allowance	30 045	-
	683 107	**638 122**

Chief Whip - Cllr ET Shabangu

Annual Remuneration	449 832	396 988
Car Allowance	154 572	144 014
Contributions to UIF, Medical and Pension Funds	37 495	70 078
	641 899	**611 080**

MMC Environmental Health - Cllr TB Mdhluli

Annual Remuneration	466 650	443 358
Car Allowance	154 572	144 014
Contributions to UIF, Medical and Pension Funds	21 536	21 153
	642 758	**608 526**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

16. Remuneration of councillors (continued)

MMC LED & Tourism - Cllr BK Mokoena (Appointed 01/05/2014)

Annual Remuneration	88 563	-
Car Allowance	33 491	-
Contributions to UIF, Medical and Pension Funds	15 987	-
	138 041	**-**

MMC Technical - Cllr MJ Mnisi

Annual Remuneration	422 784	384 950
Car Allowance	154 572	144 014
Contributions to UIF, Medical and Pension Funds	63 592	81 215
	640 948	**610 179**

MMC Rural Development - Cllr SP Monareng

Annual Remuneration	476 186	429 163
Car Allowance	154 572	144 014
Contributions to UIF, Medical and Pension Funds	12 000	35 348
	642 758	**608 525**

MMC Corporate Services - Cllr BN Mdakane

Annual Remuneration	444 878	411 054
Car Allowance	154 572	144 014
Contributions to UIF, Medical and Pension Funds	43 308	53 457
	642 758	**608 525**

MMC Finance - Cllr ET Mabuza

Annual Remuneration	460 850	416 497
Car Allowance	154 572	140 817
Contributions to UIF, Medical and Pension Funds	27 336	51 212
	642 758	**608 526**

MMC Social Services - Cllr NC Hlophe

Annual Remuneration	430 350	395 087
Car Allowance	154 572	140 817
Contributions to UIF, Medical and Pension Funds	58 074	73 390
	642 996	**609 294**

17. Depreciation

Property, plant and equipment	10 617 898	10 034 611

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

18. Finance costs

Interest - other	3 178 347	1 154 922
Interest - DBSA	21 026 650	22 123 186
	24 204 997	**23 278 108**

19. Contracted services

Security services	958 804	880 122
Facility management services	1 451 902	1 169 059
	2 410 706	**2 049 181**

20. Grants and subsidies - Capital

National Department of Water Affairs	215 160	10 230 289
Nkomazi Local Municipality	2 536 692	867 612
Barberton Mines (Pty) Ltd	555 000	683 591
Department of Roads & Transport	1 447 368	-
Expanded Public Works Program Incentives	1 000 000	2 421 354
Sector plans - Local Municipalities	4 253 042	4 240 710
National Treasury Finance Management Grant	1 500 113	958 041
Mpumalanga Government Department of Human Settlement	-	11 280 562
Municipal Systems Improvement Grant	704 398	2 067 045
Thaba Chweu Local Municipality	10 102 545	-
Umjindi Local Municipality	1 956 303	2 538 470
Bushbuckridge Local Municipality	6 599 583	2 579 888
Energy Efficiency and Demand	245 700	-
	31 115 904	**37 867 562**

21. Auditors' remuneration

Audit fees	2 419 014	1 950 943

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

22. General expenses

	2014	2013
AIDS council	382 996	66 357
Advertising	502 180	395 253
Air quality management plan	-	431 915
Bank charges	40 287	98 617
Bursaries	203 684	105 854
Clean up campaigns	-	955 220
Cleaning	418 831	364 790
Community outreach	2 645 845	2 292 616
Community profiling	-	532 060
Conferences and seminars	54 344	63 575
Consulting and professional fees	4 595 449	2 922 070
Consumables	7 204	3 619
Corporate GIS shared services	752 432	804 863
Disaster management cost - centre	1 922 478	2 728 673
Disaster management operational cost	1 711 740	1 696 521
Electricity	2 128 080	2 055 105
Entertainment	509 736	290 823
Fuel and oil	820 248	805 403
GIS operational costs	346 993	222 508
GIS support to local municipalities	205 405	274 110
IDP review	341 995	150 952
IT expenses	1 320 738	182 680
Insurance	686 110	579 230
Lease rentals	209 503	226 109
Legal settlements	-	2 141 427
Marketing	336 357	336 359
Municipal health operational cost	140 636	168 303
Other expenses	2 280 417	1 644 916
Other programs and campaigns	1 665 890	517 930
Postage and courier	3 998	7 414
Printing and stationery	890 353	635 532
Project maintenance costs	1 822 518	613 110
Promotions	525 415	240 708
Protective clothing	3 374	5 508
Research and development costs	216 223	119 446
Rates and taxes	1 152 576	981 439
Subscriptions and membership fees	745 803	627 787
Telephone and fax	960 512	1 171 382
Tourism development	1 662 722	151 153
Training	931 875	758 542
Travel - local	3 282 584	4 924 788
Water	591 889	738 133
	37 019 420	**34 032 800**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Cash generated from operations

	2014	2013
Surplus (deficit)	5 237 532	(19 429 273)
Adjustments for:		
Depreciation	10 617 898	10 034 611
Actuarial loss/(gain)	800 000	(130 000)
Gain on fair value adjustments	(902 633)	(587 427)
Profit/(loss) on disposal of assets	85 906	(54 955)
Debt impairment	-	39 456 705
Movements in provisions	3 810 328	2 904 287
Other non-cash items	-	(43 968)
Changes in working capital:		
Inventories	(115 142)	(19 822)
Receivables from exchange transactions	32 100	1 529 516
Payables from exchange transactions	20 334 072	(9 682 671)
VAT	1 024 133	(3 787 253)
Unspent conditional grants and receipts	5 700 423	1 294 309
Consumer deposits	-	(6 000)
	46 624 617	**21 478 059**

24. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	484 637	-	484 637
Cash and cash equivalents	-	-	49 684 704	49 684 704
Investments	3 538 892	-	179 440	3 718 332
	3 538 892	**484 637**	**49 864 144**	**53 887 673**

Financial liabilities

	At amortised cost	Total
Long term liabilities	186 703 403	186 703 403
Trade and other payables from exchange transactions	35 106 504	35 106 504
	221 809 907	**221 809 907**

2013

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	516 737	-	516 737
Cash and cash equivalents	-	-	11 147 877	11 147 877
Investments	2 636 260	-	177 388	2 813 648
	2 636 260	**516 737**	**11 325 265**	**14 478 262**

Financial liabilities

	At amortised cost	Total
Long term liabilities	197 504 298	197 504 298
Trade and other payables from exchange transactions	14 772 432	14 772 432
	212 276 730	**212 276 730**

25. Commitments

Authorised expenditure

	2014	2013
Already contracted for but not provided for		
• Property, plant and equipment	4 754 300	9 454 565
• Other commitments	2 331 905	2 405 268
	7 086 205	**11 859 833**

Operating leases - as lessee (expense)

	2014	2013
Minimum lease payments due		
- within one year	141 377	188 520
- in second to fifth year inclusive	-	141 377
	141 377	**329 897**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

26. Contingencies

Contingent assets

1. South African Revenue Services

The municipality obtained the services of Maximum Profit Recovery (Pty) Ltd during the financial period to review the VAT submissions. As a result the municipality will submit a VAT claim of R5,492,993 to the South African Revenue Services.

2. Development Bank of South Africa

The Municipality is suing DBSA for failure to comply with the terms of contract (breach) in that they promised to reduce interest rate in the event the municipality puts security for the loan and also that they will fund one of the community development projects that the municipality is involved in, which the failed or refused to do till date. The municipality does have a good chance of succeeding in this matter. There is no specific amount looked at, however the municipality intends to compel DBSA to do a specific performance as stated above.

Contingent liabilities

1. Nkosi Attorneys

The Plaintiff issued summons against the municipality at Nelspruit Magistrates Court for services rendered in 2011 in a matter between Q Hadebe and EDM. In February 2013 he submitted an invoice for payment; however the invoice was vague as it did not reflect dates and the service was not properly explained as required. Also there were three Advocates who were apparently involved in this matter of which the Municipality only knew one and attorney insists he does not know them. Instead of addressing the shortcomings as raised, he refused and issued summons against the Municipality.

The amount claimed initially was R74 205.91, however plaintiff recently amended summons and is now claiming about R49 000 and the reasons for the reduction of the claimed amount is to the municipality unknown.

2. Dumata Trading CC

This matter was inherited from the disestablished Bohlabela District Municipality and the Plaintiff Dumata Trading CC is suing the municipality about R300 000 at the North Gauteng High Court for services rendered to Bohlabela. The matter now has to go for pre trial conference and later trial and there is a fair chance that we will successful in this matter.

3. Joint Municipal Pension Fund

The Joint Municipal Pension Fund is suing the municipality for contributions on pension fund of Mr. John Scheepers a former employee of the Municipality and was their member but left in 2007 after he volunteered to retire following the transfer of the ambulance services from the municipality to the Department of Health.

The amount claimed in this matter is estimated at R759 778.39. Besides the fact that the Plaintiff in this matter has no Locus Standi to institute these proceedings, there is a high possibility of municipality succeeding in this matter.

4**. Employee related obligations**

The South African Local Government Bargaining Council wage curve agreement signed in 2010 resulted in a contingent liability. The municipality has not yet performed job evaluations and therefore unable to implement the agreement. The extent of the contingent liability is therefore unknown and will be assessed in the next financial year.

27. Fruitless and wasteful expenditure

	2014	2013
Opening balance	-	-
Current year	12 495	9 992
Condoned by Municipal Manager	(12 495)	(9 992)
	-	-

27. Fruitless and wasteful expenditure (continued)

The fruitless and wasteful expenditure for the current year relates to interest paid. These expenses were condoned by the Municipal Manager.

28. Irregular expenditure

	2014	2013
Opening balance	-	-
Add: Irregular Expenditure - current year	2 071 286	3 043 116
Less: Amounts condoned	(2 071 286)	(3 043 116)
	-	**-**

29. Unauthorised expenditure

	2014	2013
Unauthorised expenditure	-	460 532
Approved by Council	-	(460 532)
	-	**-**

30. Risk management

Financial risk management

Exposure to interest rate, liquidity and credit risks arises in the normal course of the Municipality's operations. The municipality has established a risk management committee, which is responsible for developing and monitoring the municipality's risk management policies. The risk management policies are established to identify and analyse the risks faced by the municipality, to set up risk limits and controls and to monitor risks and adherence to limits. Risk management policies are to be reviewed regularly to reflect changes in the municipality's activities.

Liquidity risk

Ehlanzeni District Municipality manages its liquidity risks by effectively managing its working capital, capital expenditure and external borrowings. Standby credit facilities in the form of an R20,000,000 bank overdraft facility has been negotiated with the main banker and provisionally approved. The overdraft facility will cater for any unexpected temporary shortfall in operating funds.

At 30 June 2014	Less than 1 year	Between 1 and 2 years
Long term borrowings	11 967 478	174 735 925
Payables from exchange transactions	35 106 504	-

At 30 June 2013	Less than 1 year	Over 5 years
Long term borrowings	10 800 546	186 703 752
Payables from exchange transactions	14 772 432	-

Credit risk

Ehlanzeni District Municipality manages its credit risk in its borrowing and investing activities by dealing with the A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with the approved cash and investment policy as was approved by council.

Market risk

Interest rate risk

Ehlanzeni District Municipality is not exposed to any interest rate risks on its financial liabilities. As at the end of the financial year, 30 June 2014, Ehlanzeni District Municipality had only three fixed interest bearing loans with the Development Bank of Southern Africa (DBSA) as reflected in APPENDIX A. It should be noted that the interest in these three loans is fixed until maturity. Similarly, with financial assets, Ehlanzeni District Municipality invests its surplus funds not immediately required in a fixed interest rate deposit with the A+ rated banks for fixed terms not exceeding one year.

Notes to the Annual Financial Statements

Figures in Rand		2014	2013

31. Related parties

Relationships

Members of key management and councillors	See note 16 and 17

32. Interest received

	2014	2013
External investment	2 640 885	2 007 952

Figures in Rand	2014	2013

33. Change in estimate

Property, plant and equipment

The estimated useful life of certain equipment was assessed during the current financial year. In the current financial year management have revised their estimated useful lives. The effect of this revision has decreased the depreciation charges for the current and future periods by R19,877.

The amount of the effect in future periods is not disclosed as a result of the annual review of the useful lives.

34. Prior period errors

South African Revenue Services payment for prior periods as a result of SARS audit to the value of R 555,273.

Contractor dispute settlement for prior period to the value of R 700,000.

Retention monies written off in prior periods paid during the current financial year to the value of R 946,711.

Sanlam dividends not received in previous financial year accounted for to the value of R104,889.

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

	2014	2013
Statement of financial position		
Receivables from non-exchange transactions	-	(104 889)
Payables from exchange transactions	-	(2 201 983)
Opening accumulated surplus or deficit	-	2 306 872

35. Revenue

	2014	2013
Other income	1 659 908	1 370 157
Rental of facilities and equipment	175 818	72 600
Interest received	2 640 885	2 007 952
Dividends received	97 427	104 889
Government grants & subsidies	194 145 116	206 099 284
	198 719 154	**209 654 882**

	2014	2013
The amount included in revenue arising from exchanges of goods or services are as follows:		
Other income	1 659 908	1 370 157
Rental of facilities and equipment	175 818	72 600
Interest received	2 640 885	2 007 952
Dividends received	97 427	104 889
	4 574 038	**3 555 598**

The amount included in revenue arising from non-exchange transactions is as follows:

	2014	2013
Transfer revenue		
Government grants & subsidies	194 145 116	206 099 284

36. Debt impairment

	2014	2013
Debt impairment	-	39 456 705

37. Events after the reporting date

No events after the reporting date were identified by management that require adjustment to the balances at reporting date or additional disclosure.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	745 803	775 667

PAYE and UIF

Amount paid - current year	16 262 141	14 126 288

Pension and Medical Aid Deductions

Amount paid - current year	19 742 928	18 805 154

VAT

VAT received - current year	14 147 131	7 607 976

Figures in Rand	2014	2013

39. Deviations i.t.o section 36 of Supply Chain Management Policy

Name	Reason for deviation	Amount
Media 24 (Pty) Ltd	Single supplier	19 530
Media 24 (Pty) Ltd	Single supplier	34 720
Media 24 (Pty) Ltd	Single supplier	26 040
CTP Limited t/a Lowveld Media	Single supplier	6 240
CTP Limited t/a Lowveld Media	Single supplier	14 618
CTP Limited t/a Lowveld Media	Single Supplier	8 458
CTP Limited t/a Lowveld Media	Single supplier	3 120
CTP Limited t/a Lowveld Media	Single supplier	5 962
CTP Limited t/a Lowveld Media	Single supplier	11 100
CTP Limited t/a Lowveld Media	Single supplier	18 501
CTP Limited t/a Lowveld Media	Single supplier	13 215
CTP Limited t/a Lowveld Media	Single supplier	6 343
CTP Limited t/a Lowveld Media	Single supplier	9 360
CTP Limited t/a Lowveld Media	Single supplier	2 385
CTP Limited t/a Lowveld Media	Single supplier	3 160
CTP Limited t/a Lowveld Media	Single supplier	9 922
CTP Limited t/a Lowveld Media	Single supplier	3 307
CTP Limited t/a Lowveld Media	Single supplier	3 307
CTP Limited t/a Lowveld Media	Single supplier	5 168
CTP Limited t/a Lowveld Media	Single supplier	7 441
CTP Limited t/a Lowveld Media	Single supplier	13 129
CTP Limited t/a Lowveld Media	Single supplier	15 168
CTP Limited t/a Lowveld Media	Single supplier	3 307
CTP Limited t/a Lowveld Media	Single supplier	2 528
CTP Limited t/a Lowveld Media	Single supplier	3 307
CTP Limited t/a Lowveld Media	Single supplier	3 307
CTP Limited t/a Lowveld Media	Single supplier	3 307
CTP Limited t/a Lowveld Media	Single supplier	18 549
CTP Limited t/a Lowveld Media	Single supplier	3 307
CTP Limited t/a Lowveld Media	Single supplier	21 350
CTP Limited t/a Lowveld Media	Single supplier	12 640
CTP Limited t/a Lowveld Media	Single supplier	6 201
CTP Limited t/a Lowveld Media	Single supplier	6 201
CTP Limited t/a Lowveld Media	Single supplier	3 307
CTP Limited t/a Lowveld Media	Single supplier	4 961
CTP Limited t/a Lowveld Media	Single supplier	7 294
CTP Limited t/a Lowveld Media	Single supplier	3 307
CTP Limited t/a Lowveld Media	Single supplier	10 112
CTP Limited t/a Lowveld Media	Single supplier	12 567
CTP Limited t/a Lowveld Media	Single supplier	6 201
Get It Fine Enterprise (Pty) Ltd	Emergency	74 328
Creative Solutions CC	Single supplier	87 719
Bayteck Fire CC	Single supplier	10 126
Contact Communications CC	Single supplier	17 680
Wessa Northern Areas	Single supplier	10 417
Tact Business Development	Single supplier	7 999
Lemark Training & Development	Single supplier	12 228
Litter Man Trading and Projects CC	Single supplier	4 561
Mokoena Donecia Trinity	Single supplier	5 000
Mahlangu Rosina Florence	Single supplier	5 000
Transco Advisory CC	Single supplier	10 491
Institute of Risk Management	Single supplier	3 650
Mokoena Donecia Trinity	Single supplier	2 500
Media 24 (Pty) Ltd	Single supplier	22 518
Witch and Wizard Creative CC	Single supplier	50 873
DMISA	Single supplier	20 702
G & Y Training Institute	Single Supplier	6 000
Mahlangu Rosina Florence	Single supplier	2 500
SITA	Single supplier	8 114

Figures in Rand		2014	2013

39. Deviations i.t.o section 36 of Supply Chain Management Policy (continued)

		2014	2013
Barberton Community Radio	Single supplier	7 000	
Barberton Community Radio	Single supplier	7 000	
Shumelahaya Investments	Emergency	410 473	
BBC Projects & Fencing	Emergency	393 842	
Optron (Pty) Ltd	Single supplier	16 957	
Van Wettens Breakdown Service	Emergency	850	
Rendeals Four Consulting	Impracticality	35 620	
Mash FM Stereo	Single supplier	6 000	
Nkosi GC	Single supplier	2 500	
Mmbethe Music	Single supplier	25 000	
Payday	Single supplier	17 544	
AC Brabys (Pty) Ltd	Single supplier	26 671	
Optron (Pty) Ltd	Single supplier	5 200	
Continuing Education AT	Single supplier	101 754	
South National Council for the Blind	Single supplier	39 550	
R & P Auto Repairs	Emergency	2 921	
Wilnil (Pty) Ltd	Impracticality	20 504	
Impala Plumbing and Electrical (Pty) Ltd	Emergency	1 780	
Moya Sicelo	Single supplier	25 000	
Kwenta Media (Pty) Ltd	Single supplier	18 300	
Ingwenyama Lodge (Pty) Ltd	Single supplier	71 053	
University of Stellenbosch	Single supplier	84 211	
Vetpac Animal Health	Impracticality	17 203	
		2 071 286	

40. Budget differences

Material differences between budget and actual amounts

Variances in excess of 10% is considered significant and therefore explanations are provided below:

40.1 Other income

Sanlam proceeds on sale of shares budget for. Disposal not concluded at year end.

40.2 Government grants & subsidies

Department of Water Affairs projects were budgeted for but not implemented during the year.

40.3 Employee cost

Employee cost were budgeted at 9% and only 6.83% was implemented.

40.4 Depreciation

Depreciation variances due to the review of useful lives of assets as per GRAP 17 par 56.

40.5 Finance costs

Implementation of GRAP 25 - Actuarial valuations.

40.6 General expenses

Savings as a result of cost curtailment measures implemented by council during the year under review.

40.7 Other receipts

Receipts from local municipalities for projects done on their behalf.

Appendix A

Schedule of external loans as at 30 June 2014

	Balance at 30 June 2013 Rand	Received during the period Rand	Redeemed / written off during the period Rand	Balance at 30 June 2014 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa						
DBSA - 61000886 Maturity date: 31/12/2029 Interest calculated at 11.12%	159 790 838	-	3 688 434	156 102 404	211 493 409	-
DBSA - 61000887 Maturity date: 31/12/2020 Inerest calculated at 6.75%	16 856 721	-	1 956 383	14 900 338	-	-
DBSA - 61000885 Maturity date: 31/12/2016 Interest calculated at 11.43%	20 856 731	-	5 156 070	15 700 661	-	-
	197 504 290	**-**	**10 800 887**	**186 703 403**	**211 493 409**	**-**
Total external loans						
Development Bank of South Africa	197 504 290	-	10 800 887	186 703 403	211 493 409	-
	197 504 290	**-**	**10 800 887**	**186 703 403**	**211 493 409**	**-**

Appendix B

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation				Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings									
Land	7 165 083	937 971	-	**8 103 054**	-	-	-	**-**	8 103 054
Buildings	232 512 648	1 357 029	-	**233 869 677**	(16 717 059)	-	(5 659 209)	**(22 376 268)**	211 493 409
	239 677 731	**2 295 000**	**-**	**241 972 731**	**(16 717 059)**	**-**	**(5 659 209)**	**(22 376 268)**	**219 596 463**
Other assets									
Plant & equipment	2 390 443	180 038	(4 834)	**2 565 647**	(1 379 276)	1 865	(482 726)	**(1 860 137)**	705 510
Furniture & Fittings	9 330 179	37 495	(30 028)	**9 337 646**	(2 932 121)	15 066	(923 855)	**(3 840 910)**	5 496 736
Office Equipment	32 029 401	800 680	(593 349)	**32 236 732**	(23 732 833)	502 060	(3 002 635)	**(26 233 408)**	6 003 324
Motor vehicles	4 537 850	-	(408 123)	**4 129 727**	(3 133 631)	351 387	(549 363)	**(3 331 607)**	798 120
Bins and Containers	4 289	-	-	**4 289**	(3 740)	-	(110)	**(3 850)**	439
	48 292 162	**1 018 213**	**(1 036 334)**	**48 274 041**	**(31 181 601)**	**870 378**	**(4 958 689)**	**(35 269 912)**	**13 004 129**

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation					Accumulated Depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Municipality											
Chief Whip	149 189	-	-	(29 260)	**119 929**	(72 982)	-	15 243	(12 618)	**(70 357)**	49 572
Corporate Services	249 097 815	2 353 999	(14 882)	(697 477)	**250 739 455**	(21 984 899)	10 486	516 348	(6 633 519)	**(28 091 584)**	222 647 871
Disaster management	22 266 053	3 021	-	16 253	**22 285 327**	(16 290 894)	-	31 293	(2 061 154)	**(18 320 755)**	3 964 572
Executive Mayor	2 232 905	-	-	(443 569)	**1 789 336**	(1 156 764)	-	390 481	(272 723)	**(1 039 006)**	750 330
Finance and SCM	7 200 424	567 065	(964 820)	1 372 573	**8 175 242**	(4 775 965)	825 515	(1 100 632)	(814 349)	**(5 865 431)**	2 309 811
Internal Audit	148 627	-	-	3 020	**151 647**	(79 018)	-	847	(15 747)	**(93 918)**	57 729
LED and Tourism	817 162	241 564	-	(71 783)	**986 943**	(425 463)	-	74 458	(98 807)	**(449 812)**	537 131
Municipal Health	1 645 176	20 127	(16 192)	(46 040)	**1 603 071**	(877 278)	11 001	28 863	(191 295)	**(1 028 709)**	574 362
Municipal Manager	1 572 991	95 649	(6 100)	235 125	**1 897 665**	(738 027)	5 253	(122 763)	(216 066)	**(1 071 603)**	826 062
Planning department	819 465	16 287	(34 340)	(42 086)	**759 326**	(505 155)	18 122	28 136	(118 050)	**(576 947)**	182 379
Rural Development	320 602	-	-	(254 532)	**66 070**	(138 166)	-	104 809	(6 077)	**(39 434)**	26 636
Social and Transversal Issues	580 820	12 611	-	(112 939)	**480 492**	(285 495)	-	54 683	(52 154)	**(282 966)**	197 526
Speaker	133 926	-	-	159 646	**293 572**	(58 229)	-	(66 091)	(34 035)	**(158 355)**	135 217
Technical Services	984 739	2 890	-	(88 931)	**898 698**	(510 325)	-	44 325	(91 304)	**(557 304)**	341 394
	287 969 894	**3 313 213**	**(1 036 334)**	**-**	**290 246 773**	**(47 898 660)**	**870 377**	**-**	**(10 617 898)**	**(57 646 181)**	**232 600 592**

Appendix D

Segmental Statement of Financial Performance for the year ended 30 June 2014

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
-	6 248 697	(6 248 697)	Office Executive Mayor	-	6 143 407	(6 143 407)
-	1 918 620	(1 918 620)	Office Rural Development	-	3 127 488	(3 127 488)
-	3 457 548	(3 457 548)	Office of the Speaker	-	6 388 309	(6 388 309)
-	6 238 203	(6 238 203)	Mayoral Committee	-	5 984 544	(5 984 544)
-	6 669 214	(6 669 214)	Office Municipal Manager	-	5 974 361	(5 974 361)
209 654 882	105 995 134	103 659 748	Finance	198 719 154	60 877 293	137 841 861
-	13 449 638	(13 449 638)	Corporate services	-	12 633 664	(12 633 664)
-	5 122 143	(5 122 143)	Technical Services	-	3 868 282	(3 868 282)
-	10 140 203	(10 140 203)	Municipal Health and Environment	-	9 171 828	(9 171 828)
-	1 053 443	(1 053 443)	Office Chief Whip	-	1 195 444	(1 195 444)
-	38 995 668	(38 995 668)	Council General	-	43 234 003	(43 234 003)
-	1 408 999	(1 408 999)	Internal Audit	-	1 584 549	(1 584 549)
-	6 283 494	(6 283 494)	Transversal Issues	-	7 661 035	(7 661 035)
-	8 086 575	(8 086 575)	LED and Tourism	-	8 135 173	(8 135 173)
-	5 772 485	(5 772 485)	Planning and development	-	7 985 937	(7 985 937)
-	8 244 091	(8 244 091)	Disaster Management and Public Safety	-	9 516 305	(9 516 305)
209 654 882	**229 084 155**	**(19 429 273)**		**198 719 154**	**193 481 622**	**5 237 532**

Appendix E(1)

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

	Current year 2014 Act. Bal. Rand	Current year 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Other income	1 659 908	1 590 000	69 908	4,4	Refer to note 39
Rental of facilities and equipment	175 818	231 200	(55 382)	(24,0)	
Interest received	2 640 885	2 584 000	56 885	2,2	
Dividends received	97 427	2 000 000	(1 902 573)	(95,1)	
Government grants & subsidies	194 145 116	217 327 000	(23 181 884)	(10,7)	Refer to note 39
	198 719 154	223 732 200	(25 013 046)	(11,2)	
Expenses					
Employee related cost	(72 958 715)	(79 693 428)	6 734 713	(8,5)	
Remuneration of councillors	(12 652 516)	(12 881 923)	229 407	(1,8)	
Audit fees	(2 419 014)	(2 500 000)	80 986	(3,2)	
Depreciation	(10 617 898)	(19 558 000)	8 940 102	(45,7)	Refer to note 39
Finance costs	(24 204 997)	(22 411 245)	(1 793 752)	8,0	
Debt impairment	-	-	-	-	
Repairs and maintenance	(99 179)	(321 627)	222 448	(69,2)	Refer to note 39
Contracted services	(2 410 706)	(2 410 706)	-	-	
Grants and subsidies paid	(31 115 906)	(45 605 070)	14 489 164	(31,8)	Refer to note 39
General expenses	(37 019 418)	(47 086 760)	10 067 342	(21,4)	Refer to note 39
	(193 498 349)	(232 468 759)	38 970 410	(16,8)	
Other revenue and costs					
Fair value adjustments	(85 906)	-	(85 906)	-	Refer to note 39
Income from equity accounted investments	902 633	-	902 633	-	Refer to note 39
Gain or loss on disposal of non-current assets held for sale or disposal groups	(800 000)	-	(800 000)	-	Refer to note 39
	16 727	-	16 727	-	
Net surplus/ (deficit) for the year	5 237 532	(8 736 559)	13 974 091	(159,9)	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2014

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Chief Whip	-	-	-	**-**	
Corporate Services	2 353 999	2 376 100	22 101	**1**	
Disaster Management	3 021	13 188	10 167	**77**	Cost curtailment implemented
Executive Mayor	-	-	-	**-**	
Finance & SCM	567 065	592 200	25 135	**4**	
Internal Audit	-	-	-	**-**	
LED & Tourism	241 564	245 000	3 436	**1**	
Municipal Health	20 127	31 880	11 753	**37**	Cost curtailment implemented
Municipal Manager	95 649	101 100	5 451	**5**	
Planning Department	16 287	21 100	4 813	**23**	Cost curtailment implemented
Rural Develpment	-	-	-	**-**	
Social & Transversial Issues	12 611	16 000	3 389	**21**	Cost curtailment implemented
Speaker	-	-	-	**-**	
Technical Services	2 890	3 000	110	**4**	
Mayoral Committee	-	80 000	80 000	**100**	Cost curtailment implemented
	-	-	-	**-**	
	3 313 213	**3 479 568**	**166 355**	**5**	

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

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable Share	77 428 000	62 742 000	47 057 000	-	44 512 503	44 512 503	44 512 503	44 512 403	Yes
	-	-	-	-	-	-	-	-	Yes
National Department of Water Affairs	-	-	-	-	-	-	-	-	Yes
Finance Management Grant	1 500 000	-	-	-	317 629	300 403	332 785	549 296	Yes
Municipal Systems Infrastructure Grant	890 000	-	-	-	46 250	147 612	118 408	642 505	Yes
Sector Education and Training Authority	74 225	-	2 048	31 003	-	-	-	107 276	Yes
Mpumalanga Provincial Government Department of Finance	-	1 000 000	-	-	-	-	-	-	Yes
National Department of Minerals and Energy	421 000	2 000 000	2 578 000	-	-	-	136 500	109 200	Yes
Expanded Public Works Program Incentive	400 000	300 000	300 000	-	542 235	231 841	139 201	86 723	Yes
Barberton Mines (Pty) Pty	150 000	150 000	150 000	105 000	-	182 400	-	372 600	Yes
National Department of Roads	1 710 000	-	-	-	-	488 947	336 912	621 510	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	82 573 225	66 192 000	50 087 048	136 003	45 418 617	45 863 706	45 576 309	47 001 513	