



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

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity	Category C Municipality in terms of section 1 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) read with section 15 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Municipal demarcation code	FS203
Nature of business and principal activities	The primary function of the Ngwathe Municipality is to provide basic services ie water, electricity, sewerage, water and sanitation to the Parys jurisdiction.
Mayoral committee	
Executive Mayor	Mochela MJ
Speaker	Ndayi PR
Chief Whip	Vandisi TL
Councillors	Bocibo CN Choni PS De Beer V Hlpana ML Khumalo KJ Magashule ME Mandelstam GP Masike RI Masooa J Mbele A
Grading of local authority	Category C
Capacity of local authority	Low capacity
Accounting Officer	Kamolane, LD
Chief Finance Officer (CFO)	Hlongwane, AT (Acting)
Registered office	12 Liebenbergs trek Parys 9585
Business address	12 Liebenbergs trek Parys 9585
Postal address	PO Box 359 Parys 9585
Bankers	ABSA
Auditors	Auditor-General of South Africa
Attorneys	Utilise attorneys in Municipal area (detail list available at municipal offices)

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Abbreviations

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

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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 accounting officer is primarily responsible for the financial affairs of the municipality.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on his behalf by:

Municipal Manager

Mr L D Kamolane

31 August 2014

Ngwathe Local Municipality

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Statement of Financial Position as at 30 June 2014

Figures in Rand		2014	2013- Restated
Assets			
Current Assets			
Cash and cash equivalents	2	7 990 198	46 747 113
Other financial assets	3	445 546	430 776
Inventories	4	484 917	503 577
Sundry debtors	5	106 330 143	106 193 419
Receivables from non-exchange transactions	6	89 572 868	65 557 568
Consumer receivables from exchange transactions	7	236 493 169	140 450 950
VAT receivable	8	38 571 940	6 406 867
		479 888 781	366 290 270
Non-Current Assets			
Investment property	9	152 718 000	152 718 000
Property, plant and equipment	10	1 094 612 165	1 135 041 595
Other financial assets	3	916 883	809 402
		1 248 247 048	1 288 568 997
Non-Current Assets		1 248 247 048	1 288 568 997
Current Assets		479 888 781	366 290 270
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		1 728 135 829	1 654 859 267
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	341 458 462	260 091 984
Consumer deposits	13	4 787 647	4 077 105
Retirement benefit obligation	14	1 709 350	1 709 350
Unspent conditional grants and receipts	15	105 686 274	35 632 115
Bank overdraft	2	1 136 551	94 508
		454 778 284	301 605 062
Non-Current Liabilities			
Other financial liabilities	17	9 305 243	15 919 863
Retirement benefit obligation	14	56 103 650	56 103 650
Provisions	16	26 255 547	35 846 598
Long Service award	18	10 478 000	10 478 000
		102 142 440	118 348 111
Non-Current Liabilities		102 142 440	118 348 111
Current Liabilities		454 778 284	301 605 062
Liabilities of disposal groups		-	-
Total Liabilities		556 920 724	419 953 173
Assets		1 728 135 829	1 654 859 267
Liabilities		(556 920 724)	(419 953 173)
Net Assets		1 171 215 105	1 234 906 094
Accumulated surplus		1 171 215 105	1 234 906 094

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Statement of Financial Performance

Figures in Rand		2014	2013- Restated
Revenue			
Service charges	20	315 690 954	256 157 344
Rental of facilities and equipment		311 215	2 290 614
Other income	21	1 628 684	1 727 771
Interest received	22	30 358 836	21 442 747
Property rates	23	42 923 015	48 722 964
Government grants & subsidies	24	147 282 325	202 198 672
Fines		826 390	1 096 771
Total revenue		539 021 419	533 636 883
Expenditure			
Employee related costs	25	(172 550 552)	(177 184 026)
Remuneration of councillors	26	(10 084 329)	(9 046 834)
Depreciation and amortisation	28	(101 495 200)	(97 194 922)
Finance costs	30	(1 826 968)	(3 273 815)
Repairs and maintenance		(20 458 137)	(18 581 748)
Bulk purchases	31	(149 690 322)	(128 865 523)
Contracted services	32	(4 676 521)	(8 506 519)
General expenses	33	(128 816 157)	(164 575 396)
Total expenditure		(589 598 186)	(607 228 783)
		-	-
Total revenue		539 021 419	533 636 883
Total expenditure		(589 598 186)	(607 228 783)
Operating deficit		(50 576 767)	(73 591 900)
Fair value adjustments	27	107 481	105 339
Loss on biological assets and agricultural produce		(45 048)	-
		62 433	105 339
Deficit before taxation		(50 514 334)	(73 486 561)
Taxation		-	-
Deficit for the year		(50 514 334)	(73 486 561)
Attributable to:			
Owners of the controlling entity		(50 514 334)	(73 486 561)

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2012	1 308 388 709	1 308 388 709
Changes in net assets		
Deficit for the year	(73 482 615)	(73 482 615)
Total changes	<u>(73 482 615)</u>	<u>(73 482 615)</u>
Balance at 01 July 2013	1 221 729 439	1 221 729 439
Changes in net assets		
Deficit for the year	(50 514 334)	(50 514 334)
Total changes	<u>(50 514 334)</u>	<u>(50 514 334)</u>
Balance at 30 June 2014	<u>1 171 215 105</u>	<u>1 171 215 105</u>

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Cash Flow Statement

Figures in Rand	2014	2013- Restated
Cash flows from operating activities		
Receipts		
Grants	149 737 399	203 137 013
Interest income	30 358 836	21 442 747
Other receipts	1 939 898	5 007 232
Services	272 769 941	223 625 726
	<u>454 806 074</u>	<u>453 212 718</u>
Payments		
Employee costs	(139 742 645)	(154 798 866)
Suppliers	(298 637 374)	(274 949 004)
Finance costs	(1 826 968)	(3 273 815)
	<u>(440 206 987)</u>	<u>(433 021 685)</u>
Total receipts	454 806 074	453 212 718
Total payments	(440 206 987)	(433 021 685)
Net cash flows from operating activities	<u>14 599 087</u>	<u>20 191 033</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(61 065 769)	103 581 503
Proceeds from sale of financial assets	-	(64 850)
	<u>(61 188 020)</u>	<u>103 516 653</u>
Cash flows from financing activities		
Repayment of other financial liabilities	(6 614 620)	(106 955 093)
Net cash flows from financing activities	<u>104 923 237</u>	<u>(106 955 093)</u>
Net increase/(decrease) in cash and cash equivalents	58 334 304	16 752 593
Cash and cash equivalents at the beginning of the year	46 652 605	29 900 012
Cash and cash equivalents at the end of the year	<u>104 986 909</u>	<u>46 652 605</u>

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	203 661 178	(203 661 178)	-	315 690 954	315 690 954
Rental of facilities and equipment	3 516 310	(3 516 310)	-	311 215	311 215
Other income	18 094 974	(18 094 974)	-	1 628 684	1 628 684
Interest received	4 972 005	(4 972 005)	-	30 358 836	30 358 836
Total revenue from exchange transactions	230 244 467	(230 244 467)	-	347 989 689	347 989 689
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	41 149 507	(41 149 507)	-	42 923 015	42 923 015
Government grants & subsidies	157 276 000	(157 276 000)	-	147 282 325	147 282 325
Transfer revenue					
Fines	1 200 000	(1 200 000)	-	826 390	826 390
Total revenue from non-exchange transactions	199 625 507	(199 625 507)	-	191 031 730	191 031 730
'Total revenue from exchange transactions'	230 244 467	(230 244 467)	-	347 989 689	347 989 689
'Total revenue from non-exchange transactions'	199 625 507	(199 625 507)	-	191 031 730	191 031 730
Total revenue	429 869 974	(429 869 974)	-	539 021 419	539 021 419
Expenditure					
Personnel	(134 768 713)	134 768 713	-	(172 550 552)	(172 550 552)
Remuneration of councillors	(8 067 351)	8 067 351	-	(10 084 329)	(10 084 329)
Depreciation and amortisation	(2 200 000)	2 200 000	-	(101 495 200)	(101 495 200)
Finance costs	(1 970 000)	1 970 000	-	(1 826 968)	(1 826 968)
Repairs and maintenance	(19 220 000)	19 220 000	-	(20 458 137)	(20 458 137)
Bulk purchases	-	-	-	(149 690 322)	(149 690 322)
Contracted services	-	-	-	(4 676 521)	(4 676 521)
General expenses	255 470 936	(89 244 872)	166 226 064	(128 816 157)	(295 042 221)
Total expenditure	89 244 872	76 981 192	166 226 064	(589 598 186)	(755 824 250)
	-	-	-	539 021 419	539 021 419
	89 244 872	76 981 192	166 226 064	(589 598 186)	(755 824 250)
Operating deficit	89 244 872	76 981 192	166 226 064	(50 576 767)	(216 802 831)
Fair value adjustments	-	-	-	107 481	107 481
Loss on biological assets and agricultural produce	-	-	-	(45 048)	(45 048)
	-	-	-	62 433	62 433
	89 244 872	76 981 192	166 226 064	(50 576 767)	(216 802 831)
	-	-	-	62 433	62 433
Surplus	89 244 872	76 981 192	166 226 064	(50 514 334)	(216 740 398)
Surplus before taxation	89 244 872	76 981 192	166 226 064	(50 514 334)	(216 740 398)
Taxation	-	-	-	-	-
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	89 244 872	76 981 192	166 226 064	(50 514 334)	(216 740 398)

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
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Figures in Rand

Reconciliation

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Annual Financial Statements for the year ended 30 June 2014

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Property rates	-	-	-	-	-	-	42 923 015		42 923 015	DIV/0 %	DIV/0 %
Depreciation and asset impairment	-	-	-			-	(101 495 200)	-	(101 495 200)	DIV/0 %	DIV/0 %
Total revenue (excluding capital transfers and contributions)	-	-	-	-	-	-	42 923 015	-	42 923 015	DIV/0 %	DIV/0 %
Total expenditure	-	-	-	-	-	-	(101 495 200)	-	(101 495 200)	DIV/0 %	DIV/0 %
Surplus / (Deficit)	-	-	-	-	-	-	(58 572 185)		(58 572 185)	DIV/0 %	DIV/0 %
Surplus/(Deficit)	-	-	-	-	-	-	(58 572 185)	-	(58 572 185)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	-	-	-	-	-	-	(58 572 185)	-	(58 572 185)	DIV/0 %	DIV/0 %
Surplus / (Deficit) for the year	-	-	-	-	-	-	(58 572 185)		(58 572 185)	DIV/0 %	DIV/0 %
Total capital expenditure	-	-	-	-	-	-	128 551 209		128 551 209	DIV/0 %	DIV/0 %

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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.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

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

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality 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 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 balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable (service) amounts or recoverable service amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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 supply demand together with economic factors.

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 16 - Provisions.

Useful lives of property, plant and equipment and other assets

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

Ngwathe Local Municipality

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Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14 - Employee benefit obligations.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for impairment

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 Investment property

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

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

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

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the investment property. Such difference is recognised in surplus or deficit when the investment property is derecognised.

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

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets 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.

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Property, plant and equipment (continued)

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.

Property, plant and equipment are initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

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

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

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

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

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

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

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Average useful life
Land	
Buildings	5 to 30
Plant and machinery	3 to 30
Furniture and fixtures	3 to 15
Motor vehicles	4 to 15
Office equipment	3 to 15
Landfill site	30
Infrastructure	5 to 100
Equipment	5 to 10
Airport	5 to 20

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

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Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss 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. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Intangible assets (continued)

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

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

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

Item	Useful life
Computer software, other	3 years

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

The gain or loss from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

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Accounting Policies

1.6 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.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the statement of financial position date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments. The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates Impairment testing.

The recoverable amounts of cash-generating units and non cash generating assets have been determined based on the higher fair value and less cost to sell and value in use. These calculations require the use of estimates and assumptions.

Classification

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

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost
Other financial asset1	Financial asset measured at fair value

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

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost
Other receivables1	Financial liability measured at amortised cost
Other receivables2	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality 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 municipality measures all other financial assets and financial liabilities initially at its fair value.

Ngwathe Local Municipality

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1.6 Financial instruments (continued)

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

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1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

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 municipality 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, the 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.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with 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 municipality 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.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

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 directly OR 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 directly OR 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.

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Accounting Policies

1.6 Financial instruments (continued)

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amount of the transferred asset is 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 municipality 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).

1.7 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 - 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.

Ngwathe Local Municipality

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Accounting Policies

1.7 Leases (continued)

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 recognised separately as an expense in the period in which they are incurred.

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 on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, 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.

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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non-current assets held for sale and disposal groups

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.

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.

Ngwathe Local Municipality

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Accounting Policies

1.9 Non-current assets held for sale and disposal groups (continued)

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

1.10 Impairment of cash-generating assets

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

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

Identification

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

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. The recoverable amount of a cash generating asset or cash generating unit is the highest of its fair value less cost to sell and its fair value.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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.

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

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

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

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

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

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

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

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

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

1.11 Impairment of non-cash-generating assets

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

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

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. The recoverable service amount of a non-cash-generating asset is the higher of its fair value less cost to sell and its in use.

Irrespective of whether there is any indication of impairment, the municipality also tests 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.

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.

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

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Accounting Policies

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

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.

1.12 Share capital / contributed capital

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

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures 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 recognises the expected cost of bonus, incentive and performance related payments when the municipality 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.

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefit plans are formal or informal arrangements under which the municipality 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 entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

The municipality provides retirement benefits for its employees and councillors. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Post-employment benefits: Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Government Employees Pension Fund, Association Institution Pension Fund, South African Local Authorities Pension Fund and the Councillors Pension Fund are defined benefit. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

- plus any liability that may arise as a result of a minimum funding requirement.

Pension obligations

Actuarial valuations are conducted on an interim basis each year with a statutory valuation undertaken every three years. Consideration is given to any extent that could impact the Funds up to the end of the reporting period where the interim valuation is performed at an earlier date. 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.

Long term service awards

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards 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 municipality 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 is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits

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

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

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

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

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate.

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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 finance cost.

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

Provisions are not recognised for future operating expenditure.

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

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.15 Revenue from exchange transactions

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount and the effective interest rate applicable. Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable. Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

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

Income received from conditional grants, donations and subsidies is recognised to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds are invested until utilised. Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Grants and receipts of a revenue nature: income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

The municipality recognises the full amount of revenue of the fine issued at the transaction date when there is uncertainty about the municipality's ability to collect such revenue from the fine, based on past history, the municipality has an obligation to collect all revenue due to it.

Subsequent to initial recognition and measurement, the municipality assesses the collectability of the revenue and recognises an impairment loss where appropriate for example where the municipality may offer early settlement discounts or amnesty periods. Where these reductions exist, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by the debtors.

Measurement

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

Rendering of services

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

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

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

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.15 Revenue from exchange transactions (continued)

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

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

Interest

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

1.16 Revenue from non-exchange transactions

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount and the effective interest rate applicable. Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable. Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

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

Income received from conditional grants, donations and subsidies is recognised to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds are invested until utilised. Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Grants and receipts of a revenue nature: income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

The municipality recognises the full amount of revenue of the fine issued at the transaction date when there is uncertainty about the municipality's ability to collect such revenue from the fine, based on past history, the municipality has an obligation to collect all revenue due to it.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises an impairment loss where appropriate for example there the municipality may offer early settlement discounts or amnesty periods. Where these reductions exist, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up the debtors.

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 of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

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

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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 a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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.

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

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the municipality.

Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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.

1.17 Borrowing costs

1.18 Comparative figures

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

1.19 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.

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.20 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.

1.21 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.

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

1.22 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.

1.23 Related parties

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

Management is 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.

1.24 Commitments

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

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.

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.25 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

1.26 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	14 603	14 603
Bank balances	7 975 595	46 732 510
Bank overdraft	(1 136 551)	(94 508)
	6 853 647	46 652 605
Current assets	7 990 198	46 747 113
Current liabilities	(1 136 551)	(94 508)
	6 853 647	46 652 605

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank LTD - Cheque Account - 4052707733	(1 136 551)	(94 508)	757 648	(1 136 551)	(94 508)	645 543
ABSA Bank LTD - Call Account - 9253832988	184 368	482 959	465 907	184 368	482 959	465 907
ABSA Bank LTD - Call Account - 9253833502	3 873 907	36 365 971	20 212 013	3 873 907	36 365 971	20 212 013
ABSA Bank LTD - Call Account - 9253833764	488 316	2 083 941	1 045 669	488 316	2 083 941	1 045 669
ABSA Bank LTD - Call Account - 9253535643	23 382	3 652 279	33 745	23 382	3 652 279	33 745
ABSA Bank LTD - Cheque Account - 1130000041	92 858	4 147 360	7 482 532	92 858	4 147 360	7 482 532
Intergrated NAT Electrification	2 283 507	-	-	2 283 507	-	-
FMG	1 029 257	-	-	1 029 257	-	-
Total	6 839 044	46 638 002	29 997 514	6 839 044	46 638 002	29 885 409

3. Other financial assets

At fair value

Senwes shares 4 329 shares @ R10.25 trading value (2013: R10.50)	44 374	45 455
Senwesbel shares 6 640 shares @ R5.50 trading value (2013: R5)	36 520	33 200
Sanlam shares 6 682 shares at R61.75 trading value (2013:R35.35)	412 614	307 372
	493 508	386 027

At amortised cost

Heilbron Sanlam policy - 040571573X1	291 924	291 924
Heilbron Sanlam policy - 11209914X8	76 698	76 698
FNB Parys - 71037431386 FNB investment serves as guarantee for Saambou Bank.	39 761	39 761

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
FNB deposit	14 992	14 992
The investment bears interest at 5.1% per annum.		
FNB investment serves as guarantee for BJ Monyamara.		
	423 375	423 375
	493 508	386 027
	-	-
	423 375	423 375
Total other financial assets	916 883	809 402
Non-current assets		
At fair value	493 508	386 027
At amortised cost	423 375	423 375
	916 883	809 402
Current assets		
At amortised cost	445 546	430 776
Non-current assets	916 883	809 402
Current assets	445 546	430 776
	1 362 429	1 240 178
4. Inventories		
Fuel	48 895	48 895
Stores and materials	436 022	454 682
	484 917	503 577
5. Sundry debtors		
Sundry debtors	106 330 143	106 193 419
6. Consumer receivables from non - exchange transactions		
Rates	89 572 868	65 557 568
Credit quality of receivables from non-exchange transactions		
The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information.		
Receivables from non-exchange transactions		
Current (0 - 30 days)	-	3 668 595
31 - 60 days	-	2 942 563
61 - 90 days	-	2 227 354
91 - 120 days	-	56 719 056
	-	65 557 568

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
7. Consumer receivables from exchange transactions		
Gross balances		
Electricity	91 599 107	78 576 447
Water	184 043 144	115 265 027
Sewerage	59 445 039	54 240 402
Refuse	56 915 145	47 878 340
	392 002 435	295 960 216
Less: Allowance for impairment		
Electricity	(24 733 165)	(24 733 165)
Water	(58 589 413)	(58 589 413)
Sewerage	(36 664 404)	(36 664 404)
Refuse	(35 522 284)	(35 522 284)
	(155 509 266)	(155 509 266)
Net balance		
Electricity	66 865 942	53 843 282
Water	125 453 731	56 675 614
Sewerage	22 780 635	17 575 998
Refuse	21 392 861	12 356 056
	236 493 169	140 450 950
Electricity		
Current (0 -30 days)	66 865 942	5 745 362
31 - 60 days	-	8 922 229
61 - 90 days	-	2 142 130
91 - 120 days	-	37 033 561
	66 865 942	53 843 282
Water		
Current (0 -30 days)	151 972 549	3 642 292
31 - 60 days	-	13 709 142
61 - 90 days	-	1 377 760
91 - 120 days	-	37 946 420
	151 972 549	56 675 614
Sewerage		
Current (0 -30 days)	22 780 635	766 620
31 - 60 days	-	698 339
61 - 90 days	-	630 349
91 - 120 days	-	15 480 690
	22 780 635	17 575 998
Refuse		
Current (0 -30 days)	21 392 861	480 804
31 - 60 days	-	491 638
61 - 90 days	-	441 738
91 - 120 days	-	10 941 876
	21 392 861	12 356 056

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
7. Consumer receivables from exchange transactions (continued)		
Summary of receivables by customer classification		
Total		
Current (0 -30 days)	263 011 987	10 635 077
31 - 60 days	-	23 821 348
61 - 90 days	-	4 591 978
91 - 120 days	-	101 402 547
	263 011 987	140 450 950
Less: Allowance for impairment		
31 - 60 days	(155 509 266)	(9 385 906)
61 - 90 days	-	(21 140 709)
91 - 120 days	-	(4 993 170)
121 - 365 days	-	(119 989 481)
	(155 509 266)	(155 509 266)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(155 509 266)	(155 509 266)

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information.

Receivables from exchange transactions

8. VAT receivable

VAT	38 571 940	6 406 867
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9. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	152 718 000	-	152 718 000	152 718 000	-	152 718 000

Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	152 718 000	152 718 000

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

9. Investment property (continued)

Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	152 718 000	152 718 000

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

10. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Airports	2 093 000	(855 000)	1 238 000	2 093 000	(684 000)	1 409 000
Buildings	51 557 359	(18 744 544)	32 812 815	47 636 982	(11 314 570)	36 322 412
Furniture and fixtures	7 827 729	(7 017 448)	810 281	7 827 729	(5 609 446)	2 218 283
Infrastructure	1 502 739 402	(453 158 347)	1 049 581 055	1 445 594 010	(363 390 467)	1 082 203 543
IT equipment	3 356 421	(2 346 976)	1 009 445	3 356 421	(1 758 466)	1 597 955
Land	4 370 075	-	4 370 075	4 370 075	-	4 370 075
Motor vehicles	10 630 021	(7 486 198)	3 143 823	10 630 021	(5 987 488)	4 642 533
Office equipment	884 024	(697 857)	186 167	884 024	(539 956)	344 068
Plant and machinery	3 178 248	(1 717 744)	1 460 504	3 651 470	(1 717 744)	1 933 726
Total	1 586 636 279	(492 024 114)	1 094 612 165	1 526 043 732	(391 002 137)	1 135 041 595

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Airport	1 409 000	-	(171 000)	1 238 000
Buildings	36 322 412	3 920 377	(7 429 974)	32 812 815
Furniture and fixtures	2 218 283	-	(1 408 002)	810 281
Infrastructure	1 082 203 543	57 145 392	(89 767 880)	1 049 581 055
IT equipment	1 597 955	-	(588 510)	1 009 445
Land	4 370 075	-	-	4 370 075
Motor vehicles	4 642 533	-	(1 498 710)	3 143 823
Office equipment	344 068	-	(157 901)	186 167
Plant and machinery	1 933 726	-	(473 222)	1 460 504
	1 135 041 595	61 065 769	(101 495 199)	1 094 612 165

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Total
Airports	1 580 000	-	(171 000)	1 409 000
Buildings	39 151 959	-	(2 829 547)	36 322 412
Furniture and fixtures	3 136 820	342 216	(1 260 753)	2 218 283
Infrastructure	1 067 782 843	104 923 236	(90 502 536)	1 082 203 543
IT equipment	1 651 703	443 066	(496 814)	1 597 955
Land	4 370 075	-	-	4 370 075
Motor vehicles	6 011 273	-	(1 368 740)	4 642 533
Office equipment	372 358	96 703	(124 993)	344 068
Plant and machinery	1 914 519	459 749	(440 542)	1 933 726

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10. Property, plant and equipment (continued)

1 125 971 550 106 264 970 (97 194 925) 1 135 041 595

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

11. Operating lease asset (accrual)

12. Payables from exchange transactions

Audit fees	1 017 969	1 017 970
Accrued expenses	204 816	204 816
Accrued leave pay	16 503 033	16 503 033
Deposits received	407 631	406 491
Electricity prepaid	3 988 449	3 988 449
Other payables	4 719 851	4 690 198
Payments in advance	18 392 760	14 606 730
Sundry payables	6 338	6 338
Salary suspense account	11 532 237	7 011 343
Trade payables	251 786 298	178 757 536
Unallocated receipts	21 056 118	21 056 118
Accrued Bonuses	11 842 962	-
Accrued bonus	-	11 842 962
	341 458 462	260 091 984

13. Consumer deposits

Electricity	4 787 647	4 077 105

14. Retirement benefit obligations

Defined benefit plan

The defined benefit plan, to which -% (2013: -%) belong, consists of the (specify Pension Fund) governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by -% for - months. This recommendation is presently being implemented.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Post retirement benefit plan

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(42 506 000)	(42 506 000)
Fair value of plan assets	(10 951 000)	(10 951 000)
Past service cost not recognised	(2 384 000)	(2 384 000)
Other [provide details]	(3 446 000)	(3 446 000)
Asset not recognised	1 474 000	1 474 000
	(57 813 000)	(57 813 000)
Non-current liabilities	(56 103 650)	(56 103 650)
Current liabilities	(1 709 350)	(1 709 350)
	(57 813 000)	(57 813 000)

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14. Retirement benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	77 544 000	60 763 000
Net expense recognised in the statement of financial performance	-	16 781 000
	<u>77 544 000</u>	<u>77 544 000</u>

Net expense recognised in the statement of financial performance

Current service cost	-	2 384 000
Interest cost	-	3 446 000
Expected return on plan assets	-	10 951 000
	<u>-</u>	<u>16 781 000</u>

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7,25 %	7,25 %
Expected rate of return on assets	6,25 %	6,25 %
Expected rate of return on reimbursement rights	7,15 %	7,15 %
Actual return on reimbursement rights	6,75 %	6,75 %
Medical cost trend rates	0,47 %	0,47 %

Other Assumptions

The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on the following would be:

	1% Increase	1% Decrease
Total accrued liability	(R68 981 000)	(R49 012 000)
Interest cost	(R 4 941 000)	(R 3 494 000)
Service cost	(R 4 931 000)	(R 3 109 000)

Present value of retirement benefit obligation for current and previous years

- 30 June 2013: (R57 813 000)
- 30 June 2012: (R42 506 000)
- 30 June 2011: (R39 070 000)
- 30 June 2010: (R28 974 497)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Department of Mineral and Energy grant	22 100 000	-
Other grants	4 563 104	4 563 104
MIG grant	71 986 626	24 097 626
Department of Water Affairs grant	3 762 503	3 762 503
LGSETA grant	2 199 345	2 199 345
FMG	1 029 257	1 009 537
	105 640 835	35 632 115

Movement during the year

Balance at the beginning of the year	35 632 115	34 693 774
Additions during the year	217 336 484	203 137 014
Income recognition during the year	(147 282 325)	(202 198 673)
	105 686 274	35 632 115

See note 24 - Government grants and subsidies for reconciliation of grants from National / Provincial Government.

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

16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Utilised during the year	Total
Environmental rehabilitation	35 846 598	(9 591 051)	26 255 547

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	21 366 389	14 480 209	-	35 846 598
Legal proceedings	1 388 421	-	(1 388 421)	-
	22 754 810	14 480 209	(1 388 421)	35 846 598

Environmental rehabilitation provision

In terms of licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R30 957 441 (2013: R30 957 441) to restore the site at the end of its useful life. Provision has been made for the net present value of this cost, using the average cost of borrowings. The landfill sites are not licensed and the municipality could incur penalties for not being licensed.

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Figures in Rand	2014	2013
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16. Provisions (continued)

Legal proceedings provisions

Party:	Telkom
Nature/description:	Municipal employees allegedly damaged infrastructure whilst digging the ground where Telkom wires lies.
Instituting Attorneys:	Du Toit Mandelstam Attorneys
Prospects of success:	There are no prospects of success as the municipality defaulted
Estimated costs:	R2 000 000
Party:	Zemdock t/a Sedgars
Nature/description:	Zemdock allegedly sold and delivered certain properties to the municipality and the municipality failed to effect payment for delivered items. Original payments was affected of R192 000 and the outstanding payment of R24 000 remains which resulted from interest charged thereon hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no grounds to defend the matter except to effect payment.
Estimated costs:	R144 007.33
Party:	Agri Aqua solutions
Nature/description:	Agri Aqua solutions supplied and delivered cleaning material to the municipality and the municipality failed to honour payment hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process of negotiating for a settlement of the matter.
Estimated costs:	R134 315.30
Party:	New team construction
Nature/description:	New team construction rendered excavation services to the municipality in 2011 and the municipality has not paid them for services rendered hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process of negotiating for a settlement of the matter.
Estimated costs:	R1 356 000
Party:	AAS kitso t/a SF cc
Nature/description:	AAS kitso t/a SF cc supplied and delivered cleaning material to the municipality and the municipality failed to honour payment hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process of negotiating for a settlement of the matter.
Estimated costs:	R30 000
Party:	V Mokgosi
Nature/description:	Vincent Mokgosi was appointed by the municipality as the Manager in the office of the Mayor. The employee's contract of employment was terminated when the Mayor vacated his office in 2011. He alleges that he was unfairly dismissed hence instituted a labour dispute with the labour court.
Instituting Attorneys:	JC Burger Attorneys
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process of negotiating for a settlement of the matter.
Estimated costs:	R600 000
Party:	B Mcdermott
Nature/description:	B Mcdermott lodged a dispute with SALGBC after municipality failed to encash his leave days despite having given another employee during same period leave encashment hence he is suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter and payment has not been effected.
Estimated costs:	R120 000

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Figures in Rand	2014	2013
16. Provisions (continued)		
Party:	Clover SA vs NLM	
Nature/description:	Clover SA paid the municipality for transfer of certain land in their name. Excess payment was made and the municipality failed to refund them hence they are suing the municipality.	
Instituting Attorneys:	Cornelius & Vennote Inc	
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.	
Estimated costs:	R23 000	
Party:	Isintu Projects CC	
Nature/description:	Isintu projects rendered meter reading services to the municipality in 2011 and the Municipality has not paid them for services rendered hence they are suing the municipality.	
Instituting Attorneys:	In-house	
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.	
Estimated costs:	R233 869.98	
Party:	A Vosloo	
Nature/description:	Adriaan Vosloo applied for the clearance certificates after he sold his property and the municipality failed to provide the certificates.	
Instituting Attorneys:	ADW van den Berg attorneys	
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.	
Estimated costs:	R38 000	
Party:	Phonebook Company	
Nature/description:	Phonebook company rendered advertisement services on behalf of the municipality and the municipality failed to pay as agreed.	
Instituting Attorneys:	In-house	
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.	
Estimated costs:	R68 000	
Party:	EG Majiedt Inc	
Nature/description:	EG Majiedt Inc effected transfers on behalf of their clients. They erroneously paid the municipality twice for one transaction of clearance certificates. Municipality allegedly neglected to refund them the said erroneously paid amount.	
Instituting Attorneys:	EG Majiedt Inc	
Prospects of success:	There are no prospects of successfully defending the matter.	
Estimated costs:	R73 000	
Party:	DDP Valuers	
Nature/description:	The municipality effected payment on previous settlement, but allegedly did not pay for the interest on this amount.	
Instituting Attorneys:	Symington, De Kock, Coetzer & Partners	
Prospects of success:	There are no prospects of defending the matter	
Estimated costs:	R36 736	
Party:	Stolen Believes	
Nature/description:	Stolen Believes sold and delivered certain properties to the municipality and the municipality failed to effect payment.	
Instituting Attorneys:	In-house	
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and effected payment.	
Estimated costs:	R32 229.16	

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Figures in Rand	2014	2013
17. Other financial liabilities		
At amortised cost		
DWA loan	-	30 544
Loans DBSA	8 633 708	15 182 705
INCA loan 1	652 461	671 534
Loans COGTA	19 074	35 080
	9 305 243	15 919 863
Total other financial liabilities	9 305 243	15 919 863
Non-current liabilities		
At amortised cost	9 305 243	15 919 863
Minimum lease payments due		
- within one year	671 534	2 703 390
- in second to fifth year inclusive	-	(2 070 000)
- later than five years	-	38 144
	671 534	671 534
18. Long service awards		
Movement for the year	10 478 000	10 478 000

Ngwathe offers bonuses for every 5 years of completed service from 5 years to 45 years. Below we outline the benefits awarded to qualifying employees.

Completed service (Years)	Long Service Bonus Awards	Determination of cash bonus
5	5 days accumulative leave + 2% of annual salary	$(5/250^* + 2\%) \times$ annual salary
10	10 days accumulative leave + 3% of annual salary	$(10/250^* + 3\%) \times$ annual salary
15	15 days accumulative leave + 4% of annual salary	$(15/250^* + 4\%) \times$ annual salary
20	15 days accumulative leave + 5% of annual salary	$(15/250^* + 5\%) \times$ annual salary
25, 30, 35, 40, 45	15 days accumulative leave + 6% of annual salary	$(15/250^* + 6\%) \times$ annual salary

*A day of accumulated leave worth leave is worth 1/250 of annual salary

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Ngwathe advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

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18. Long service awards (continued)

The portion of the bonus that is a percentage of annual salary is awarded within the month following the employee attaining the qualifying completed years of service.

Valuation of assets

The long service leave award liability of the municipality is unfunded. No dedicated assets had been set aside to meet this liability.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation	2 113 000	8 640 000
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Changes in the present value of the defined benefit obligation are as follows:

Balance at beginning of year	8 640 000	7 173 000
Current-service cost	1 206 000	1 001 000
Interest cost	681 000	582 000
Actuarial (Gain)/Loss	(762 000)	(646 000)
Employer Benefit Payments	1 418 000	530 000
Balance at end of year	11 183 000	8 640 000
Net expenses recognised in the statement of financial performance		
Total liability	1 206 000	1 001 000
Value of asset	681 000	582 000
Value of asset	1 418 000	530 000
Unfunded liability	3 305 000	2 113 000

Key Assumptions Used

Assumptions used at the reporting date:

Discount Rate	7.25%	8.25%
Consumer price inflation	6.25%	6.00%
Salary increase rate	7.15%	6.90%
Net Effective Discount rate	0.09%	1.26%

The effect of 1% p.a. change in the normal salary inflation assumption as follows:

	One percentage increase	One percentage decrease
Tota accrued liability	12 092 000	10 377 000
Current service cost	2 790 000	2 338 000

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18. Long service awards (continued)

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.

The amounts for the current annual reporting period and previous reporting period:

	30-Jun-13	30-Jun-12
Present value of obligation	11 183 000	8 640 000

19. Revenue

Interest received	30 358 836	21 442 747
Other income	1 628 684	1 637 293
Property rates	42 923 015	48 722 964
Rental of facilities and equipment	311 215	2 290 614
Service charges	315 690 954	256 291 158
Government grants & subsidies	147 282 325	202 258 568
Fines	826 390	1 096 771
	539 021 419	533 740 115

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

Service charges	315 690 954	256 291 158
Rental of facilities and equipment	311 215	2 290 614
Other income	1 628 684	1 637 293
Interest received - investment	30 358 836	21 442 747
	347 989 689	281 661 812

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

Taxation revenue		
Property rates	42 923 015	48 722 964
Transfer revenue		
Government grants	147 282 325	202 258 568
Fines	826 390	1 096 771
	191 031 730	252 078 303

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Figures in Rand	2014	2013
20. Service charges		
Sale of electricity	126 135 803	132 623 632
Sale of water	134 473 678	67 637 565
Sewerage and sanitation charges	25 997 562	30 204 555
Refuse removal	29 083 911	25 691 592
	315 690 954	256 157 344
21. Other income		
Auction fees	46 910	84 421
Administration fees	1 848	2 272
Building plans and inspections	102 900	86 336
Clearance certificates	77 875	68 157
Grave plots	698 417	629 323
Reconnection / connection fees	248 769	288 358
Sundry income	451 965	568 904
	1 628 684	1 727 771
22. Interest received		
Interest revenue		
Other financial asset	2 057 449	1 434 724
Interest charged on trade and other receivables	28 301 387	20 008 023
	30 358 836	21 442 747
	-	-
	30 358 836	21 442 747
The amount included in Investment revenue arising from exchange transactions amounted to R 28 301 387. (2012: R20 008 023)		
23. Property rates		
Rates received		
Residential	-	28 134 546
Business / Industrial / Commercial	-	8 231 008
Government	-	6 161 477
Public Benefit Organisations	42 923 015	(366 292)
Agriculture	-	27 450 265
Public Service Infrastructure	-	45 404
Schools	-	1 066 247
Vacant stands - residential	-	3 818 517
Other	-	2 316 338
Customer incentive	-	(28 965 047)
	42 923 015	47 892 463
Valuations		
Agriculture	-	3 023 046 501
Business / Industrial / Commercial	-	473 538 571
Government	-	259 293 001
Public Benefit Organisations	-	49 166 000
Public Service Infrastructure	-	4 560 000
Residential	-	2 949 214 814

Ngwathe Local Municipality

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Figures in Rand	2014	2013
23. Property rates (continued)		
Schools	-	45 164 000
Vacant stands residential	-	419 292 100
	<u>-</u>	<u>7 223 274 987</u>

	2014 Cents per Rand	2013 Cents per Rand
Parys		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0167	0.0176
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0089	0.0094
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
Heilbron		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0167	0.0176
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0089	0.0094
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
Vredefort		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0167	0.0176
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0089	0.0094
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
Koppies		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0167	0.0176
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0089	0.0094
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094

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Figures in Rand	2014	2013
23. Property rates (continued)		
Edenville		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0167	0.0176
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0089	0.0094
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
24. Government grants and subsidies		
Equitable share	143 172 000	153 983 000
Other grants	1 890 000	385 182
Municipal Infrastructure grant (MIG)	-	41 551 382
Government grant (operating) 4	670 325	-
Integrated national electrification programme (INEG)	-	4 387 958
Local government SETA (LGSETA)	-	275 675
Financial Management Grant (FMG)	1 550 000	1 615 475
	147 282 325	202 198 672
Conditional and unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	48 215 672	202 198 672
Unconditional grants received	-	153 983 000
	48 215 672	356 181 672
Equitable share		
Equitable share was received in terms of section 214(1) of the Constitution (Act no 108 of 1996). Households receive 6kl water, 50kWh electricity and basic sewer per month plus 4 kl water, additional sewer, refuse and R60 per month on rates to approved indigents.		
INEG		
Balance unspent at beginning of year	-	7 436 062
Conditions met - transferred to revenue	22 100 000	(4 387 958)
Other	-	(3 048 104)
	22 100 000	-
Conditions still to be met - remain liabilities (see note 15).		
In terms of the Constitution, the purpose of the grant is the electrification of municipal infrastructure.		
Other grants (including MSIG and EPWG)		

Ngwathe Local Municipality

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Figures in Rand	2014	2013
24. Government grants and subsidies (continued)		
Balance unspent at beginning of year	4 563 104	3 211 236
Current-year receipts	-	1 737 050
Conditions met - transferred to revenue	-	(385 182)
	4 563 104	4 563 104

Conditions still to be met - remain liabilities (see note 15).

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

MIG

Balance unspent at beginning of year	24 097 626	17 878 904
Current-year receipts	-	50 441 000
Conditions met - transferred to revenue	-	(41 551 382)
Other	47 889 000	(2 670 896)
	71 986 626	24 097 626

Conditions still to be met - remain liabilities (see note 15).

The grant is received for the purpose of improving the infrastructure of assets within the municipality.

Department of Water Affairs and Forestry

Balance unspent at beginning of year	<u>3 762 503</u>	<u>3 762 503</u>
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Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to subsidise and build capacity in water schemes operated within the municipality..

LGSETA

Balance unspent at beginning of year	2 199 345	1 120 057
Current-year receipts	-	1 354 964
Conditions met - transferred to revenue	-	(275 676)
	2 199 345	2 199 345

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to provide training for all employees at the Municipality through an accredited service provider.

FMG

Balance unspent at beginning of year	1 009 537	1 285 012
Current-year receipts	-	1 500 000
Conditions met - transferred to revenue	-	(1 615 475)
Other	65 159	(160 000)
	1 074 696	1 009 537

Conditions still to be met - remain liabilities (see note 15).

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

25. Employee related costs

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Figures in Rand	2014	2013
25. Employee related costs (continued)		
Basic salary	101 014 551	82 169 702
Bonus	8 916 896	15 542 740
Car allowance	5 006 231	4 698 027
Housing benefits and allowances	281 166	275 616
Leave pay provision charge	4 164 604	9 148 146
Medical aid- company contributions- includes councillors	7 396 738	5 967 138
Other allowances	8 593 545	6 668 654
Other payroll levies	3 145 783	2 287 523
Overtime payments	15 469 172	16 161 176
Post-employment benefits - Pension	17 338 735	29 824 164
UIF	1 223 131	964 441
	172 550 552	173 707 327
Remuneration of Adv TS Mokoena - Municipal Manager (01/07/2012 - 30/06/2013)		
Annual Remuneration	-	680 002
Car Allowance	-	167 106
Contributions to UIF, Medical and Pension Funds	-	1 713
	-	848 821
Remuneration ...		
	2 151 451	-
	3 451 365	-
	5 602 816	-
Remuneration of Mr OL Leeuw - Chief Finance Officer (01/03/2013 - 30/06/2013)		
Annual Remuneration	-	246 875
Car Allowance	-	79 689
Contributions to UIF, Medical and Pension Funds	-	3 226
	-	329 790
Remuneration of Mr TG Mkhuma - Acting Chief Financial Officer (01/07/2012 - 28/02/2013)		
Annual Remuneration	-	178 779
Car Allowance	-	118 796
Contributions to UIF, Medical and Pension Funds	-	44 971
	-	342 546
Remuneration of Mr TJ Mokoena - Chief Financial Officer (01/07/2011 - 30/04/2012)		
Remuneration of Mr KT Malebane - Director Technical services (01/09/2011 - 30/06/2013)		
Annual Remuneration	-	580 079
Car Allowance	-	106 162
Contributions to UIF, Medical and Pension Funds	-	62 683
	-	748 924
Remuneration of Mr HW Coetzer - Director Technical Services (01/07/2011 - 31/08/2011)		
Remuneration of Mr LD Kamolane - Director Community Services (01/04/2013 - 30/06/2013)		
Annual Remuneration	-	197 054
Contributions to UIF, Medical and Pension Funds	-	1 760

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Figures in Rand 2014 2013

25. Employee related costs (continued)

	-	198 814
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Remuneration of Mr PS Moroe - Director of Community Services (01/07/2011 - 30/04/2012)

Remuneration of Director Corporate Services

Annual Remuneration	-	628 504
	-	30 803
Car Allowance	-	120 410
Contributions to UIF, Medical and Pension Funds	-	66 087
Other	-	162 000
	-	1 007 804

The salaries paid for the year were not paid within the limits of the SALGA Bargaining Council determinations and resulted an overpayment of salaries to the councillors.

26. Remuneration of Councillors

Executive Major	813 432	757 297
Mayoral Committee Members	893 154	832 126
Speaker	357 510	333 422
Councillors	8 020 233	7 123 989
	10 084 329	9 046 834

Remuneration of Councillors

2014	Appointment date - Resignation date (if applicable)	Annual remuneration	Allowances	Company contribution	Total
Mochela M	2011/11/01	499 159	202 138	36 831	738 129
Ndayi PR	2000/12/05	370 421	191 711	27 297	589 430
Vandisi TL	2008/02/11	194 493	113 907	14 807	323 207
Serathi M	1995/11/01	194 468	113 906	14 807	323 182
Mandelstam GP	2000/12/05	233 334	75 066	-	308 400
Mopedi NP	2000/12/05	218 356	90 044	15 702	324 103
Schoonwinkel A	2006/03/01	218 356	90 044	15 702	324 103
Oliphant AM	2008/12/03	158 804	71 888	11 420	242 113
Bocibo C	02/06/2011	158 804	71 888	11 420	242 113
Vermaak SM	2006/03/01	157 925	72 767	11 403	242 096
Ndlovu NA	2006/03/01	158 804	71 888	11 420	242 113
Magashule ME	2014/02/26	158 804	71 888	11 420	242 113
Mvulane L	2006/03/01	158 804	71 888	11 420	242 113
Choni SP	2000/12/06	158 804	71 888	11 420	242 113
Khumalo KJ	2011/06/01	158 804	71 888	11 420	242 113
La Cock	2011/05/20 - 2013	48 416	21 470	-	69 886
Masooa MJ	2011/05/20	158 804	71 888	11 420	242 113
Mbele AM	2007/06/01	158 804	71 888	11 420	242 113
Mehlo LR	2011/05/20	158 802	71 890	11 420	242 113
Radebe DM	2011/05/20	158 804	71 888	11 420	242 113
Ramabitsa IM	2011/05/20	158 804	71 888	11 420	242 113
Ranthako MC	2011/05/20	158 804	71 888	11 420	242 113
Serfontein C	2011/05/01	233 334	75 066	-	308 400
Spence DI	2011/05/20	158 804	71 888	11 420	242 113
Swart AP	2011/05/20	158 804	71 888	11 420	242 113
Tlali LL	2011/05/20	157 963	72 829	11 051	241 844

Ngwathe Local Municipality

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Figures in Rand		2014	2013		
26. Remuneration of Councillors (continued)					
Modiko DV	2011/05/20	158 804	71 888	11 420	242 113
Mofokeng MM	2011/06/01	157 872	72 821	11 402	242 095
Mofokeng MD	2010/11/01	158 804	71 888	11 420	242 113
Mofokeng LM	2011/06/01	157 787	72 905	11 401	242 094
Sothoane BT	2006/03/01	158 812	71 880	-	230 693
De Beer VE	2011/05/20	158 804	71 888	-	230 693
Van Der Merwe PP	2006/03/01	158 812	71 880	-	230 693
Sothoane CE	2000/12/06	158 812	71 880	-	230 693
Seabi IS	2012/09/01	158 804	71 888	11 420	242 113
Molaphene PM	2012/09/01	166 280	64 412	-	-
Sehume NA	2013/05/01	169 698	57 396	-	227 095
Motsumi ME	2012/11/01	159 044	71 648	-	230 693
F SCHOLTZ	2014/01/10	71 215	32 910	-	104 126
Hlapane ML	2000/12/06	158 804	71 888	-	230 693
		2 011 052 792 339 471	1 279 239 471	375 963	10 350 382

2013

Bocibo CN	02/06/2011	143 596	55 923	10 142	209 661
Choni PS	02/06/2011	143 596	55 923	10 142	209 661
De Beer	02/06/2011	149 199	60 462	-	209 661
Hlapane ML	02/06/2011	1 491 984	60 462	-	209 661
Khumalo KJ	02/06/2011	149 199	60 462	-	209 661
Kruger S	02/06/2011 - 16	15 826	6 184	-	22 011
La Cock PJ	02/06/2011 - 27	138 809	67 184	-	205 993
Mafume MJ	02/06/2011 - 08	119 388	47 003	8 327	174 717
Magashule ME	02/06/2011	143 596	55 923	10 142	209 661
Mankoe MS	01/11/2011 - 20	45 892	19 213	-	65 105
Mareletse LZ	02/06/2011 - 01	26 848	11 911	-	40 360
Masooa MJ	02/06/2011	137 342	62 646	9 673	209 661
Mbele MA	02/06/2011	143 596	55 923	10 142	209 661
Mehlo LR	02/06/2011	143 596	55 923	10 142	209 661
Modiko DV	02/06/2011	143 596	55 923	10 142	209 661
Mofokeng DM	02/06/2011	149 199	60 459	-	209 659
Mofokeng ML	02/06/2011	143 596	55 923	10 142	209 661
Mofokeng MM	02/06/2011	143 599	55 919	10 142	209 661
Molaphene PP	10/12/2012	123 862	50 885	-	174 717
Molotsane RJ	02/06/2011 - 25	10 673	4 803	800	16 276
Motsumi ME	02/06/2011	103 307	41 249	-	144 555
Mvulane LS	02/06/2011	137 342	62 646	9 673	209 661
Ndlovu NA	02/06/2011	143 596	55 923	10 142	209 661
Oliphant AM	02/06/2011	143 596	55 923	10 142	209 661
Radebe DM	02/06/2011	137 342	62 646	9 673	209 661
Ramabitsa IM	02/06/2011	137 342	62 646	9 673	209 661
Renthako MC	02/06/2011	143 596	55 923	10 142	209 661
Seabi IM	01/08/2012	123 862	50 855	-	174 717
Sehume NA	08/03/2013	24 208	8 620	-	32 828
Spence D	02/06/2011	143 596	55 923	10 142	209 661
Swart AP	02/06/2011	149 199	60 462	-	209 661
Tlali LL	02/06/2011	143 596	55 923	10 142	209 661
Van der Merwe PP	02/06/2011	149 199	60 459	-	209 657
Vermaak SM	02/06/2011	147 478	55 923	10 562	213 963
Vothoane EC	02/06/2011	142 027	60 459	-	202 485
Other		-	-	-	834 065
Other		-	-	-	-
Other		-	-	-	-
Other		-	-	-	-
Other		-	-	-	-
Other		-	-	-	-

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Figures in Rand	2014	2013
26. Remuneration of Councillors (continued)		
Other	-	-
Other	-	-
	<u>5 676 360</u>	<u>5 676 360</u>
	<u>1 764 604</u>	<u>190 227</u>
	<u>7 123 989</u>	
27. Fair value adjustments		
Investments	<u>107 481</u>	<u>105 339</u>
28. Depreciation and amortisation		
Property, plant and equipment	<u>101 495 200</u>	<u>97 194 922</u>
29. Impairment of assets		
30. Finance costs		
Interest on loans	1 817 390	3 272 364
Bank interest	9 578	1 451
	<u>1 826 968</u>	<u>3 273 815</u>
31. Bulk purchases		
Electricity	136 794 200	118 254 342
Water	12 896 122	10 611 181
	<u>149 690 322</u>	<u>128 865 523</u>
32. Contracted services		
Security services	1 033 694	1 320 238
Specialist Services	2 352 457	5 694 054
Other Contractors	1 290 370	1 492 227
	<u>4 676 521</u>	<u>8 506 519</u>
Specialist services		
Security services	<u>2 352 457</u>	<u>2 352 457</u>
Other contractors		
Cash security	6 000	6 000
Cleaning services	1 738 229	1 738 229
Electricity pre paid service	4 924 394	4 924 394
Disconnection and re-connection of services	117 567	117 567
Printing services	1 326 704	1 326 704
Delivery of summonses/traffic fines	<u>1 847 977</u>	<u>1 847 977</u>
	<u>9 960 871</u>	<u>9 960 871</u>

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Figures in Rand	2014	2013
33. General expenses		
Advertising	677 116	369 591
Arts and culture markets	44 198	31 614
Auditors remuneration	1 993 666	1 398 701
Bank charges	848 593	868 174
Cleaning	908 408	492 382
Commission paid	2 648 286	76 067
Consulting and professional fees	-	3 500 736
Delivery expenses	(877)	436 661
Discount allowed	160 218	41 182
Donations	732 952	595 111
Entertainment	77 658	188 416
Hire	5 665 053	914 394
Insurance	2 633 380	2 691 944
Community development and training	1 866 418	3 098 321
IT expenses	126 036	42 500
Lease rentals on operating lease	2 845 818	2 215 695
Marketing	86 886	4 089
Horticulture	2 206 358	1 295 735
Promotions and sponsorships	301 000	305 693
Packaging	97 610	148 680
Fuel and oil	2 629 215	3 234 169
Postage and courier	1 493 394	1 166 730
Printing and stationery	2 101 001	1 899 208
Protective clothing	291 566	814 373
Project maintenance costs	1 995 689	19 130
Security (Guarding of municipal property)	2 424 839	4 380 851
Software expenses	102 160	147 814
Staff welfare	77 530	137 701
Subscriptions and membership fees	849 080	882 450
Telephone and fax	1 591 502	2 882 290
Transport and freight	530 560	475 720
Training	1 017 154	1 527 462
Refuse	-	8 218 441
Title deed search fees	2 984 722	(370)
Accommodation cost	528 638	492 392
Travel allowance	1 510 152	1 399 877
Upgrading of pump station	28 636 387	34 133 647
Rehabilitation cost - landfill	-	9 591 051
Youth development	349 007	282 853
Employee wellness	140 615	224 239
Water losses	-	233 717
Billing charges	31 618	-
Chemicals	7 401 298	5 964 421
Bad debts- indigents	43 330 759	59 460 672
Other expenses	4 880 494	9 690 749
	128 816 157	165 975 273
34. Auditors' remuneration		
Fees	1 993 666	1 398 701
35. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	311 215	2 290 614
Premises	-	-
Garages and parking	-	-
Facilities and equipment	311 215	2 290 614

Ngwathe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
35. Rental of facilities and equipment (continued)		
36. Cash generated from operations		
Deficit	(50 514 334)	(73 482 614)
Adjustments for:		
Depreciation and amortisation	101 495 200	97 194 922
Gain on sale of assets and liabilities	45 048	-
Fair value adjustments	(107 481)	(105 339)
Movements in provisions	(9 591 051)	13 091 788
Changes in working capital:		
Inventories	18 660	93 618
Sundry Debtors	(136 724)	(128 168)
Receivables from non-exchange transactions	(24 015 300)	(81 254 582)
Other non-cash items	(122 561 037)	(275 540)
Payables from exchange transactions	81 366 479	55 694 014
VAT	(32 165 073)	(10 506 097)
Unspent conditional grants and receipts	70 054 159	938 341
Consumer deposits	710 541	298 647
Long service awards	-	18 612 000
	14 599 087	20 191 033

37. Commitments

Authorised capital expenditure

Not yet contracted for and authorised by accounting officer

• Investment property	-	40 872 092
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

38. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a description of each individual prior error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.

1. Provision for landfill closure

Item were not accounted for as provision prior to the 2011/2012 reporting period.

The effect of this adjustment on the prior year is as follows:

Heading			
Heading			

2. Finance charges not accrued for in the prior year

The interest on the loan from Inca, was erroneously calculated in the prior year. The corrections were processed and the effect of the changes was as follows.

The effect of this adjustment on the prior year is as follows:

Heading			
Heading			

3. Grant roll-overs denied in the prior year

National treasury denied the application of roll-over requests for Ngwathe municipality. The amounts were withheld from the equitable share payments during the year.

The effect of this adjustment on the prior year is as follows:

	-	-	-
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Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013	
38. Prior period errors (continued)			
Heading			
Heading			
4. Investments impaired during the 2012 year			
During the year the municipality reviewed its investments for impairment. The following adjustments were required:			
The effect of this adjustment on the prior year is as follows:			
	-	-	-
Heading			
Heading			
5. Correction of Insurance expenses			
Correcting of insurance premiums incorrectly allocated to a sundry debtor in the 2012 year.			
The effect of this adjustment on the prior year is as follows:			
	-	-	-
Heading			
Heading			
6. Provision for Long service benefits			
The municipality had actuarial valuations performed on the long service awards as at 30 June 2012. The municipality raised the liability in this report.			
The effect of this adjustment on the prior year is as follows:			
	-	-	-
Heading			
Heading			
7. Post retirement medical aid benefit			
The municipality had an actuarial valuation performed on the post retirement medical aid benefit as at 30 June 2012. The provision was captured in the accounting records.			
The effect of this adjustment on the prior year is as follows:			
	-	-	-
Heading			
Heading			
Statement of financial position			
Property, plant and equipment		-	-
Reclassifications	Balance as previously reported	Reclassification	Restated balance
Revenue			
Service Charges	154 865 847	25 464 045	180 329 892
Property rates	68 562 318	(25 464 045)	43 098 273
Total revenue	<u>223 428 165</u>	<u>-</u>	<u>223 428 165</u>
	223 428 165	-	223 428 165
Expenditure			
Finance costs	10 388 608	(2 027 431)	8 361 177

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
38. Prior period errors (continued)		
General expenses	92 603 110	94 630 541
Total expenditure	102 991 718	102 991 718
	102 991 718	102 991 718

39. Contingencies

SALGA Wage Curve Agreement

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation.

Contingent liabilities

Department of Water Affairs

The municipality was summonsed for the payment on outstanding invoices for water supplied. The municipality do not agree with the outstanding amount due to the department and noted that some of the debt should have lapsed as it related debt from ten years ago. The municipality lodged a formal dispute which will require necessary investigations by both parties.

Department of Environmental Affairs and Tourism

The contingency disclosed for the Department of Environmental Affairs and Tourism pertains the possible fines that can be imposed on the municipality if it is found to have contravened or failed to comply with the National Environmental Management: Waste Act, 2008 as a result of the municipality having managed landfill sites without required permits. Consequently, the municipality will be liable to a fine not exceeding R10 000 000 (2012: R10 000 000) in terms of Section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) or to imprisonment for a period not exceeding 10 years for any person convicted of the offence, in addition to any other penalty or award that may be imposed or made in terms of the National Environmental Management Act.

Ngwathe Local Municipality

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Figures in Rand

2014

2013

39. (continued)

Legal contingencies

Party:	Anquest Construction Friedself joint Venture
Nature:	Anquest Construction joint venture is suing the municipality for breach of contract as a result of terminating the contract on erection of the Fezile stadium.
Instituting attorneys:	Werksmans attorneys
Reason:	
Party:	Vaal River Business Forum
Nature:	Vaal River Business Forum is suing the municipality for failing to provide basic water service as provided for in terms of s152 of the constitution of the RSA.
Instituting attorneys:	Rampai attorneys
Reason:	Despite the municipality's flaws to provide basic services a valid defence is in place.
Party:	Mispha
Nature:	Mispha applied for Emolument Attachment Order (EAO) to be implemented on certain employees of the municipality's salaries in their personal capacities. The municipality did not want to effect deductions as per the court order hence they sue the municipality to implement the court order.
Instituting attorneys:	Du Toit Mandelstam Attorneys
Reason:	The municipality's defence is based on the flawed procedures in obtaining the EOA.
Party:	Nashua t/a Siemens
Nature:	Nashua t/a Siemens is suing the municipality as a result of the municipality failing to effect payment for alleged rendered services.
Instituting attorneys:	Moroka attorneys
Reason:	No basis for this action as the municipality is of the opinion that payment of services has been effected.
Party:	Leshota
Nature:	Mr Leshota was allegedly involved in a motor vehicle accident which allegedly caused by the failure of the municipality to put up stop signs.
Instituting attorneys:	In-house
Reason:	The municipality cannot be held delictually liable for such accident.
Party:	GC van Zyl
Nature:	There have been power failures at complainants place and as a result certain properties of the complainant were damaged when power was restored.
Instituting attorneys:	ADW van Den Berg Attorneys
Reason:	The municipality cannot be held delictually liable for failure of plaintiff to insure his movable properties.
Party:	Masilela
Nature:	Masilela rendered legal services on behalf of the municipality until 2011 and the municipality allegedly failed to effect payment for such legal services hence he is suing the municipality.
Instituting attorneys:	In-house
Reason:	The attorney made unsubstantiated claims in previous law suits, resulting in rejection of claims and in some instances the claims had already been paid.
Party:	P Du Plessis
Nature:	The allegation is that the municipality neglected to secure a trench dug by them, the complainant fell into it and suffered damages.
Instituting attorneys:	In-house
Reason:	
Party:	Coetzer AM
Nature:	The complainants vehicle was badly damaged after driving into an urban area road allegedly full of potholes.
Instituting attorneys:	In-house

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
39. (continued)		
Reason:	Due to contributory negligence the municipality cannot be held liable for any losses.	
Party:	LR Grobler	
Nature:	Power failures at the complainants property occurred, as a result certain items on the property were damaged when power was restored.	
Instituting attorneys:	In-house	
Reason:	The municipality cannot be held liable due to the plaintiffs failure to insure his movable properties.	
Party:	T Swart	
Nature:	The complainants vehicle was badly damaged after driving into an urban area road allegedly full of potholes.	
Instituting attorneys:	In-house	
Reason:	Due to contributory negligence the municipality cannot be held liable for any losses.	
Party:	Erica Scotton	
Nature:	As a result of allegedly non-availability of a stop sign, the plaintiff had a motor vehicle accident.	
Instituting attorneys:	In-house	
Reason:	The municipality cannot be held delictually liable for such accident.	
Party:	JB Muller	
Nature:	Due to underground waterpipes which burst allegedly causing complainant's house to flood resulted in damages to her furnisher, hence she is claiming from the municipality for her losses.	
Instituting attorneys:	Kriek & Van Wyk Attorneys	
Reason:	The municipality cannot be held delictually liable for such accident.	
Party:	CJ de la Rey	
Nature:	Power failures at the complainants property occurred, as a result certain items on the property were damaged when power was restored.	
Instituting attorneys:	In-house	
Reason:	The municipality cannot be held liable due to the plaintiffs failure to insure his movable properties.	
Party:	Smadondo & J Sinaomadi	
Nature:	The plaintiffs alleged that they were unfairly dismissed from the municipality, after being appointed as officials in the PMU section of Technical services on a fixed term, which ended by effluxion of time.	
Instituting attorneys:	Ponoane attorneys	
Reason:	The employment was on contract base and ended on effluxion of time.	
Party:	Busiwe Mthimkulu	
Nature:	The plaintiff allege that she was unfairly dismissed from the municipality after being appointed in the office of the Speaker on a fixed term. The term of contracts ended by effluxion of time.	
Instituting attorneys:	JC Burger attorneys	
Reason:	The employment was on contract base and ended on effluxion of time.	
Party:	SAMWU obo Hlapane & others	
Nature:	The municipality allegedly failed to honour collective agreement, hence SAMWE declared a dispute to the labour court to compel the municipality to comply with the order.	
Instituting attorneys:	ADW van den Berg attorneys	
Reason:	The municipality partially complied with the award.	
Party:	SAMWU obo Mabona & Mothebe	
Nature:	The municipality allegedly failed to comply with the arbitration award to reimburse the plaintiffs for damages suffered as a result of unlawful suspensions, hence the plaintiffs referred the matter to the labour court to compel the municipality to comply with the award.	
Instituting attorneys:	ADW van den Berg attorneys	

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Figures in Rand	2014	2013
39. (continued)		
Reason:	The municipality partially complies with the award.	
Party:	SAMWU obo DTR Mosai	
Nature:	SAMWU	
Instituting attorneys:	Shongwe Attorneys	
Reason:	The municipality based the suspension on several acts of misconducts.	
Party:	Mapetla church congregations	
Nature:	The municipality allegedly transferred land to splinter church of Mapetla. Mapetla approached high court to reverse the decision of the municipality to transfer land to the splinter church.	
Instituting attorneys:	Cengcan and Associates	
Reason:	The transparent during the disposal of the said land.	
Party:	Mafunyane Wildlife CC	
Nature:	The complainants vehicle was badly damaged after driving into an urban area road allegedly full of potholes. Hence he is suing the municipality for neglecting to maintain and repair the roads.	
Instituting attorneys:	JC Burger attorneys	
Reason:	Due to contributory negligence the municipality cannot be held liable for any losses.	

40. Related parties

Relationships

Councilors interest

Check if any councilors have interest

Controlled entities

Refer to note

Joint ventures

Refer to note

Associates

Refer to note

Key management information

41. Irregular expenditure

Opening balance	15 417 665	13 979 366
Add: Irregular Expenditure - current year	5 409 394	-
Less: Amounts condoned	-	(7 120 624)
Less: Amounts recoverable (not condoned)	-	8 558 923
	20 827 059	15 417 665

Details of irregular expenditure not condoned

	Deviation that constitute condoned	
Single quote was sourced from the supplier database, it was an emergency request for Electrical work from the Technical Department	There was a power failure at Vredefort, community did not have access to electricity and due to that deviation was only alternative method to use in order to resolve the problems.	50 525
Single quote was sourced from the supplier database, it was an emergency request for Major service work from the Technical Department	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service of mechanic workshop in order to overcome the occurrence of deviations on basic related services.	90 780
Interest paid on late loan re-payment	The request was not advertised on national newspapers, notice board and website of the municipality due nature of cost or expense incurred this constitute Emergency Deviation as stipulated on bullet 1.2.6 of the report therefore the cost or expense cannot be recoverable.	761 198

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41. Irregular expenditure (continued)		
Three quotes were sourced from the supplier database, it was an emergency request for sodium hypo chlorite chemicals for purifying water from the Koppies Technical Department.	Reason for deviation; the chemicals at Koppies were urgently needed in order to purify the water for the community to consume healthy and fresh water.	47 743
Three quotes were sourced from the supplier database, it was an emergency request for Ferric Chloride chemicals for Vredefort water purification from the Technical Department	Reason for deviation. The chemicals at Parys were urgently needed in order to purify the water for the community to consume healthy and fresh water.	81 122
Three quotes were sourced from the supplier database, it was an emergency request for sodium hypo chlorite chemicals for cleaning water from the Vredefort Technical Department	The chemicals at Parys were urgently needed in order to purify the water for the community to consume healthy and fresh water.	38 532
Single quote was sourced from the supplier database, it was an emergency request for electrical truck service work from the Heilbron Technical Services Department	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service of mechanic workshop in order to overcome the occurrence of deviations on basic related services.	38 920
Single quote was sourced from the supplier database, it was an emergency request for refuse truck service work from the Community Services Department	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service of mechanic workshop in order to overcome the occurrence of deviations on basic related services.	182 454
Three quotes was sourced from the supplier database, it was an emergency request for Building Material for EPWP project by Technical Department	The chemicals at Koppies were urgently needed in order to purify the water for the community to consume healthy and fresh water.	49 925
Three quotes was sourced from the supplier database, it was an emergency request for Building Material (Toilet Structures) for EPWP project by Technical Department	The formal written quotations process was not followed, i.e. The request was not advertised for 7 days on the notice board and website of the municipality due to the Municipal strike this constitute Emergency Deviation as stipulated on bullet 1.2.2 of the report therefore the cost or expense cannot be recoverable. The material was urgently needed in order complete the toilet structures.	76 095
Three quotes was sourced from the supplier database, it was an emergency request for Arial bundle conductor after several household were left without access to electricity due to heavy rains.	The formal written quotations process was not followed, i.e. The request was not advertised for 7 days on the notice board and website of the municipality due to the power failure caused by heavy rains, this constitute Emergency Deviation as stipulated on bullet 1.2.2 of the report therefore the cost or expense cannot be recoverable.	47 880
Three quotes was sourced from the supplier database, it was an emergency request for Plumbing Materiial to fix a burst pipe in Parys by Technical Department	There was a pipe burst in Parys and the water was flowing all over the material were urgently needed in order to fix the pipe and stop water loss.	41 391
Three quotes was sourced from the supplier database, it was an emergency request for designing, printing and delivery of finance receipts at Vredefort by Technical Department	The paints at Mimosa were urgently needed in order to change phase of the place as part of attracting customers to generate revenue.	128 789
Three quotes were sourced from the supplier database, it was an emergency request for ferric Flocculent chemicals for cleaning at water Koppies Treatment plant Technical Department	The chemicals at Koppies were urgently needed in order to purify the water for the community to consume healthy and fresh water.	172 162
One quote was sourced from the supplier database, it was an emergency request for HT cables after several household were left without access to electricity due to heavy rains.	the community did not have access to electricity due to power failure caused by heavy rains and the material were urgently needed in order to fix the problem.	81 795

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Figures in Rand	2014	2013
41. Irregular expenditure (continued)		
Three quotes was sourced from the supplier database, it was an emergency request for cleaning of landfill site at Parys and Vredefort.	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service in order to overcome the occurrence of deviations on basic related services.	38 190
Three quotes were sourced from the supplier database, it was an emergency request for ferric Flocculent chemicals for cleaning at water Koppies Treatment plant Technical Department	The chemicals at Koppies were urgently needed in order to purify the water for the community to consume healthy and fresh water.	172 162
Three quotes was sourced from the supplier database, it was an emergency request for refuse removal truck to collect refuse in Parys	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service in order to overcome the occurrence of deviations on basic related services.	42 750
Three quotes was sourced from the supplier database, it was an emergency request for cleaning of refuse removal truck to collect all refuse at Parys	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service in order to overcome the occurrence of deviations on basic related services.	42 750
Three quotes was sourced from the supplier database, it was an emergency request for refuse removal truck to collect refuse in Parys	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service in order to overcome the occurrence of deviations on basic related services.	42 750
Three quotes was sourced from the supplier database, it was an emergency request for refuse removal truck to collect refuse in Parys	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service in order to overcome the occurrence of deviations on basic related services.	42 750
Three quotes was sourced from the supplier database, it was an emergency request for refuse removal truck to collect refuse in Parys	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service in order to overcome the occurrence of deviations on basic related services.	42 750
TThree quotes was sourced from the supplier database, it was an emergency request for tipper tucks to clean to landfill site at Parys (magasyn)	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service in order to overcome the occurrence of deviations on basic related services.	42 750
Three quotes was sourced from the supplier database, it was an emergency request for bull dozer to clean landfill site at Parys (magasyn)	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service in order to overcome the occurrence of deviations on basic related services.	84 741
Three quotes was sourced from the supplier database, it was an emergency request for tipper tucks to clean to landfill site at Parys (magasyn)	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service in order to overcome the occurrence of deviations on basic related services.	101 244
Three quotes was sourced from the supplier database, it was an emergency request for refuse truck to collect refuse in Tumahole	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service in order to overcome the occurrence of deviations on basic related services.	42 750
		42 750

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
41. Irregular expenditure (continued)		
Three quotes was sourced from the supplier database, it was an emergency request for refuse truck to collect refuse in Tumahole	SCM implemented the strategic procurement process the contract is on place for the period of three years for the said service in order to overcome the occurrence of deviations on basic related services. The municipal refuse truck broke down and the refuse truck was urgently needed in order to collect refuse in Tumahole.	42 750
		2 670 398

42. Additional disclosure in terms of Municipal Finance Management Act

VAT

VAT receivable	38 571 940	6 406 867
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VAT output payables and VAT input receivables are shown in note 8.

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

Councillors' arrear consumer accounts

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

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Bocibo CN	2 630	14 302	16 932
Choni PS	722	2 349	3 071
De Beer VE	817	2 749	3 566
Magashule	2 381	2 541	4 922
Mafuma MJ	1 403	2 782	4 185
Masike IR	1 274	18 010	19 284
Masooa MJ	1 282	2 109	3 391
Mbele MA	691	1 978	2 669
Mofokeng DM	664	2 221	2 885
Mofokeng LM	1 024	3 629	4 653
Moloko LR	757	9 662	10 419
Molotsane AM	2 617	21 895	24 512
Mopeli NP	664	1 972	2 636
Mvulane SL	672	2 950	3 622
Ndayi PR	8 575	2 094	10 669
Ndlovu NA	1 266	2 449	3 715
Ramabitsa IM	579	10 276	10 855
Seabi M	907	4 225	5 132
Ranthako MC	728	2 284	3 012
Serathi KM	3 905	2 671	6 576
Sothoane EC	6 854	14 787	21 641
Tladi LL	845	3 371	4 216
Vandisi TL	722	2 570	3 292
	41 979	133 876	175 855

During the year the above Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

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

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

43. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2004. Deviation from supply chain management regulations states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

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

44. Fruitless and wasteful expenditure

Opening balance	46 023 332	25 057 249
Bank account not in use but still incurs service fees	-	866
Eskom interest on overdue account	27 402 691	15 893 896
Employees tax - penalty and interest	-	2 085 815
Rand Water interest on overdue account	10 982	6 824
VAT - penalty and interest	-	112 490
Pension fund - interest paid on overdue account	3 388	13 639
INCA loan - penalty interest on loan	-	759 901
The phone book company - interest paid on overdue account	-	68 332
Ponoane Attorneys, Notaries & Conveyancers - interest paid on overdue account	134 793	77 442
Jansen Prokureurs - interest paid on overdue account	-	2 032
Symington De Kock Attorneys - interest paid on overdue account	55 871	53 650
Gous Vertue & Ass Ing - interest paid on overdue account	-	29 702
ADW Van Den Berg Attorneys - interest paid on overdue account	249 420	87 973
Shongwe Attorneys - interest paid on overdue account	-	83 085
L Mnguni & Associates - interest paid on overdue account	-	38 451
Rampai Attorneys - interest paid on overdue account	186 697	440 662
Steyn Lyell Maeyane - interest paid on overdue account	-	192 000
Cengcani & Associates - interest paid on overdue account	-	97 440
Lebea & Associates Attorneys - interest paid on overdue account	-	385 745
Cornelius & Partners - interest paid on overdue account	25 000	25 000
Lomas Walker Attorneys - interest paid on overdue account	-	83 237
JC Burger Attorneys - interest paid on overdue account	86 917	20 395
SALGA - interest paid on overdue account	1 062	18 764
Data M - interest paid on overdue account	-	420
Isintu Projects - interest paid on overdue account	308 738	-
Telkom - interest paid on overdue account	-	641
Water Affairs & Forestry - interest paid on overdue account	-	34 221
Kriek Van Wyk Inc - interest paid on overdue account	320 930	98 118
FOSTER PROKUREURS - interest paid on overdue account	8 336	-
GREHARD - interest paid on overdue account	5 400	-
DE WET LYELL - interest paid on overdue account	15 704	-
Du Toit Mandelstram-Interest on overdue accounts	20 427	-
Du Toit Swanepoel-Interest on overdue accounts	100 000	-
Grimbeek- Interest on overdue accounts	285 287	-
Kramer-Interest on overdue accounts	90 000	-
Johan Gouws-Interest on overdue accounts	393 317	-
Mhlabane-Interest on overdue accounts	9 184	-
Mokoka ATT- Interest on overdue accounts	225 461	-
Motaung ATT- Interest on overdue accounts	32 229	-
Sheriff- Parys-Interest on overdue accounts	1 549	-
Tafita-Interest on overdue accounts	98 000	-
	76 094 715	45 767 990

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

44. Fruitless and wasteful expenditure (continued)

45. Risk management

Financial risk management

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

Liquidity risk

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2014	2013
Interest rate swap	-	140 450 950
Fixed interest loan to X Ltd	-	65 557 568
Bank A	-	46 652 605
Bank B	-	(248 249 020)

46. Going concern

We draw attention to the fact that the municipality incurred a loss of R 73 486 561 (2012: R 103 083 432) for the year ended 30 June 2013. The municipality were unable to collect all outstanding debtors in a timely manner, resulting in the debtors days outstanding being much longer than the norm. The municipality were also not able to pay its outstanding creditors within the legislative timeframe of 30 days. The cash flow constraints experienced by the municipality together with the fact that the municipality incurred a loss for the year under review may be an indication that the municipality will not be able to meet its current liabilities and may cast doubt on the entity's ability to continue as a going concern.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer should ensure that the municipality recovers its outstanding debtors and continue to receive governments grants.

47. Budget differences

Material differences between budget and actual amounts

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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- 44.1 Incorrect budgeting for service charges resulted in the identified variance.
- 44.2 The under performance to budget is directly attributable to rental of the Mimosa resort and town hall facilities.
- 44.3 The budget was exceeded as more consumers were in arrears than originally anticipated.
- 44.4 Property rates levied exceed the budget due to duplication of some accounts.
- 44.5 Under estimation of grants to be received resulted.
- 44.6 The salary budget was over spent due to the absorption of temporary staff which were not budgeted for and excessive overtime.
- 44.7 Municipality made extra payments on the INCA loan to cover interest incurred and legal costs.
- 44.8 The actual expenditure versus the budget is 78.4% and is a result of cash flow problems experienced.
- 44.9 Short spending on budget directly related to supply chain constraints.
- 44.10 The municipality had to pay suppliers from the previous years in the current year thus resulting in over expenditure of general expenses budget.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages to in the annual report

Appendix A

June 2014

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Structured loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Funding facility							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South Africa							
Long term loan		15 182 705	-	-	15 182 705	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

Appendix A

June 2014

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		15 182 705	-	-	15 182 705	-	-
Bonds							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Other loans							
Loan 144		30 544	-	-	30 544	-	-
Loan INCA		2 703 390	(2 070 000)	(38 144)	671 534	-	-
Loan COGTA		5 000 000	-	-	5 000 000	-	-
Loan 73 IFC		35 080	-	-	35 080	-	-
		-	-	-	-	-	-
		7 769 014	(2 070 000)	(38 144)	5 737 158	-	-
Lease liability							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Annuity loans							
		-	-	-	-	-	-
		-	-	-	-	-	-

Appendix B

June 2014

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

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4 370 075	-	-	-	-	-	4 370 075	-	-	-	-	-	-	4 370 075
Landfill Sites (Separate for AFS purposes)	4 000 886	-	-	-	-	-	4 000 886	(2 631 661)	-	-	(133 363)	-	(2 765 024)	1 235 863
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	51 962 134	1 509 846	-	-	-	-	53 471 980	(14 256 553)	-	-	(878 729)	-	(15 135 282)	38 336 698
	60 333 095	1 509 846	-	-	-	-	61 842 941	(16 888 214)	-	-	(1 012 092)	-	(17 900 306)	43 942 636
Infrastructure														
Airports	2 264 000	-	-	-	-	-	2 264 000	(855 000)	-	-	(171 000)	-	(1 026 000)	1 238 000
Water	163 599 457	-	-	-	-	-	163 599 457	(31 192 145)	-	-	(6 092 225)	-	(37 284 370)	126 315 087
Sewerage	84 434 686	-	-	-	-	-	84 434 686	(10 751 341)	-	-	(1 863 224)	-	(12 614 565)	71 820 121
Electricity	499 926 543	-	-	-	-	-	499 926 543	(144 399 328)	-	-	(28 964 835)	-	(173 364 163)	326 562 380
Under construction	104 923 237	177 463 550	-	-	-	-	282 386 787	-	-	-	(6 417 882)	-	(6 417 882)	275 968 905
Roads	673 739 320	21 807 477	-	-	-	-	695 546 797	(262 069 346)	-	-	(52 847 596)	-	(314 916 942)	380 629 855
	1 528 887 243	199 271 027	-	-	-	-	1 728 158 270	(449 267 160)	-	-	(96 356 762)	-	(545 623 922)	1 182 534 348
Other Assets														
Office Equipment	910 630	-	-	-	-	-	910 630	(651 650)	-	-	(157 902)	-	(809 552)	101 078
Furniture & Fittings	8 746 266	-	-	-	-	-	8 746 266	(6 858 791)	-	-	(1 408 002)	-	(8 266 793)	479 473
Plant & Machinery	3 632 264	-	-	-	-	-	3 632 264	(2 142 356)	-	-	(473 222)	-	(2 615 578)	1 016 686
Motor Vehicles	12 534 557	-	-	-	-	-	12 534 557	(7 224 019)	-	-	(1 498 710)	-	(8 722 729)	3 811 828
Computer Equipment	3 183 047	-	-	-	-	-	3 183 047	(2 173 866)	-	-	(543 237)	-	(2 717 103)	465 944
Computer Software	226 367	-	-	-	-	-	226 367	(65 547)	-	-	(45 273)	-	(110 820)	115 547
	29 233 131	-	-	-	-	-	29 233 131	(19 116 229)	-	-	(4 126 346)	-	(23 242 575)	5 990 556

Appendix B

June 2014

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

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Investment

Investment Property	152 718 000	-	-	-	-	-	152 718 000	-	-	-	-	-	152 718 000
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	152 718 000	-	-	-	-	-	152 718 000	-	-	-	-	-	152 718 000

Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

June 2014

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

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Total property plant and equipment	1 771 171 469	200 780 873	-	-	-	-	1 971 952 342	(485 271 603)	-	-	(101 495 200)	-	(586 766 803)	1 385 185 540
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1 771 171 469	200 780 873	-	-	-	-	1 971 952 342	(485 271 603)	-	-	(101 495 200)	-	(586 766 803)	1 385 185 540

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4 370 075	-	-	-	-	-	4 370 075	-	-	-	-	-	-	4 370 075
Landfill Sites (Separate for AFS purposes)	4 000 886	-	-	-	-	-	4 000 886	(2 498 298)	-	-	(133 363)	-	(2 631 661)	1 369 225
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	51 962 134	-	-	-	-	-	51 962 134	(11 375 683)	-	-	(2 880 870)	-	(14 256 553)	37 705 581
	60 333 095	-	-	-	-	-	60 333 095	(13 873 981)	-	-	(3 014 233)	-	(16 888 214)	43 444 881
Infrastructure														
Airports	2 264 000	-	-	-	-	-	2 264 000	(684 000)	-	-	(171 000)	-	(855 000)	1 409 000
Roads	673 739 320	-	-	-	-	-	673 739 320	(209 479 498)	-	-	(52 589 847)	-	(262 069 345)	411 669 975
Sewerage	84 434 686	-	-	-	-	-	84 434 686	(8 308 083)	-	-	(2 443 259)	-	(10 751 342)	73 683 344
Electricity	499 926 543	-	-	-	-	-	499 926 543	(115 434 493)	-	-	(28 964 835)	-	(144 399 328)	355 527 215
Water	163 599 457	-	-	-	-	-	163 599 457	(24 872 235)	-	-	(6 319 910)	-	(31 192 145)	132 407 312
Under construction	104 923 237	-	-	-	-	-	104 923 237	-	-	-	-	-	-	104 923 237
	1 528 887 243	-	-	-	-	-	1 528 887 243	(358 778 309)	-	-	(90 488 851)	-	(449 267 160)	1 079 620 083
Other Assets														
Office equipment	910 630	-	-	-	-	-	910 630	(529 881)	-	-	(121 769)	-	(651 650)	258 980
Furniture & fittings	8 746 266	-	-	-	-	-	8 746 266	(5 609 446)	-	-	(1 249 345)	-	(6 858 791)	1 887 475
Plant & machinery	3 632 264	-	-	-	-	-	3 632 264	(1 717 139)	-	-	(425 216)	-	(2 142 355)	1 489 909
Motor Vehicles	12 534 557	-	-	-	-	-	12 534 557	(5 855 279)	-	-	(1 368 740)	-	(7 224 019)	5 310 538
Computer Equipment	3 183 047	-	-	-	-	-	3 183 047	(1 737 139)	-	-	(436 727)	-	(2 173 866)	1 009 181
Computer software	226 367	-	-	-	-	-	226 367	(20 274)	-	-	(45 273)	-	(65 547)	160 820
	29 233 131	-	-	-	-	-	29 233 131	(15 469 158)	-	-	(3 647 070)	-	(19 116 228)	10 116 903

Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Investment property

Investment property	152 718 000	-	-	-	-	-	152 718 000	-	-	-	-	-	-	152 718 000
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	152 718 000	-	-	-	-	-	152 718 000	-	-	-	-	-	-	152 718 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation	Accumulated depreciation
------------------	--------------------------

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	1 771 171 469	-	-	-	-	-	1 771 171 469	(388 121 448)	-	-	(97 150 154)	-	(485 271 602)	1 285 899 867
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1 771 171 469	-	-	-	-	-	1 771 171 469	(388 121 448)	-	-	(97 150 154)	-	(485 271 602)	1 285 899 867

Appendix E(1)

June 2014

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

	Current year 2014 Act. Bal.	Current year 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	315 690 955	-	315 690 955	-	
	-	-	-	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	311 215	-	311 215	-	
Interest received (trading)	-	-	-	-	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Licences and permits	-	-	-	-	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	1 628 683	-	1 628 683	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	
Interest received - investment	30 358 836	-	30 358 836	-	
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	347 989 689	-	347 989 689	-	

Appendix E(1)

June 2014

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

	Current year 2014 Act. Bal.	Current year 2014 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Expenses				
Personnel	(172 550 552)	-	(172 550 552)	-
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(10 084 329)	-	(10 084 329)	-
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(101 495 200)	-	(101 495 200)	-
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(1 826 968)	-	(1 826 968)	-
Debt impairment	-	-	-	-
Collection costs	-	-	-	-
Repairs and maintenance - Manufacturing expenses	-	-	-	-
Repairs and maintenance - General	(20 458 137)	-	(20 458 137)	-
Repairs and maintenance - General	-	-	-	-
Bulk purchases	(149 690 322)	-	(149 690 322)	-
Contracted Services	(4 676 520)	-	(4 676 520)	-
Grants and subsidies paid	-	-	-	-
Cost of housing sold	-	-	-	-
General Expenses	(128 816 159)	-	(128 816 159)	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	(589 598 187)	-	(589 598 187)	-
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	-	-	-	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	107 481	-	107 481	-
Gains or losses on biological assets and agricultural produce	(45 048)	-	(45 048)	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-

Appendix E(1)

June 2014

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

	Current year 2014 Act. Bal.	Current year 2014 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	62 433	-	62 433	-
Net surplus/ (deficit) for the year	(241 546 065)	-	(241 546 065)	-

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
 June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
FMG	Ngwathe	1 500	-	-	-	126	194	120	1 176	-	-	(160)	-	Unspent roll over denied	Yes	
MIG	Ngwathe	24 475	19 124	6 842	-	2 784	11 978	5 773	21 016	-	-	(2 700)	-	Unspent roll over denied	Yes	
INEG	Ngwathe	-	-	-	-	-	1 372	1 255	2 381	-	-	(3 048)	-	Unspent roll over denied	Yes	
MSIG	Ngwathe	800	-	-	-	-	-	161	78	-	-	-	-		Yes	
Public works	Ngwathe	397	298	298	-	-	49	138	16	-	-	-	-		Yes	
LG Seta	Ngwathe	266	-	939	150	65	11	55	144	-	-	-	-		Yes	
Equitable share	Ngwathe	64 160	10 656	73 288	-	-	-	-	-	-	-	-	-			
		91 598	30 078	81 367	150	2 975	13 604	7 502	24 811	-	-	(5 908)	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Note: The above figures have been rounded to the nearest one thousand rands (R'000).